

JANSEN AND GREGORCZYK

Telephone
(512) 268-2749

Certified Public Accountants
P.O. Box 1778
Kyle, TX 78640

Fax
(512) 268-5057

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, 2014 and 2013, 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, 2014 and 2013, 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.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2014 the District adopted new accounting guidance, GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

Other Matters

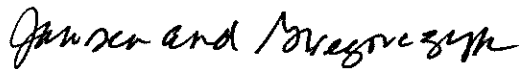
Required Supplementary Information

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
April 20, 2015

**ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2014**

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, 2014. 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 \$17,276 and \$183,239 from the Proprietary Fund compared to total non-operating revenues of \$49,115 from the General (Tax) Fund and \$167,458 from charges for services from the Proprietary Fund, resulting in a combined increase to net position of \$16,058 for the year ended September 30, 2014.
2. The District's cash and investments decreased \$1,262 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 Position* 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 position 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, 2014 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 \$16,058 in the year ended September 30, 2014. Table 1 and Table 2 below reflect the net assets and changes in net assets of governmental activities.

Expenses-Business Type Fund

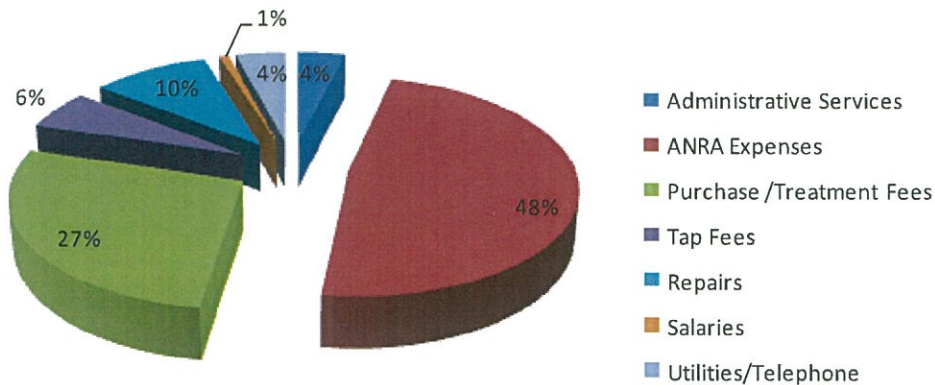


Table 1

	Governmental Activities	Business-Type Activities	2014	2013
Current Assets:				
Current Assets	\$35,757	\$33,307	\$69,064	\$61,873
Capital Assets	72,089	-	72,089	69,458
Total Assets	107,846	33,307	141,153	131,331
Long-term Debt	15,610	-	15,610	20,120
Current Liabilities	4,982	35,644	40,626	42,352
Total Liabilities	20,592	35,644	56,236	62,472
Net Assets:				
Invested in Capital Assets, net of related debt	51,969	-	51,969	45,016
Unrestricted	53,157	(20,209)	32,948	23,843
Total Net Assets	\$105,126	(\$20,209)	\$84,917	\$68,859

Table 2

Revenues:				
Taxes/Charges for Services	\$49,107	\$167,458	\$216,565	\$193,849
Interest	8	-	8	5
Miscellaneous Income	-	-	-	-
Total Revenue	\$49,115	\$167,458	\$216,573	\$193,854
Expenses:				
Audit	\$5,700	\$0	\$5,700	\$5,100
Depreciation	3,895	-	3,895	3,242
Interest Expense	956	-	956	1,135
Other	6,725	183,239	189,964	154,179
	17,276	\$183,239	200,515	163,656
Transfers between funds	(20,000)	-	(20,000)	-
Increase in net assets	\$11,839	(\$15,781)	(\$3,942)	\$30,198

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, 2014, the District had \$72,088 net of accumulated depreciation, invested in capital assets. Of this amount, \$175,143 represented water and sewer systems, \$43,239 is invested in depreciable buildings, \$13,460 in furniture and equipment and \$34,000 in land. Accumulated depreciation at September 30, 2014 was \$193,754. There were additions to capital assets during the year.

Long-term Debt

The District's long-term debt at September 30, 2014, totaled \$20,120 for notes payable. The current portion of the long-term debt was \$4,510. 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, 2014 and 2013

	Primary Government				
	Governmental Activities	Business Type Activities	Adjustments	Total 2014	Total 2013
Assets					
Cash and cash equivalents	\$ 13,753	\$ 8,222		\$ 21,975	\$ 23,237
Accounts Receivable	17,872	25,085	(17,872)	25,085	18,368
Ad valorem taxes receivable	22,004	-		22,004	20,268
Capital assets				-	
Land	34,000			34,000	34,000
Other capital assets, net of depreciation	38,089			38,089	35,458
Total Assets	<u>\$ 125,718</u>	<u>\$ 33,307</u>	<u>\$ (17,872)</u>	<u>\$ 141,153</u>	<u>\$ 131,331</u>
Liabilities					
Account Payable	\$ 472	\$ 28,740	\$ (17,872)	\$ 11,340	\$ 15,325
Meter Deposits	-	24,776		24,776	22,705
Long term liabilities				-	-
Due within 1 year	4,510	-		4,510	4,322
Due in more than 1 year	15,610	-		15,610	20,120
	<u>20,592</u>	<u>53,516</u>	<u>(17,872)</u>	<u>56,236</u>	<u>62,472</u>
Deferrend Inflow of Resources					
Unavailable revenue - property taxes	-	-	-	-	-
	<u>20,592</u>	<u>53,516</u>	<u>(17,872)</u>	<u>56,236</u>	<u>62,472</u>
Fund Balance/Net Position					
Invested in capital assets, net of related debt	51,969	-		51,969	45,016
Unrestricted	53,157	(20,209)		32,948	23,843
Total Net Position	<u>\$ 105,126</u>	<u>\$ (20,209)</u>		<u>84,917</u>	<u>\$ 68,859</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, 2014 AND 2013

	Program Revenues			Net (Expense)Revenue and Changes in Net Assets			
	Charges for Expenses	Services	Contributions	Govern- mental activities	Business- type activities	2014 Total	2013 Total
Primary government							
Government activities:							
General Government	\$ 24,226			\$ (17,276)	\$ -	\$ (17,276)	\$(12,505)
Business-type activities							
Utility Fund	<u>183,239</u>	<u>154,458</u>			<u>(15,781)</u>	<u>(15,781)</u>	<u>4,980</u>
Total business-type activities	<u>183,239</u>	<u>154,458</u>	<u>-</u>	<u>-</u>	<u>(15,781)</u>	<u>(15,781)</u>	<u>4,980</u>
Total primary government	<u>\$ 207,465</u>	<u>\$ 154,458</u>	<u>\$ -</u>	<u>\$ (17,276)</u>	<u>\$ (15,781)</u>	<u>\$ (33,057)</u>	<u>\$ (7,525)</u>
General Revenues:							
Property Taxes				49,107	-	49,107	37,718
Interest income				<u>8</u>	<u>-</u>	<u>8</u>	<u>5</u>
Total general revenue				<u>49,115</u>	<u>-</u>	<u>49,115</u>	<u>37,723</u>
Transfers between funds				<u>(20,000)</u>	<u>20,000</u>	<u>-</u>	<u>-</u>
Change in net position				<u>11,839</u>	<u>4,219</u>	<u>16,058</u>	<u>30,198</u>
Net Position - Beginning				<u>93,287</u>	<u>(24,428)</u>	<u>68,859</u>	<u>38,661</u>
Net Position - Ending				<u>\$ 105,126</u>	<u>\$ (20,209)</u>	<u>\$ 84,917</u>	<u>\$ 68,859</u>

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

ANGELINA COUNTY FRESH WATE SUPPLY DISTRICT NO. 1
STATEMENT OF NET POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
September 30, 2014 and 2013

	General Fund	Adj	Total Net Position	
			2014	2013
Assets				
Cash and cash equicalents	\$ 13,753		\$ 13,753	\$ 10,688
Accounts receivable	17,872		17,872	17,872
Taxes receivable	22,004		22,004	20,268
Capital assets				
Land		34,000	34,000	34,000
Other capital assets, net of depreciation		38,089	38,089	35,458
Total assets	53,629	72,089	125,718	118,286
Liabilities				
Accounts payable	472	-	472	557
Long term liabilities				
Due within 1 year		4,510	4,510	4,322
Due in more than 1 year		20,120	15,610	20,120
	472	24,630	20,592	24,999
Deferred Inflows of Resources				
Unavailable revenue - property taxes	22,004	(22,004)	-	-
	22,476	2,626	20,592	24,999
Fund balance/Net position				
Fund balance - unassigned	31,153			
	\$ 53,629			
Net position				
Net investment in capital assets			\$ 51,969	\$ 45,016
Unrestricted			53,157	48,271
			105,126	93,287
			\$ 125,718	\$ 118,286

The accompanying notes are an integral part of these financial statements.

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, 2014 AND 2013

	General Fund 2014	Adjustments	Total Governmental Funds 2014	2013
Revenues				
Property taxes	\$ 47,369	1,738	\$ 49,107	\$ 37,718
Miscellaneous income	8	-	8	5
Total Revenues	<u>\$ 47,377</u>	<u>1,738</u>	<u>\$ 49,115</u>	<u>\$ 37,723</u>
Expenditures				
Audit	\$ 5,700	\$ -	\$ 5,700	\$ 5,100
Professional Fees	4,347		4,347	1,600
Interest	956		956	1,135
Principal payments	4,322	(4,322)	-	-
Capital Outlay	6,524	(6,524)	-	-
Depreciation	-	3,895	3,895	3,242
Administration services	2,378		2,379	1,428
Total Expenditures	<u>\$ 24,227</u>	<u>(6,951)</u>	<u>\$ 17,277</u>	<u>\$ 12,505</u>
Other financing sources (uses)				
Operating transfers in (out)	<u>(20,000)</u>	<u>-</u>	<u>(20,000)</u>	<u>(13,000)</u>
Excess revenues and other sources over expenditures and other uses	3,150	8,689	11,838	12,218
Fund balances at beginning of period	<u>28,003</u>		<u>93,287</u>	<u>81,069</u>
Fund balances at end of period	<u>\$ 31,153</u>		<u>\$105,125</u>	<u>\$ 93,287</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, 2014 AND 2013

	Business - Type Activities	
	2014	2013
ASSETS		
Current Assets		
Cash and cash equivalents	\$8,222	\$ 12,549
Accounts Receivable	25,085	18,368
Total Current Assets	33,307	30,917
Total Assets	\$ 33,307	\$ 30,917
LIABILITIES		
Current Liabilities		
Account Payable	28,740	32,640
Meter Deposits	24,776	22,705
Total Current Liabilities	\$ 53,516	\$ 55,345
NET POSITION		
Unrestricted	(20,209)	(24,428)
Total Net Position	\$ (20,209)	\$ (24,428)

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, 2014 AND 2013

	Business-Type Activities	
	2014	2013
Operating Revenue		
Charges for services	\$ 167,458	\$156,131
Miscellaneous	-	-
Total operating income	\$ 167,458	\$156,131
Operating expenses		
Administrative Services	7,273	10,062
ANRA Expenses	88,328	55,996
Purchase /Treatment Fees	50,244	43,588
Tap Fees	10,773	0
Repairs	17,758	29,419
Salaries	1,385	5,390
Utilities/Telephone	7,479	6,695
Total operating expenses	183,239	151,150
Operating income	(15,781)	4,981
Non-operating income		
Interest income	-	-
Change in net position, before transfers	(15,781)	4,981
Transfers from general fund	20,000	13,000
Change in net position	4,219	17,981
Net position, beginning of period	(24,428)	(42,409)
Net position, end of period	\$ (20,209)	(\$24,428)

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, 2014 AND 2013

	Business-Type Activities	
	2014	2013
Cash flows from operation activities:		
Cash received from customers	\$ 147,741	\$ 134,741
Cash paid to employees	(6,681)	(5,390)
Cash paid to suppliers	<u>(167,458)</u>	<u>(148,749)</u>
Net cash provided by operating activities	(26,398)	(14,008)
Cash flows from noncapital financing activities:		
Transfer From General Fund	20,000	13,000
Cash flows from capital and related financing activities:		
Meter Deposits	2,070	4,248
Cash flows from investing activities:		
Interest and dividends		
Net increase (decrease) in cash and cash equivalents	(4,327)	8,704
Cash and cash equivalents, beginning of period	<u>12,549</u>	<u>3,845</u>
Cash and cash equivalents, end of period	8,222	12,549
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	(\$15,781)	\$4,981
Changes in assets and liabilities:		
Receivables-net of allowance	(6,717)	(4,264)
Accounts and other payables	<u>(3,900)</u>	<u>(9,262)</u>
Net cash provided by operating activities	<u>\$ (26,398)</u>	<u>\$ (8,545)</u>

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

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
 Reconciliation of Government-Wide and Fund Financial Statements
 September 30, 2014

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

Governmental funds total fund balance	\$	31,153
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		72,089
Deferred tax revenue is not available to pay for current period expenditures and, therefore, is deferred in the funds.		22,004
The following liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		(20,120)
Loans & Leases		-
Total Net Position	\$	<u>105,126</u>

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

Excess of revenues over expenditures	\$	3,150
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		(3,895)
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		1,738
Capital Outlay is reported as an expenditure in the governmental fund		6,524
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		4,322
Change in Net Position	\$	<u>11,839</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, 2014

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 & Neches River Authority (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. The District 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. The District 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.

I. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

NOTE 2 - DEPOSITS

Deposits

All cash accounts as of September 30, 2014 were maintained in checking and interest bearing demand accounts. The value of cash accounts at September 30, 2014 was \$21,975.

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, 2014, all of the District's \$21,975 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 2013 for the 2014 year. Taxes were due on receipt of the tax bill and were delinquent if not paid by January 31, 2014. 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, 2014, was as follows:

	Balance 9/30/2013	Additions	Deletions	Balance 9/30/2014
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	6,525	-	43,239
Office equipment	13,460	-	-	13,460
Total assets being depreciated	225,317	6,525	-	231,842
Less accumulated depreciation	(189,859)	(3,895)		(193,754)
Total net assets being depreciated	35,458	2,631		38,089
Total net capital assets	<u>\$ 69,458</u>	<u>\$ 2,631</u>	<u>\$ -</u>	<u>\$ 72,089</u>

NOTE 5 – LONG-TERM LIABILITIES

Outstanding long-term liabilities consist of the following:

	Issue Date	Maturity Date	Interest Rate	Original Amount	Balance 9/30/13	Added	Retired	Balance 9/30/14
1st Bank & Trust Note Payable	2004	2018	5.00%	\$55,000	\$24,442	\$0	(4,322)	\$20,120
Less: Current Portion								(4,510)
Net Long Term Debt								<u>\$15,610</u>

Due During			
Fiscal Year			
Ending	Principal	Interest	Total
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>\$ 20,120</u>	<u>\$ 1,870</u>	<u>\$ 27,268</u>

NOTE 6 – COMMITMENTS

During 1997, the District entered into a long-term lease agreement with Angelina & Neches River Authority (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 April 20, 2015, 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, 2014

REVENUES	Actual	Final Budget	Variance Favorable (Unfavorable)
Ad Valorem taxes	\$ 47,369	\$ 54,741	\$ (7,372)
Interest income	8	-	8
Total Revenues	<u>47,377</u>	<u>54,741</u>	<u>(7,364)</u>
 EXPENDITURES			
Audit	\$ 5,700	5,700	-
Professional fees	4,347	2,700	(1,647)
Administrative services	2,378	40,625	38,247
Capital Outlay	6,524		
Debt service	5,278	5,500	222
Total Expenditures	<u>24,227</u>	<u>54,525</u>	<u>36,822</u>
Excess (deficiency) of Revenues Over Expenditures	<u>23,150</u>	<u>216</u>	<u>29,458</u>
 OTHER FINANCING SOURCES			
Transfers In	-	-	-
Transfers Out	(20,000)	-	20,000
Total Other Financing Sources and Uses	<u>(20,000)</u>	<u>-</u>	<u>20,000</u>
Net Change in Fund Balance	3,150	216	2,934
Fund Balances - Beginning	28,003	28,003	-
Fund Balances - Ending	<u>\$ 31,153</u>	<u>\$ 28,219</u>	<u>\$ 2,934</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, 2014

	<u>Actual</u>	<u>Budget</u>	Variance Positive (Negative)
REVENUES			
Charges for Services	\$ 167,458	168,284	\$ (826)
Interest	-	-	-
Miscellaneous Income	-	-	-
Total Revenues	<u>167,458</u>	<u>168,284</u>	<u>(826)</u>
EXPENDITURES			
Administrative services	\$ 7,273	\$ 8,159	\$ 886
ANRA Expenses	88,328	39,911	(48,417)
Purchase /Treatment Fees	50,244	40,976	(9,268)
Tap Fees	10,773	615	
Repairs	17,758	17,209	(549)
Salaries	1,385	-	(1,385)
Utilities/telephone	7,479	6,384	(1,095)
Total expenditures	<u>\$ 183,239</u>	<u>\$ 113,254</u>	<u>\$ (59,826)</u>
Excess (deficiency) of Revenues Over Expenditures	<u>(15,781)</u>	<u>55,030</u>	<u>(60,652)</u>
OTHER FINANCING SOURCES			
Transfers In	20,000	-	20,000
Transfers Out	-	-	-
Total Other Financing Sources and Uses	<u>20,000</u>	<u>-</u>	<u>20,000</u>
Net Change in Fund Balance	4,219	55,030	(40,652)
Fund Balances - Beginning	<u>(24,428)</u>	<u>(24,428)</u>	<u>-</u>
Fund Balances - Ending	<u>\$ (20,209)</u>	<u>\$ 30,602</u>	<u>\$ (40,652)</u>

See accompanying notes to the financial statements.

SUPPLEMENTAL SCHEDULES

Angelina County FWSD #1

TSI-1 SERVICES AND RATES

FY 2014

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

<u> X </u>	Retail Water	<u> </u>	Wholesale Water	<u> </u>	Drainage
<u> X </u>	Retail Wastewater	<u> </u>	Wholesale Wastewater	<u> </u>	Irrigation
<u> </u>	Parks/Recreation	<u> </u>	Fire Protection	<u> </u>	Security
<u> </u>	Solid Waste/Garbage	<u> </u>	Flood Control	<u> </u>	Roads
<u> </u>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
<u> </u>	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>
				<u>\$ -</u>	<u> </u>
Waste Basic Service Fee	<u>\$48.42</u>	<u> </u>	<u>Y</u>	<u>\$ -</u>	<u> </u>
District employs winter averaging for wastewater usage?					Yes <u> </u> No <u> X </u>
Total water and sewer charges per 10,000 gallons usage (including surcharges)					<u>\$96.24</u>

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>237</u>	<u>181</u>	<u>x 1.0</u>	<u>181</u>
1"	<u>13</u>	<u>12</u>	<u>x 2.5</u>	<u>30</u>
1 1/2"			<u>x 5.0</u>	<u> </u>
2"			<u>x 8.0</u>	<u> </u>
4"			<u>x 25.0</u>	<u> </u>
Total water	<u>250</u>	<u>193</u>		<u>211</u>
Total wastewater	<u>125</u>	<u>125</u>	<u>x 1.0</u>	<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:	23,047,081	Water Accountability Ratio:
Gallons flushed from system:	280,413	
Gallons billed to customers:	10,261,000	<u>45.7%</u>

4. Standby Fees:

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

Does the District have Operation and Maintenance
standby fees? Yes ___ No X
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 X No ___
Is the District located within a city? Entirely ___ Partly ___ Not at all X
City in which District is located: N/A
Is the District located within a city's extra territorial jurisdiction (ETJ)?
Entirely X 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 X
If yes, by whom? _____

Notes:

- 1) During the months of May and June 2014, a water leak was detected via pumpage data. The leak was eventually found in a remote area on an abandoned line.
- 2) In May 01, the District began the assessment of an interim sewer rate of \$32.50 per customer for an upcoming sanitary sewer collection system extension project. The project should begin

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT
 TSI-2 Enterprise Fund Expenses
 For the Year Ended September 30, 2014

	<u>General Fund</u>	<u>Business Fund</u>	<u>Total</u>
Personnel Expenditures (including benefits)	\$ -	\$ 1,385	\$ 1,385
Professional Fees:	4,347	-	4,347
Contracted Services:			
Tax Collector	-		-
Utilities	-	7,479	7,479
Repairs and Maintenance	-	17,758	17,758
Administrative Expenditures:			
Directors Fees	-	-	-
Depreciation	3,895	-	3,895
Insurance	-	-	-
Other	8,078	156,617	164,695
Debt Service	956	-	956
Capital Outlay:			
Capitalized Assets	-		-
Total Expenditures	<u>\$ 17,276</u>	<u>\$ 183,239</u>	<u>\$ 200,515</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, 2014

	AD VALOREM TAXES
Taxes Receivable, Beginning of Year	\$ 20,267
2013 Original Tax Levy	46,059
(less abatements)	<u>(763)</u>
Total to be accounted for	65,563
Tax collections:	
Current Year	38,326
Prior Years	<u>5,233</u>
Total Collections	43,559
Taxes Receivable, End of Year	<u>\$ 22,004</u>
Taxes Receivable, By Years	
2001 and prior	2,887
2002	422
2003	569
2004	264
2005	127
2006	315
2007	736
2008	918
2009	1,100
2010	2,136
2011	2,599
2012	2,801
2013	<u>7,131</u>
Taxes Receivable, End of Year	<u>\$ 22,004</u>
Property Valuations:	<u>2014</u> \$ 13,542,310
Maintenance tax rates per \$100 Valuation	\$0.4659
Percent of Taxes Collected to Taxes Levied:	<u>83.2%</u>

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
 TSI-5 Long Term Debt Service Requirements
 Notes Payable
 FOR THE YEAR ENDED September 30, 2014

Due During Fiscal Year Ending	Principal	Interest	Total
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>\$ 20,120</u>	<u>\$ 1,870</u>	<u>\$ 27,268</u>

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT
 TSI-7 Governmental Fund Expenses
 For the Year Ended September 30, 2014

	Amount						Percent of total fund revenue				
	2014	2013	2012	2011	2010		2014	2013	2012	2011	2010
Revenues:											
Interest income	\$ 8	\$ 5	\$ 8	\$ 12	\$ -	-	0.02%	0.01%	0.01%	0.04%	0.0%
Miscellaneous income	-	-	-	-	49	49	0.00%	0.00%	0.00%	0.00%	0.2%
Ad Valorem taxes	49,107	37,718	61,455	31,190	26,851	26,851	99.98%	99.99%	99.99%	99.96%	99.8%
TOTAL REVENUES	\$ 49,115	\$ 37,723	\$ 61,463	\$ 31,202	\$ 26,900	\$ 26,900	100.00%	100.00%	100.00%	100.00%	100.0%
Expenses:											
Office Supplies and Expenses	\$ 1,161	\$ 458	\$ 2,625	\$ 1,632	\$ 404	404	2.36%	1.21%	4.27%	5.23%	1.5%
Legal and Accounting	10,047	6,700	30,739	7,425	4,832	4,832	20.46%	17.76%	50.01%	23.80%	18.0%
Tax Collection/Appraisal Fees	947	620	705	-	-	-	1.93%	1.64%	1.15%	0.00%	0.0%
Insurance	270	350	350	-	-	-	0.55%	0.93%	0.57%	0.00%	0.0%
Interest	956	1,135	1,306	1,472	1,832	1,832	1.95%	3.01%	2.12%	4.72%	6.8%
Capital Outlay	-	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.0%
Depreciation Expense	3,895	3,242	4,862	4,862	4,862	4,862	7.93%	8.59%	7.91%	15.58%	18.1%
TOTAL EXPENSES	17,276	12,505	40,587	15,391	11,930	11,930	35.17%	33.15%	66.03%	49.33%	44.3%
Other Financing Sources:											
Operating Transfers	(20,000)	(13,000)	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.0%
EXCESS REVENUE OVER EXPENDITURES	\$ 11,839	\$ 12,218	\$ 20,876	\$ 15,811	\$ 14,970	\$ 14,970	64.83%	66.85%	33.97%	50.67%	55.7%

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO.1
 TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
 September 30, 2014
 (Unaudited)

NAME AND ADDRESS	TERM OF OFFICE ELECTED & EXPIRES OR DATE HIRED	FEES AND EXPENSE REIMBURSEMENTS Year Ended September 30, 2014	TITLE AT YEAR END	RESIDENT OF DISTRICT
<u>Board Members</u>				
Richard Jones 294 Jerri Street Lufkin, TX 75904	May-12 May-16	none	President	yes
Belinda Ross P. O. Box 3878 Lufkin, TX 75904	May-12 May-16	none	Vice-President	yes
Belva Hartsfield 210 Susie Street Lufkin, TX 75904	Nov-14 May-18	none	Secretary	yes
Jemie Hageon 163 Hageon Road Lufkin, TX 75904	Nov-14 May-18	none	Treasurer	yes
Daryl Hart 1011 Phil Jackson Rd Lufkin, TX 75904	May-14 May-16	none	Supervisor	yes
<u>Staff</u>				
Helen Price 130 Mamie Street Lufkin, TX 75904		\$1,218	Clerk	yes
<u>Consultants</u>				
Jansen and Gregorczyk PO Box 1778 Kyle, TX 78940		\$5,700	CPA	No
Angelina & Neches River Authority PO Box 387 Lufkin, TX 75902		\$88,018	Operator	No