

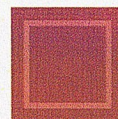
**COUNTY LINE SPECIAL UTILITY DISTRICT**

**FINANCIAL STATEMENTS AND AUDITOR'S REPORT**

December 31, 2013

*WITH SUPPLEMENTARY INFORMATION*

Stephen W Cook



CERTIFIED PUBLIC ACCOUNTANT, PLLC

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# ANNUAL FILING AFFIDAVIT

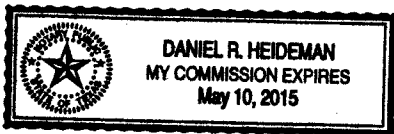
STATE OF TEXAS }  
COUNTY OF HAYS }

I, Curtis Wells, 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 21 day of April, 2014 its annual audit report for the fiscal period ended December 31, 2013 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: 21 April, 2014 By: Curtis Wells

Sworn to and subscribed to before me this 21 day of April, 2014.



Daniel R. Heideman

My commission expires on: 5-10-15  
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, 2013

**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, 2013. 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 \$689,258 from \$10,693,397 in 2012 to \$11,382,655 in 2013.
- Total liabilities decreased \$62,441 to \$5,650,538.
- Total net assets increased \$751,699 to \$5,732,117.
- Total operating revenues increased \$370,515 from \$1,927,124 in 2012 to \$2,297,639 in 2013.
- Total operating expenses increased \$30,648 from \$1,146,602 in 2012 to \$1,177,250 in 2013.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction 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 in the basic financial statements. County Line SUD has only one major Enterprise Fund.

**Notes to the Basic Financial Statements**

Integral to the financial statements are the Notes to the Basic 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 clear picture of the District's financial position and insight into the results of its operations. These notes

**COUNTY LINE SPECIAL UTILITY DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2013

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 in 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 financial analysis section presents the condensed financial statements for the current year and prior year for comparative purposes. The Statement of Net Assets shows the overall strength of the District by measuring assets and liabilities. The District's liquidity position improved as cash levels rose. Receivables remained relatively level even though the number of meters increased. The stability in receivable indicates that the District operates with an efficient billing and collection procedure in place.

Current liabilities did increase. Most of the increase was due to an approximate \$100,000 increase in the Reserve Meter account. This increase is good as it reflects local developer's confidence in the area's growth. County Line is located in the Austin-San Antonio Corridor which is one of the fastest growing areas in the United States. Non-current liabilities which represents the current portion of long-term debt and Investment in capital assets, net of debt which represents the long-term portion of debt both decreased. This indicates that the District took on no significant new debt during year while retiring all existing bond and note indebtedness on a timely basis.

**COUNTY LINE SPECIAL UTILITY DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2013

**Statement of Net Assets**

	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 3,720,425	\$ 2,787,198
Capital assets	7,662,230	7,906,199
<b>Total assets</b>	<u>11,382,655</u>	<u>10,693,397</u>
Current liabilities	1,092,954	959,688
Non-current liabilities outstanding	4,557,584	4,753,291
<b>Total liabilities</b>	<u>5,650,538</u>	<u>5,712,979</u>
Investment in capital asset, net	2,908,940	2,968,927
Temporarily Restricted	172,297	172,297
Unrestricted	2,650,880	1,839,194
<b>Total Net Assets</b>	<u>5,732,117</u>	<u>4,980,418</u>
<b>Total Liabilities and Net Assets</b>	<u>\$11,382,655</u>	<u>\$ 10,693,397</u>

The Statement of Revenue, Expenses, and Net Assets measures the operating efficiency of the District. Revenues rose from 2012 to 2013. This increase was expected as the District increased the number of meters served, and the billing /collections for water services remained efficient. Operating revenues consist of water sales at \$1,745,886 in 2013, new account fees at \$439,448 and installation revenues at \$112,305.

Operations costs did increase slightly. This is expected since the number of meters increased. Administrative costs remain level indicating that the District's staff size is adequate to manage the current number of meters in place. At some point, as the District increases, the staff size on both the operations and administrative sides may need to be increased. The District's management does not anticipate any changes in size in the immediate future.

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

	<u>2013</u>	<u>2012</u>
<b>Revenues:</b>		
Operating revenue	\$ 2,297,639	\$ 1,927,124
Non-operating revenue	25,696	26,871
<b>Total revenues</b>	<u>2,323,335</u>	<u>1,953,995</u>
<b>Expenses:</b>		
Operations	1,177,250	1,146,602
Administrative	394,386	393,835
<b>Total expenses</b>	<u>1,571,636</u>	<u>1,540,437</u>
Increase (Decrease) in Net Assets	751,699	413,558
Total Net Assets - Beginning of Year	4,980,418	4,805,010
Adjustments	0	(238,150)
<b>Total Net Assets - End of Year</b>	<u>\$ 5,732,117</u>	<u>\$ 4,980,418</u>

**COUNTY LINE SPECIAL UTILITY DISTRICT**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
December 31, 2013

**Capital Assets and Debt**

At December 31, 2013, the District had \$7,662,230 in net capital assets. Additional information on the District's capital assets can be found in Note 5. At the same time the District had long-term outstanding debt of \$4,557,584. 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 2014 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



CERTIFIED PUBLIC ACCOUNTANT, PLLC

www.swc-cpa.com

Serving the San Antonio + Austin Corridor

## Independent Auditor's Report

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

I have audited the accompanying financial statements of the business type activities of the County Line Special Utility District (CLSUD) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the County Line Special Utility 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 I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

### Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the business-type activities of the CLSUD as of December 31, 2013 and 2012, and the changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America requires that the management's discussion and analysis, and budgetary comparison as listed in the table of contents 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 standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the 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.

### *Other Supplementary Information*

My audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the County Line Special Utility District's basic financial statements. The Texas Supplementary Information (TSI) as required by the Texas Commission on Environmental Quality (TCEQ), the Schedule of Federal Awards, and the Schedule of Findings and Questioned Costs as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-profit Organizations*, are presented for purposes of additional analysis and are not a required part to the basic financial statements.

The Other Supplementary Information which includes the Texas Supplementary Information, the Schedule of Federal Awards, and the Schedule of Findings and Questioned Costs were the responsibility of management and were derived from and related directly to the underlying accounting and other records used to prepare the basic financial statements. Unless marked "Unaudited" on which we express no opinion, this information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, these reports, except those marked "Unaudited" are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Stephen W Cook*

Stephen W. Cook, CPA, PLLC  
February 25, 2014  
San Antonio, Texas

## **BASIC FINANCIAL STATEMENTS**

**COUNTY LINE SPECIAL UTILITY DISTRICT**  
**STATEMENT OF NET ASSETS**  
December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>Assets</b>		
<b>Current Assets</b>		
Cash and cash equivalents	\$ 558,640	\$ 326,866
Investments	2,389,012	1,686,448
Water fees receivable (net)	179,679	165,243
Due from developers	538,900	549,850
Inventory	16,700	19,660
Prepaid assets	37,494	39,131
Total Current Assets	<u>3,720,425</u>	<u>2,787,198</u>
<b>Capital Assets</b>		
Land and easements	101,660	101,660
Water rights	1,874,390	1,874,390
SUD Conversion & legal fees (net of amortization)	136,388	140,318
Building, Plant and Equipment (net of depreciation)	<u>5,549,792</u>	<u>5,789,831</u>
Total Capital Assets	7,662,230	7,906,199
<b>Total Assets</b>	<u>\$ 11,382,655</u>	<u>\$ 10,693,397</u>
<b>Liabilities and Net Assets</b>		
<b>Current Liabilities</b>		
Accrued benefits	\$ 10,493	\$ 8,654
Deferred revenues	538,900	448,015
Accrued interest payable	30,655	26,747
Customer deposits payable	317,200	292,291
Current portion of long-term debt	<u>195,706</u>	<u>183,981</u>
Total Current Liabilities	1,092,954	959,688
Notes payable, net of current portion	<u>4,557,584</u>	<u>4,753,291</u>
Total Liabilities	5,650,538	5,712,979
<b>Net Assets</b>		
Invested in Capital Assets, Net of Related Debt	2,908,940	2,968,927
Unrestricted	2,650,880	1,839,194
Temporarily restricted	<u>172,297</u>	<u>172,297</u>
Total Net Assets	<u>5,732,117</u>	<u>4,980,418</u>
Total Liabilities and Net Assets	<u>\$ 11,382,655</u>	<u>\$ 10,693,397</u>

The notes to the financial statements are an integral part of these statements.

**COUNTY LINE SPECIAL UTILITY DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS**  
**PROPRIETARY FUND**  
For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>Operating Revenue</b>		
Water sales (net of refunds)	\$ 1,745,886	\$ 1,579,425
New account fees	439,448	273,571
Installment fees	112,305	74,128
Total Operating Revenues	<u>2,297,639</u>	<u>1,927,124</u>
<b>Operating Expenses</b>	<u>1,177,250</u>	<u>1,146,602</u>
Net Operating Revenues (Expenses)	1,120,389	780,522
<b>Nonoperating Revenues (Expenses)</b>		
Interest income	3,607	5,226
Other income	22,089	21,645
Administrative expenses	(114,291)	(103,383)
Interest expense	(280,095)	(290,452)
Total Nonoperating Revenue (Expenses)	<u>(368,691)</u>	<u>(366,964)</u>
Change in Net Assets	751,699	413,558
Net Assets - Beginning	4,980,418	4,805,010
Reclass memberships to deposit payable	<u>0</u>	<u>(238,150)</u>
<b>Net Assets - Ending</b>	<u>\$ 5,732,117</u>	<u>\$ 4,980,418</u>

The notes to the financial statements are an integral part of these statements.

**COUNTY LINE SPECIAL UTILITY DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUND**  
For the Years Ended December 31, 2013 and 2012

	<u>2013</u>	<u>2012</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Payments received from customers	\$ 2,295,521	\$ 1,985,841
Payments to suppliers of goods and services	(1,349,495)	(1,263,666)
Payments of salaries	184,018	187,102
<b>Net cash provided by operating activities</b>	<u>1,130,044</u>	<u>909,277</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Principal payments on bonds and notes	(195,706)	(183,522)
Reclassification of member deposits and other equity changes	-	(246,291)
<b>Net cash provided (used) by capital and related financing activities</b>	<u>(195,706)</u>	<u>(429,813)</u>
<b>CASH FLOWS FORM INVESTING ACTIVITY</b>		
Additions to property and equipment	-	(64,991)
Additions to vehicles	-	(42,826)
<b>Net cash provided (used) by investing activities</b>	<u>-</u>	<u>(107,817)</u>
<b>Net increase (decrease) in cash and cash equivalents</b>	934,338	371,647
Cash and equivalents - beginning of year	2,013,314	1,641,667
<b>Cash and equivalents - end of year</b>	<u>\$ 2,947,652</u>	<u>\$ 2,013,314</u>
<b>NET CASH PROVIDED BY OPERTING ACTIVITIES</b>		
<b>Change in net assets</b>	\$ 751,698	\$ 413,560
Depreciation and amortization	243,969	239,948
(Increase) decrease in accounts receivable	(14,436)	(17,786)
(Increase) decrease in inventory	2,960	1,665
(Increase) decrease in developer receivables	10,950	(14,861)
(Increase) decrease in other current assets	1,637	(30,097)
Increase (decrease) in accrued bond interest	3,908	26,747
Increase (decrease) in accounts payable and accrued liabilities	92,724	(13,874)
Increase (decrease) in customer deposits	24,909	292,291
Increase (decrease) in current portion debt	11,725	11,684
<b>Net cash provided (used) by operating activities</b>	<u>\$ 1,130,044</u>	<u>\$ 909,277</u>

The notes to the financial statements are an integral part of these statements.

**NOTES TO THE BASIC FINANCIAL**  
**STATEMENTS**

**COUNTY LINE SPECIAL UTILITY DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
December 31, 2013

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. The 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.

**B. Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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. The Governmental Accounting Standards Board (GASB) is the accepted standards setting body for establishing governmental accounting financial reporting principles.

The District has elected not to apply Financial Accounting Standard Board guidance issued subsequent to November 30, 1989, unless specially adopted by GASB. The District reports as a special-purpose government engaged in business-type activities.

**C. Accounting Method**

The financial statements of the District have been prepared on the accrual basis, whereby all revenues are recorded when earned and all expenses are recorded when they have been reduced to a legal or contractual obligation to pay.

**D. Basis of Presentation**

Net assets and revenue, expense, gains and losses are classified based on the existence or absence of grantor-imposed restrictions. Net assets of the District and changes therein are classified as unrestricted net assets.

Unrestricted net assets represent the portion of expendable funds that is available for support of the operations of the District.

**E. 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*



**COUNTY LINE SPECIAL UTILITY DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
December 31, 2013

*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.

**F. Budget**

The District adopts an annual budget that differs from generally accepted accounting principles in that it includes provisions for the purchase of capital assets, payments of principal and transfer to various reserve accounts that may be required by debt covenant. The adopted budget is not a spending limitation under law but rather an operating plan.

**G. 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.

**H. 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.

**I. Water Receivables**

All receivables are reported at their gross value. The District uses the direct write-off method to account for bad debt. No allowance for bad debt is used. Estimated unbilled revenues for water fees have not been recognized as of the end of the year as they are considered immaterial.

**J. 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".

**K. Inventory**

The District records purchases of inventories as expenditures, or expenses, as appropriate at the time of purchase. Inventories consist primarily of supplies and chemicals, and are recorded at cost.

**L. Property, Plant and Equipment**

It is the District's policy to capitalize property and equipment. The District defines property, plant and equipment as assets with an initial valued cost of \$1,000 or more, and an estimated useful life in excess of one year. Property and equipment are recorded at historical cost.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Improvements which add substantial life are capitalized and are depreciated over their remaining useful lives using the straight-line method as follows:

**COUNTY LINE SPECIAL UTILITY DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 December 31, 2013

	<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

**M. 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."

**N. 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.

**O. Employee Benefits**

County Line Special Utility District provides vacation and sick leave for two of the salaried 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. An amount has been accrued for as of December 31, 2013.

**P. 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.

**Q. Date of Management's Review**

Subsequent events were evaluated through February 25, 2014, which is the revised report date. There were no significant subsequent events.

**R. 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.

**COUNTY LINE SPECIAL UTILITY DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 December 31, 2013

**NOTE2 – CASH, TEMPORARY INVESTMENTS and 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, 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 investment officers believe 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>
<b>Cash and temporary investments:</b>				
First Lockhart National Bank	Ck	0.10%	\$ 558,640	\$ 430
<b>Investments:</b>				
Ozona	CD	0.35%	101,839	356
Ozona	CD	0.55%	101,466	368
First Lockhart National Bank	CD	0.40%	100,937	309
Logic Investments		0.21%	2,084,770	2,144
			<u>2,389,012</u>	<u>3,177</u>
			<u>\$ 2,947,652</u>	<u>\$ 3,607</u>

**COUNTY LINE SPECIAL UTILITY DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
December 31, 2013

**NOTE 3 – CAPITAL, RESTRICTED and TEMPORARILY RESTRICTED ASSETS**

As of December 31, 2013, the District held no restricted assets. Temporarily restricted assets in the amount of \$172,297 are designated bond payments. The District also had unrestricted assets in the amount of \$5,559,820.

**NOTE 4 – RECEIVABLES**

Accounts receivable from members represent unpaid water usage. At December 31, 2013 the amount was \$179,679.

**Summary of Water Receivables and Usage**

Balance at 12/31/2012	Water Billing in 2013	Payments received in 2013	Balance at 12/31/2013
\$165,243	\$1,677,038	\$1,662,603	\$179,679

Water pumped	207,610,000	Gallons
Water sold	200,076,000	Gallons
Number of meters at year end	2332	

**NOTE 5 – CAPITAL ASSETS**

A summary of changes in capital assets for the year ended December 31, 2013, follows:

	<u>Balance @ 12-31-2012</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance @ 12-31-2013</u>
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	1,976,050			1,976,050
Capital assets being depreciated/amortized				
Sud conversion & Legal Fees	157,181			157,181
System and equipment	4,674,965			4,674,965
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	8,535,521			8,535,521
Less accumulated depreciation/amortization	2,605,372	243,969		2,849,341
Total assets being depreciated/amortized, net	5,930,149	243,969		5,686,180
Total capital assets	\$ 7,906,199	\$ 243,969	\$	\$ 7,662,230

**COUNTY LINE SPECIAL UTILITY DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
December 31, 2013

Depreciation expense for the year was \$240,039 . Of this amount, \$238,311 was allocated to operating expenses and \$1,728 was allocated to administrative expenses. Amortization expense for the year was \$3,930.

**NOTE 6 – 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, 2013, the following changes occurred in long-term liabilities:

**COUNTY LINE SPECIAL UTILITY DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
December 31, 2013

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.

	\$ 1,086,030
Less: current principal	<u>18,673</u>
Long-term debt	<u>\$ 1,067,357</u>

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

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Years ending December 31:			
2014	18,673	53,855	72,528
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
Remainder	982,608	95,901	1,078,509
	<u>\$ 1,086,030</u>	<u>\$ 355,119</u>	<u>\$ 1,441,149</u>

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

	\$ 685,945
Less: current principal	<u>29,237</u>
Long-term debt	<u>\$ 656,708</u>

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

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Years ending December 31:			
2014	29,237	40,180	69,417
2015	31,486	38,676	70,162
2016	33,735	37,088	70,823
2017	35,984	35,349	71,333
2018	38,233	33,455	71,688
Remainder	517,270	196,179	713,449
	<u>\$ 685,945</u>	<u>\$ 380,927</u>	<u>\$ 1,066,872</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

	\$ 1,963,377
Less: current principal	<u>125,944</u>
Long-term debt	<u>\$ 1,837,433</u>

**COUNTY LINE SPECIAL UTILITY DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
December 31, 2013

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

	\$ 1,963,377
Less: current principal	<u>125,944</u>
Long-term debt	<u>\$ 1,837,433</u>

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

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Years ending December 31:			
2014	125,944	123,062	249,006
2015	134,940	114,710	249,650
2016	143,936	105,778	249,714
2017	155,181	96,208	251,389
2018	164,177	85,972	250,149
Remainder	<u>1,239,199</u>	<u>269,659</u>	<u>1,508,858</u>
	<u>\$ 1,963,377</u>	<u>\$ 795,389</u>	<u>\$ 2,758,766</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

	\$ 1,017,939
Less: current principal	<u>21,852</u>
Long-term debt	<u>\$ 996,087</u>

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

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
Years ending December 31:			
2014	21,852	51,859	73,711
2015	21,852	50,735	73,711
2016	23,673	49,573	74,408
2017	23,673	48,356	73,246
2018	31,486	47,100	79,842
Remainder	<u>895,403</u>	<u>542,620</u>	<u>1,438,023</u>
	<u>\$ 1,017,939</u>	<u>\$ 790,243</u>	<u>\$ 1,808,182</u>

The total amount of interest expense paid and accrued during the year was \$280,095.

**COUNTY LINE SPECIAL UTILITY DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 December 31, 2013

**NOTE 7 – 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	12-2012	12-2013	STATUTORY
Vehicle	12-2012	12-2013	\$1,000,000
Umbrella	12-2012	12-2013	\$4,300,000
Directors	12-2012	12-2013	\$4,000,000
Employee	12-2012	12-2013	\$100,000
General liability	12-2012	12-2013	\$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.



**COUNTY LINE SPECIAL UTILITY DISTRICT**  
**NOTES TO THE BASIC FINANCIAL STATEMENTS**  
 December 31, 2013

**NOTE 8 – OFFICERS, DIRECTORS AND KEY PERSONNEL**

**COUNTY LINE SPECIAL UTILITY DISTRICT**  
**BOARD MEMBERS, and KEY PERSONNEL**  
 December 31, 2013

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: \$1,500

<u>Name</u>	<u>Position</u>	<u>Term Expires, May</u>	<u>Office Paid 2013</u>	<u>Expense Reimbursements 2012</u>
<b>Board of Directors:</b>				
Curtis Wells	Elected President	2016	1500	0
John Anderson	Elected V-President	2016	1206	0
Ollie Maier	Elected Secretary	2015	1088	0
Annie Hatala	Elected Treasurer	2015	1044	0
William Ilse	Elected Director	2014	1013	0
Mary Thompson	Elected Director	2016	450	0
John Hopkins	Elected Director	2014	275	0
<b>Key Personnel:</b>				
Daniel Heideman	Manager		59,978	
Doug Schnautz	Asst. Manager		47,930	
James Woods	Operator		41,698	
Susan Browning	Office Mgr.		40,613	

## **SUPPLEMENTARY INFORMATION**

**COUNTY LINE SPECIAL UTILITY DISTRICT**  
**SUPPLEMENTARY INFORMATION**  
**SCHEDULE OF EXPENSES - ACTUAL vs BUDGET**  
For the Year Ended December 31, 2013

	Operating		Administrative		Totals	
	Actual	Budget	Actual	Budget	Actual	Budget
Salaries	\$ 143,405	\$ 145,000	\$ 40,613	\$ 41,000	\$ 184,018	\$ 186,000
Payroll taxes	11,398	12,000	3,158	3,200	14,556	15,200
Benefits	10,010	6,000	16,647	17,000	26,657	23,000
CRWA expenses	563,438	946,078			563,438	946,078
Dues and fees	5,269	5,000			5,269	5,000
EAA water rights	17,827	24,480			17,827	24,480
Engineering expenses	(6,825)	2,500			(6,825)	2,500
Insurance	19,058	24,400			19,058	24,400
Interest expense			280,095	280,100	280,095	280,100
Legal and accounting			6,944	8,500	6,944	8,500
Meeting expenses			1,480	1,500	1,480	1,500
Office supplies			14,010	15,000	14,010	15,000
Postage and freight			6,644	7,500	6,644	7,500
RM-distribution system-materials	82,166	60,000			82,166	60,000
RM-distribution system-labor	3,455	70,000			3,455	70,000
RM-plant-materials	741	103,500			741	103,500
RM-plant-labor	13,017	22,500			13,017	22,500
RM-plant-other	7,345	1,000	2,949	2,500	10,294	3,500
Stipend	0	12,000	9,700	0	9,700	12,000
TCEQ	12,104	12,465			12,104	12,465
Training and development	1,542	2,000			1,542	2,000
Telephone and communication			4,918	6,500	4,918	6,500
Utilities	33,852	32,000	1,637	2,000	35,489	34,000
Vehicle	11,958	13,200			11,958	13,200
Uniforms	1,919	3,000			1,919	3,000
Other expenses	7,260	9,500	(67)		7,193	9,500
Amortization			3,930	3,930	3,930	3,930
Depreciation	238,311	238,300	1,728	1,728	240,039	240,028
	<u>\$ 1,177,250</u>	<u>\$ 1,744,923</u>	<u>\$ 394,386</u>	<u>\$ 390,458</u>	<u>\$ 1,571,636</u>	<u>\$ 2,135,381</u>

# **TEXAS SUPPLEMENTARY INFORMATION**

**COUNTY LINE SPECIAL UTILITY DISTRICT**

**TSI 1: SERVICES AND RATES**

For the Year Ended December 31, 2013

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

	Minimum Charge	Minimum Usage	Flate Rate	Rate Per 1000	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"	2319	2214
3/4"	0	0
1.0"	8	8
1.5"	1	1
2.0"	3	3
3.0"	0	0
4.0"	1	1
6.0"	0	0
8.0"	0	0
10.0"	0	0
Total Water	2332	2227
Total Wastewater	na	na

**COUNTY LINE SPECIAL UTILITY DISTRICT**

**TSI 1: SERVICES AND RATES**

For the Year Ended December 31, 2013

3. Total Water Consumption during the twelve months of FY 2013

Gallons pumped into system	207,610,000
Less:	
Water losses	(10,211,900)
Internal uses	(1,725,000)
	<u>195,673,100</u>
Gallons Billed to customers:	<u>200,076,000</u>
Water Accountability Ratio:	96.37%
(gallons billed/gallon pumped net of loss factor)	

4. Standby Fees: N/A

5. Location of District:

County in which the District is located:	Hays
Is the District located entirely within one county:	Yes
Is the District located within a city:	No

Cities in which District is located:	Uhland
Is the District located within a city's ETJ:	Partly
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, 2012

	<u>Operations</u>	<u>Administrative</u>	<u>Total</u>
Salaries	\$ 147,290	\$ 39,812	\$ 187,102
Payroll taxes	12,176	3,349	15,525
Benefits	15,288	6,351	21,639
Bank fees		16	16
CRWA expenses	533,517	0	533,517
Dues and fees	5,007	0	5,007
EAA water rights	21,305	0	21,305
Engineering expenses	1,255	0	1,255
Insurance	(180)	0	(180)
Interest expense	0	290,452	290,452
Legal and accounting	0	6,773	6,773
Meeting expenses	0	1,038	1,038
Office supplies	0	14,718	14,718
Postage and freight	0	7,208	7,208
RM-distribution system-materials	51,148	0	51,148
RM-distribution system-labor	27,458	0	27,458
RM-plant-materials	4,420	0	4,420
RM-plant-labor	20,355	0	20,355
RM-plant-other	14,373	2,000	16,373
Stipend	0	9,613	9,613
Taxes	0	644	644
Training and development	903	0	903
Telephone and communication	0	5,978	5,978
Utilities	30,922	0	30,922
Vehicle	13,049	0	13,049
Uniforms	2,895	0	2,895
Other expenses	11,131	225	11,356
Amortization	0	3,930	3,930
Depreciation	234,290	1,728	236,018
	<u>\$ 1,146,602</u>	<u>\$ 393,835</u>	<u>\$ 1,540,437</u>

Number of employees: 4

**COUNTY LINE SPECIAL UTILITY DISTRICT**

**TSI 3: TEMPORARY INVESTMENTS**

For the Year Ended December 31, 2013

<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>
<u>Enterprise</u>					
Certificate of Deposit (ONB)	305317	0.35%	12/28/13	\$ 101,839	-
Certificate of Deposit (ONB)	305377	0.55%	12/29/13	\$ 101,466	-
Certificate of Deposit (LNB)	55228	0.40%	04/23/13	\$ 100,937	-
Investment Fund (Logic)	3800511001	0.21%	Open	\$ 2,084,770	-



**COUNTY LINE SPECIAL UTILITY DISTRICT**  
**TSI 4: TAXES LEVIED AND RECEIVABLE**  
For the Year Ended December 31, 2013

**Does not Apply**

**COUNTY LINE SPECIAL UTILITY DISTRICT**  
**TSI 5: CHANGES IN LONG-TERM BONDED DEBT**  
For the Year Ended December 31, 2013

**USDA**

<u>Payment Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	18,673	53,855	72,528
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
Beyond	982,608	95,901	1,078,509
	<u>\$ 1,086,030</u>	<u>\$ 355,119</u>	<u>\$ 1,441,149</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>
2014	29,237	40,180	69,417
2015	31,486	38,676	70,162
2016	33,735	37,088	70,823
2017	35,984	35,349	71,333
2018	38,233	33,455	71,688
Beyond	517,270	196,179	713,449
	<u>\$ 685,945</u>	<u>\$ 380,927</u>	<u>\$ 1,066,872</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**  
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>
2014	125,944	123,062	249,006
2015	134,940	114,710	249,650
2016	143,936	105,778	249,714
2017	155,181	96,208	251,389
2018	164,177	85,972	250,149
Beyond	1,239,199	269,659	1,508,858
	<u>\$ 1,963,377</u>	<u>\$ 795,389</u>	<u>\$ 2,758,766</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>
2014	21,852	51,859	73,711
2015	21,852	50,735	72,587
2016	23,673	49,573	73,246
2017	23,673	<b>48,356</b>	72,029
2018	31,486	47,100	78,586
Beyond	895,403	542,620	1,438,023
	<u>\$ 1,017,939</u>	<u>\$ 790,243</u>	<u>\$ 1,808,182</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	30	02/01:08/01	02/01:08/01	02/01:08/01
Most Current Maturity Dates	3/9/2041	8/1/2028	8/1/2024	8/1/1938
Beginning Debt Outstanding	1,120,236	742,170	2,190,526	1,056,180
Bond Debt Retired	16,442	26,988	110,201	18,210
Ending Debt Outstanding	1,103,794	715,182	2,080,325	1,037,970
Interest Paid During the Fiscal Year	55,626	42,811	138,113	53,902
Paying Agent:				
USDA	X			
CANYON 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>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
<b>Operating Revenue</b>					
Water sales (net of refunds)	\$ 1,745,886	\$ 1,579,425	\$ 1,623,910	\$ N/A	\$ N/A
New account fees	439,448	273,571	211,705		
Installment fees	112,305	74,128	48,514		
Total Operating Revenues	<u>2,297,639</u>	<u>1,927,124</u>	<u>1,884,129</u>		
<b>Operataing Expenses</b>					
Salaries	143,405	147,290	107,078		
Payroll taxes	11,398	12,176	8,592		
Benefits	10,010	15,288	1,535		
CRWA expenses	563,438	533,517	591,327		
Dues and fees	5,269	5,007	3,627		
EAA water rights	17,827	21,305	11,365		
Engineering expenses	(6,825)	1,255	16,999		
Insurance	19,058	(180)	23,858		
RM-distribution system-materials	82,166	51,148	58,774		
RM-distribution system-labor	3,455	27,458	11,039		
RM-plant-materials	741	4,420	1,886		
RM-plant-labor	13,017	20,355	5,702		
RM-plant-other	7,345	14,373	8,999		
TCEQ	12,104	0	0		
Training and development	1,542	903	2,240		
Utilities	33,852	30,922	39,379		
Vehicle	11,958	13,049	12,853		
Uniforms	1,919	2,895	3,167		
Other expenses	7,260	11,131	244,718		
Depreciation/amortization	238,311	234,290	8,383		
Total Operating Expenses	<u>1,177,250</u>	<u>1,146,602</u>	<u>1,161,521</u>		
Net Operating Revenues (Expenses)	1,120,389	780,522	722,608		
<b>Nonoperating Revenues (Expenses)</b>					
Interest income	3,607	5,226	4,601		
Other income	22,088	21,645	22,018		
Administrative	(114,291)	(103,383)	(133,886)		
Interest expense	(280,095)	(290,452)	(302,715)		
Total Nonoperatng Revenue (Expenses)	<u>(368,691)</u>	<u>(366,964)</u>	<u>(409,982)</u>		
<b>Change in Net Assets</b>	<u>\$ 751,698</u>	<u>\$ 413,558</u>	<u>312,626</u>	\$ N/A	\$ N/A

**COUNTY LINE SPECIAL UTILITY DISTRICT**

TSI 8-BOARD MEMBERS, and KEY PERSONNEL

December 31, 2013

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: \$1,500

<u>Name</u>	<u>Position</u>	<u>Term Expires, May</u>	<u>Fees of Office Paid 2013</u>	<u>Expense Reimbursements 2012</u>
<b>Board of Directors:</b>				
Curtis Wells	Elected President	2016	1500	616
John Anderson	Elected V-President	2016	1206	0
Ollie Maier	Elected Secretary	2015	1088	0
Annie Hatala	Elected Treasurer	2015	1044	0
William Ilse	Elected Director	2014	1013	0
Mary Thompson	Elected Director	2016	450	0
John Hopkins	Elected Director	2014	275	0
<b>Key Personnel:</b>				
Daniel Heideman	Manager		59,978	
Doug Schnautz	Asst. Manager		47,930	
James Woods	Operator		41,698	
Susan Browning	Office Mgr.		40,613	

## **COMPLIANCE SECTION**

# Stephen W Cook



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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 ACORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

I have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the County Line Special Utility District (CLSUD) as of and for the years ended December 31, 2013 and 2012, and the related notes to the financial statements, which collectively comprise CLSUD's basic financial statements, and have issued my report dated February 25, 2014.

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

In planning and performing my audit of the financial statements, I considered CLSUD'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 CLSUD's internal control. Accordingly, I do not express an opinion on the effectiveness of CLSUD'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 over financial reporting 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 CLSUD'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*. I noted no matters that needed to be reported to management.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of my testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance *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*

Stephen W. Cook, CPA, PLLC  
February 25, 2014  
San Antonio, Texas

# 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 effects the District's major federal program for the year ended December 31, 2013. 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 our 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, 2013.

#### **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 25, 2014

San Antonio, Texas

**COUNTY LINE SPECIAL UTILITY DISTRICT**  
**SCHEDULE OF FEDERAL AWARDS**  
For the Year Ended December 31, 2013

<u>USDA Case Number</u>	<u>Program</u>	<u>Loan Amount</u>	<u>Federal CFDA Number</u>	<u>Expenditures, Indirect Costs and Refunds</u>	<u>Amount Related to Pass-Thru to Subrecipients</u>
50-005-0742235829	USDA Direct loan  (see accompanying Note to Basic Financial Statement 6 )	\$1,086,030	N/A	N/A	N/A

**COUNTY LINE SPECIAL UTILITY DISTRICT**  
**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the Year Ended December 31, 2013

**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, 2013

**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, 2013, 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 25, 2014, 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 25, 2014  
San Antonio, Texas