

**COUNTY LINE SPECIAL UTILITY DISTRICT**

FINANCIAL STATEMENTS AND AUDITOR'S REPORT  
December 31, 2016

*Comparative financial statement for December 31, 2015, and  
With TSI 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 \_\_\_\_\_, 2017 its annual audit report for the fiscal period ended December 31, 2016 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: \_\_\_\_\_, 2016 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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# **BASIC FINANCIAL STATEMENTS**

# Stephen W Cook



CERTIFIED PUBLIC ACCOUNTANT, PLLC  
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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, 2016, 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 my audit opinion.

**Opinion**

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, 2016 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 the supplementary information beginning on page 25, and the TSI reports beginning on page 32. 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, PLLC*

Stephen W. Cook, CPA  
March 4, 2017  
San Antonio, Texas 78216

# COUNTY LINE SPECIAL UTILITY DISTRICT

## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2016

### 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, 2016. 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 \$236,330 to \$11,706,120.
- Total liabilities decreased \$285,332 to \$3,952,807.
- Total net assets increased \$521,662 to \$7,753,313.
- Total revenues increased \$263,256.
- Total operating expenses increased \$191,889.
- Total administrative expenses decreased \$37,379.

### 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 solely as an enterprise fund.

**COUNTY LINE SPECIAL UTILITY DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2016

**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 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.



**COUNTY LINE SPECIAL UTILITY DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2016

**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.

<b>Statement of Net Assets</b>		
	<u><b>2016</b></u>	<u><b>2015</b></u>
Current and other assets	\$ 3,839,269	\$ 3,386,574
Capital assets	7,866,851	8,083,216
<b>Total assets</b>	<u>11,706,120</u>	<u>11,469,790</u>
Current liabilities	843,257	870,807
Non-current liabilities outstanding	3,109,550	3,367,332
<b>Total liabilities</b>	<u>3,952,807</u>	<u>4,238,139</u>
Investment in capital asset, net	4,818,016	4,380,387
Temporarily Restricted	592,526	0
Unrestricted	2,342,771	2,851,264
<b>Total Net Assets</b>	<u>7,753,313</u>	<u>7,231,651</u>
<b>Total Liabilities and Net Assets</b>	<u>\$ 11,706,120</u>	<u>\$ 11,469,790</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, 2016 and 2015.

<b>Statement of Revenues, Expenses and Changes in Net Assets</b>		
	<u><b>2016</b></u>	<u><b>2015</b></u>
Revenues:		
Operating revenue	\$ 2,476,342	\$ 2,284,453
Non-operating revenue	95,312	23,945
<b>Total revenues</b>	<u>2,571,654</u>	<u>2,308,398</u>
Expenses:		
Operations	1,729,459	1,518,240
Administrative	320,533	357,912
<b>Total expenses</b>	<u>2,049,992</u>	<u>1,876,152</u>
<b>Increase (Decrease) in Net Assets</b>	521,662	432,246
Total Net Assets - Beginning of Year	7,231,651	6,799,405
Adjustments	0	0
<b>Total Net Assets - End of Year</b>	<u>\$ 7,753,313</u>	<u>\$ 7,231,651</u>

Direct water sales were 75% of all revenues. Other water revenues were 22% of revenues.

**COUNTY LINE SPECIAL UTILITY DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2016

**Capital Assets and Debt**

At December 31, 2016, the District had \$7,866,851 in net capital assets. Additional information on the District's capital assets can be found in Note 6.

	<u>Balance</u> <u>12-31-2015</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12-31-2016</u>
Capital assets not being depreciated				
Land and easements	\$ 101,660	\$ 44,300	\$	\$ 145,960
Water rights	<u>1,874,390</u>	<u>                    </u>	<u>                    </u>	<u>1,874,390</u>
Total assets not being depreciated	1,976,050	44,300	<u>                    </u>	2,020,350
Capital assets being depreciated/amortized				
SUD conversion & Legal Fees	157,181			157,181
System and equipment	5,585,890			5,585,890
Water plants	3,528,681			3,528,681
Building and improvements	117,174			117,174
Vehicles	<u>74,693</u>	<u>                    </u>	<u>                    </u>	<u>74,693</u>
Total capital assets being depreciated/amortized	<u>9,463,619</u>	<u>                    </u>	<u>                    </u>	<u>9,463,619</u>
Less accumulated depreciation/amortization	<u>3,356,453</u>	<u>260,665</u>	<u>                    </u>	<u>3,617,118</u>
Total assets being depreciated/amortized, net	<u>6,107,166</u>	<u>260,665</u>	<u>                    </u>	<u>5,846,501</u>
Total capital assets	<u>\$ 8,083,216</u>	<u>\$ 304,965</u>	<u>\$</u>	<u>\$ 7,866,851</u>

At the same time the District had outstanding debt of \$3,348,583. Of this amount, \$239,033 is considered to be current. Additional information on the District's outstanding debt may be found in Note 6.

**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 2016 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)

**COUNTY LINE SPECIAL UTILITY DISTRICT**

## STATEMENT OF NET ASSETS

December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>Assets</b>		
Current Assets		
Cash and cash equivalents	\$ 730,860	\$ 795,508
Investments	2,663,073	2,147,687
Water fees receivable (net)	192,612	190,655
Due from developers	238,224	238,224
Inventory	14,500	14,500
Total Current Assets	<u>3,839,269</u>	<u>3,386,574</u>
Capital Assets		
Land and easements	145,960	101,660
Water rights	1,874,390	1,874,390
SUD Conversion & legal fees (net of amortization)	124,601	128,530
Building, Plant and Equipment (net of depreciation)	<u>5,721,900</u>	<u>5,978,636</u>
Total Capital Assets	<u>7,866,851</u>	<u>8,083,216</u>
Total Assets	<u>\$ 11,706,120</u>	<u>\$ 11,469,790</u>
<b>Liabilities and Net Assets</b>		
Current Liabilities		
Accrued benefits	\$ 0	\$ (2,402)
Deferred revenues	151,420	249,864
Customer deposits payable	452,804	416,378
Current portion of long-term debt	<u>239,033</u>	<u>206,967</u>
Total Current Liabilities	<u>843,257</u>	<u>870,807</u>
Notes payable, net of current portion	<u>3,109,550</u>	<u>3,367,332</u>
Total Liabilities	<u>3,952,807</u>	<u>4,238,139</u>
Net Assets		
Invested in Capital Assets, Net of Related Debt	4,818,016	4,380,387
Unrestricted	2,342,771	2,851,264
Temporarily restricted	<u>592,526</u>	<u>0</u>
Total Net Assets	<u>7,753,313</u>	<u>7,231,651</u>
Total Liabilities and Net Assets	<u>\$ 11,706,120</u>	<u>\$ 11,469,790</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, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenue	\$ 2,476,342	\$ 2,284,453
Operating Expenses	<u>1,729,459</u>	<u>1,518,240</u>
Net Operating Revenues (Expenses)	746,883	766,213
Nonoperating Revenues (Expenses)		
Interest income	16,943	4,434
Other income	78,369	19,511
Administrative expenses	<u>(320,533)</u>	<u>(357,912)</u>
Total Nonoperating Revenue (Expenses)	<u>(225,221)</u>	<u>(333,967)</u>
Change in Net Assets	521,662	432,246
Net Assets - Beginning	7,231,651	6,799,405
Reclasses (See Note 7)	<u>0</u>	<u>0</u>
Net Assets - Ending	<u>\$ 7,753,313</u>	<u>\$ 7,231,651</u>

**COUNTY LINE SPECIAL UTILITY DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments received from customers	\$ 2,573,611	\$ 2,309,446
Payments to suppliers of goods and services	(1,528,774)	(1,342,606)
Payments of salaries	<u>(292,016)</u>	<u>(257,942)</u>
<b>Net cash provided by operating activities</b>	752,821	708,898
 <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Principal payments on bonds and notes	(257,783)	(897,987)
Rounding	<u>-</u>	<u>0</u>
<b>Net cash provided (used) by capital and related financing activities</b>	(257,783)	(897,987)
 <b>CASH FLOWS FORM INVESTING ACTIVITY</b>		
Additions to property and equipment	<u>(44,300)</u>	<u>(706,101)</u>
<b>Net cash provided (used) by investing activities</b>	(44,300)	(706,101)
 <b>Net increase (decrease) in cash and cash equivalents</b>	450,738	(895,190)
Cash and equivalents - beginning of year	<u>2,943,195</u>	<u>3,838,385</u>
<b>Cash and equivalents - end of year</b>	<u>\$ 3,393,933</u>	<u>\$ 2,943,195</u>
 <b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
<b>Change in net assets</b>	\$ 521,662	\$ 432,246
Depreciation and amortization	260,666	260,665
(Increase) decrease in accounts receivable	(1,957)	(1,048)
(Increase) decrease in inventory	0	1,090
(Increase) decrease in developer receivables	0	302,683
Increase (decrease) in accrued bond interest	0	(12,521)
Increase (decrease) in accounts payable and accrued liabilities	(96,042)	(301,725)
Increase (decrease) in customer deposits	36,426	33,892
Increase (decrease) in current portion debt	<u>32,066</u>	<u>(6,384)</u>
<b>Net cash provided (used) by operating activities</b>	<u>\$ 752,821</u>	<u>\$ 708,898</u>

# COUNTY LINE SPECIAL UTILITY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

### **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, 2016

#### **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, 2016

### **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 \$2,500 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, 2016

### **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 March 4, 2017 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, 2016 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, 2016

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%	\$ 730,860	\$ 797	21.53%
<b>Investments:</b>					
Ozona	CD	0.35%	102,790	309	3.03%
Ozona	CD	0.55%	102,660	583	3.02%
First Lockhart National Bank	CD	0.60%	104,006	1,635	3.06%
Logic Investments		0.01%	2,353,617	13,619	69.35%
			<u>2,663,073</u>	<u>16,146</u>	<u>78.47%</u>
			<u>\$ 3,393,933</u>	<u>\$ 16,943</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, 2016

#### *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, 2016, 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 \$2,342,771.

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

December 31, 2016

**NOTE 5 – RECEIVABLES**

Accounts receivable from members represent unpaid water usage. The District uses the direct write-off method for bad debts. At December 31, 2016 the accounts receivable amount was \$192,612.

**Summary of Water Receivables and Usage**

Balance at 12/31/2015	Water Billing	Payments Received	Balance at 12/31/2016
\$190,655	\$1,934,043	\$1,932,086	\$192,612
Water pumped		272,246,000	Gallons
Water sold		216,893,000	Gallons
Number of meters at year-end		2686	

**NOTE 6 – CAPITAL ASSETS**

A summary of changes in capital assets for the year ended December 31, 2016, follows:

	<b>Balance 12-31-2015</b>	<b>Increases</b>	<b>Decreases</b>	<b>Balance 12-31-2016</b>
Capital assets not being depreciated				
Land and easements	\$ 101,660	\$ 44,300	\$	\$ 145,960
Water rights	<u>1,874,390</u>	<u>          </u>	<u>          </u>	<u>1,874,390</u>
Total assets not being depreciated	1,976,050	44,300		2,020,350
Capital assets being depreciated/amortized				
SUD conversion & Legal Fees	157,181			157,181
System and equipment	5,585,890			5,585,890
Water plants	3,528,681			3,528,681
Building and improvements	117,174			117,174
Vehicles	<u>74,693</u>	<u>          </u>	<u>          </u>	<u>74,693</u>
Total capital assets being depreciated/amortized	<u>9,463,619</u>	<u>          </u>	<u>          </u>	<u>9,463,619</u>
Less accumulated depreciation/amortization	<u>3,356,453</u>	<u>260,665</u>	<u>          </u>	<u>3,617,118</u>
Total assets being depreciated/amortized, net	<u>6,107,166</u>	<u>260,665</u>	<u>          </u>	<u>5,846,501</u>
Total capital assets	<u>\$ 8,083,216</u>	<u>\$ 304,965</u>	<u>\$</u>	<u>\$ 7,866,851</u>

Depreciation and amortization expense for the year was \$260,665. Of this amount, \$254,875 was allocated to operating expenses and \$1,861 was allocated to administrative expenses. Amortization expense for the year was \$3,929.

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

December 31, 2016

**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, 2016, the following changes occurred in long-term liabilities:

Canyon Regional Water Authority for 10% of prior years of HCPUA operating costs and expenses, initial amount \$375,000 paid in 20 equal installments of \$18,750 due on May 1, 2015, ending May 1, 2034.	\$ 337,500
Less: current principal	<u>18,750</u>
Long-term debt	<u><u>\$ 318,750</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:			
2017	18,750		18,750
2018	18,750		18,750
2019	18,750		18,750
2020	18,750		18,750
2021	18,750		18,750
Remainder	<u>243,750</u>		<u>243,750</u>
	<u><u>\$ 337,500</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 337,500</u></u>

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

	\$ 576,492
Less: current principal	<u>36,921</u>
Long-term debt	<u><u>\$ 539,571</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:			
2017	36,921	33,455	70,376
2018	39,170	31,401	70,571
2019	41,419	29,188	70,607
2020	43,668	26,822	70,490
2021	45,917	24,310	70,227
Remainder	<u>369,397</u>	<u>86,695</u>	<u>456,092</u>
	<u><u>\$ 576,492</u></u>	<u><u>\$ 231,871</u></u>	<u><u>\$ 808,363</u></u>

**COUNTY LINE SPECIAL UTILITY DISTRICT**

**NOTES TO THE FINANCIAL STATEMENTS**

December 31, 2016

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

	\$ 1,493,892
Less: current principal	<u>158,929</u>
Long-term debt	<u>\$ 1,334,963</u>

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

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Years ending December 31:			
2017	158,929	96,207	255,136
2018	168,863	85,972	254,835
2019	180,107	75,097	255,204
2020	192,290	63,498	255,788
2021	204,847	51,115	255,962
Remainder	<u>588,856</u>	<u>70,909</u>	<u>659,765</u>
	<u>\$ 1,493,892</u>	<u>\$ 442,798</u>	<u>\$ 1,936,690</u>

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

	\$ 940,698
Less: current principal	<u>24,432</u>
Long-term debt	<u>\$ 916,266</u>

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

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Years ending December 31:			
2017	24,432	48,357	72,789
2018	26,253	47,100	73,353
2019	28,074	45,751	73,825
2020	29,136	44,308	73,444
2021	29,895	42,810	72,705
Remainder	<u>802,908</u>	<u>239,384</u>	<u>1,042,292</u>
	<u>\$ 940,698</u>	<u>\$ 467,710</u>	<u>\$ 1,408,408</u>

The total amount of interest expense paid and accrued during the year was \$195,745.

# COUNTY LINE SPECIAL UTILITY DISTRICT

## NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

### **NOTE 8 – 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:

<u>Type of Policy</u>	<u>Coverage Period</u>		<u>Coverage Amount</u>
	<u>Beginning</u>	<u>Ending</u>	
Workers' compensation	01-2016	12-2016	STATUTORY
Vehicle	01-2016	12-2016	\$1,000,000
Umbrella	01-2016	12-2016	\$4,300,000
Directors	01-2016	12-2016	\$4,000,000
Employee	01-2016	12-2016	\$100,000
General liability	01-2016	12-2016	\$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 9 – 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. Both the CRWA and the District agreed that the value of these prior services was \$375,000. The District agreed to repay this amount over twenty years in equal annual installments of \$18,750.

**COUNTY LINE SPECIAL UTILITY DISTRICT**

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2016

**NOTE 10 – OFFICERS, DIRECTORS AND KEY PERSONNEL**

<u>Name</u>		<u>Position</u>	<u>Term Expires, May</u>	<u>Paid 2016</u>
<b>Board of Directors:</b>				
Chris Betz	Elected	President	2018	\$ 1650
Karen Gallaher	Elected	Sec/Trea	2016	750
C J Hall	Elected	Director	2016	300
William Ilse	Elected	Director	2017	675
Brett Burich	Elected	Director	2018	450
Vikki Hunter	Elected	Director	2016	375
 <b>Key Personnel:</b>				
Daniel Heideman		Manager		85,915
Doug Schnautz		Asst. Manager		58,595
Susan Browning		Office Mgr.		50,846
John Hohn		Attorney		11,118
Stephen W Cook, CPA, PLLC		Auditor		6,150
Southwest Engineers, Inc.		Engineer		\$ 68,951



## **SUPPLEMENTARY INFORMATION**

**COUNTY LINE SPECIAL UTILITY DISTRICT**  
**SUPPLEMENTAL SCHEDULE - ONE**  
**COMPARATIVE SCHEDULE OF WATER AND RELATED REVENUES**  
For the Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Operating Revenues		
Water sales (net of refunds)	\$ 1,930,624	\$ 1,915,932
New account fees	455,054	257,041
Installment fees	83,964	105,160
Administrative fees	6,700	6,320
Other fees	<u>0</u>	<u>0</u>
Total Operating Revenues	2,476,342	2,284,453
Other Revenues		
Lease income	22,251	17,111
Interest income	16,943	4,434
Other Income	<u>56,118</u>	<u>2,400</u>
Total Other Revenues	95,312	23,945
Total Revenues	<u>\$ 2,571,654</u>	<u>\$ 2,308,398</u>

**COUNTY LINE SPECIAL UTILITY DISTRICT**  
**SUPPLEMENTARY INFORMATION - SCHEDULE TWO**  
**SCHEDULE OF EXPENSES - ACTUAL vs BUDGET**  
For the Year Ended December 31, 2016

	Operating		Administrative		Totals	
	Actual	Budget	Actual	Budget	Actual	Budget
Salaries	\$ 241,170	\$ 240,000	\$ 50,846	\$ 50,000	\$ 292,016	\$ 290,000
Payroll taxes	19,514	20,000	4,103	4,000	23,617	24,000
Benefits	19,595	20,000	4,013	4,000	23,608	24,000
Bank fees						
CRWA expenses	770,547	775,000			770,547	775,000
Dues and fees	4,257	4,000	1,981	3,900	6,238	7,900
EAA water rights	24,479	25,000			24,479	25,000
Engineering expenses	43,061	45,000			43,061	45,000
Insurance	14,683	15,000			14,683	15,000
Interest expense			195,745	195,000	195,745	195,000
Line locates	1,811	1,200			1,811	1,200
Professional fees			19,280	8,500	19,280	8,500
Plant chemicals	3,019	5,000			3,019	5,000
Meeting expenses			1,303	1,000	1,303	1,000
Office supplies			17,843	12,000	17,843	12,000
Postage and freight			8,171	7,700	8,171	7,700
RM-distribution system-materials	127,473	130,000			127,473	130,000
RM-distribution system-labor	33,724	35,000			33,724	35,000
RM-plant-materials	558	1,000			558	1,000
RM-plant-labor	33,461	30,000			33,461	30,000
RM-plant-other	54,501	50,000	2,215	2,500	56,716	52,500
Samples	4,112	4,000			4,112	4,000
Small tools	5,300	5,000			5,300	5,000
Stipend			5,400	10,000	5,400	10,000
Taxes			779		779	
TCEQ	16,110	15,000			16,110	15,000
Training and development	3,093	5,000			3,093	5,000
Telephone and communication	3,891	3,000	2,594	2,500	6,485	5,500
Utilities	32,130	30,000	469	450	32,599	30,450
Vehicle	14,077	12,000			14,077	12,000
Uniforms	4,018	2,400			4,018	2,400
Amortization			3,930	3,929	3,930	3,929
Depreciation	254,875	254,875	1,861	1,861	256,736	256,736
	<u>\$ 1,729,459</u>	<u>\$ 1,727,475</u>	<u>\$ 320,533</u>	<u>\$ 307,340</u>	<u>\$ 2,049,992</u>	<u>\$ 2,034,815</u>

**COUNTY LINE SPECIAL UTILITY DISTRICT**

SUPPLEMENTARY INFORMATION - SCHEDULE THREE

COMPARATIVE STATEMENT OF EXPENSES

For the Years Ended December 31, 2016 and 2015

	2016			2015		
	Operations	Administrative	Total	Operations	Administrative	Total
Salaries	\$ 241,170	\$ 50,846	\$ 292,016	\$ 212,248	\$ 45,694	\$ 257,942
Payroll taxes	19,514	4,103	23,617	16,463	3,547	20,010
Benefits	19,595	4,013	23,608	12,937	5,457	18,394
CRWA expenses	770,547		770,547	756,089		756,089
Dues and fees	4,257	1,981	6,238	2,156	2,570	4,726
EAA water rights	24,479		24,479	24,479		24,479
Engineering expenses	43,061		43,061	18,325		18,325
Insurance	14,683		14,683	15,180		15,180
Interest expense		195,745	195,745		232,507	232,507
Line locates	1,811		1,811	1,429		1,429
Professional fees		19,280	19,280		22,863	22,863
Meeting expenses		1,303	1,303		1,402	1,402
Office supplies		17,843	17,843		15,603	15,603
Postage and freight		8,171	8,171		8,524	8,524
Plant chemicals	3,019		3,019	1,783		1,783
RM-distribution system-materials	127,473		127,473	81,351		81,351
RM-distribution system-labor	33,724		33,724	7,850		7,850
RM-plant-materials	558		558	128		128
RM-plant-labor	33,461		33,461	17,766		17,766
RM-plant-other	54,501	2,215	56,716	18,940	1,045	19,985
Samples	4,112		4,112	3,075		3,075
Small tools	5,300		5,300	1,714		1,714
Stipend		5,400	5,400		9,352	9,352
Taxes		779	779		687	687
TCEQ	16,110		16,110	13,859		13,859
Training and development	3,093		3,093	1,229		1,229
Telephone and communication	3,891	2,594	6,485	3,645	2,442	6,087
Utilities	32,130	469	32,599	34,390	429	34,819
Vehicle	14,077		14,077	15,522		15,522
Uniforms	4,018		4,018	2,807		2,807
Amortization		3,930	3,930		3,929	3,929
Depreciation	254,875	1,861	256,736	254,875	1,861	256,736
	<u>\$ 1,729,459</u>	<u>\$ 320,533</u>	<u>\$ 2,049,992</u>	<u>\$ 1,518,240</u>	<u>\$ 357,912</u>	<u>\$ 1,876,152</u>

# **COMPLIANCE**

# Stephen W Cook



CERTIFIED PUBLIC ACCOUNTANT, PLLC

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## **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, 2016, 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 March 4, 2017.

### **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 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.

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, PLLC*

Stephen W. Cook, CPA  
March 4, 2017  
San Antonio, Texas 78216

# **TEXAS SUPPLEMENTARY INFORMATION**



**COUNTY LINE SPECIAL UTILITY DISTRICT**

**TSI 1: SERVICES AND RATES**

For the Year Ended December 31, 2016

- 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:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>
Unmetered		
5/8"	2772	2671
3/4"		
1.0"	8	8
1.5"	1	1
2.0"	3	3
3.0"		
4.0"	3	3
6.0"		
8.0"		
10.0"		
Total Water	<u>2787</u>	<u>2686</u>
Total Wastewater	0	0

## COUNTY LINE SPECIAL UTILITY DISTRICT

### TSI 1: SERVICES AND RATES

For the Year Ended December 31, 2016

3. Total Water Consumption during the twelve months of FY 2016	
Gallons pumped into system	272,246,000
Less:	
Water losses	(27,048,100)
Internal uses	(9,700,000)
	<u>235,497,900</u>
Gallons billed to customers	<u>216,893,000</u>
Water Accountability Ration:	79.668%
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, 2016

	<u>Operations</u>	<u>Administrative</u>	<u>Total</u>
Salaries	\$ 241,170	\$ 50,846	\$ 292,016
Payroll taxes	19,514	4,103	23,617
Benefits	19,595	4,013	23,608
CRWA expenses	770,547		770,547
Dues and fees	4,257	1,981	6,238
EAA water rights	24,479		24,479
Engineering expenses	43,061		43,061
Insurance	14,683		14,683
Interest expense		195,745	195,745
Line locates	1,811		1,811
Professional fees		19,280	19,280
Meeting expenses		1,303	1,303
Office supplies		17,843	17,843
Postage and freight		8,171	8,171
Plant chemicals	3,019		3,019
RM-distribution system-materials	127,473		127,473
RM-distribution system-labor	33,724		33,724
RM-plant-materials	558		558
RM-plant-labor	33,461		33,461
RM-plant-other	54,501	2,215	56,716
Samples	4,112		4,112
Small tools	5,300		5,300
Stipend		5,400	5,400
Taxes		779	779
TCEQ	16,110		16,110
Training and development	3,093		3,093
Telephone and communication	3,891	2,594	6,485
Utilities	32,130	469	32,599
Vehicle	14,077		14,077
Uniforms	4,018		4,018
Amortization		3,930	3,930
Depreciation	254,875	1,861	256,736
	<u>\$ 1,729,459</u>	<u>\$ 320,533</u>	<u>\$ 2,049,992</u>

Number of employees: 4

**COUNTY LINE SPECIAL UTILITY DISTRICT**

**TSI 3: TEMPORARY INVESTMENTS**

For the Year Ended December 31, 2016

<u>Funds</u>	<u>Identification Number</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Balance at End of Year</u>	<u>Accrued Interest Receivable at End of Year</u>
Certificate of Deposit (ONB)	305317	0.35%	12/28/14	\$ 102,790	-
Certificate of Deposit (ONB)	305377	0.55%	12/29/14	102,660	-
Certificate of Deposit (LNB)	55228	0.60%	04/23/14	104,006	-
Investment Fund (Logic)	3800511001	0.01%	Open	<u>2,353,617</u>	-
				<u>\$ 2,663,073</u>	

**COUNTY LINE SPECIAL UTILITY DISTRICT**

TSI 4: TAXES LEVIED AND RECEIVABLE

For the Year Ended December 31, 2016

**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, 2016

**HCPUA**

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Years ending December 31:			
2017	\$ 18,750	\$	18,750
2018	18,750		18,750
2019	18,750		18,750
2020	18,750		18,750
2021	18,750		18,750
Remainder	<u>243,750</u>		<u>243,750</u>
	<u>\$ 337,500</u>	<u>0</u>	<u>\$ 337,500</u>

Annual payments = \$18,750

Interest: 5.00%

Final: 05/01/34

**HAYS-CALDWELL WTP, SERIES 2003**

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Years ending December 31:			
2017	\$ 36,921	\$ 33,455	\$ 70,376
2018	39,170	31,401	70,571
2019	41,419	29,188	70,607
2020	43,668	26,822	70,490
2021	45,917	24,310	70,227
Remainder	<u>369,397</u>	<u>86,695</u>	<u>456,092</u>
	<u>\$ 576,492</u>	<u>\$ 231,871</u>	<u>\$ 808,363</u>

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

Semi Annual Payments

Interest: variable

Final: 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, 2016

**HAYS-CALDWELL WTP, SERIES 2005**

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Years ending December 31:			
2017	\$ 158,929	\$ 96,207	\$ 255,136
2018	168,863	85,972	254,835
2019	180,107	75,097	255,204
2020	192,290	63,498	255,788
2021	204,847	51,115	255,962
Remainder	<u>588,856</u>	<u>70,909</u>	<u>659,765</u>
	<u>\$ 1,493,892</u>	<u>\$ 442,798</u>	<u>\$ 1,936,690</u>

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

Semi Annual Payments

Interest 6.44%

Final: 08/01/24

**SAN MARCOS WTP, SERIES 2008**

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Years ending December 31:			
2017	\$ 24,432	\$ 48,357	\$ 72,789
2018	26,253	47,100	73,353
2019	28,074	45,751	73,825
2020	29,136	44,308	73,444
2021	29,895	42,810	72,705
Remainder	<u>802,908</u>	<u>239,384</u>	<u>1,042,292</u>
	<u>\$ 940,698</u>	<u>\$ 467,710</u>	<u>\$ 1,408,408</u>

SAN MARCOS WTP, SERIES 2008

Semi Annual Payments

Interest 5.14%

Final: 08/01/38

**COUNTY LINE SPECIAL UTILITY DISTRICT**

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

For the Year Ended December 31, 2016

	<u>HAYS CALDWELL WTP, Series 2003</u>	<u>HAYS CALDWELL WTP, Series 2005</u>	<u>SAN MARCOS RTP, series 2008</u>	<u>HCPUA</u>
Interest Rate	4.89%	6.44%	5.15%	0.00%
Days Interest Payable	0	0	0	NA
Most Current Maturity Dates	8/1/2028	8/1/2024	8/1/1938	5/1/1935
Beginning Debt Outstanding	\$ 611,165	\$ 1,642,515	\$ 964,370	\$ 356,250
Bond Debt Retired	34,673	148,623	23,672	18,750
Ending Debt Outstanding	576,492	1,493,892	940,698	337,500
Interest Paid During the Fiscal Year	\$ 35,349	\$ 105,779	\$ 49,573	\$ NA
Paying Agent:				
USDA				
Canyon Regional Water Authority	X	X	X	
Average annual debt service:	\$ 416,419			



**COUNTY LINE SPECIAL UTILITY DISTRICT**

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

**ENTERPRISE FUND - FIVE YEARS**

For the Years Ended December 31,

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
<b>Operating Revenue</b>					
Water sales (net of refunds)	\$ 1,930,624	\$ 1,915,932	\$ 1,721,056	\$ 1,673,786	\$ 1,579,426
New account fees	455,054	257,041	815,686	439,448	273,571
Installment fees	90,664	111,480	155,675	116,405	74,128
Other incomes			0	72,100	
Total Operating Revenues	<u>2,476,342</u>	<u>2,284,453</u>	<u>2,692,417</u>	<u>2,301,739</u>	<u>1,927,125</u>
<b>Operating Expenses</b>					
Salaries	241,170	212,248	159,188	143,405	147,290
Payroll taxes	19,514	16,463	13,772	11,398	12,176
Benefits	19,595	12,937	33,054	10,010	15,288
CRWA expenses	770,547	756,089	626,629	563,438	533,517
Dues and fees	4,257				5,007
EAA water rights	24,479	24,479	20,079	17,827	21,305
Engineering expenses	43,061		0	(6,825)	1,255
Insurance	14,683	15,180	18,315	19,058	(180)
Line locates	1,811	1,429	1,173		
Plant chemicals	3,019	1,783	2,567		
RM-distribution system-materials	127,473	81,351	124,508	82,166	51,148
RM-distribution system-labor	33,724	7,850	6,272	3,455	27,458
RM-plant-materials	558	128	1,110	741	4,420
RM-plant-labor	33,461	17,766	52,987	13,017	20,355
RM-plant-other	54,501	18,940	19,810	7,345	14,373
Samples	4,112	3,075	4,270		
Small tools	5,300	1,714	753		
TCEQ	16,110	13,859	13,271	12,104	
Telephone	3,891	3,645	3,494	2,518	
Training and development	3,093	1,229	925	1,542	903
Utilities	32,130	34,390	38,946	33,852	30,922
Vehicle	14,077	15,522	12,685	11,958	13,049
Uniforms	4,018	2,807	2,377	1,919	2,895
Other expenses			0	726	11,131
Depreciation/amortization	254,875	254,875	238,808	238,311	234,290
Total Operating Expenses	<u>1,729,459</u>	<u>1,497,759</u>	<u>1,394,993</u>	<u>1,167,965</u>	<u>1,146,602</u>
Net Operating Revenues (Expenses)	746,883	786,694	1,297,424	1,133,774	780,523
<b>Nonoperating Revenues (Expenses)</b>					
Interest income	16,943	4,434	5,356	3,607	5,226
Other income	78,369	19,511	17,826	17,988	21,645
Administrative	(124,788)	(125,405)	(140,713)	(117,042)	(103,383)
Interest expense	(195,745)	(232,507)	(267,449)	(280,095)	(290,452)
Total Nonoperating Revenue (Expenses)	<u>(225,221)</u>	<u>(333,967)</u>	<u>(384,980)</u>	<u>(375,542)</u>	<u>(366,964)</u>
Change in Net Assets	<u>\$ 521,662</u>	<u>\$ 452,727</u>	<u>\$ 912,444</u>	<u>\$ 758,232</u>	<u>\$ 413,559</u>

**COUNTY LINE SPECIAL UTILITY DISTRICT**

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

December 31, 2016

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: \$2,100.

<u>Name</u>	<u>Position</u>	<u>Term Expires, May</u>	<u>Paid in 2016</u>	<u>Expense Reimbursements 2016</u>
<b>Board of Directors:</b>				
Chris Betz	Elected President	2018	\$ 1650	0
Karen Gallaher	Elected Sec/Trea	2016	750	0
C J Hall	Elected Director	2016	300	0
William Ilse	Elected Director	2017	675	0
Brett Burich	Elected Director	2018	450	0
Vikki Hunter	Elected Director	2016	375	0

**Key Personnel:**

Daniel Heideman	Manager		85,915	
Doug Schnautz	Asst. Manager		58,595	
Susan Browning	Office Mgr.		50,846	
John Hohn	Attorney		11,118	
Stephen W Cook, CPA, PLLC	Auditor		6,150	
Southwest Engineers, Inc.	Engineer		\$ 68,951	

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