

**KINGSLAND MUNICIPAL UTILITY DISTRICT
BURNET AND LLANO COUNTIES, TEXAS**

**FINANCIAL STATEMENTS,
SUPPLEMENTAL INFORMATION
AND
INDEPENDENT AUDITOR'S REPORT**

**FOR THE YEAR ENDED
SEPTEMBER 30, 2020**

WEST, DAVIS & COMPANY, LLP
Certified Public Accountants
Austin, Texas

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KINGSLAND MUNICIPAL UTILITY DISTRICT

**Annual Financial Report
For the Year Ended September 30, 2020**

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS }
COUNTY OF LLANO }

I, Lorean M. Sindelar, President of the Kingsland Municipal Utility District hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of Directors of the District on the 25th day of January 2021, its annual audit report for the year ended September 30, 2020, and that copies of the annual report have been filed in the district office, located at 100 Ingram Street, Kingsland, Texas 78639.

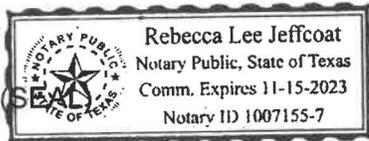
The annual filing affidavit and the attached copy of the annual audit report are being submitted to the Texas Commission on Environmental Quality in satisfaction of the annual filing requirements of Texas Water Code Section 49.194.

Date: January 25, 2021

By: Lorean M. Sindelar
(Signature of District Representative)

Lorean M. Sindelar, President
(Name & Title of above District Representative)

Sworn to and subscribed to before me this 25th day of January 2021.



Rebecca Lee Jeffcoat
(Signature of Notary)

My Commission Expires On: November 11, 2023.

Notary Public in and for the State of Texas.

KINGSLAND MUNICIPAL UTILITY DISTRICT

Annual Financial Report For the Year Ended September 30, 2020

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FINANCIAL SECTION

WEST, DAVIS & COMPANY

A LIMITED LIABILITY PARTNERSHIP

Independent Auditor's Report

Board of Directors
Kingsland Municipal Utility District
Kingsland, Texas

We have audited the accompanying financial statements of the business-type activities of Kingsland Municipal Utility District (the District) as of and for the year ended September 30, 2020, 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

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we 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, we 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 evaluation the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our audit opinion.

Opinion

In our opinion the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the District at September 30, 2020, and the changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Texas Commission on Environmental Quality Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplemental schedules required by the Texas Commission on Environmental Quality are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplemental schedules required by the Texas Commission on Environmental Quality are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules required by the Texas Commission on Environmental Quality are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

West, Davis & Company, LLP

Austin, Texas
January 25, 2021

KINGSLAND MUNICIPAL UTILITY DISTRICT

Management Discussion and Analysis For the Year Ended September 30, 2020

In accordance with Governmental Accounting Standards Board Statement 34 (“GASB 34”), the management of Kingsland Municipal Utility District (the “District”) offers the following discussion and analysis to provide an overview of the District’s financial activities for the year ended September 30, 2020. Since this information is designed to focus on current year’s activities, resulting changes, and currently known facts, it should be read in conjunction with the District’s financial statements that follow.

OVERVIEW OF THE DISTRICT

The District, a political subdivision of the State of Texas, was created by the Texas Water Rights Commission by order dated December 19, 1972, pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code. The District was created and organized for the purpose of providing sewer services to residential and commercial establishments within the District. The District is also authorized to provide recreational facilities. The District is located within Llano and Burnet Counties.

USING THIS ANNUAL REPORT

The District’s reporting is comprised of five parts:

- Management’s Discussion and Analysis (this section)
- Basic Financial Statements
 - Statement of Net Position
 - Statement of Activities
 - Statement of Cash Flows
- Notes to the Financial Statements
- Required Supplementary Information
- Texas Supplementary Information (required by the Texas Commission on Environmental Quality)

The basic financial statements are reported using the flow of economic resources measurement focus and the full accrual basis of accounting. All of the District’s operations are reported as an enterprise fund.

OVERVIEW OF THE BASIC FINANCIAL STATEMENTS

The Statement of Net Position is a balance sheet that more closely reflects a private-sector business. Over time, increases or decreases in the District’s net position will indicate financial health.

The Statement of Activities is prepared using the full accrual basis of accounting. This closely represents the income statement of a private-sector business.

The Statement of Cash Flows reports the receipt and disbursement of cash.

KINGSLAND MUNICIPAL UTILITY DISTRICT

Management Discussion and Analysis For the Year Ended September 30, 2020

The **Notes to the Financial Statements** provide additional information that is essential to a full understanding of the information presented in the *Statement of Net Position, Statement of Activities and Statement of Cash Flows*.

The **Required Supplementary Information** presents a comparison statement between the District's adopted budget and its actual results.

FINANCIAL HIGHLIGHTS

Revenues

Revenues for the fiscal year totaled \$4,033,497 compared to the prior year of \$3,728,394. This is an increase of 8%.

Expenses

Expenses for the fiscal year totaled \$3,032,454 compared to the prior year of \$2,776,316. This is an increase of 9%.

Sewer Service

Sewer service revenues increased from \$1,516,868 in the prior year to \$1,659,735 in the current fiscal year. This is an increase of 9%.

Capital Expenditures

During the year capital expenditures totaled \$1,136,993. Of this total \$174,141 went to plant improvements, \$523,042 went to renovations of the Kingsland Community Center, \$7,589 was utilized for improvements to the Kingsland Little League Field, and \$432,224 went to new trucks and equipment.

Interest Earnings

This past year has seen an increase in our earnings from investments. Interest revenues went from \$58,543 in the prior year to \$69,354 in the current year, an increase of 18%.

KINGSLAND MUNICIPAL UTILITY DISTRICT

Management Discussion and Analysis For the Year Ended September 30, 2020

Sewer Operations

The District continues to operate two wastewater treatment facilities for the Kingsland community. The central sewer plant receives domestic sewer flows from the Kingsland community and is currently operating at an average flow of 330,000 gallons per day, 45% of the permitted 750,000 gallons per day capacity. The District also accepts septic sewage and portable toilet waste from septic hauling contractors. The septic plant's capacity is 10,000 gallons per day with an average daily flow of 4,239 gallons, which is up 9.8% from last year's daily average. The pretreated material from the Septic facility is then sent to the central sewer plant for final treatment. The equipment and land were purchased out of the fiscal year 2009 Capital Projects Budget. Septic Plant income for fiscal year 2020 was \$122,020.

TCEQ will require the District to begin the design of additional treatment capacity when the daily flows exceed 75% of the existing permitted facility capacity. The expected year the facility will exceed the 75% requirement will be in 2030, based on flow data and estimated population growth. The Highland Lakes rule, which established no new permits to discharge effluent in the Highland Lakes, does not allow the District to expand the existing facility to accommodate demands in excess of the original permit of 750,000 gallons per day. The District currently owns 290 acres for the construction of a new wastewater treatment plant and irrigation facilities in anticipation of growth for sewer services within, and in close proximity to, the District's boundaries. The District's current permit will expire at midnight, February 1, 2025.

The District purchased a new vac truck and backhoe during the year. Other improvements completed or worked on during the fiscal year include the construction of fencing at the main plant, as well as sewer line extensions within the District.

The District staff continues to investigate and initiate improvements to increase treatment plant performance. The Compost facility was completed in November 2012 and the staff has started taking the sludge from the main plant to the compost facility. Staff continues work with the windrows in an effort to bring the temperatures up to required TCEQ guidelines. The District started selling compost from their Compost facility in January 2014. The District started selling compost by the bag in February 2016. In 2020 the District sold 286 bags of compost. The District also sells the compost by the bulk.

The District annexed 23 residential lots during the current fiscal year. The District added 67 new service accounts, a growth of 2.0% during the year.

A project to develop a Graphical Information System began in 2007. The project is updating utility infrastructure maps and setting the framework for improved asset management. The project will continue into fiscal year 2021.

KINGSLAND MUNICIPAL UTILITY DISTRICT

Management Discussion and Analysis For the Year Ended September 30, 2020

The District opted to participate in an entirely voluntary sanitary sewer outreach initiative that requires the District to evaluate the sanitary sewer system and develop a plan including a schedule of dates for corrective actions on continuing sanitary sewer overflows. The District engineer submitted a SSO (Sanitary Sewer Overflow) plan to TCEQ in June 2008 which will be incorporated into an SSO Agreement with TCEQ. The agreement will not include penalties and will protect the District from formal SSO violations, provided the SSO's do not impact human health, safety of the environment and that all provisions and due dates included in the agreement are met. Staff will continue to evaluate and complete SSO projects through the project deadline of 2020. This project has currently been completed.

General & Administrative

The District staffing complement for the 2020 fiscal year was three administrative positions, ten operator positions, two septic operators, and one General Manager position.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

	<u>Summary Statement of Net Position</u>			
	September 2020	September 2019	Increase (Decrease)	% Increase (Decrease)
Current and Other Assets	\$ 6,992,136	\$ 6,617,037	\$ 375,099	6%
Capital Assets	7,787,965	7,127,217	660,748	9%
Total Assets	14,780,101	13,744,254	1,035,847	8%
Current Liabilities	117,765	82,961	34,804	42%
Long-Term Liabilities	-	-	-	0%
Total Liabilities	117,765	82,961	34,804	42%
Investment in Capital Assets	7,787,965	7,127,217	660,748	9%
Unrestricted	6,874,371	6,534,076	340,295	5%
Total Net Position	\$14,662,336	\$13,661,293	\$ 1,001,043	7%

The District's total assets were approximately \$14.7 million as of September 30, 2020. Of this amount, approximately \$6.6 million is accounted for by cash and short-term investments. The District had outstanding liabilities of approximately \$118 thousand. The District's unrestricted net position, which can be used to finance day to day operations, totaled \$6.9 million.

KINGSLAND MUNICIPAL UTILITY DISTRICT

Management Discussion and Analysis For the Year Ended September 30, 2020

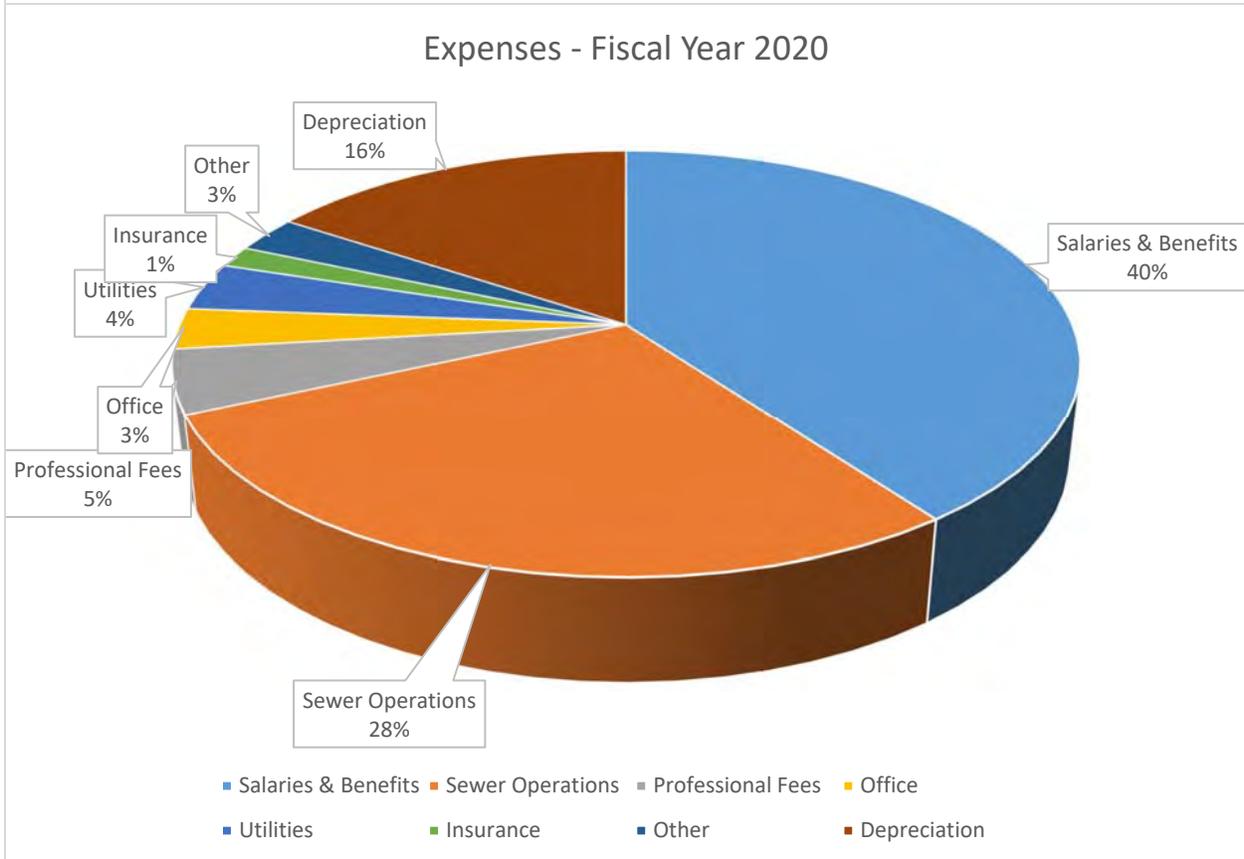
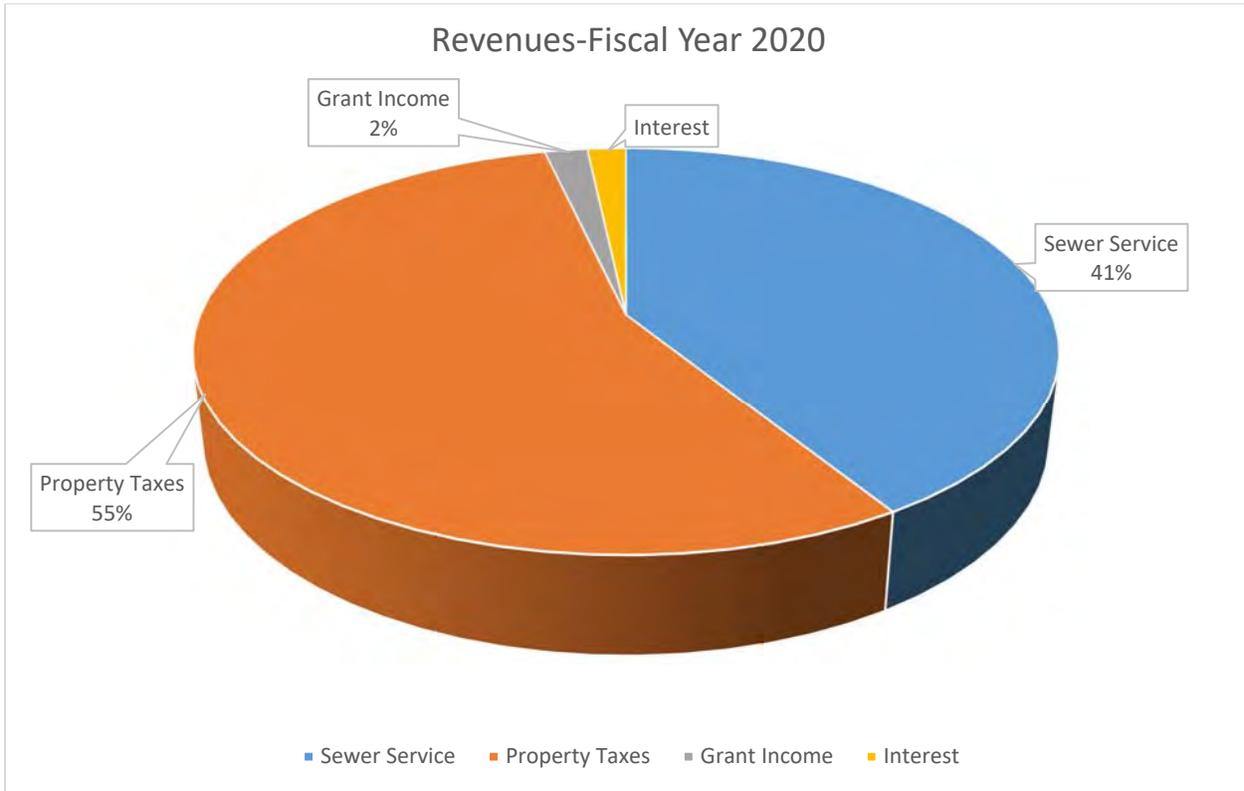
Summary Statement of Activities

	2020	2019	Increase (Decrease)	% Increase (Decrease)
Sewer Service	\$ 1,659,735	\$ 1,516,868	\$ 142,867	9%
Property Taxes	2,227,724	2,152,983	74,741	3%
Grant Income	76,684	-	76,684	
Interest	69,354	58,543	10,811	18%
Total Revenues	4,033,497	3,728,394	305,103	8%
Salaries & Benefits	1,211,819	1,152,448	59,371	5%
Sewer Operations	859,938	695,008	164,930	24%
Professional Fees	146,493	135,427	11,066	8%
Office	93,880	109,997	(16,117)	-15%
Utilities	111,003	112,885	(1,882)	-2%
Insurance	49,328	47,347	1,981	4%
Other	83,748	86,238	(2,490)	-3%
Depreciation	476,245	436,966	39,279	9%
Total Expenses	3,032,454	2,776,316	256,138	9%
Change in Net Assets	1,001,043	952,078	48,965	5%
Beginning Net Position	13,661,293	12,709,215	952,078	7%
Ending Net Position	\$ 14,662,336	\$ 13,661,293	\$ 1,001,043	7%

Revenues were approximately \$4.0 million for the year ended September 30, 2020. Expenses were approximately \$3.0 million for the year ended September 30, 2020. Net position increased about \$1.0 million primarily due to increased service and property tax revenue. The following charts summarize the sources of revenue and areas of expenses.

KINGSLAND MUNICIPAL UTILITY DISTRICT

Management Discussion and Analysis For the Year Ended September 30, 2020



KINGSLAND MUNICIPAL UTILITY DISTRICT

Management Discussion and Analysis For the Year Ended September 30, 2020

BUDGETARY HIGHLIGHTS

The Board of Directors adopted the fiscal year 2020 annual budget for the Enterprise Fund on September 16, 2019. The budget included revenues of \$3.6 million and expenditures of \$3.1 million. Actual revenue amounted to \$4.0 million and actual expenditures amounted to \$3.0 million. More detailed information about the District's budgetary comparison is presented in the Required Supplementary Information section.

CAPITAL ASSETS

The District has invested \$19.1 million in land and infrastructure. A summary of these assets is listed below:

	<u>Summary of Capital Assets</u>			
	September	September	Increase	%
	2020	2019	(Decrease)	(Decrease)
Land	\$ 1,849,698	\$ 1,849,698	\$ -	0%
Plant	4,400,271	4,226,130	174,141	4%
Septic Facility	264,730	264,730	-	0%
Collection System	7,228,570	7,228,570	-	0%
Compost Facility	575,312	575,312	-	0%
Engineering	756,952	756,952	-	0%
Buildings	1,513,215	990,173	523,042	53%
Park Improvements	246,748	239,159	7,589	3%
Machinery & Equipment	1,225,223	1,145,908	79,315	7%
Trucks	915,620	573,709	341,911	60%
Office Furniture	125,364	125,364	-	0%
Accumulated Depreciation	<u>(11,313,738)</u>	<u>(10,848,488)</u>	<u>(465,250)</u>	<u>4%</u>
Total Capital Assets (Net)	<u>\$ 7,787,965</u>	<u>\$ 7,127,217</u>	<u>\$ 660,748</u>	<u>131%</u>

LONG-TERM DEBT

The District had no long-term debt as of the end of the fiscal year.

KINGSLAND MUNICIPAL UTILITY DISTRICT

Management Discussion and Analysis For the Year Ended September 30, 2020

ECONOMIC FACTORS

The taxable assessed value of property within the District as of January 1, 2020 has been fixed by the Llano County and Burnet County Appraisal Districts at \$1.15 billion. The tax rate adopted by the District on September 14, 2020 for the coming fiscal year is \$0.209. The District expects this to produce \$2.4 million in total property tax revenue for next year. The adopted budget for fiscal year 2021 projects a small increase to the operating fund balance.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the District's finances and to demonstrate the District's accountability for the funds it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the District's Finance Department at P. O. Box 748 Kingsland, Texas 78639 or telephone at (325) 388-4559.

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BASIC FINANCIAL STATEMENTS

KINGSLAND MUNICIPAL UTILITY DISTRICT
STATEMENT OF NET POSITION
SEPTEMBER 30, 2020

Assets

Current Assets:	
Cash and Temporary Investments	\$ 6,565,683
Accounts Receivable	73,934
Property Taxes Receivable	24,446
Inventory	318,199
Prepaid Expenses	9,874
Total Current Assets	6,992,136
Capital Assets:	
Plant & Equipment-net of accumulated depreciation	5,938,267
Land	1,849,698
Total Capital Assets	7,787,965
Total Assets	14,780,101

Liabilities

Current Liabilities:	
Accounts Payable	19,622
Refundable Deposits	98,143
Current Portion of Long-Term Debt	-
Total Current Liabilities	117,765
Long-Term Liabilities	
Long-Term Debt, net of current portion	-
Total Long-Term Liabilities	-
Total Liabilities	117,765

Net Position

Net Assets:	
Invested in Capital Assets-net of related debt	7,787,965
Unassigned	6,874,371
Total Net Position	\$ 14,662,336

The notes to financial statements are an integral part of this statement.

KINGSLAND MUNICIPAL UTILITY DISTRICT
STATEMENT OF ACTIVITIES
FOR YEAR ENDED SEPTEMBER 30,2020

Operating Revenue	
Sewer and Related Services	<u>\$ 1,659,735</u>
Operating Expenses:	
Chemicals	67,077
Depreciation	476,245
Director Fees	31,350
Employee Pension	74,263
Employer's Social Security	51,251
Employer's Medicare	11,986
Health Plan Expense	244,494
Insurance	49,328
Maintenance	792,861
Office Expenses	93,882
Professional Fees	151,190
Salaries and Wages	793,777
Supplies	50,670
Utilities	111,003
Vehicle Expense	33,077
Total Operating Expenses	<u>3,032,454</u>
Operating Loss	<u>(1,372,719)</u>
Non-Operating Revenue (Expenses)	
Property Taxes	2,227,724
Interest Income	69,354
Grant Income	76,684
Non-Operating Income	<u>2,373,762</u>
Change in Net Position	1,001,043
Net Position, Beginning of Year	<u>13,661,293</u>
Net Position, End of Year	<u>\$ 14,662,336</u>

The notes to financial statements are an integral part of this statement.

KINGSLAND MUNICIPAL UTILITY DISTRICT
STATEMENT OF CASH FLOWS
FOR YEAR ENDED SEPTEMBER 30,2020

Cash Flows from Operating Activities:

Cash Received from Customers	\$ 1,667,603
Cash Received from Refundable Deposits	29,325
Cash Paid to Employees	(793,777)
Cash Paid to Suppliers	<u>(1,770,407)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>(867,256)</u></u>

Cash Flows from Non-Capital Financing Activities

Cash Received from Property Taxes	2,224,484
Cash Received from Grants	76,684
Net Cash Provided by Non-Capital Financing Activities	<u><u>2,301,168</u></u>

Cash Flows from Capital and Related Financing Activities

Cash Paid for Acquisition and Construction of Capital Assets	<u>(1,125,999)</u>
Net Cash Provided (Used) by Capital Activities	<u><u>(1,125,999)</u></u>

Cash Flows from Investing Activities

Cash Received from Earnings on Investments	<u>69,354</u>
Net Cash Provided by Investing Activities	<u><u>69,354</u></u>

Net Increase in Cash	377,267
Cash, Beginning of Year	<u>6,188,416</u>
Cash, End of Year	<u><u>\$ 6,565,683</u></u>

Reconciliation of Loss from Operations to Net Cash Provided (Used) by Operating Activities:

Operating Loss	(1,372,719)
Adjustments to Reconcile Operating Loss to Net Cash Provided (Used) by Operating Activities:	
Depreciation	476,245
Decrease (Increase) in Account Receivable	7,868
Decrease (Increase) in Inventory	(13,146)
Decrease (Increase) in Prepaid Expenses	(308)
Increase (Decrease) in Accounts Payable	5,479
Increase (Decrease) in Refundable Deposits	29,325
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (867,256)</u></u>

Supplemental disclosure of cash flow information:

Cash Paid during the Year for Interest	<u><u>\$ -</u></u>
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The notes to financial statements are an integral part of this statement.

KINGSLAND MUNICIPAL UTILITY DISTRICT
Notes to the Financial Statements
At and For the Year Ended September 30, 2020

1. Summary of Significant Accounting Policies

The basic financial statements of Kingsland Municipal Utility District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the accounting policies are described below.

Kingsland Municipal Utility District (the District), a political subdivision of the State of Texas, was created on December 19, 1972, by the Texas Water Rights Commission pursuant to the provisions of Chapters 49 and 54 of the Texas Water Code. The District was created and organized for the purpose of providing sewer services to residential and commercial establishments within the District. The District is also authorized to provide recreational facilities.

These financial statements report the financial activity of the District. The reporting entity of the District encompasses those activities and functions over which the District's elected officials exercise significant oversight or control. The District is governed by a five-member Board of Directors (the Board) that has been elected by District residents. The fund financial statements presented in this report are within the oversight responsibility of the Board, in accordance with Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting. There are no component units of the District, nor is the District a component unit of any other entity.

A. Basis of Presentation, Basis of Accounting

The **Statement of Net Position** and the **Statement of Activities** include the financial activities of the overall government. Governmental activities are generally financed through property taxes and utility service revenue.

The **Statement of Activities** presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

Fund Financial Statements:

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. At January 1, 1983, the District converted from a governmental fund and account group system of accounting to a proprietary fund system wherein one enterprise fund was utilized.

KINGSLAND MUNICIPAL UTILITY DISTRICT
Notes to the Financial Statements
At and For the Year Ended September 30, 2020

1. Summary of Significant Accounting Policies (continued)

Enterprise funds are used to account for operations (a) that are financed and operated in a manner similar to private business enterprises – where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or service to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The net book value of the district at the time of conversion was designated as Contributed Capital, the preponderance of non-bond money received having been from a governmental grant. As a result, Retained Earnings at the beginning of the year ended September 30, 1983 was zero, with that period being the first year to calculate a “profit” or “loss”.

B. Measurement Focus, Basis of Accounting

The financial statements are reported using the flow of economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

C. Budget

The Board adopted an annual budget for the Enterprise Fund on the basis consistent with generally accepted accounting principles. The District’s Board of Directors utilizes the budget as a management tool for planning and cost control purposes. All annual appropriations lapse at fiscal year end.

D. Cash and Cash Equivalents

These include cash on deposit as well as investments with maturities of twelve months or less at the time of purchase.

E. Service Accounts Receivable

The District provides for uncollectible accounts receivable using the allowance method of accounting for bad debts. Under this method of accounting, a provision for uncollectible accounts is charged to earnings. The allowance account is increased or decreased based on past collection history and management’s evaluation of accounts receivable. All amount considered uncollectible are charged against the allowance account, and recoveries of previously charged off accounts are added to the allowance. As of the end of the fiscal year, the allowance for uncollectible accounts was \$0.

KINGSLAND MUNICIPAL UTILITY DISTRICT
Notes to the Financial Statements
At and For the Year Ended September 30, 2020

1. Summary of Significant Accounting Policies (continued)

F. Inventory

Inventories are valued at cost using the first in – first out basis.

G. Capital and Intangible Assets

Capital assets, which include Land, Wastewater Collection and Treatment System, Buildings, Vehicles and Equipment are reported in the Statement of Net Assets. Capital assets are defined by the District as assets with an initial, individual cost of at least \$1,000. Public domain (“infrastructure”) capital assets including wastewater systems, are capitalized as acquired. Items purchased or acquired are reported at historical cost or estimated historical cost. Contributed fixed assets are recorded as capital assets at estimated fair value at the time received. Capital assets are depreciated using the straight-line method over their estimated useful lives of 5-40 years.

H. Pensions

The District has made available a retirement plan for the eligible employees whereby the District contributes 9.5% of wages and the employee contributes a voluntary amount with the lowest being 1.45%. For the year ended September 30, 2020, the District contributed a total of \$74,263. The plan is administered by John Hancock Insurance Co., Boston, Massachusetts. A summary of plan assets and current earning is available at the District office.

2. Cash and Investments

The investment policies of the District are governed by State statute and an adopted District Investment Policy that includes depository contract provisions and custodial contract provisions. Major provisions of the District’s Investment Policy include: depositories must be FDIC-insured Texas banking institutions; depositories must fully insure or collateralize all demand and time deposits; securities collateralizing time deposits are held by independent third-party trustees.

Cash – At year end, deposits were held by the District’s depository bank in accounts that were secured at the balance sheet date by Federal Deposit Insurance Corporation (FDIC) coverage or by pledged collateral held by the District’s agent bank in the District’s name.

Investments - The District is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity’s funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

KINGSLAND MUNICIPAL UTILITY DISTRICT
Notes to the Financial Statements
At and For the Year Ended September 30, 2020

2. Cash and Investments (continued)

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as part of the audit of the financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the District adhered to the requirements of the Act. Additionally, investment practices of the District were in accordance with local policies.

The Act determines the types of investments which are allowable for the District. These include, with certain restrictions, (1) obligations of the US Treasury, certain US Agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) banker's acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) commercial paper

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The District's investments at year end are shown below.

<u>Investment</u>	<u>Fair Value</u>	<u>Rating</u>	<u>Maturity</u>	<u>Fair Value</u>
CDs	2	AAA	120 Days Average	\$ 1,127,989

Analysis of Specific Cash and Investment Risks – GASB Statement No. 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 was not significantly exposed to credit risk.

At year end, the District's investments, other than those which are obligations of or guaranteed by the US Government, are rated as to credit quality as detailed above.

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 collateralized with securities held by the pledging financial institution's trust department or agent but not in the District's name.

KINGSLAND MUNICIPAL UTILITY DISTRICT
Notes to the Financial Statements
At and For the Year Ended September 30, 2020

2. Cash and Investments (continued)

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterpart or the counterpart's trust department or agent but not in the District's name. At year end, the District was not exposed to custodial credit risk.

Concentration of Credit Risk – This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the District was not exposed to concentration of credit risk.

Interest Rate Risk – This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the District was not exposed to interest rate risk.

Foreign Currency Risk – This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the District was not exposed to foreign currency risk.

Investment Accounting Policy – The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported 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 "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

3. Property Taxes

Property taxes are considered available when collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. The District levies its taxes in conformity with Subtitle E, Texas Property Tax Code. Taxes are due upon receipt of the tax bill and are past due and subject to interest if not paid by February 1 of the year following the levy date. Taxes are due if not paid by June 30. Delinquent taxes are subject to both penalty and interest charges plus 15% delinquent collection fees for attorney costs.

Property taxes were levied by the District for the 2019-20 fiscal year at the rate of \$0.219 per hundred assessed value. Uncollected property taxes amounted to \$24,446 at the end of the year.

KINGSLAND MUNICIPAL UTILITY DISTRICT
Notes to the Financial Statements
At and For the Year Ended September 30, 2020

4. Capital and Intangible Assets

During the year, the District invested \$1,136,993 in new facilities. These facilities are being depreciated over their estimated useful lives. Depreciation in the amount of \$476,245 has been charged to system operations for the year. A fully depreciated truck in the amount of \$10,995 was traded in during the year. Accumulated depreciation amounted to \$11,313,740 at the end of the year leaving a net book value of \$7,787,965.

A summary of changes in capital and intangible assets follows:

<u>Capital Assets:</u>	<u>Balance</u> <u>9/30/2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>9/30/2020</u>
Land	\$ 1,849,698	-	-	\$ 1,849,698
Plant	4,226,130	174,141	-	4,400,271
Septic Facility	264,730	-	-	264,730
Collection System	7,228,570	-	-	7,228,570
Compost Facility	575,312	-	-	575,312
Engineering	756,952	-	-	756,952
Buildings	990,173	523,042	-	1,513,215
Park Improvements	239,159	7,589	-	246,748
Machinery & Equipment	1,145,908	79,315	-	1,225,223
Trucks	573,709	352,906	(10,995)	915,620
Office Furniture	125,364	-	-	125,364
Total	<u>17,975,705</u>	<u>1,136,993</u>	<u>(10,995)</u>	<u>19,101,703</u>
<u>Accumulated Depreciation:</u>				
Accumulated Depreciation	(10,848,488)	(476,245)	10,995	(11,313,738)
Total	<u>(10,848,488)</u>	<u>(476,245)</u>	<u>10,995</u>	<u>(11,313,738)</u>
Net Total Capital Assets	<u>\$ 7,127,217</u>	<u>660,748</u>	<u>-</u>	<u>\$ 7,787,965</u>

The District uses the following estimated useful lives in calculating depreciation:

Plant & Compost Facility	10-30 years
Collection & Septic System	15-30 years
Engineering Fees	40 years
Buildings	30 years
Park Improvements	10 years
Machinery & Equipment	5-15 years
Trucks	5 years

KINGSLAND MUNICIPAL UTILITY DISTRICT
Notes to the Financial Statements
At and For the Year Ended September 30, 2020

4. Capital and Intangible Assets (continued)

Included in the collection system above are capitalized cost recoveries that represent the capitalization of salaries and certain other employee benefit costs related to the self-construction of additional grinder units and miles of the collection system. These capitalized costs have been recorded as a direct reduction of the various expense accounts.

Effective at a meeting of the District's Board of Directors on September 12, 1988, the District began repairing all pumps in the District at no charge to the customer. Customers will only be charged for this service if they have been negligent or purposely caused the pump to become unserviceable.

5. Long-Term Debt

The District has no long-term debt.

6. Risk Management

The District is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During the year, the District obtained liability coverage to mitigate these risks.

7. Contingencies

The District has elected to be treated as a reimbursing employer under the Texas Unemployment Tax Laws. The District is contingently liable for all unemployment claims filed by former employees of the District.

8. Estimates

The preparation of financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

9. Subsequent Events

The District has evaluated subsequent events as of January 25, 2021, the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

**KINGSLAND MUNICIPAL UTILITY DISTRICT
BUDGET COMPARISON - PROPRIETARY FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	FAVORABLE (UNFAVORABLE)
Operating Revenue				
Sewer and Related Services	\$ 1,371,817	\$ 1,371,817	\$ 1,659,735	\$ 287,918
Operating Expenses:				
Chemicals	87,500	87,500	67,077	20,423
Depreciation	-	-	476,245	(476,245)
Director Fees	56,000	56,000	36,047	19,953
Employee Pension	84,000	84,000	74,263	9,737
Employer's Social Security	57,000	57,000	51,251	5,749
Employer's Medicare	13,500	13,500	11,986	1,514
Health Plan Expense	265,000	265,000	244,494	20,506
Insurance	50,400	50,400	49,328	1,072
Maintenance	846,500	899,322	792,861	106,461
Office Expenses	171,450	171,778	93,882	77,896
Professional Fees	335,500	260,500	146,493	114,007
Salaries and Wages	896,000	896,000	793,777	102,223
Supplies	54,500	76,350	50,670	25,680
Utilities	140,600	140,600	111,003	29,597
Vehicle Expense	63,000	63,000	33,077	29,923
Total Operating Expenses	3,120,950	3,120,950	3,032,454	88,496
Operating Loss	(1,749,133)	(1,749,133)	(1,372,719)	376,414
Non-Operating Revenue (Expenses)				
Property Taxes	2,223,040	2,223,040	2,227,724	4,684
Interest Income	32,000	32,000	69,354	37,354
Grant Income	-	-	76,684	76,684
Non-Operating Income	2,255,040	2,255,040	2,373,762	118,722
Change in Net Assets	505,907	505,907	1,001,043	495,136
Net Assets, Beginning of Year	13,661,293	13,661,293	13,661,293	-
Net Assets, End of Year	\$ 14,167,200	\$ 14,167,200	\$ 14,662,336	\$ 495,136

The notes to financial statements are an integral part of this statement.

TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
SUPPLEMENTARY INFORMATION

KINGSLAND MUNICIPAL UTILITY DISTRICT

**INDEX OF SUPPLEMENTAL SCHEDULES REQUIRED
BY THE TEXAS COMMISSION ON ENVIRONMENTAL QUALITY
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

(Schedules included are checked; explanatory notes are provided for omitted schedules).

- Schedule of Services and Rates
- Schedule of Enterprise Fund Expenditures
- Temporary Investments
- Analysis of Taxes Levied and Receivable
- General Long Term Debt Service Requirements by Years
 - None
- Analysis of Changes in General Long Term Debt
 - None
- Comparative Schedule of Revenues and Expenditures - Enterprise Fund
- Board Members, Key Personnel, and Consultants
- Principal Taxpayers

KINGSLAND MUNICIPAL UTILITY DISTRICT

**SERVICES AND RATES
SEPTEMBER 30, 2020**

1. Services Provided by the District:

Retail Wastewater Parks

2. Retail Rates Based on 5/8” Meter

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per first 1000 Gallons Over Minimum	Rate per add'l 1000 Gallons Over Minimum
Water:	\$ -0-	-0-gallons	N	\$ 0.00	\$0.00
Wastewater:	\$ 26.00	-0-gallons	Y	\$ 0.00	\$0.00
Surcharge:	-0-				

The District does not employ winter averaging for wastewater usage calculation.

Total water and wastewater charges per 10,000 gallons usage: \$ 26.00

3. Retail Service Provided: Number of retail wastewater connections.

	Active Connections	Active ESFC	Inactive Connections (ESFC)
Single Family	2,728	146	-0-
Multi-Family & Commercial	159	-0-	-0-
Other-Recreational Centers	30	-0-	-0-
Government, VFD & Nonprofit	18	-0-	-0-
TOTAL	2,935	146	-0-

4. Total Water Consumption (in thousands) During the Year:

Gallons pumped into system: N/A

Gallons billed to customers: N/A

5. Standby Fees: The District does not assess standby fees.

6. Anticipated sources of funds to be used for debt service payments: N/A

7. Location of District:

The District is located within Llano and Burnet Counties.

No part of the District is overlapped by the city limits of a city.

The District is not located within a city’s ETJ.

The general membership of the Board is not appointed by an office outside the District.

KINGSLAND MUNICIPAL UTILITY DISTRICT

**SCHEDULE OF ENTERPRISE FUND EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Operating Expenses:

Sewer Operations

Salaries and Benefits	\$ 1,175,772
Maintenance	792,861
Chemicals	67,077
Supplies	50,670
Vehicle Expense	33,077
	<u>2,119,457</u>

Professional Fees

Appraisal	56,190
Audit	8,000
Engineering	17,235
GIS Mapping	4,200
Legal	39,993
Tax Collection	5,908
Site Planning	14,967
	<u>146,493</u>

Utilities

Electricity	105,202
Water	5,801
	<u>111,003</u>

Administrative

Director Fees	31,350
Contract Labor	4,697
Insurance	49,328
Printing and Office Supplies	93,881
	<u>179,256</u>

Depreciation

476,245

TOTAL EXPENDITURES

\$ 3,032,454

Number of persons employed by the District: 18

KINGSLAND MUNICIPAL UTILITY DISTRICT

**TEMPORARY INVESTMENTS
SEPTEMBER 30, 2020**

Funds	Identification or Certificate Number	Interest Rate	Maturity Date	Balance at End of Year	Accrued Interest Receivable at End of Year
<u>ENTERPRISE FUND</u>					
Operating Checking-Prosperity Bank	***2816	0.1000%	N/A	\$ 101,340	\$ -
Money Market Checking-Prosperity Bank	***2805	0.9000%	N/A	2,582,558	-
Money Market Reserve-Prosperity Bank	***4866	0.9000%	N/A	2,088,047	-
TCEQ Operating Reserve-Prosperity Bank	***5021	0.8000%	N/A	661,877	-
John Hancock Pension Forfeiture Account	***0270	0.0000%	N/A	3,672	-
Certificate of Deposit-BanCorpSouth	***5600	0.5000%	10/25/2020	139,677	-
Certificate of Deposit-BanCorpSouth	***7047	1.7500%	11/14/2020	822,430	-
Certificate of Deposit-Security State Bank	***6684	0.6500%	8/4/2021	165,882	-
TOTALS - ALL FUNDS				6,565,483	-

Money market interest rates change at various dates. The rate shown above is the rate shown on the September 30 statement. Interest is paid on the last day of each month; therefore no accrued interest receivable is due.

KINGSLAND MUNICIPAL UTILITY DISTRICT

**ANALYSIS OF TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	MAINTENANCE TAXES	DEBT SERVICE TAXES
Taxes Receivable, Beginning of Year	\$ 32,200	\$ -
2019 Original Levy	2,208,040	-
Adjustments	(194)	-
Add: Penalty & Interest	19,877	-
Total to be accounted for	<u>2,259,923</u>	<u>-</u>
Tax collections:		
Current year	2,222,381	-
Prior years	13,096	-
Total Collections	<u>2,235,477</u>	<u>-</u>
Taxes Receivable, End of Year	<u>\$ 24,446</u>	<u>\$ -</u>

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Property Valuations:					
Land & Improvements	<u>1,008,237,602</u>	<u>978,041,700</u>	<u>896,077,625</u>	<u>814,307,507</u>	<u>763,626,594</u>
Tax Rates Per \$100 Valuation:					
Debt Service tax rates	\$ -	\$ -	\$ -	\$ -	\$ -
Maintenance tax rates	0.2190	0.2190	0.2190	0.2200	0.2200
Totals	<u>\$ 0.2190</u>	<u>\$ 0.2190</u>	<u>\$ 0.2190</u>	<u>\$ 0.2200</u>	<u>\$ 0.2200</u>
Original Tax Levy	<u>\$ 2,208,040</u>	<u>\$ 2,141,911</u>	<u>\$ 1,962,410</u>	<u>\$ 1,791,477</u>	<u>\$ 1,679,979</u>
Percent Collected to Levy	<u>99.52%</u>	<u>99.80%</u>	<u>99.18%</u>	<u>99.94%</u>	<u>N/A</u>

KINGSLAND MUNICIPAL UTILITY DISTRICT

**COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

	AMOUNTS				
	<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>
<u>OPERATING REVENUES</u>					
Wastewater Service	\$ 1,319,246	\$ 1,306,193	\$ 1,270,393	\$ 1,135,750	\$ 1,117,756
Tap and Connection Fees	9,765	11,655	13,020	8,175	4,125
Installations	285,142	171,675	195,937	172,715	116,100
Miscellaneous	45,582	27,345	24,487	112,284	86,928
TOTAL OPERATING REVENUE	<u>1,659,735</u>	<u>1,516,868</u>	<u>1,503,837</u>	<u>1,428,924</u>	<u>1,324,909</u>
<u>EXPENSES</u>					
Salaries	793,777	788,704	736,599	712,800	686,891
Employee Benefits	307,732	292,988	241,864	227,904	229,253
Employees' Pension	74,263	70,756	67,706	63,792	66,385
Maintenance	792,861	628,461	711,681	468,978	514,049
Insurance	49,328	47,347	45,362	44,048	41,007
Professional Fees	151,190	135,427	331,154	245,214	252,599
Supplies	50,670	47,490	21,955	182,682	114,812
Utilities	111,003	112,885	119,321	127,543	125,724
Other	194,035	215,292	109,311	186,351	183,733
Depreciation	476,245	436,966	441,694	376,308	361,722
TOTAL EXPENSES	<u>3,001,104</u>	<u>2,776,316</u>	<u>2,826,647</u>	<u>2,635,620</u>	<u>2,576,175</u>
<u>NON-OPERATING REVENUES</u>					
Property Taxes	2,227,724	2,152,983	1,974,973	1,799,933	1,691,288
Annexation Fee	-	-	2,875	5,025	29,328
Interest Revenue	69,354	58,543	27,229	17,863	12,778
Miscellaneous	76,684	-	-	5,897	7,537
TOTAL NON-OPERATING	<u>2,373,762</u>	<u>2,211,526</u>	<u>2,005,077</u>	<u>1,828,718</u>	<u>1,740,931</u>
NET INCOME	<u>\$ 1,032,393</u>	<u>\$ 952,078</u>	<u>\$ 682,267</u>	<u>\$ 622,022</u>	<u>\$ 489,665</u>

PERCENT OF REVENUES

<u>9/30/2020</u>	<u>9/30/2019</u>	<u>9/30/2018</u>	<u>9/30/2017</u>	<u>9/30/2016</u>
79%	86%	84%	79%	84%
1%	1%	1%	1%	0%
17%	11%	13%	12%	9%
3%	2%	2%	8%	7%
100%	100%	100%	100%	100%
48%	52%	49%	50%	52%
19%	19%	16%	16%	17%
4%	5%	5%	4%	5%
48%	41%	47%	33%	39%
3%	3%	3%	3%	3%
9%	9%	22%	17%	19%
3%	3%	1%	13%	9%
7%	7%	8%	9%	9%
12%	14%	7%	13%	14%
29%	29%	29%	26%	27%
181%	183%	188%	184%	194%
134%	142%	131%	126%	128%
0%	0%	0%	0%	2%
4%	4%	2%	1%	1%
5%	0%	0%	0%	1%
143%	146%	133%	128%	131%
62%	63%	45%	44%	37%

KINGSLAND MUNICIPAL UTILITY DISTRICT

**BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

DISTRICT MAILING ADDRESS: P.O. Box 748, Kingsland, TX 78639

DISTRICT BUSINESS TELEPHONE NUMBER: (325) 388-4559

LIMITS ON FEES OF OFFICE THAT A DIRECTOR MAY RECEIVE DURING A FISCAL YEAR: \$7,200

<u>NAMES</u>	<u>TERM OF OFFICE</u>	<u>SALARY FYE 9/30/20</u>	<u>REIMBURSEMENTS FYE 9/30/20</u>	<u>TITLE AT YEAR END</u>
<u>DIRECTORS</u>				
Mary Ann Hefner	Elected 5/16-11/20	\$ 7,200	\$ -	President
Larry Denney	Elected 5/18-5/22	6,150	-	Vice President
Frank Willingham	Elected 5/16-11/20	7,200	-	Secretary/Treasurer
Lorean Sindelar	Elected 5/18-5/22	5,850	-	Director
Ken Martin	Elected 5/18-5/22	4,950	930	Director
Payments to Past Directors		-	-	
		<u>\$ 31,350</u>	<u>\$ 930</u>	
<u>KEY ADMINISTRATIVE PERSONNEL</u>				
Anita LaBier		\$ 102,000	\$ 621	General Manager
<u>CONSULTANTS</u>				
James Miertschin		\$ 1,203	\$ -	Engineer
Jones-Heroy & Associates		\$ 12,403	\$ -	Engineer
3C Geo		\$ 4,200	\$ -	Engineer
Llano County Tax Assessor/Collector		\$ 47,807	\$ -	Tax Collector
Burnet Central Appraisal District		\$ 11,091	\$ -	Tax Collector
West, Davis & Company		\$ 8,000	\$ -	Auditor
McLean & Howard		\$ 43,163	\$ -	Attorney
Judy Osborn		\$ 4,225	\$ -	Attorney