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## INDEPENDENT AUDITORS' REPORT

To the Board of Supervisors  
Angelina County Fresh Water Supply District No. 1  
Lufkin, Texas

We have audited the accompanying financial statements of the Angelina County Fresh Water Supply District No. 1 (District) of Lufkin, Texas, as of and for the years ended September 30, 2013 and 2012, 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 opinions 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 from 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 evaluating the overall presentation of the financial statements.

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

### **Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Angelina County Fresh Water Supply District No. 1 as of September 30, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3-5 and 19-20 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The introductory section and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Jansen and Gregorczyk

Kyle, Texas  
August 6, 2014

**ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
SEPTEMBER 30, 2013**

Our discussion and analysis of the Angelina County Fresh Water Supply District's No. 1 (District) financial performance provides an overview of the District's financial activities for the year ended September 30, 2013. This discussion and analysis is intended to serve as an introduction to the District's basic financial statements, which have the following components: (1) management's discussion and analysis (MD&A), (2) government-wide financial statements, (3) notes to the financial statements, and (4) budget comparison. Please read it in conjunction with the District's financial statements, which follow this section.

**FINANCIAL HIGHLIGHTS**

1. During the year, the District had operating expenditures from the General (Tax) Fund of \$12,505 and \$151,150 from the Proprietary Fund compared to total non-operating revenues of \$37,723 from the General (Tax) Fund and \$156,131 from charges for services from the Proprietary Fund, resulting in a combined increase to net position of \$30,198 for the year ended September 30, 2013.
2. The District's cash and investments increased \$16,063 from the previous year.

**Explanation of the Financial Statements**

The MD&A is intended to serve as an introduction to the basic financial statements of the District. The basic financial statements are comprised of two components: 1) government-wide financial statements, and 2) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the District's finances in a manner similar to a private sector business reporting on a full accrual basis of accounting.

The *Statement of Net Assets* presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets. Increases or decreases in net assets may serve as a useful indicator of whether the financial position of the District has improved or deteriorated.

The *Statement of Activities* presents information showing how the District's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (example: uncollected property taxes).

Because the District's principal sources of revenue are ad valorem taxes and utility service revenue to support the operations, the government-wide financial statements are grouped into one function that is supported by taxes (governmental activities) and service revenue.

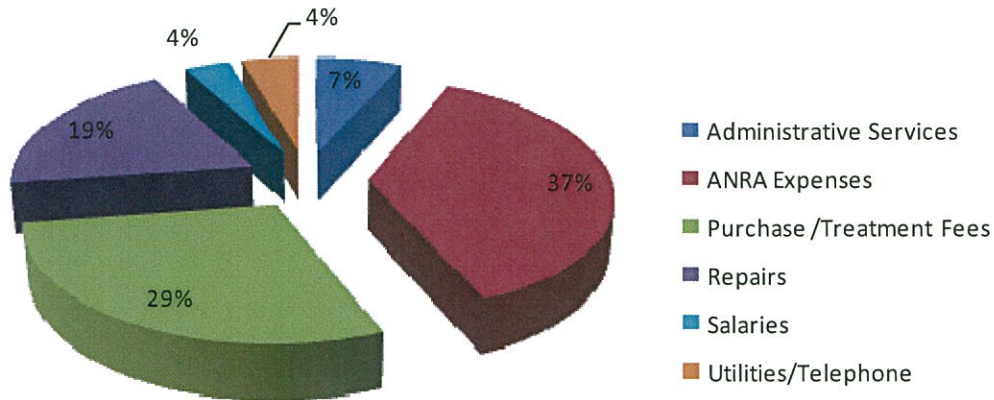
**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control and account for resources that have been segregated for specific activities or objectives. The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal or contractual requirements. The District, as of September 30, 2013 has two funds, the Governmental Fund or General Fund and the Proprietary Fund.

**THE DISTRICT AS A WHOLE**

The District's net assets increased by \$13,694 in the year ended September 30, 2013. Table 1 and Table 2 below reflect the net assets and changes in net assets of governmental activities.

## Expenses-Business Type Fund



**Table 1**

	<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>2013</b>	<b>2012</b>
<b>Current Assets:</b>				
Current Assets	\$30,956	\$30,917	\$61,873	\$42,665
Capital Assets	69,458	-	69,458	72,700
<b>Total Assets</b>	<b>100,414</b>	<b>30,917</b>	<b>131,331</b>	<b>115,365</b>
Long-term Debt	20,120	-	20,120	24,442
Current Liabilities	4,879	37,473	42,352	52,352
<b>Total Liabilities</b>	<b>24,999</b>	<b>37,473</b>	<b>62,472</b>	<b>76,794</b>
<b>Net Assets:</b>				
Invested in Capital Assets, net of related debt	45,016	-	45,016	44,115
Unrestricted	30,399	(6,556)	23,843	(5,454)
<b>Total Net Assets</b>	<b>\$75,415</b>	<b>(\$6,556)</b>	<b>\$68,859</b>	<b>\$38,661</b>

**Table 2**

<b>Revenues:</b>				
Taxes/Charges for Services	\$37,718	\$156,131	\$193,849	\$162,802
Interest	5	-	5	8
Miscellaneous Income	-	-	-	7,787
<b>Total Revenue</b>	<b>\$37,723</b>	<b>\$156,131</b>	<b>\$193,854</b>	<b>\$170,597</b>
<b>Expenses:</b>				
Audit	\$5,100	\$0	\$5,100	\$5,000
Depreciation	3,242	-	3,242	4,862
Interest Expense	1,135	-	1,135	1,306
Other	3,028	151,151	154,179	176,291
	12,505	\$151,151	163,656	187,459
Transfers between funds	(13,000)	13,000	-	-
<b>Increase in net assets</b>	<b>\$12,218</b>	<b>\$17,980</b>	<b>\$30,198</b>	<b>(\$16,862)</b>

## **General Fund Budgetary Highlights**

The Board of Directors did not make any changes to the budget during the year. The analysis of the budget for both funds is reflected on the Budgetary Comparison Schedule following the Notes to the Financial Statements.

### **Capital Asset and Debt Administration**

#### **Capital Assets**

At September 30, 2013, the District had \$69,458 net of accumulated depreciation, invested in capital assets. Of this amount, \$175,143 represented water and sewer systems, \$36,714 is invested in depreciable buildings, \$13,460 in furniture and equipment and \$34,000 in land. Accumulated depreciation at September 30, 2013 was \$189,859. There were no additions to capital assets during the year.

#### **Long-term Debt**

The District's long-term debt at September 30, 2013, totaled \$24,442 for notes payable. The current portion of the long-term debt was \$4,322. Long-term debt activity for the year consisted of principal and interest payments on this note. Long term debt did not increase during the period.

## **Economic Factors and Next Year's Budgets and Rates**

The District's elected and appointed officials considered many factors when setting the fiscal year 2014 budget and tax rates. In May, 2013, the District held a confirmation election for the annexation of Redland Estates Subdivision. The results of the election were favorable, with the voters of the District and proposed annexed area of Redland Estates approving the annexation. The Ballot proposition included all current and future notes, tax obligations and bonded indebtedness of the District. Factors consist of, but are not limited to, the economic trends and anticipated needs of the District.

## **Contacting the District's Financial Management**

This financial report is designed to provide the taxpayers with a general overview of the District's finances and to show the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the District's Management office at:

Mr. Kelley Holcomb  
General Manager  
(936) 633-7543

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1  
STATEMENT OF NET POSITION  
September 30, 2013 and 2012

	Primary Government			Total 2013	Total 2012
	Governmental Activities	Business Type Activities	Adjustments		
<b>ASSETS</b>					
<b>Current Assets</b>					
Cash and cash equivalents	\$ 10,688	\$ 12,549		\$ 23,237	\$ 7,174
Accounts Receivable	17,872	18,368	(17,872)	18,368	14,104
Ad valorem taxes receivable	20,268	-		20,268	21,387
Total Current Assets	<u>48,828</u>	<u>30,917</u>	<u>(17,872)</u>	<u>61,873</u>	<u>42,665</u>
<b>Other Assets</b>					
Capital assets, net of depreciation	69,458	-		69,458	72,700
Total Assets	<u>\$ 118,286</u>	<u>\$ 30,917</u>	<u>\$ (17,872)</u>	<u>\$ 131,331</u>	<u>\$ 115,365</u>
<b>LIABILITIES</b>					
<b>Current Liabilities</b>					
Account Payable	\$ 557	\$ 32,640	\$ (17,872)	\$ 15,325	\$ 29,754
Meter Deposits	-	22,705		22,705	18,455
Current Portion of Notes Payable	4,322	-		4,322	4,143
Total Current Liabilities	<u>\$ 4,879</u>	<u>\$ 55,345</u>	<u>\$ (17,872)</u>	<u>\$ 42,352</u>	<u>\$ 52,352</u>
<b>Noncurrent Liabilities:</b>					
Notes Payable	20,120	-		20,120	24,442
Total Noncurrent Liabilities	<u>20,120</u>	<u>-</u>		<u>20,120</u>	<u>24,442</u>
Total Liabilities	<u>24,999</u>	<u>55,345</u>	<u>(17,872)</u>	<u>62,472</u>	<u>76,794</u>
<b>FUND BALANCES/NET POSITION</b>					
Invested in capital assets, net of related debt	45,016	-		45,016	44,115
Unrestricted	48,271	(24,428)		23,843	(5,454)
Total Net Position	<u>\$ 93,287</u>	<u>\$ (24,428)</u>		<u>\$ 68,859</u>	<u>\$ 38,661</u>

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

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2013 AND 2012

	Program Revenues			Net (Expense)Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Contributions	Govern- mental activities	Business- type activities	2013 Total	2012 Total
Primary government							
Government activities:							
General Government	\$ 12,505			\$ (12,505)	\$ -	\$ (12,505)	\$ (40,587)
Business-type activities							
Utility Fund	151,150	156,131			4,980	4,980	(14,969)
Total business-type activities	<u>151,150</u>	<u>156,131</u>	-	-	<u>4,980</u>	<u>4,980</u>	<u>(14,969)</u>
Total primary government	<u>\$ 163,655</u>	<u>\$ 156,131</u>	<u>\$ -</u>	<u>\$ (12,505)</u>	<u>\$ 4,980</u>	<u>\$ (7,525)</u>	<u>\$ (55,556)</u>
<b>General Revenues:</b>							
Property Taxes				37,718	-	37,718	30,899
Interest income				5	-	5	8
Total general revenue				<u>37,723</u>	<u>-</u>	<u>37,723</u>	<u>30,907</u>
Transfers between funds				<u>(13,000)</u>	<u>13,000</u>	<u>-</u>	<u>-</u>
Change in net assets				12,218	17,980	30,198	(24,649)
Net Position - Beginning				<u>81,069</u>	<u>(42,408)</u>	<u>38,661</u>	<u>63,310</u>
Net Position - Ending				<u>\$ 93,287</u>	<u>\$ (24,428)</u>	<u>\$ 68,859</u>	<u>\$ 38,661</u>

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

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1  
 STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET  
 September 30, 2013 and 2012

<b>ASSETS</b>	General Fund	Adjustments	Statement of Net Position	
			2013	2012
<b>Current Assets</b>				
Cash and cash equivalents	\$ 10,688	\$ -	\$ 10,688	\$ 3,329
Accounts Receivable	17,872	-	17,872	17,872
Ad valorem taxes receivable	20,268	-	20,268	21,387
Total Current Assets	\$ 48,828	-	\$ 48,828	42,588
<b>Other Assets:</b>				
Capital assets, net of depreciation	-	69,458	69,458	72,700
Total Assets	\$ 48,828	\$ 69,458	\$ 118,286	\$ 115,288
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Account Payable	\$ 557	\$ -	\$ 557	\$ 5,634
Deferred Revenue	20,268	(20,268)	-	-
Current Portion of Notes Payable	-	4,322	4,322	4,143
Total Current Liabilities	20,825	(15,946)	4,879	9,777
<b>Noncurrent Liabilities:</b>				
Notes Payable	-	20,120	20,120	24,442
Total Noncurrent Liabilities	-	20,120	20,120	24,442
Total Liabilities	20,825	4,174	24,999	34,219
<b>FUND BALANCES/NET POSITION</b>				
Fund Balance-unassigned	28,003			
TOTAL LIABILITIES AND FUND BALANCE	\$ 48,828			
<b>NET POSITION</b>				
Invested in capital assets, net of related debt		45,016	45,016	44,115
Unrestricted		48,271	48,271	36,954
			93,287	81,069
			\$ 118,286	\$ 115,288

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



ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1  
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
 GOVERNMENTAL FUNDS  
 FOR THE YEAR ENDED SEPTEMBER 30, 2013 AND 2012

	General Fund		Total Governmental Funds	
	<u>2013</u>	<u>Adjustments</u>	<u>2013</u>	<u>2012</u>
Revenues				
Property taxes	\$ 38,837	(1,119)	\$ 37,718	\$ 30,899
Miscellaneous income	5	-	5	8
Total Revenues	<u>\$ 38,842</u>	<u>(1,119)</u>	<u>\$ 37,723</u>	<u>\$ 30,907</u>
Expenditures				
Audit	\$ 5,100	\$ -	\$ 5,100	\$ 5,000
Professional Fees	1,600		1,600	25,739
Interest	1,135		1,135	1,306
Principal payments	4,143	(4,143)	-	-
Depreciation	-	3,242	3,242	4,862
Administration services	1,427		1,428	3,680
Total Expenditures	<u>\$ 13,405</u>	<u>(901)</u>	<u>\$ 12,505</u>	<u>\$ 40,587</u>
Other financing sources (uses)				
Operating transfers in (out)	<u>(13,000)</u>	<u>-</u>	<u>(13,000)</u>	<u>-</u>
Excess revenues and other sources over expenditures and other uses	12,437	(218)	12,218	(9,680)
Fund balances at beginning of period	<u>15,566</u>		<u>81,069</u>	<u>90,749</u>
Fund balances at end of period	<u>\$ 28,003</u>		<u>\$93,287</u>	<u>\$ 81,069</u>

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

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
September 30, 2013 and 2012

	Business - Type Activities	
	2013	2012
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$12,549	\$ 3,845
Accounts Receivable	18,368	14,104
Total Current Assets	30,917	17,949
Total Assets	\$ 30,917	\$ 17,949
<b>LIABILITIES</b>		
Current Liabilities		
Account Payable	32,640	41,902
Meter Deposits	22,705	18,455
Total Current Liabilities	\$ 55,345	\$ 60,357
<b>NET POSITION</b>		
Unrestricted	(24,428)	(42,409)
Total Net Position	\$ (24,428)	\$ (42,409)

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

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND  
FOR THE YEARS ENDED SEPTMEBER 30, 2013 AND 2012

	Business-Type Activities	
	2013	2012
Operating Revenue		
Charges for services	\$ 156,131	\$131,903
Miscellaneous	-	-
Total operating income	\$ 156,131	\$131,903
 Operating expenses		
Administrative Services	10,062	10,175
ANRA Expenses	55,996	52,628
Purchase /Treatment Fees	43,588	46,501
Repairs	29,419	24,878
Salaries	5,390	4,920
Utilities/Telephone	6,695	7,770
Total operating expenses	151,150	146,872
 Operating income	4,981	(\$14,969)
 Non-operating income		
Interest income	-	-
Change in net position, before transfers	4,981	(14,969)
Transfers from general fund	13,000	-
Change in net position	17,981	(14,969)
 Net position, beginning of period	(42,409)	(27,440)
Net position, end of period	\$ (24,428)	(\$42,409)

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

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT #1  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
FOR THE YEAR ENDED SEPTEMBER 30, 2013 AND 2012

	Business-Type Activities	
	<u>2013</u>	<u>2012</u>
Cash flows from operation activities:		
Cash received from customers	\$ 151,867	\$ 137,699
Cash paid to employees	(5,390)	(4,922)
Cash paid to suppliers	(155,022)	(146,316)
Net cash provided by operating activities	(8,545)	(8,617)
Cash flows from noncapital financing activities:		
Transfer From General Fund	13,000	7,787
Cash flows from capital and related financing activities:		
Meter Deposits	4,248	2,057
Cash flows from investing activities:		
Interest and dividends		
Net increase (decrease) in cash and cash equivalents	8,704	(3,695)
Cash and cash equivalents, beginning of period	3,845	7,540
Cash and cash equivalents, end of period	12,549	3,845
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$4,981	(\$14,969)
Changes in assets and liabilities:		
Receivables-net of allowance	(4,264)	5,798
Accounts and other payables	(9,262)	(4,368)
Net cash provided by operating activities	\$ (8,545)	\$ (13,539)

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

Amounts reported for governmental activities in the statement of net assets are different because:

Governmental funds total fund balance	\$ 28,003
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	69,458
Deferred tax revenue is not available to pay for current period expenditures and, therefore, is deferred in the funds.	20,268
The following liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Loans & Leases	(24,442)
Total Net Assets	<u>\$ 93,287</u>

Amounts reported for governmental activities in the statement of activities are different because:

Excess of revenues over expenditures	\$ 12,436
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay	-
Depreciation Expense	(3,242)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	
Change in deferred tax revenue	(1,119)
Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.	
Debt service - principal	4,143
Change in Net Assets	<u>\$ 12,218</u>

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

**ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1**  
**NOTES TO FINANCIAL STATEMENTS**  
**September 30, 2013**

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

The accounting policies of the District conform to generally accepted accounting principles as applicable to governmental units. The following is a summary of the more significant policies:

**A. Reporting Entity**

The Angelina County Fresh Water Supply District No. 1 (District) provides water and sewer services to its customers in Angelina County. The accounting policies of the District conform to generally accepted accounting principles as applicable to government units. The District owns the water and wastewater system which serve its customers. The District operates within its certificated service area under the District of a Certificate of Convenience and Necessity (CCN). The District contracts its operations, accounting and management from the Angelina County Fresh Water Supply District No. 1 (ANRA). If the operating revenue does not exceed the operating expenses, then the District owes for shortage of funds.

**B. Fund Financial Statements**

GASB 34 requires that special purpose governments engaged only in governmental activities should present only the financial statements required for Governmental Funds. For these governments, basic financial statements and required supplementary information consist of a Management Discussion and Analysis (MD&A), Governmental Fund financial statements, note to the financial statements, and required supplementary information other than MD&A, if applicable.

The District's basic financial statements are presented as a single Governmental Fund. This Governmental Fund accounts for the acquisition, operation and maintenance of District facilities and is accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of this fund are included on the balance sheet. The Governmental Fund is accounted for using the accrual basis of accounting. Its revenue is recognized when it is earned and its expenses are recognized when they are incurred.

**C. Measurement focus, basis of accounting, and financial statement presentation**

All governmental funds are accounted for on a cost-of-services or "capital maintenance" measurement focus. This means that all assets and all liabilities (whether current or non-current) associated with their activity are included on their balance sheets. Their reported fund equity (net total assets) is segregated into contributed capital and retained earnings components. Governmental fund type operating statements, when applicable, present increases (revenues) and decreases (expenses) in net total assets.

Basis of accounting refers to when revenues and expenditures or expenses are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurements made, regardless of the measurement focus applied.

All governmental funds are accounted for using the modified accrual basis of accounting. Their revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred.

D. Fixed Assets:

All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Depreciation has been provided using the straight-line method at annual rates as follows:

Building	12 years
Office Furniture	5 years
Water & Sewer Systems	20 – 30 years

E. Cash and Cash Equivalents:

The District defines cash equivalents as short term, highly liquid investments, including time deposits that are readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents include investments with original maturities of three months or less when purchased by the District. Cash equivalents are stated at cost which approximates market value.

F. Use of Estimates:

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

G. Budgets and Budgetary Accounting

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

1. ANRA submits to the Board a proposed operating budget for the fiscal year. The operating budget includes proposed expenditures and the means of financing them.
2. The budget is approved by the Board and is adopted on a basis consistent with generally accepted accounting principles.
3. ANRA is authorized by the Board to transfer budgeted amounts between accounts but any revisions that alter the total expenditures must be approved by the Board.

H. Net Position

Net position represents the difference between assets and liabilities. Net position invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the District or through external restrictions imposed by creditors, grantors or laws or regulations of other governments. When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first and then unrestricted resources as they are needed. When both unassigned and committed or assigned funds are available for expenditure, committed or assigned funds are used first.

## NOTE 2 - DEPOSITS

### Deposits

All cash accounts as of September 30, 2013 were maintained in checking and interest bearing demand accounts. The value of cash accounts at September 30, 2013 was \$23,237.

*Interest Rate Risk.* The District does not have a formal investment policy in place. The District's cash and cash equivalents are currently invested in short-term instruments such as money market funds and an interest-bearing checking account.

*Credit Risk.* The Board Directors has authorized the District to invest in compliance with V.A.T.C.S. Government Code, Title 10, Chapter 2256 (Public Funds Investment Act of 1993). Money in any fund may be placed in obligations of the United States or its instrumentalities; direct obligations of this state or its agencies; collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by an agency or instrumentality of United States; other obligations, the principal and interest of which are unconditionally guaranteed or insured by this state or the United States or its instrumentalities; and obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent, Certificates of Deposit and any other investment authorized in Chapter 2256. Accordingly, cash is invested in money market funds or interest-bearing demand deposits and is stated at fair value.

*Custodial Credit Risk.* In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of September 30, 2013, all of the District's \$23,237 deposit balance was covered by federal depository insurance and pledged securities.

## NOTE 3 – PROPERTY TAX RECEIVABLE, REVENUE AND EXPENSES

Property taxes were levied in October 2012 for the 2013 year. Taxes were due on receipt of the tax bill and were delinquent if not paid by January 31, 2013. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed. Taxes were assessed at the rate of \$0.465934 per \$100 valuation.

The District contracted with the Angelina County Tax Assessor-Collector for the collection of taxes. All receipts are required to be deposited to the checking account of the District to be used for the payment of the mortgage and other minor expenses.

The District follows the accounting practice of fully reserving delinquent taxes receivable. Revenue from collection of delinquent taxes is recorded at the time collections are received by the County. Taxes due and not received by the District at year end are accrued.



NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2013, was as follows:

	Balance 9/30/2012	Additions	Deletions	Balance 9/30/2013
Capital assets not being depreciated				
Land	\$ 34,000	\$ -	\$ -	\$ 34,000
Total assets not being depreciated	34,000	-	-	34,000
Capital assets being depreciated				
Water & sewer systems	175,143	-	-	175,143
Buildings	36,714	-	-	36,714
Office equipment	13,460	-	-	13,460
Total assets being depreciated	225,317	-	-	225,317
Less accumulated depreciation	(186,616)	(3,243)		(189,859)
Total net assets being depreciated	38,701	(3,243)		35,458
Total net capital assets	<u>\$ 72,701</u>	<u>\$ (3,243)</u>	<u>\$ -</u>	<u>\$ 69,458</u>

NOTE 5 – LONG-TERM LIABILITIES

Outstanding long-term liabilities consist of the following:

	Issue Date	Maturity Date	Interest Rate	Original Amount	Balance 9/30/12	Added	Retired	Balance 9/30/13
1st Bank & Trust								
Note Payable	2004	2019	5.00%	\$55,000	\$28,585	\$0	(4,143)	\$24,442
Less: Current Portion								(4,322)
Net Long Term Debt								<u>\$20,120</u>

Due During  
Fiscal Year

Ending	Principal	Interest	Total
2014	4,322	955	5,278
2015	4,510	768	5,278
2016	4,705	573	5,278
2017	4,909	369	5,278
2018	5,122	156	5,278
2019	874	5	6,157
	<u>\$ 24,442</u>	<u>\$ 2,825</u>	<u>\$ 32,546</u>

#### NOTE 6 – COMMITMENTS

During 1997, the District entered into a long-term lease agreement with Angelina County Fresh Water Supply District No. 1 (ANRA), whereby ANRA agreed to contract all water and wastewater operations of the District for an initial term of 10 years. On August 30, 2007 the District approved a contract renewal effective through August 2017. The contract can be renewed in 10 year terms to a total of 100 years. ANRA will have exclusive use and control of the facilities during the lease term and shall be entitled to all revenues derived by the facility operations. ANRA will also be responsible for all the costs and expense of operating and maintaining the facilities during the lease term.

#### NOTE 7 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The District has also addressed its needs in the area of risk management by purchasing property and liability coverage from Texas Water Conservation Association – Risk Management. This coverage is paid for by ANRA. The District continues to carry commercial fidelity bonds for directors and employees.

#### NOTE 8 – SUBSEQUENT EVENTS

The District has evaluated subsequent events as of August 6, 2014, the date the financial statements were issued and determined there are no items that would affect the financial statements.

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1  
 BUDGETARY COMPARISON SCHEDULE  
 GOVERNMENTAL FUNDS - General Fund  
 FOR THE YEAR ENDED September 30, 2013

<b>REVENUES</b>	Actual	Final Budget	Variance Favorable (Unfavorable)
Ad Valorem taxes	\$ 38,837	\$ 33,950	\$ 4,887
Interest income	5	-	5
Total Revenues	<u>38,842</u>	<u>33,950</u>	<u>4,892</u>
 <b>EXPENDITURES</b>			
Audit	\$ 5,100	5,500	400
Professional fees	1,600	3,700	2,100
Administrative services	1,427	4,635	3,208
Debt service	5,278	5,267	(11)
Total Expenditures	<u>13,405</u>	<u>19,102</u>	<u>5,697</u>
Excess (deficiency) of Revenues Over Expenditures	<u>25,437</u>	<u>14,848</u>	<u>10,589</u>
 <b>OTHER FINANCING SOURCES</b>			
Transfers In	-	-	-
Transfers Out	13,000	10,000	(3,000)
Total Other Financing Sources and Uses	<u>13,000</u>	<u>10,000</u>	<u>(3,000)</u>
Net Change in Fund Balance	12,437	4,848	7,589
Fund Balances - Beginning	15,566	15,566	-
Fund Balances - Ending	<u>28,003</u>	<u>20,414</u>	<u>7,589</u>

See accompanying notes to the financial statements

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1  
 BUDGETARY COMPARISON SCHEDULE - O&M FUND  
 FOR THE YEAR ENDED September 30, 2013

	<u>Actual</u>	<u>Budget</u>	Variance Positive (Negative)
<b>REVENUES</b>			
Charges for Services	\$ 156,131	138,246	\$ 17,885
Interest	-	-	-
Miscellaneous Income	-	-	-
Total Revenues	<u>156,131</u>	<u>138,246</u>	<u>17,885</u>
<b>EXPENDITURES</b>			
Administrative services	\$ 10,062	\$ 6,476	\$ (3,586)
ANRA Expenses	55,996	52,844	(3,152)
Purchase /Treatment Fees	43,588	43,800	212
Repairs	29,419	15,500	(13,919)
Salaries	5,390	5,537	147
Utilities/telephone	6,695	7,872	1,177
Total expenditures	<u>\$ 151,150</u>	<u>\$ 132,029</u>	<u>\$ (19,120)</u>
Excess (deficiency) of Revenues Over Expenditures	<u>4,981</u>	<u>6,217</u>	<u>(1,235)</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers In	13,000	-	13,000
Transfers Out	-	-	-
Total Other Financing Sources and Uses	<u>13,000</u>	<u>-</u>	<u>13,000</u>
Net Change in Fund Balance	17,981	6,217	11,765
Fund Balances - Beginning	(42,409)	(42,408)	-
Fund Balances - Ending	<u>\$ (24,428)</u>	<u>\$ (36,191)</u>	<u>\$ 11,765</u>

See accompanying notes to the financial statements.

**SUPPLEMENTAL SCHEDULES**

# Angelina County FWSD #1

## TSI-1 SERVICES AND RATES

FY 2013

**1. Services provided by the District during the Fiscal Year:**

<input checked="" type="checkbox"/>	Retail Water	<input type="checkbox"/>	Wholesale Water	<input type="checkbox"/>	Drainage
<input checked="" type="checkbox"/>	Retail Wastewater	<input type="checkbox"/>	Wholesale Wastewater	<input type="checkbox"/>	Irrigation
<input type="checkbox"/>	Parks/Recreation	<input type="checkbox"/>	Fire Protection	<input type="checkbox"/>	Security
<input type="checkbox"/>	Solid Waste/Garbage	<input type="checkbox"/>	Flood Control	<input type="checkbox"/>	Roads
<input type="checkbox"/>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
<input type="checkbox"/>	Other (specify): _____				

**2. Retail Service Providers**

**a. Retail rates based on 3/4" meter**

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
Water	<u>\$29.83</u>	<u>3,000</u>	<u>N</u>	<u>\$2.57</u>	<u>3,001 to 10,000</u>
				<u>\$3.07</u>	<u>10,001 and up</u>
				<u>\$ -</u>	_____
				<u>\$ -</u>	_____
Waste Basic Service Fee	<u>\$48.42</u>	_____	<u>Y</u>	<u>\$ -</u>	_____

District employs winter averaging for wastewater usage? Yes \_\_\_ No X

Total water and sewer charges per 10,000 gallons usage (including surcharges) \$96.24

**b. Water and Wastewater Retail Connections:**

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
< 3/4"	<u>244</u>	<u>188</u>	x 1.0	<u>188</u>
1"	<u>3</u>	<u>3</u>	x 2.5	<u>8</u>
1 1/2"			x 5.0	_____
2"			x 8.0	_____
4"			x 25.0	_____
Total water	<u>247</u>	<u>191</u>		<u>196</u>
Total wastewater	<u>125</u>	<u>125</u>	x 1.0	<u>125</u>

\* Number of connections relates to water service, if provided. Otherwise, the number of wastewater connections should be provided.

**3. Total Water Consumption (In Thousands) During the Fiscal Year:**

Gallons pumped into system:	12,647,309	Water Accountability Ratio:
Gallons billed to customers:	10,261,000	<u>81.1%</u>

**4. Standby Fees:**

Does the District have Debt Service standby fees? Yes  No   
 If yes, Date of the most recent Commission Order: \_\_\_\_\_

Does the District have Operation and Maintenance standby fees? Yes  No   
 If yes, Date of the most recent Commission Order: \_\_\_\_\_

**5. Location of District:**

County in which District is located: Angelina County  
 Is the District located entirely within one county? Yes  No   
 Is the District located within a city? Entirely  Partly  Not at all   
 City in which District is located: N/A  
 Is the District located within a city's extra territorial jurisdiction (ETJ)?  
 Entirely  Partly  Not at all   
 ETJs in which District is located: City of Lufkin  
 Are Board members appointed by an office outside the District?  
 Yes  No   
 If yes, by whom? \_\_\_\_\_

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT  
 TSI-2 Enterprise Fund Expenses  
 For the Year Ended September 30, 2013

	<u>General Fund</u>	<u>Business Fund</u>	<u>Total</u>
Personnel Expenditures (including benefits)	\$ -	\$ 5,390	\$ 5,390
Professional Fees:	1,600	-	1,600
Contracted Services:			
Tax Collector	-		-
Utilities	-	6,695	6,695
Repairs and Maintenance	-	29,419	29,419
Administrative Expenditures:			
Directors Fees	-	-	-
Depreciation	3,242	-	3,242
Insurance	-	-	-
Other	6,528	109,646	116,174
Interest	1,135	-	1,135
Capital Outlay:			
Capitalized Assets			-
Total Expenditures	<u>\$ 12,505</u>	<u>\$ 151,150</u>	<u>\$ 163,655</u>

\* Number of persons employed by the District:

0 Full-time

1 Part-time



TSI-4 Taxes Levied and Receivable  
For the Year Ended September 30, 2013

	<b>AD VALOREM TAXES</b>
Taxes Receivable, Beginning of Year	\$ 21,387
2012 Original Tax Levy	30,513
(less abatements)	2,833
Total to be accounted for	54,733
Tax collections:	
Current Year	28,600
Prior Years	5,866
Total Collections	34,466
Taxes Receivable, End of Year	\$ 20,267
Taxes Receivable, By Years	
2001 and prior	3,230
2002	431
2003	569
2004	273
2005	351
2006	525
2007	997
2008	959
2009	1,279
2010	2,664
2011	3,902
2012	5,087
Taxes Receivable, End of Year	\$ 20,268
	<b>2013</b>
Property Valuations:	\$ 12,464,465
Maintenance tax rates per \$100 Valuation	\$0.4659
Percent of Taxes Collected to Taxes Levied:	93.7%

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1  
 TSI-5. Long Term Debt Service Requirements  
 Notes Payable  
 FOR THE YEAR ENDED September 30, 2013

Fiscal Year	Principal	Interest	Total
2014	4,322	955	5,277
2015	4,510	768	5,278
2016	4,705	573	5,278
2017	4,909	369	5,278
2018	5,122	155	5,277
2019	874	5	6,157
	\$ 24,442	\$ 2,825	\$ 32,546

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT  
 TSI-7 Governmental Fund Expenses  
 For the Year Ended September 30, 2013

	Amount					Percent of total fund revenue				
	2013	2012	2011	2010	2009	2013	2012	2011	2010	2009
<b>Revenues:</b>										
Interest income	\$ 5	\$ 8	\$ 12	\$ -	\$ 6	0.01%	0.01%	0.04%	0.0%	0.03%
Miscellaneous income	-	-	-	49	94	0.00%	0.00%	0.00%	0.2%	0.40%
Ad Valorem taxes	37,718	61,455	31,190	26,851	23,365	99.99%	99.99%	99.96%	99.8%	99.57%
<b>TOTAL REVENUES</b>	<b>37,723</b>	<b>61,463</b>	<b>31,202</b>	<b>\$ 26,900</b>	<b>\$ 23,465</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.0%</b>	<b>100.00%</b>
<b>Expenses:</b>										
Salaries and Wages	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	0.00%	0.00%	0.0%	0.00%
Operations and Maintenance	-	-	-	-	-	0.00%	0.00%	0.00%	0.0%	0.00%
Director's Expenses	-	-	-	-	-	0.00%	0.00%	0.00%	0.0%	0.00%
Office Supplies and Expenses	458	2,625	1,632	404	1,365	1.21%	4.27%	5.23%	1.5%	5.82%
Legal and Accounting	6,700	30,739	7,425	4,832	5,013	17.76%	50.01%	23.80%	18.0%	21.36%
Tax Collection/Appraisal Fees	620	705	-	-	567	1.64%	1.15%	0.00%	0.0%	2.42%
Insurance	350	350	-	-	-	0.93%	0.57%	0.00%	0.0%	0.00%
Interest	1,135	1,306	1,472	1,832	3,377	3.01%	2.12%	4.72%	6.8%	14.39%
Capital Outlay	-	-	-	-	-	0.00%	0.00%	0.00%	0.0%	0.00%
Depreciation Expense	3,242	4,862	4,862	4,862	6,465	8.59%	7.91%	15.58%	18.1%	27.55%
<b>TOTAL EXPENSES</b>	<b>12,505</b>	<b>40,587</b>	<b>15,391</b>	<b>11,930</b>	<b>16,787</b>	<b>33.15%</b>	<b>66.03%</b>	<b>49.33%</b>	<b>44.3%</b>	<b>71.54%</b>
<b>EXCESS REVENUE OVER EXPENDITURES</b>	<b>\$ 25,218</b>	<b>\$ 20,876</b>	<b>\$ 15,811</b>	<b>\$ 14,970</b>	<b>\$ 6,678</b>	<b>66.85%</b>	<b>33.97%</b>	<b>50.67%</b>	<b>55.7%</b>	<b>28.46%</b>

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO.1  
 TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
 September 30, 2013  
 (Unaudited)

NAME AND ADDRESS	TERM OF OFFICE ELECTED & EXPIRES OR DATE HIRED	FEES AND EXPENSE REIMBURSEMENTS Year Ended September 30, 2013	TITLE AT YEAR END	RESIDENT OF DISTRICT
<b><u>Board Members</u></b>				
Richard Jones 294 Jerri Street Lufkin, TX 75904	May-12 May-16	none	President	yes
Stephen Clarady 2501 Moffitt Road Lufkin, TX 75901	May-06 May-10	none	Vice-President	yes
Belinda Ross PO Box 3878 Lufkin, TX 75903	May-12 May-16	none	Secretary	yes
Jemmie Hageon 163 Hageon Road Lufkin, TX 75904	May-06 May-10	none	Treasurer	yes
Vacant				
<b><u>Staff</u></b>				
Helen Price 130 Mamie Street Lufkin, TX 75904		\$4,920	Clerk	yes
<b><u>Consultants</u></b>				
Jansen and Gregorczyk PO Box 1778 Kyle, TX 78940		\$5,100	CPA	No
Angelina & Neches River Authority PO Box 387 Lufkin, TX 75902		\$56,714	Operator	No