

District Service Policy

Section F Developer, Subdivision and Non-Standard Service Requirements

1. **District's Limitations.** All Applicants shall recognize that the District must comply with local, state, and federal rules and regulations as promulgated from time to time, and with covenants of current indebtedness.
2. **Purpose.** It is the purpose of this Section to define the process by which the specific terms and conditions for all kinds of Non-Standard Service, including specifically for Non-Standard Service to subdivisions and the respective developers and sub-dividers are determined, including the Non-Standard Service Application and the District's respective costs.
3. **Application of Rules.** This Section sets forth the terms and conditions pursuant to which the District will process Non-Standard Service Requests. This Section is applicable to subdivisions, additions to subdivisions, developments, or whenever additional service facilities are required for a single tract of property. Examples of non-standard services for a single tract of property include, but are not limited to, road bores, extensions to the distribution system, meters larger than 5/8" X 3/4" water service lines exceeding 3/4" diameter and exceeding 20 feet in length or sewer service or collection lines exceeding 4" diameter and exceeding 20 feet in length. For the purposes of this Service Policy, Applications subject to this Section shall be defined as Non-Standard. In cases of service to a single tract, the Board of Directors shall determine whether or not an Applicant's service request shall be subject to all or part of the conditions of this Section. Non-Standard Service to subdivisions are governed by this Section.
4. **Non-Standard Service Application.** The Applicant shall meet the following requirements prior to the initiation of Non-Standard Service or the execution of a Non-Standard Service Contract by the District:
 - a. The Applicant shall provide the District a completed Service Application and Agreement giving special attention to the item(s) on SPECIAL SERVICE NEEDS OF THE APPLICANT.
 - b. The Applicant must be authorized to enter into a contract with the District setting forth terms and conditions pursuant to which Non-Standard Service will be furnished to a property or subdivision. The Specific terms and conditions pursuant to which the District will provide non-standard service in response to any request will depend upon the nature of such request and may be set forth in a legally enforceable, contractual agreement to be entered into by the District and the service Applicant. A Non-Standard service contract may not contain any terms or conditions that conflict with this section.

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- c. A plat acceptable to the District must accompany the Application showing the Applicant's requested service area. The plat must be approved by all governmental authorities exercising jurisdiction over lot sizes, sewage control, drainage, right-of-way, and other service facilities. Plans, specifications, and special requirements of such governmental authorities shall be submitted with the plat. Applicants for single taps involving extension or upsizing of facilities shall be required to submit maps or plans detailing the location of the requested extension and details of demand requirements.
- d. A Non-Standard Service Investigation Fee shall be paid to the District in accordance with the requirements of Section G2 for purposes of paying initial administrative, legal, and engineering fees. The District shall refund any balance that remains after it has completed its service investigation, and has completed all legal and engineering services associated with processing a request. In the event such a fee is not sufficient to pay all reasonable expenses incurred by the District, the Applicant shall pay to the District all remaining expenses that have been, or will be incurred by the District and District shall have no obligation to complete processing of the request until all remaining expenses have been paid.
- e. If after the service investigation has been completed, the District determines that the Applicant's service request is for property located, in whole or in part, outside the area described in the District's defined service area, service may be extended provided that:
 - i. The service location is not in an area receiving similar service from another retail public utility;
 - ii. The service location is not within another retail public utility's Certificate of Convenience and Necessity; and
 - iii. The District's defined service area shall be amended to include the entirety of Applicant's property for which service is requested. Applicant shall pay all reasonable costs incurred by District for annexation or for amending its CCN, including but not limited to engineering and professional fees. The District may extend service prior to completing the amendment to its CCN, but will do so only upon Applicant's legally enforceable agreement to fully support such amendment (including but not limited to payment of all professional fees, including legal, surveying and engineering fees incurred by District in securing the amendment). If the District determines to annex the property, the Applicant shall secure written requests for annexation from all ownership interests in the property to be annexed, and shall pay all costs, including engineering and professional fees for the annexation.

- 5. Design.** Upon receipt of a complete Non-Standard Service Application and Investigation Fee, the District shall study the design requirements of the Applicant's required facilities prior to initiation of a Non-Standard Service Contract by adopting the following schedule:
- a. The District's Consulting Engineer shall design, or review and approve plans for, all on-site and off-site service facilities for the Applicant's requested level and manner of service within the District's specifications, incorporating any applicable municipal or other governmental codes and specifications.
 - b. The Consulting Engineer's fees shall be paid out of the Non-Standard Service Investigation Fee under Section 4.
 - c. The Consulting Engineer shall submit to the District a set of detailed plans, specifications, and cost estimates for the project.

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- d. The District's Engineer shall ensure all facilities for any Applicant are of proper size and type to meet the level and manner of service specified in the Non-Standard Service Application. The District reserves the right to upgrade design of service facilities to meet future demands provided however, that the District shall pay the expense of such upgrading in excess of what is reasonably and directly allocable to the Applicant's facility requirements.
 - e. The Water System Extension must be sized to provide continuous and adequate water service and fire flow to the property based on plans for the development of the Property. A minimum 6" line and fire hydrants within 500' of planned lots provided to SUD by the Developer.
- 6. Non-Standard Service Contract.** Applicants requiring Non-Standard Service may be required to execute a Non-Standard Service Contract, drawn up by the District's Attorney, in addition to submitting the District's Service Application and Agreement. Service to any subdivision shall require a Non-Standard Service Contract. Said Contract shall define the terms, including the level and manner of service and the date for commencing service, prior to construction of any facilities. The Non-Standard Service Contract may include, but is not limited to:
- a. Specifying the costs for contract administration, the design, construction, and inspection of facilities, securing additional water supply/contracting for additional sewer treatment capacity, and terms by which these costs are to be paid.
 - b. Procedures by which the Applicant shall accept or deny a contractor's bid, thereby committing to continue or discontinue the project.
 - c. Terms by which service capacity adequate to the level and manner of service requested shall be reserved for the Applicant following construction of facilities and duration of reserved service taking into consideration the impact the Applicant's service demand will have upon the District's overall system capability to meet other service requests, as well as assessment of any service availability charges following construction of facilities (if applicable).
 - d. Terms by which the District shall administer the Applicant's project with respect to:
 - i. Design of the on-site and off-site facilities;
 - ii. Securing and qualifying bids;
 - iii. Requirements for executing the Non-Standard Service Agreement;
 - iv. Selection of a qualified bidder for construction;
 - v. Dispensing funds advanced prior to initiation of construction;
 - vi. Inspecting facilities following construction; and
 - vii. Testing facilities and closing the project.
 - e. Terms by which the Applicant shall indemnify the District from all third party claims or lawsuits in connection with the project.
 - f. Terms by which the Applicant shall convey facilities to the District and by which the District shall assume operation and maintenance responsibility, including any enforcement of warranties in connection with construction of the Applicant's project.
 - g. Terms by which the Applicant shall grant title or easements for use of property during construction and for ongoing service thereafter.
 - h. Terms by which the Board of Directors shall review and approve the Non-Standard Service Contract pursuant to current rules, regulations, and bylaws.
 - i. Agreement to enforceable remedies in the event Applicant fails to comply with all contract obligations, including specific performance.

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In the event that the Applicant undertakes any construction of any such facilities prior to execution of a Non-Standard Contract with the District, the District may refuse to provide service to the Applicant or to any portion of the Applicant's property (or require payment of all costs for replacing/repairing any facilities constructed without prior execution of a Contract from any person requesting service within the Applicant's service area, such as a person buying a lot or home within the subdivision), require that all facilities be uncovered by the Applicant for inspection by the District, require that any facilities not approved by the District be replaced, or take any other lawful action determined appropriate by the Board of Directors of the District.

7. Property and Right-of-Way Acquisition. With regard to construction and subsequent maintenance and operation of facilities, the District shall require exclusive easements or title to property as appropriate.

- a. If the District determines that easements or facility sites outside the Applicant's property are required, the Applicant shall secure such easements or title to facility sites exclusively for the District. All easements and property titles shall be researched, validated, and filed by the District at the expense of the Applicant (See Sample Application Packet RUS Form 442-8 or 442-9).
- b. In the event the Applicant is unable to secure any easements or title to any sites required by the District, and the District determines to acquire such easements or title by eminent domain, all reasonable costs incurred by the District shall be paid by the Applicant, including legal fees, appraisal fees, court costs, and the condemnation award.
- c. The District shall require exclusive dedicated easements on the Applicant's property as appropriate for the level and manner of service requested by the Applicant and system-wide service by the District. All such easements shall be adequate to authorize the District to construct, install, maintain, replace, upgrade, inspect, or test any facility necessary for service to the Applicant as well as system-wide service within the District generally. Easements for subdivisions also must be sufficient for service throughout the subdivision when the subdivision is fully occupied. Title to any portion of Applicant's property required for on-site facilities will be provided and exclusive to the District.
- d. Easements and facilities sites shall be prepared for the construction of all District facilities in accordance with the District's requirements and at the expense of the Applicant.

8. Bids For Construction. The District's Consulting Engineer shall solicit or shall advertise for bids for the construction of the Applicant's proposed facilities in accordance with law and generally accepted practices. Plans and specifications shall be made available, with or without charge, to prospective bidders. Although the District reserves the right to reject any bid or contractor, the District shall generally award the contract to the best value bid in accordance with the following criteria:

- a. The Applicant shall execute the Non-Standard Service Contract evidencing willingness to proceed with the project and shall pay all costs in advance of construction associated with the project;
- b. The Contractor shall provide an adequate bid bond under terms acceptable to the District;
- c. The Contractor shall secure adequate performance and payment bonding for the project under terms acceptable to the District;
- d. The Contractor shall supply favorable references acceptable to the District;
- e. The Contractor shall qualify with the District as competent to complete the work; and
- f. The Contractor shall provide adequate certificates of insurance as required by the District.

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9. Pre-Payment for Construction and Other Costs. As a general rule, Applicant shall be required to pay all anticipated costs of construction, easement and title acquisition, legal and engineering fees, and other costs associated with extending non-standard service prior to these costs being incurred by District. District shall promptly remit any and all unexpended prepaid funds, without interest, upon completion of the non-standard service extension and commencement of service. While the District will make every reasonable effort to work with Applicant, prepayment of costs shall be provided in a manner acceptable to District.

10. Construction.

- a. All roadwork pursuant to state, county and/or municipal standards (as applicable) shall be completed prior to facility construction to avoid future problems resulting from road right-of-way completion and excavation. Subject to approval of the requisite authority, road sleeves may be installed prior to road construction to avoid road damage of Applicant's facilities during construction.
- b. The District shall, at the expense of the Applicant, inspect the facilities to ensure compliance with District standards.
- c. Construction plans and specifications shall be strictly adhered to, but the District reserves the right to change-order any specifications, due to unforeseen circumstances during the design phase, to better facilitate construction or operation of the Applicant's facility. All change-order amounts shall be charged to the Applicant.

11. Service within Subdivisions- The District's obligation to provide service to any customer located within a subdivision governed by this Section is strictly limited to the level and manner of the service specified by the Applicant Developer for that subdivision. The Applicant Developer is responsible for paying for all costs necessary for non-standard service to a subdivision as determined by the District under the provisions of this Service Policy and specifically the provisions of this Section. If the Applicant Developer fails to pay these costs, the District has the right to require payment of these costs by any one or more of the persons purchasing lots or homes within such subdivision before the District is obligated to provide retail utility service to any customer service applicant within the subdivision. In addition, District may elect to pursue any remedies provided by the Non-Standard Service Contract if one has been executed. Applicant Developer is advised that purchasers of lots also may have legal recourse to the Applicant Developer under Texas law, including but not limited to Section 13.257, Texas Water Code, and the Texas Deceptive Trade Practices— Consumer Protection Act, Chapter 17, Subchapter E, Business and Commerce Code.

12. Service to Subdivisions of 50 acres or greater

- a. For Service to subdivisions involving tracts of 50 acres or greater, the Applicant Developer must provide all information otherwise required under this Section and must ensure that the District has been provided complete information sufficient to determine whether the level and manner of service requested by the Applicant Developer can be provided within the time frame specified by the Applicant Developer and to determine what additional water supplies and capital improvements, including expansion of capacity of the District's production, treatment and/or storage facilities and/or general transmission facilities properly and directly allocable to the requested level and manner of service, will be needed. At a minimum, and in addition to information otherwise required under this Section, the Applicant Developer must provide:

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- i. Map and description of the area to be served complying with the map requirements of 30 Texas Administrative Code Section 291.1 05(a)(2)(A)-(G) of the TCEQ's Rules.
 - ii. Time frame for:
 - a. Initiation of service; and
 - b. Service to each additional phase following the initial service.
 - iii. Level of service (quantity and quality) for;
 - a. Initial service; and
 - b. If the Applicant Developer proposes development in phases, the level of service that must be provided for each phase, and the estimated location of each phase depicted on the maps required under Section 12.a-i of this policy.
 - iv. Manner of service for;
 - a. Initial needs; and
 - b. Phased and final needs and the projected land uses that support the requested level of service for each phase.
 - v. Copies of all required approvals, reports and studies done by or for the Applicant Developer to support the viability of the proposed subdivision.
 - vi. The proposed improvements to be constructed by the Applicant Developer including time lines for the construction of these improvements.
 - vii. A map or plat of the subdivision depicting each phase and signed and sealed by a licensed surveyor or registered professional engineer.
 - viii. Intended land use of the development, including detailed information concerning types of land use proposed;
 - ix. The projected water and/or sewer demand of the development when fully built out and occupied, the anticipated water/sewer demands for each type of land use, and a projected schedule of build-out;
 - x. A schedule of events leading up to the anticipated date upon which service from the District will first be needed; and
 - xi. A proposed calendar of events, including design, plat approval, construction phasing and initial occupancy; and
 - xii. Any additional information requested by the District necessary to determine the capacity and the costs for providing the requested service.
- b. Applicant Developer must establish that current and projected service demands justify the level and manner of service being requested.
 - c. The Applicant Developer must advise the District if he/she intends to request expedited decertification from the TCEQ.
 - d. The Application will be processed on a time frame that should ensure final decision by the District within 90 days from the date of the Non-Standard Service Application and the payment of all fees required by this Section.

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- i. Upon payment of all required fees, the District shall review Applicant Developer's service request. If no additional information is required from Applicant Developer, the District will prepare a written report on Applicant Developer's service request, subject to any final approval by the District's governing body (if applicable) which must be completed within the 90 days from the date of application and payment of the required fees. The District's written report will state whether the requested service will be provided, whether the requested service can be provided within the time frame specified by the Applicant Developer, and the costs for which the Applicant Developer will be responsible (including capital improvements, acquisition of any additional water supply/sewer treatment capacity, easements and land acquisition costs, and professional fees).
- ii. In the event the District's initial review of the Applicant Developer's service application shows that additional information is needed, the District will notify Applicant Developer of the need for such additional information. Notice of the need for additional information will be made in writing within 30 days of the date the District receives the Applicant Developer's payment of the required fees and completed application for Non-Standard Service. Applicant Developer should respond to the District's request for additional information within 15 days of receipt of the District's written request. In any case, the District will provide the written report, including any final approval by the District's Board (if applicable) within 90 days from the date of the initial written application and payment of all required fees.
- iii. By mutual written agreement, the District and the Applicant Developer may extend the time for review beyond the 90 days provided for expedited petitions to the TCEQ. The Applicant Developer is advised that failure to timely provide the information required by this Section, including this Subsection, may cause the TCEQ to reject any subsequent petition for decertification of Applicant Developer's property. The Applicant Developer is further advised that if the Applicant Developer makes any change in level or manner of service requested, the time frame for initiation of service, or the level or manner or time frame for any phase of service, the Applicant Developer's original Application for Non-Standard Service will be deemed withdrawn, and the change may be considered a new Application for Non-Standard Service for all purposes, including the times specified herein for processing.
- iv. Following 90 days and final approval by the District and acceptance of the District's terms for service by the Applicant, a Non-Standard Service Contract will be executed and the District shall provide service according to the conditions contained in the Non-Standard Service Contract.

13. Reservation of Capacity – A determination that providing water service to a proposed Subdivision is feasible does not reserve capacity for use by the Subdivision. Uncommitted water supply that exists in the District's system is available on a first come, first served basis. Developer shall not have any rights to the District's water supply capacity until after a Non-Standard Service Contract is fully executed and capacity reservation fees have been paid.

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County Line Special Utility District
8870 Camino Real
Uhland, Texas 78640
512-398-4748

District Service Policy

Section G Service Rates and Fees

Unless specifically defined in this Service Policy, all fees, rates, and charges as stated shall be non refundable.

1. Classes of Users All users of the District's water and/or wastewater services shall be classified as either standard or non-standard service, as further defined in Section E and Section F of the Service Policy. Either class of users may be further classified into sub-classes according to the potable water meter size by which service is provided or diameter/size of the requested wastewater connection.

2. Service Investigation and Feasibility Study. Upon receipt of a Service Application, the District shall conduct a service investigation for each service application submitted to the District. An initial determination shall be made by the District, without charge, as to whether the service request is Standard or Non Standard. An investigation shall then be conducted and the results reported under the following terms:

- a. All Standard Service requests shall be investigated without charge and all applicable costs for providing service shall be quoted in writing to the Applicant within ten (10) working days of application.
- b. All Non-Standard Service requests shall be subject to charges, appropriate to each project, of sufficient amount to cover all administrative, legal, and engineering fees required by the District to:
 - i. conduct a feasibility study
 - ii. provide cost estimates of the project,
 - iii. develop detailed plans and specifications as per developer's plat,
 - iv. advertise and accept bids for the project,
 - v. prepare and execute a Non Standard Service Contract with the Applicant,
 - vi. prepare and execute an impact evaluation funding agreement, if determined to be appropriate in the discretion of the Board of Directors, and
 - vii. provide other services as required by the District for such investigation.
- c. The Developer of any property that is to be subdivided, or otherwise requires Non-Standard Service, shall submit a plat to the District for approval. The Developer shall pay for the District to perform a feasibility study including all engineering, legal and administrative costs. The developer shall provide a deposit on these charges in an amount determined by the manager based on the size and complexity of the project, but not less than \$5,000 dollars.

If the District's costs to perform the feasibility study exceed the Developer's feasibility study fee deposit, additional deposits will be required until the study is complete. If the feasibility study fee deposit is in excess of the District's cost to perform the feasibility study, the excess amount shall be credited toward the Developer's costs under the Non Standard Service Contract.

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3. Security Deposit. At the time the application for service is approved, a refundable Security Deposit must be paid before service shall be provided for the Applicant by the District.

- a. The Security Deposit for potable water and/or wastewater service is \$200.00 for each service unit.
- b. The Security Deposit for oversized or Master Metered Accounts shall be based on multiples of meter size equivalence or actual connections served.

4. Easement Fee. When the District determines that private right of way easements and/or facilities sites are necessary to provide service to the Applicant, the Applicant shall be required to make good faith efforts to secure easements in behalf of the District and/or pay all costs incurred by the District in validating, clearing, and retaining such right of way in addition to tap fees otherwise required pursuant to the provisions of this Service Policy. The costs may include all legal fees and expenses necessary to attempt to secure such right of way and/or facilities sites in behalf of the District.

5. Reservation and Installation Fees

a. Standard Service. Reservation fees are not required for Standard Service.

b. Non Standard Service.

Non Standard Potable Water Service shall include any and all construction labor and materials, inspection, administration, legal, and engineering fees, as determined by the District under the rules of Section F of this Service Policy

System Capacity and Potable Water Reservations, due upon plat approval to secure water and/or wastewater service commitment. Each fee is on a per meter equivalent basis.

- Potable Water System Capacity Reservation \$2,311 (a portion of the Impact Fee, per meter equivalent)
- Water Reservation, per month \$7.05
- Wastewater System Capacity Reservation \$5,000 (apportion of the Impact Fee, per connection equivalent)

The monthly water reservation fee is a monthly charge for each lot of a new subdivision or other property for which a meter has not been installed but for which the District and Developer or other person have entered into an agreement or contract which reserves potable water service. The Monthly Potable Water Reservation Fee shall continue for each lot until such lot becomes an active water service connection for which all connection fees have been paid and which lot is receiving monthly water service.

6. Connection Fees

a. Standard Potable Water Service Standard service is considered to be a 5/8" x 3/4" meter.

Fees due prior to installation are as follows:

- 1) Impact Fee \$3,765 share of system infrastructure needed to serve the connection
- 2) Connection Fee \$656 includes all labor, materials, engineering, legal, customer service inspection, and administrative costs necessary to provide individual metered water service and is charged on a per tap basis
- 3) Security Deposit \$200 per section G3.

b. Standard Wastewater Service. Standard service is considered to be a 4 inch connection pipe. Fees due prior to installation are as follows:

- 1) Impact Fee \$5,000 share of system infrastructure needed to serve the connection; this is the same fee referenced in paragraph 5.b above.

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c. Non Standard Potable Water Service. Fees due, per potable water meter equivalent, prior to installation are: \$4,621 total

1) Balance of Impact Fee \$3,765

2) Connection Fee \$ 656 includes all labor, materials, engineering, legal, customer service inspection, and administrative costs necessary to provide individual metered potable water service and is charged on a per number of equivalent taps basis.

3) Security Deposit \$200, per section G3.

d. Non Standard Wastewater Service Fees due, per wastewater connection, prior to installation are: \$5,000 total

1) Balance of Impact Fee \$4,600

2) Connection Fee \$200 includes all labor, materials, engineering, legal, customer service inspection and administrative costs necessary to provide individual wastewater service connection and is charged on a per number of equivalent connection basis.

3) Security Deposit \$200, per section G3.

7. Monthly Charges for Potable Water

a. Potable Water Service Availability Charge

Potable Water Service - The monthly charge for metered water service, which may or may not include allowable gallonage, is based on demand by meter size. Each charge is assessed based on the number of 5/8" X 3/4" meters (as per American Water Works Association maximum continuous flow specifications (see Miscellaneous) equivalent to the size indicated and is used as a base multiplier for the Service Availability Charge and allowable gallonage. Rates and equivalents are as follows:

METER SIZE	METER EQUIVALENTS	IMPACT FEE	MONTHLY RATE
5/8"X3/4"	1.0	\$ 3,765.00	\$ 36.50
3/4"	1.5	\$ 5,647.50	\$ 54.75
1"	2.5	\$ 9,412.50	\$ 91.25
1 1/2"	5.0	\$ 18,825.00	\$ 182.50
2"	8.0	\$ 30,120.00	\$ 292.00
3"DISP	9.0	\$ 33,885.00	\$ 328.50
3" CMPD	16.0	\$ 60,240.00	\$ 584.00
3" TURB.	17.5	\$ 65,887.50	\$ 638.75
4" CMPD.	25.0	\$ 94,125.00	\$ 912.50
4" TURB.	30.0	\$112,950.00	\$ 1,095.00
6" CMPD.	50.0	\$188,250.00	\$ 1,825.00
6" TURB.	62.5	\$235,612.50	\$ 2,281.25
8" CMPD.	80.0	\$301,200.00	\$ 2,920.00

b. Potable Water Gallonage Charge - In addition to the Service Availability Charge, a gallonage charge shall be added at the following rates for usage during any one (1) billing period:

\$3.25 per 1000 gallons for first 10,000 gallons

\$3.50 per 1000 gallon for next 5,000 gallons

\$3.75 per 1000 gallons for next 5,000 gallons

\$4.00 per 1000 gallons for all over 20,000 gallons

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8. Monthly Charges for Wastewater Service

Wastewater Service Availability Charge

The monthly charge for standard (single residence) wastewater service is a fixed rate. Rates and equivalents are as follows:

CONNECTION SIZE	CONNECTION EQUIVALENTS	IMPACT FEE	MONTHLY RATE
4"	1.0	\$ 5,000	\$ 60.00

9. Construction Rate: A fee of \$1,000.00 is charged and must be paid in full before setting a construction meter. \$200.00 is for the use of the meter. \$800.00 is a refundable Security Deposit. The security deposit will only be reimbursed if the meter is returned in working condition. All water for construction projects is billed at \$6.24 per 1000 gallons.

10. Late Payment Fee. Once per billing period, a penalty of \$5.00 shall be applied to delinquent bills. This late payment penalty shall not be applied to any balance to which the penalty was applied in a previous billing, but shall be applied to any unpaid balance during the current billing period.

11. County Line SUD will not notify a lien-holder. County Line SUD will not notify a lien-holder of past due bills for either potable water service and / or wastewater service.

12. Returned Check Fee. In the event a check, draft, or any other similar instrument is given by a person, firm, corporation, or partnership to the District for payment of services provided for in this Service Policy, and the instrument is returned by the bank or other similar institution as insufficient or non negotiable for any reason, the account for which the instrument was issued shall be assessed a return check charge of \$25.00. (see Miscellaneous Transaction Forms)

13. Reconnect Fee. The District shall charge a fee of \$ 40.00 for reconnecting service after the District has previously disconnected the service for any reason provided for in this Service Policy except for activation of service under Section E.3.b. Re-Service.

14. Service Trip Fee. The District shall charge a trip fee of \$____.00 for any service call or trip to the Customer's tap as a result of a request by the Customer or resident (unless the service call is in response to damage of the District's or another Customer's facilities) or for the purpose of disconnecting or collecting payment for services.

15. Equipment Damage Fee. If the District's facilities or equipment have been damaged by tampering, by passing, installing unauthorized taps, reconnecting service without authority, or other service diversion, a fee shall be charged equal to the actual costs for all labor, material, and equipment necessary for repair, replacement, and other District actions. This fee shall be charged and paid before service is re established. If the District's equipment has not been damaged, a fee equal to the actual costs for all labor, material, equipment, and other actions necessary to correct service diversions, unauthorized taps, or reconnection of service without authority shall be charged. All components of this fee will be itemized, and a statement shall be provided to the Customer. If the District's facilities or equipment have been damaged due to negligence or unauthorized use of the District's equipment, right of way, or meter shut off valve, or due to other acts for which the District incurs losses or damages, the Customer shall be liable for all labor and material charges incurred as a result of said acts or negligence.

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16. Customer History Report Fee. A fee of \$ 2.00 per page shall be charged to provide a copy of the Customers record of past water purchases in response to a Customer's request for such a record.

17. Meter Test Fee. The District shall test a Customer's meter upon written request of the Customer. Under the terms of Section E of this Service Policy, a charge of \$__.00 shall be imposed on the affected account.

18. Non-Disclosure Fee. A fee of \$____.00 shall be assessed any customer requesting in writing that personal information under the terms of this District Service Policy not be disclosed to the public.

19. Information Disclosure Fee. All public information except that which has been individually requested as confidential shall be available to the public for a fee to be determined by the District based on the level of service and costs to provide such information, but not to be inconsistent with the terms of the Texas Public Information Act: Chapter 552, Texas Government Code.

20. Customer Service Inspection Fee. A fee of \$____.00 will be assessed each Applicant before permanent continuous service is provided to new construction.

21. Administrative Fee. An applicant for existing connected service shall complete all required application forms, etc. and pay a fee of \$25.

22. Additional Assessments. In the event any federal, state or local government imposes on the District a "per meter" fee or an assessment based on a percent of water use or charges, this fee or assessment will be billed and collected as a "pass through" charge to the customer.

23. Other Fees. All services outside the normal scope of utility operations which the District may be compelled to provide at the request of a customer shall be charged to the recipient based on the cost of providing such service.

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Section H Emergency Water Demand Management Plan & Emergency Rationing Program

1. INTRODUCTION

The goal of this plan is to cause a reduction in potable water use in response to emergency conditions so that the potable water availability can be preserved. Since emergency conditions can occur rapidly, responses must also be enacted quickly. This plan has been prepared in advance considering conditions that will initiate and terminate the rationing program.

A Conservation Committee consisting of two Board Members and the System Manager will monitor usage patterns, public education efforts and make recommendations to the Board on future conservation efforts. The Committee will develop public awareness notices, bill stuffers, and other methods that will begin and continue as a constant type of reminder that water should be conserved at all times, not just during an emergency. This Committee will review and evaluate any needed amendments or major changes due to changes in the District service area population, distribution system or supply. This review and evaluation will be done on a regular basis of five years unless conditions necessitate more frequent amendments.

In the event of an identified water shortage declaration, the District will distribute water to wholesale customers according to the Texas Water Code 11.039.

The plan will be implemented according to the four stages of rationing imposed by the Board. The next section describes the conditions which will trigger these stages.

2. TRIGGER CONDITIONS

1. Stage I - Mild Condition: Stage I will be implemented when one or more of the following conditions exist:

- a. Water consumption has reached 80 percent of daily maximum supply for three (3) consecutive days.
- b. Water supply is reduced to a level that is only 20 percent greater than the average consumption for the previous month.
- c. There is an extended period (at least eight (8) weeks) of low rainfall and daily use has risen 20 percent above the use for the same period during the previous year.
- d. EAA Index well J-17 reaches <660 ft. MSL or San Marcos river spring flow is <96 CFS or Comal spring flow is <225 CFS.

2. Stage II - Moderate Conditions: Stage II rationing condition may be implemented when one or more of the following conditions exist:

- a. Water consumption has reached 90 percent of the amount available for three consecutive days.
- b. The water level in any of the water storage tanks cannot be replenished for three (3) consecutive days.
- c. EAA Index well J-17 reaches <650 MSL or San Marcos river spring flow is <80 CFS or Comal spring flow is <200 CFS.

Updated and Approved on October 20, 2014

3. Stage III - Severe Conditions: Stage III rationing conditions may be implemented when one or more of the following conditions exist:
 - a. Failure of a major component of the system or an event which reduces the minimum residual pressure in the system below 20 psi for a period of 24 hours or longer.
 - b. Water consumption of 95 percent or more of the maximum available for three (3) consecutive days.
 - c. Water consumption of 100 percent of the maximum available and the water storage levels in the system drop during one 24 hour period.
 - d. EAA index well J-17 reaches <640 MSL or the Comal spring flow is <150 CFS. e.. Other unforeseen events which could cause imminent health or safety risks to the public.
 4. Stage IV — Critical Condition: Stage IV rationing conditions may be implemented when one or more of the following conditions exist:
 - a. FAA index well J-17 reaches < 630 MSL or the Comal spring flow is <100 CFS.
- County Line SUD will adhere to the Best Management Practice requirements of the Edwards Aquifer Authority. The stages pertaining to the Edwards Aquifer will only govern the pumping of water from the Edwards Aquifer.

3. STAGE LEVELS OF RATIONING

The stage levels of rationing are to be placed in effect by the triggers in Section B. The System shall institute monitoring and enforce penalties for violations of the Rationing Program for each of the Stages listed below. The rationing measures are summarized below.

1. At all times: There is a prohibition of landscape irrigation between 10:00 AM and 8:00 PM.
2. Stage I - Mild Conditions
 - a. Alternate day, time of day, or limiting of time restrictions for outside water usage allowed. (System will notify Customers which restriction is in effect)
 - b. The system should reduce flushing operations.
 - c. Encourage reduction of water use through the notice on bills or other method.
 - d. Pumping from the Edwards Aquifer will be reduced by 20%.
2. Stage II - Moderate Conditions
 - a. All outside water use is prohibited (except for livestock).
 - b. Make public service announcements as conditions change via local media (TV, radio, newspapers. etc.).
 - c. Pumping from the Edwards Aquifer will be reduced by 30%.
3. Stage III - Severe Conditions
 - a. All outside watering prohibited and the system may also prohibit livestock watering by notice.
 - b. Water use will be restricted to a percentage of each members prior months usage. This percentage may be adjusted as needed according to demand on the system. Notice of this amount will be sent to each customer.
 - c. District shall continue enforcement and educational efforts.
 - d. Pumping from the Edwards Aquifer will be reduced by 35%.

Updated and Approved on October 20, 2014

4. Stage IV — Critical Conditions
 - a. Pumping from the Edwards Aquifer will be reduced by 40%.
NOTE:(1)Refer to your water purchase contract for additional restrictions/requirements that may be imposed by stipulations from the wholesale supplier.
 - (2) There may be additional restrictions imposed by Governmental Entities.
 - (3) Meters will be read as often as necessary to insure compliance with this program for the benefit of all the customers.
 - (4) Use of a sprinkler for landscape watering is prohibited on any day YEAR ROUND between the hours of 10 AM and 8 PM. Watering with a hand-held hose, bucket, soaker hose that does not spray water into the air, or a drip irrigation system is allowed at any time on any day except after Stage II restrictions have been declared, than it is allowed on any day, only before 10 AM and after 8 PM.

4. INITIATION AND TERMINATION PROCEDURES

Once a trigger condition occurs, the District, or its designated responsible representative, shall, based on recommendation from the Chairperson of the Conservation Committee, decide if the appropriate stage of rationing shall be initiated. The initiation may be delayed if there is a reasonable possibility the water system performance not be compromised by the condition. If rationing is to be instituted, written notice to the customers shall be given.

Written notice of the proposed rationing shall be mailed or delivered to each affected customer, and placed in a local newspaper or announced on a local radio or television station. The customer notice shall contain the following information:

1. The date rationing shall begin,
2. The expected duration,
3. The stage (level) of rationing to be employed,
4. Penalty for violations of the rationing program, and
5. Affected area to be rationed.

A sample Customer Notice of rationing condition is included in Miscellaneous Transaction Forms.

If the rationing period extends 30 days then the Chairperson of the Conservation Committee or manager shall present the reasons for the rationing at the next scheduled Board Meeting and shall request the permission of the Board to extend the rationing period.

When the trigger condition no longer exists then the responsible official may terminate the rationing provided that such an action is based on sound judgment. Written notice of the end of rationing shall be given to customers. A rationing period may not exceed 60 days without extension by action of the Board.

5. PENALTIES FOR VIOLATIONS

For the first violation of a rationing provision is to send the customer a written warning stating CLSUD's policy and request compliance.

For the second violation the customer is sent a letter via certified mail. The letter will state CLSUD's policy and state they must comply. The letter will state that the customer will be charged a \$50.00 violation fee for a 3rd offence and each offence thereafter.

For the third offense and subsequent violations assess a violation fee of \$50.00 per each violation.

Updated and Approved on October 20, 2014

6. EXEMPTIONS OR WAIVERS

The System may grant exemptions or waivers for individuals that can demonstrate just cause for outside or other use of water other than permitted by this Rationing Program. Some examples may include no other source for livestock, for business purposes, for other planned construction or improvement already in progress, etc.

7. IMPLEMENTATION

The Board shall establish a Conservation Committee by Resolution, the chairperson, of which, will be the responsible representative to make Emergency Water Management actions. This committee should also review the procedures in this plan annually so that modifications can be made to accommodate system growth.

The provisions which affect customers in this Plan were adopted by the Board. These procedures will be put into effect by the Board or its designated representative.

Updated and Approved on October 20, 2014

Approved on September 7, 2009 Section H Page 4 of 4 County Line Special Utility District

ATTACHMENT G

2014-2018 Financial Audits

Part E: Question 30

COUNTY LINE SPECIAL UTILITY DISTRICT

FINANCIAL STATEMENTS AND AUDITOR'S REPORT

December 31, 2014

WITH SUPPLEMENTARY INFORMATION

Stephen W Cook



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Fax: 866-479-7523

ANNUAL FILING AFFIDAVIT

STATE OF TEXAS }
COUNTY OF HAYS }

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

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

Date: _____, 2015 By: _____

Sworn to and subscribed to before me this _____ day of _____, 20____.

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

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MANAGEMENT'S DISCUSSION & ANALYSIS

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

Using this Annual Report

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

OVERVIEW OF THE DISTRICT

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

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

Financial Highlights

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Enterprise Funds

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

Notes to the Financial Statements

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

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

statements.

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

Statement of Net Assets

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

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

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

Required Supplementary Information

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

FINANCIAL ANALYSIS

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

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

Statement of Net Assets

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

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

Statement of Revenues, Expenses and Changes in Net Assets

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

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

Capital Assets and Debt

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

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

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

CONTACTING THE DISTRICT'S MANAGEMENT

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

Board of Directors
County Line Special Utility District
Uhland, Texas

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the business-type activities of the County Line Special Utility District as of December 31, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 7 and on pages 28 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standard generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Stephen W Cook, CPA

Stephen W. Cook, CPA
February 23, 2015

BASIC FINANCIAL STATEMENTS

COUNTY LINE SPECIAL UTILITY DISTRICT**STATEMENT OF NET ASSETS**

December 31, 2014 and 2013

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

COUNTY LINE SPECIAL UTILITY DISTRICT**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND**

For the Years Ended December 31, 2014 and 2013

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

COUNTY LINE SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 1 –REPORTING ENTITY

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

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

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Proprietary Funds

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services, and producing and delivering goods in connection with the proprietary fund's principal ongoing operations. The principal operating revenues of the enterprise fund are charges for services. Operating expenses for the enterprise fund include costs of sales, administrative expenses, and depreciation of capital assets. All revenues and expense not meeting this definition are reported as non-operating revenues and expenses.

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

COUNTY LINE SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

B. Budgetary Information

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

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

C. Operating and Non-operating Revenue and Expense Policy

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

D. Cash and Temporary Investments (Cash Equivalents)

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

E. Investments

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

F. Receivables and Payables

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

G. Inventory and Prepaid Items

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

COUNTY LINE SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

H. Due From Developers/Deferred Revenues

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

I. Capital Assets

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

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

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

J. Amortization of SUD Conversion

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

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

COUNTY LINE SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

K. Employee Benefits

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

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

L. Long-Term Obligations

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

M. Estimates

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

N. Date of Management's Review

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

O. Related Party Transactions

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

NOTE 3 – CASH, TEMPORARY INVESTMENTS and INVESTMENTS

Cash Deposits

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

Investments

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

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

COUNTY LINE SPECIAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

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

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

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

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

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

Analysis of Specific Deposit and Investment Risks

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

Credit Risk

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

Custodial Credit Risk

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

COUNTY LINE SPECIAL UTILITY DISTRICT

NOTES TO THE FINANCIAL STATEMENTS

December 31, 2014

Concentration of Credit Risk

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

Interest Rate Risk

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

Foreign Currency Risk

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

Investment Accounting Policy

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

Public Funds Investment Pools

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

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

NOTE 4 – CAPITAL, RESTRICTED and TEMPORARILY RESTRICTED ASSETS

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

COUNTY LINE SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 5 – RECEIVABLES

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

Summary of Water Receivables and Usage

Balance at 12/31/2013	Water Billing in 2014	Payments received in 2014	Balance at 12/31/2014
\$179,679	\$1,726,155	\$1,716,227	\$189,607
Water pumped		235,659,000	Gallons
Water sold		216,893,200	Gallons
Number of meters at year end		2574	

NOTE 6 –CAPITAL ASSETS

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

	Balance 12-31-2013	Increases	Decreases	Balance 12-31-2014
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	221,999		4,896,964
Water plants	3,528,681			3,528,681
Building and improvements	117,174			117,174
Vehicles	57,520			57,520
Total capital assets being depreciated/amortized	8,535,521	221,999		8,757,520
Less accumulated depreciation/amortization	2,849,341	246,447		3,095,788
Total assets being depreciated/amortized, net	5,686,180	468,446		5,661,732
Total capital assets	\$ 7,662,230	\$ 468,446	\$	\$ 7,637,782

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

COUNTY LINE SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 7 – LONG-TERM DEBT

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

USDA Case #50-005-0742235829, loan number 91-01 dated May 30, 2002, original loan \$1,241,000, interest rate 5.0% per year with monthly payments of \$6,044.00, including interest, final payment due March 9, 2041.	
	\$ 1,066,891
Less: current principal	<u>19,629</u>
Long-term debt	<u><u>\$ 1,047,262</u></u>

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

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

COUNTY LINE SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

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

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

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

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

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

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

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

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

COUNTY LINE SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

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

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

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

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

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

NOTE 8 – PRIOR PERIOD ADJUSTMENT

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

NOTE 9 – RISK MANAGEMENT

A. General Liability

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

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

COUNTY LINE SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

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

B. Workers' Compensation

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

NOTE 10 – HCPUA CONTRACT

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

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

COUNTY LINE SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2014

NOTE 11 – OFFICERS, DIRECTORS AND KEY PERSONNEL

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

Key Personnel:

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

SUPPLEMENTARY INFORMATION

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

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

COUNTY LINE SPECIAL UTILITY DISTRICT

SUPPLEMENTARY INFORMATION - SCHEDULE TWO

COMPARATIVE STATEMENT OF EXPENSES

For the Years Ended December 31, 2014 and 2013

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

TEXAS SUPPLEMENTARY INFORMATION

COUNTY LINE SPECIAL UTILITY DISTRICT

TSI 1: SERVICES AND RATES

For the Year Ended December 31, 2014

1. The District provides services for retail water.

2. Retail Service Providers

a. Retail Rates for a 5/8" meter (or equivalent)

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

District employs winter averaging for wastewater usage? No

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

b. Water and Wastewater Retail Connections:

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

COUNTY LINE SPECIAL UTILITY DISTRICT

TSI 1: SERVICES AND RATES

For the Year Ended December 31, 2014

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

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

4. Standby Fees: N/A

5. Location of District:

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

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

For the Year Ended December 31, 2014

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

Number of employees: 4

COUNTY LINE SPECIAL UTILITY DISTRICT**TSI 3: TEMPORARY INVESTMENTS**

For the Year Ended December 31, 2014

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

COUNTY LINE SPECIAL UTILITY DISTRICT

TSI 4: TAXES LEVIED AND RECEIVABLE

For the Year Ended December 31, 2014

Does Not Apply

COUNTY LINE SPECIAL UTILITY DISTRICT

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

For the Year Ended December 31, 2014

USDA

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

USDA case 50-005-0742235829

Monthly payments = \$6,044.

Interest rate: 5.00%

Final payment: 03/09/41

HAYS-CALDWELL WTP, SERIES 2003

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

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

Semi Annual Payments

Interest rate: variable

Final payment: 08/01/28

COUNTY LINE SPECIAL UTILITY DISTRICT

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

For the Year Ended December 31, 2013

HAYS-CALDWELL WTP, SERIES 2005

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

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

Semi Annual Payments

Interest rate: 6.44%

Final payment: 08/01/24

SAN MARCOS RTP, SERIES 2008

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

SAN MARCOS WTP, SERIES 2008

Semi Annual Payments

Interest rate: 5.14%

Final payment: 08/01/38

COUNTY LINE SPECIAL UTILITY DISTRICT**TSI 6: CHANGE IN LONG-TERM DEBT**

For the Year Ended December 31, 2013

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

Average annual debt service = \$462,293.

COUNTY LINE SPECIAL UTILITY DISTRICT**TSI 7: COMPARATIVE SCHEDULE OF REVENUE AND EXPENDITURES****ENTERPRISE FUND - FIVE YEARS**

For the Years Ended December 31,

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

COUNTY LINE SPECIAL UTILITY DISTRICT

TSI 8: BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS

December 31, 2014

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

District Business Telephone Number: 512-398-4748

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

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

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

Key Personnel:

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

COMPLIANCE SECTION

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 ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

I have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the comptroller General of the United States, the financial statements of County Line Special Utility District (District) which comprise the balance sheet as of December 31, 2014, fund balance, and cash flows for the year then ended and the related notes to the financial statements, and have issued my report thereon dated February 23, 2015.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, I considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of County Line Special Utility District's internal control.

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

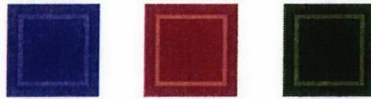
Purpose of the Report

The purpose of this report is solely to describe the scope of my testing on internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stephen W Cook, CPA

Stephen W. Cook, CPA
February 23, 2015

Stephen W Cook



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

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

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

Report on Compliance for each Major Federal Program

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

Management's Responsibility

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

Auditor's Responsibility

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

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

Opinion on the Major Federal Program

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

Report in Internal control Over Compliance

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

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

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

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

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

Stephen W Cook, CPA

Stephen W Cook, CPA, PLLC
February 23, 2015

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

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

NOTE A - BASIS OF PRESENTATION

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

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

Section I - Summary of Auditor's Results

Financial Statements

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

Federal Awards

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

Section II - Financial Statement Findings

NONE

Section III - Federal Award Findings and Questioned Costs

NONE

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

Section II - Financial Statement Findings

NONE

Section III - Federal Award Findings and Questioned Costs

NONE

Stephen W Cook



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MANAGEMENT LETTER

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

In planning and performing my audit of the financial statements of the County Line Special Utility District for the year ended December 31, 2014, I considered the District's internal control over financial reporting as a basis for designing auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, I do not express an opinion on the effectiveness of the District's internal control.

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

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

Stephen W Cook, CPA

Stephen W Cook, CPA, PLLC
February 23, 2015

COUNTY LINE SPECIAL UTILITY DISTRICT

FINANCIAL STATEMENTS AND AUDITOR'S REPORT

December 31, 2015

WITH SUPPLEMENTARY INFORMATION

Stephen W Cook



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Corresponding and Billing:

PO Box 792772 San Antonio, Texas 78279-2772

San Antonio: 210-495-4424 Austin: 512-454-7691

Fax: 866-479-7523

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 _____, 2016 its annual audit report for the fiscal period ended December 31, 2015 and the copies of the annual audit report have been filed in the District's office, located at 131 South Camino Real, Uhlend, 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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MANAGEMENT'S DISCUSSION & ANALYSIS

COUNTY LINE SPECIAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015

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, 2015. The District's financial performance is discussed and analyzed within the context of the accompanying financial statements and disclosure following this section. This analysis should be read in conjunction with the basic financial statements that follow this section.

OVERVIEW OF THE DISTRICT

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

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

Financial Highlights

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

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Enterprise Funds

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

Notes to the Financial Statements

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

COUNTY LINE SPECIAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015

statements.

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

Statement of Net Assets

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

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

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

Required Supplementary Information

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

FINANCIAL ANALYSIS

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

COUNTY LINE SPECIAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015

Statement of Net Assets

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

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

Statement of Revenues, Expenses and Changes in Net Assets

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

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

Capital Assets and Debt

At December 31, 2015, the District had \$7,637,782 in total capital assets. Additional information on the District's capital assets can be found in Note 5. At the same time the District had outstanding debt of \$4,265,319. Of this amount, \$213,351 is considered to be current. Additional information on the District's outstanding debt may be found in Note 6.

COUNTY LINE SPECIAL UTILITY DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2015

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, Uhlman, 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

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, 2015, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In my opinion, the financial statements referred to above present fairly, in all material respects, the business-type activities of the County Line Special Utility District as of December 31, 2015 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 7 and on pages 28 through 48 be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. I have applied certain limited procedures to the required supplementary information in accordance with auditing standard generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

Stephen W Cook, CPA

Stephen W. Cook, CPA
March 4, 2016

BASIC FINANCIAL STATEMENTS

COUNTY LINE SPECIAL UTILITY DISTRICT
STATEMENT OF NET ASSETS
December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Assets		
Current Assets		
Cash and cash equivalents	\$ 795,508	\$ 695,124
Investments	2,147,687	3,143,260
Water fees receivable (net)	190,655	189,607
Due from developers	238,224	540,907
Inventory	14,500	15,590
Prepaid assets	<u>0</u>	<u>0</u>
Total Current Assets	3,386,574	4,584,488
Capital Assets		
Land and easements	101,660	101,660
Water rights	1,874,390	1,874,390
SUD Conversion & legal fees (net of amortization)	128,530	132,459
Building, Plant and Equipment (net of depreciation)	<u>5,978,636</u>	<u>5,529,273</u>
Total Capital Assets	8,083,216	7,637,782
Total Assets	<u>\$ 11,469,790</u>	<u>\$ 12,222,270</u>
Liabilities and Net Assets		
Current Liabilities		
Accrued benefits	\$ (2,402)	\$ 0
Accounts payable	0	140
Deferred revenues	249,864	549,048
Accrued interest payable	0	12,521
Customer deposits payable	416,378	382,486
Current portion of long-term debt	<u>206,967</u>	<u>213,351</u>
Total Current Liabilities	870,807	1,157,546
Notes payable, net of current portion	<u>3,367,332</u>	<u>4,265,319</u>
Total Liabilities	4,238,139	5,422,865
Net Assets		
Invested in Capital Assets, Net of Related Debt	3,372,463	3,372,463
Unrestricted	<u>3,859,188</u>	<u>3,426,942</u>
Total Net Assets	7,231,651	6,799,405
Total Liabilities and Net Assets	<u>\$ 11,469,790</u>	<u>\$ 12,222,270</u>

COUNTY LINE SPECIAL UTILITY DISTRICT**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUND**

For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
Operating Revenue	\$ 2,284,453	\$ 2,692,417
Operating Expenses	<u>1,518,240</u>	<u>1,394,993</u>
Net Operating Revenues (Expenses)	766,213	1,297,424
Nonoperating Revenues (Expenses)		
Interest income	4,434	5,356
Other income	19,511	17,826
Administrative expenses	<u>(357,912)</u>	<u>(408,162)</u>
Total Nonoperating Revenue (Expenses)	<u>(333,967)</u>	<u>(384,980)</u>
Change in Net Assets	432,246	912,444
Net Assets - Beginning	6,799,405	5,732,116
Reclasses (See Note 7)	<u>154,845</u>	<u>154,845</u>
Net Assets - Ending	<u>\$ 7,386,496</u>	<u>\$ 6,799,405</u>

COUNTYLINE SPECIAL UTILITY DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
For the Years Ended December 31, 2015 and 2014

	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Payments received from customers	\$ 2,309,446	\$ 2,725,527
Payments to suppliers of goods and services	(1,858,490)	(1,675,734)
Payments of salaries	<u>257,942</u>	<u>200,360</u>
Net cash provided by operating activities	<u>708,898</u>	<u>1,250,153</u>
CASH FLOWS FROM CAPITAL AND RELATED		
Principal payments on bonds and notes	(897,987)	(292,265)
Reclassification from prior periods	<u>-</u>	<u>154,844</u>
Net cash provided (used) by capital and related financing activities	<u>(897,987)</u>	<u>(137,421)</u>
CASH FLOWS FORM INVESTING ACTIVITY		
Additions to property and equipment	<u>(706,101)</u>	<u>(222,000)</u>
Net cash provided (used) by investing activities	<u>(706,101)</u>	<u>(222,000)</u>
Net increase (decrease) in cash and cash equivalents	(895,190)	890,733
Cash and equivalents - beginning of year	<u>3,838,385</u>	<u>2,947,652</u>
Cash and equivalents - end of year	<u><u>\$ 2,943,195</u></u>	<u><u>\$ 3,838,385</u></u>
NET CASH PROVIDED BY OPERTING ACTIVITIES		
Change in net assets	\$ 432,246	\$ 751,698
Depreciation and amortization	260,665	243,969
(Increase) decrease in accounts receivable	(1,048)	(14,436)
(Increase) decrease in inventory	1,090	2,960
(Increase) decrease in developer receivables	302,683	10,950
(Increase) decrease in other current assets	0	1,637
Increase (decrease) in accrued bond interest	(12,521)	3,908
Increase (decrease) in accounts payable and accrued liabilities	(301,725)	92,724
Increase (decrease) in customer deposits	33,892	24,909
Increase (decrease) in current portion debt	<u>(6,384)</u>	<u>11,725</u>
Net cash provided (used) by operating activities	<u><u>\$ 708,898</u></u>	<u><u>\$ 1,130,044</u></u>

NOTES TO THE FINANCIAL STATEMENTS

COUNTY LINE SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

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, 2015

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, 2015

H. Due From Developers/Deferred Revenues

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

I. Capital Assets

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

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

	Est. Depreciable Life (Yrs.)
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, 2015

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:

	Year of Service	Annual Accrual	Carry Over Amount
Vacation	1-3 Years	40 Hours	None
	4-10 Years	80 Hours	None
	Over 10 Years	120 Hours	None
Sick	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, 2016 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, 2015 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, 2015

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>
Cash and temporary investments:					
First Lockhart National Bank	Ck	0.10%	\$ 795,508	\$ 831	27.03%
Investments:					
Ozona	CD	0.35%	102,452	307	3.48%
Ozona	CD	0.55%	102,078	307	3.47%
First Lockhart National Bank	CD	0.60%	103,159	788	3.51%
Logic Investments		0.01%	1,839,998	2,201	62.52%
			<u>2,147,687</u>	<u>3,603</u>	<u>72.97%</u>
			<u>\$ 2,943,195</u>	<u>\$ 4,434</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, 2015

Concentration of Credit Risk

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

Interest Rate Risk

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

Foreign Currency Risk

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

Investment Accounting Policy

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

Public Funds Investment Pools

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

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

NOTE 4 – CAPITAL, RESTRICTED and TEMPORARILY RESTRICTED ASSETS

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

COUNTY LINE SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

NOTE 5 – RECEIVABLES

Accounts receivable from members represent unpaid water usage. At December 31, 2015 the amount was \$189,607.

Summary of Water Receivables and Usage

Balance at 12/31/2014	Water Billing	Payments Received	Balance at 12/31/2015
\$189,607	\$1,920,551	\$1,919,503	\$190,655
Water pumped		235,659,000	Gallons
Water sold		216,893,200	Gallons
Number of meters at year end		2574	

NOTE 6 – CAPITAL ASSETS

A summary of changes in capital assets for the year ended December 31, 2015, follows:

	Balance 12-31-2014	Increases	Decreases	Balance 12-31-2015
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	4,896,964	688,926		5,585,890
Water plants	3,528,681			3,528,681
Building and improvements	117,174			117,174
Vehicles	57,520			74,693
Total capital assets being depreciated/amortized	8,757,520	688,926		9,463,619
Less accumulated depreciation/amortization	3,095,788	260,665		3,356,453
Total assets being depreciated/amortized, net	5,661,732	949,591		6,107,166
Total capital assets	\$ 7,637,782	\$ 949,591	\$	\$ 8,083,216

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, 2015

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, 2015, 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.

	\$ 375,000
Less: current principal	<u>18,750</u>
Long-term debt	<u><u>\$ 356,250</u></u>

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

	Principal	Interest	Total
Years ending December 31:			
2016	18,750		18,750
2017	18,750		18,750
2018	18,750		18,750
2019	18,750		18,750
2020	18,750		18,750
Remainder	<u>262,500</u>		<u>262,500</u>
	<u><u>\$ 356,250</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 356,250</u></u>

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

	\$ 611,165
Less: current principal	<u>34,672</u>
Long-term debt	<u><u>\$ 576,493</u></u>

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

	Principal	Interest	Total
Years ending December 31:			
2016	34,672	35,349	70,021
2017	36,921	33,455	70,376
2018	39,170	31,401	70,571
2019	41,419	29,188	70,607
2020	43,668	26,822	70,490
Remainder	<u>415,315</u>	<u>137,825</u>	<u>553,140</u>
	<u><u>\$ 611,165</u></u>	<u><u>\$ 294,040</u></u>	<u><u>\$ 905,205</u></u>

COUNTY LINE SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

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

	\$ 1,642,515
Less: current principal	<u>148,622</u>
Long-term debt	<u>\$ 1,493,893</u>

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

	Principal	Interest	Total
Years ending December 31:			
2016	148,622	105,779	254,401
2017	158,929	96,207	255,136
2018	168,863	85,972	254,835
2019	180,107	75,097	255,204
2020	192,290	63,498	255,788
Remainder	<u>793,704</u>	<u>185,522</u>	<u>979,226</u>
	<u>\$ 1,642,515</u>	<u>\$ 612,075</u>	<u>\$ 2,254,590</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

	\$ 964,370
Less: current principal	<u>23,673</u>
Long-term debt	<u>\$ 940,697</u>

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

	Principal	Interest	Total
Years ending December 31:			
2016	23,673	49,573	73,246
2017	24,432	48,357	72,789
2018	26,253	47,100	73,353
2019	28,074	45,751	73,825
2020	29,136	44,308	73,444
Remainder	<u>832,802</u>	<u>496,867</u>	<u>1,329,669</u>
	<u>\$ 964,370</u>	<u>\$ 731,956</u>	<u>\$ 1,696,326</u>

The total amount of interest expense paid and accrued during the year was \$232,507.

COUNTY LINE SPECIAL UTILITY DISTRICT
NOTES TO THE FINANCIAL STATEMENTS
December 31, 2015

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	01-2015	12-2015	STATUTORY
Vehicle	01-2015	12-2015	\$1,000,000
Umbrella	01-2015	12-2015	\$4,300,000
Directors	01-2015	12-2015	\$4,000,000
Employee	01-2015	12-2015	\$100,000
General liability	01-2015	12-2015	\$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, 2015

NOTE 10 – OFFICERS, DIRECTORS AND KEY PERSONNEL

<u>Name</u>	<u>Position</u>	<u>Term Expires, May</u>	<u>Stipends Paid 2014 \$</u>
Board of Directors:			
Chris Betz	Elected President	2018	2100
Vikki Richie	Elected V-President	2017	750
Karen Gallaher	Elected Sec/Trea	2016	975
William Ilse	Elected Director	2017	825
Brett Burich	Elected Director	2018	300
Vikki Hunter	Elected Director	2016	150
Justin Ivicic	Elected Director	2016	975
Key Personnel:			
Daniel Heideman	Manager		67,076
Doug Schnautz	Asst. Manager		57,128
James Woods	Operator		51,304
Susan Browning	Office Mgr.		45,694

SUPPLEMENTARY INFORMATION

COUNTY LINE SPECIAL UTILITY DISTRICT
SUPPLEMENTARY INFORMATION - SCHEDULE ONE
SCHEDULE OF EXPENSES - ACTUAL vs BUDGET
For the Year Ended December 31, 2015

	Operating		Administrative		Totals	
	Actual	Budget	Actual	Budget	Actual	Budget
Salaries	\$ 212,248	\$ 180,000	\$ 45,694	\$ 45,000	\$ 257,942	\$ 225,000
Payroll taxes	16,463	22,400	3,547	3,600	20,010	26,000
Benefits	12,937	4,800	5,457	5,500	18,394	10,300
CRWA expenses	756,089	884,000			756,089	884,000
Dues and fees	2,156	3,000	2,570	3,900	4,726	6,900
EAA water rights	24,479	24,480			24,479	24,480
Engineering expenses	18,325	6,000			18,325	6,000
Insurance	15,180	34,200			15,180	34,200
Interest expense		20,000	232,507		232,507	20,000
Line locates	1,429	1,200			1,429	1,200
Professional fees			22,863	8,500	22,863	8,500
Plant chemicals	1,783	2,600			1,783	2,600
Meeting expenses			1,402	1,000	1,402	1,000
Office supplies			15,603	18,000	15,603	18,000
Postage and freight			8,524	7,700	8,524	7,700
RM-distribution system-materials	81,351	142,500			81,351	142,500
RM-distribution system-labor	7,850	320,900			7,850	320,900
RM-plant-materials	128	1,000			128	1,000
RM-plant-labor	17,766	18,000			17,766	18,000
RM-plant-other	18,940	17,500	1,045	2,500	19,985	20,000
Samples	3,075	4,500			3,075	4,500
Small tools	1,714	500			1,714	500
Stipend			9,352	10,000	9,352	10,000
Taxes			687		687	0
TCEQ	13,859	13,772			13,859	13,772
Training and development	1,229	1,500			1,229	1,500
Telephone and communication	3,645	3,600	2,442	2,500	6,087	6,100
Utilities	34,390	39,000	429	450	34,819	39,450
Vehicle	15,522	12,800			15,522	12,800
Uniforms	2,807	2,400			2,807	2,400
Amortization			3,929	3,929	3,929	3,929
Depreciation	254,875	254,875	1,861	1,861	256,736	256,736
	<u>\$ 1,518,240</u>	<u>\$ 2,015,527</u>	<u>\$ 357,912</u>	<u>\$ 114,440</u>	<u>\$ 1,876,152</u>	<u>\$ 2,129,967</u>

COUNTY LINE SPECIAL UTILITY DISTRICT
SUPPLEMENTARY INFORMATION - SCHEDULE TWO
COMPARATIVE STATEMENT OF EXPENSES
For the Years Ended December 31, 2015 and 2014

	2015			2014		
	<u>Operations</u>	<u>Administrative</u>	<u>Total</u>	<u>Operations</u>	<u>Administrative</u>	<u>Total</u>
Salaries	\$ 212,248	\$ 45,694	\$ 257,942	\$ 159,188	\$ 41,172	\$ 200,360
Payroll taxes	16,463	3,547	20,010	13,772	3,490	17,262
Benefits	12,937	5,457	18,394	33,054	8,264	41,318
CRWA expenses	756,089		756,089	626,629		626,629
Dues and fees	2,156	2,570	4,726		6,801	6,801
EAA water rights	24,479		24,479	20,079		20,079
Engineering expenses	18,325		18,325			0
Insurance	15,180		15,180	18,315		18,315
Interest expense		232,507	232,507		267,449	267,449
Line locates	1,429		1,429	1,173		1,173
Professional fees		22,863	22,863		43,767	43,767
Meeting expenses		1,402	1,402		816	816
Office supplies		15,603	15,603		5,775	5,775
Postage and freight		8,524	8,524		7,605	7,605
Plant chemicals	1,783		1,783	2,567		2,567
RM-distribution system-materials	81,351		81,351	124,508		124,508
RM-distribution system-labor	7,850		7,850	6,272		6,272
RM-plant-materials	128		128	1,110		1,110
RM-plant-labor	17,766		17,766	52,987		52,987
RM-plant-other	18,940	1,045	19,985	19,810	3,427	23,237
Samples	3,075		3,075	4,270		4,270
Small tools	1,714		1,714	753		753
Stipend		9,352	9,352		8,806	8,806
Taxes		687	687			0
TCEQ	13,859		13,859	13,271		13,271
Training and development	1,229		1,229	925		925
Telephone and communication	3,645	2,442	6,087	3,494	2,418	5,912
Utilities	34,390	429	34,819	38,946	731	39,677
Vehicle	15,522		15,522	12,685		12,685
Uniforms	2,807		2,807	2,377		2,377
Amortization		3,929	3,929		3,930	3,930
Depreciation	254,875	1,861	256,736	238,808	3,711	242,519
	<u>\$ 1,518,240</u>	<u>\$ 357,912</u>	<u>\$ 1,876,152</u>	<u>\$ 1,394,993</u>	<u>\$ 408,162</u>	<u>\$ 1,803,155</u>

TEXAS SUPPLEMENTARY INFORMATION

COUNTY LINE SPECIAL UTILITY DISTRICT

TSI 1: SERVICES AND RATES

For the Year Ended December 31, 2015

1. The District provides services for retail water.

2. Retail Service Providers

a. Retail Rates for a 5/8" meter (or equivalent)

	Minimum	Minimum	Flat Rate	Rate Per	Usage Levels
Water	\$35.00			\$3.00	0-10,000
				\$3.25	10,001-15,000
				\$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"	2730	2691
3/4"		
1.0"	8	8
1.5"	1	1
2.0"	3	3
3.0"	0	0
4.0"	3	3
6.0"		
8.0"		
10.0"		
Total Water	<u>2745</u>	<u>2706</u>
Total Wastewater	0	0

COUNTY LINE SPECIAL UTILITY DISTRICT

TSI 1: SERVICES AND RATES

For the Year Ended December 31, 2015

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

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

4. Standby Fees: N/A

5. Location of District:

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