

# JANSEN AND GREGORCZYK

Telephone  
(512) 268-2749

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

Fax  
(512) 268-5057

## INDEPENDENT AUDITORS' REPORT

Board of Supervisors  
Angelina County Fresh Water Supply District No. 1  
Lufkin, TX

We have audited the accompanying basic financial statements of the Angelina County Fresh Water Supply District No. 1 (the District) as of and for the years ended September 30, 2012 and 2011. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on the 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities of the District as of September 30, 2012 and 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 2 through 4 and 17-18 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.

Respectfully submitted,

Jansen and Gregorczyk  
April 17, 2013

## **MANAGEMENT'S DISCUSSION AND ANALYSIS SEPTEMBER 30, 2011**

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, 2012. 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 \$40,587 and \$146,872 from the Proprietary Fund compared to total non-operating revenues of \$30,907 from the General (Tax) Fund and \$139,690 from charges for services from the Proprietary Fund, resulting in a combined decrease in net assets of \$24,649 for the year ended September 30, 2012.
2. The District's cash and investments decreased \$18,521 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.

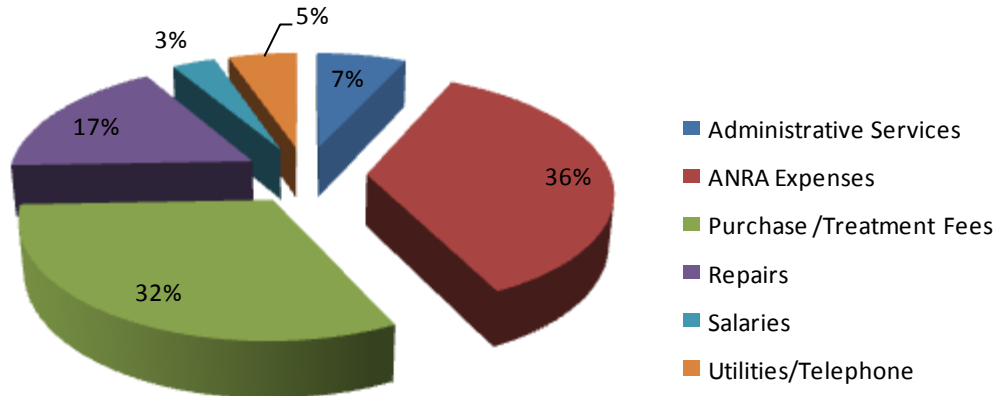
### **Fund Financial Statements**

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, 2012 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, 2012. 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>2012</b>	<b>2011</b>
<b>Current Assets:</b>				
Current Assets	\$42,588	\$17,949	\$60,537	\$74,196
Capital Assets	72,700	-	72,700	77,562
Total Assets	<u>115,288</u>	<u>17,949</u>	<u>133,237</u>	<u>151,758</u>
Long-term Debt	24,442	-	24,442	28,586
Current Liabilities	9,777	60,357	70,134	59,862
Total Liabilities	<u>34,219</u>	<u>60,357</u>	<u>94,576</u>	<u>88,448</u>
<b>Net Assets:</b>				
Invested in Capital Assets, net of related debt	44,115	-	44,115	43,993
Unrestricted	36,954	(42,408)	(5,454)	19,317
Total Net Assets	<u>\$81,069</u>	<u>(\$42,408)</u>	<u>\$38,661</u>	<u>\$63,310</u>

**Table 2**

<b>Revenues:</b>				
Taxes/Charges for Services	\$30,899	\$131,903	\$162,802	\$166,256
Interest	8	-	8	12
Miscellaneous Income	-	-	-	-
<b>Total Revenue</b>	<u>\$30,907</u>	<u>\$131,903</u>	<u>\$162,810</u>	<u>\$166,268</u>
<b>Expenses:</b>				
Audit	\$5,000	\$0	\$5,000	\$4,970
Depreciation	4,862	-	4,862	4,862
Interest Expense	1,306	-	1,306	1,472
Other	29,419	146,872	176,291	143,623
	<u>40,587</u>	<u>146,872</u>	<u>187,459</u>	<u>154,927</u>
Transfers between funds	-	-	-	-
Increase in net assets	<u>(\$9,680)</u>	<u>(\$14,969)</u>	<u>(\$24,649)</u>	<u>\$11,341</u>

## **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, 2012, the District had \$72,700 net of accumulated depreciation, invested in capital assets. Of this amount, \$175,142 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, 2012 was \$186,616. There were no additions to capital assets during the year.

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

The District's long-term debt at September 30, 2012, totaled \$28,585 for notes payable. The current portion of the long-term debt was \$4,143. 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 2012 budget and tax rates. In May, 2012, 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 ASSETS  
September 30, 2012 and 2011

	Primary Government			2011
	Governmental Activities	Business Type Activities	Total 2012	
<b>ASSETS</b>				
Current Assets				
Cash and cash equivalents	\$ 3,329	\$ 3,845	\$ 7,174	\$ 25,695
Accounts Receivable	17,872	14,104	31,976	30,232
Ad valorem taxes receivable	21,387	-	21,387	18,270
Total Current Assets	<u>42,588</u>	<u>17,949</u>	<u>60,537</u>	<u>74,197</u>
Noncurrent Assets				
Capital assets, net or depreciation	72,700	-	72,700	77,562
Total Assets	<u>\$ 115,288</u>	<u>\$ 17,949</u>	<u>\$ 133,237</u>	<u>\$ 151,759</u>
<b>LIABILITIES</b>				
Current Liabilities				
Account Payable	\$ 5,634	\$ 41,902	\$ 47,536	\$ 39,495
Meter Deposits	-	18,455	18,455	16,396
Current Portion of Notes Payable	4,143	-	4,143	3,971
Total Current Liabilities	<u>\$ 9,777</u>	<u>\$ 60,357</u>	<u>\$ 70,134</u>	<u>\$ 59,862</u>
Noncurrent Liabilities:				
Notes Payable	24,442	-	24,442	28,586
Total Noncurrent Liabilities	<u>24,442</u>	<u>-</u>	<u>24,442</u>	<u>28,586</u>
Total Liabilities	34,219	60,357	94,576	88,448
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	44,115	-	44,115	45,005
Unrestricted	36,954	(42,408)	(5,454)	18,305
Total Net Assets	<u>\$ 81,069</u>	<u>\$ (42,408)</u>	<u>38,661</u>	<u>\$ 63,310</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, 2012 AND 2011

	<u>Program Revenues</u>			<u>Net (Expense)Revenue and Changes in Net Assets</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Contributions</u>	<u>Govern- mental activities</u>	<u>Business- type activities</u>	<u>2012 Total</u>	<u>2011 Total</u>
Primary government							
Government activities:							
General Government	\$ 40,587			\$ (40,587)	\$ -	\$ (40,587)	\$ (15,391)
Business-type activities							
Utility Fund	146,872	139,690			(14,969)	(14,969)	(4,470)
Total business-type activities	<u>146,872</u>	<u>139,690</u>	-	-	<u>(14,969)</u>	<u>(14,969)</u>	<u>(4,470)</u>
Total primary government	<u>\$ 187,459</u>	<u>\$ 139,690</u>	<u>\$ -</u>	<u>\$ (40,587)</u>	<u>\$ (14,969)</u>	<u>\$ (55,556)</u>	<u>\$ (19,861)</u>
<b>General Revenues:</b>							
Property Taxes				30,899	-	30,899	31,190
Miscellaneous				8	-	8	12
Total general revenue				<u>30,907</u>	-	<u>30,907</u>	<u>31,202</u>
Transfers between funds				-	-	-	-
Change in net assets				(9,680)	(14,969)	(24,649)	11,341
Net Assets - Beginning				<u>90,749</u>	<u>(27,439)</u>	<u>63,310</u>	<u>51,969</u>
Net Assets - Ending				<u>\$ 81,069</u>	<u>\$ (42,408)</u>	<u>\$ 38,661</u>	<u>\$ 63,310</u>

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

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1  
BALANCE SHEET - GOVERNMENTAL FUNDS  
September 30, 2012 and 2011

<b>ASSETS</b>	General <u>Fund</u>	<u>Adjustments</u>	<u>Statement of Net Assets</u>	
			<u>2012</u>	<u>2011</u>
<b>Current Assets</b>				
Cash and cash equivalents	\$ 3,329	\$ -	\$ 3,329	\$ 18,155
Accounts Receivable	17,872	-	17,872	10,331
Ad valorem taxes receivable	21,387	-	21,387	18,270
Total Current Assets	\$ 42,588	-	\$ 42,588	46,756
<b>Noncurrent Assets</b>				
Capital assets, net of depreciation	-	72,700	72,700	77,562
Total Assets	\$ 42,588	\$ 72,700	\$ 115,288	\$ 124,318
<b>LIABILITIES</b>				
<b>Current Liabilities</b>				
Account Payable	\$ 5,634	\$ -	\$ 5,634	\$ 1,012
Deferred Revenue	21,387	(21,387)	-	-
Current Portion of Notes Payable	-	4,143	4,143	3,971
Total Current Liabilities	27,021	(17,244)	9,777	4,983
<b>Noncurrent Liabilities:</b>				
Notes Payable	-	24,442	24,442	28,586
Total Noncurrent Liabilities	-	24,442	24,442	28,586
Total Liabilities	27,021	7,198	34,219	33,569
<b>Fund Balance/Net Assets</b>				
Fund Balance-unrestricted	15,567			
Total Liabilities and Fund Balance	\$ 42,588			
Invested in capital assets, net of related debt		44,115	44,115	45,005
Unrestricted		36,954	36,954	45,744
Total Net Assets			81,069	90,749
			\$ 115,288	\$ 124,318

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, 2012 AND 2011

	General Fund		Total Governmental Funds	
	<u>2012</u>	<u>Adjustments</u>	<u>2012</u>	<u>2011</u>
Revenues				
Property taxes	\$ 27,782	3,118	\$ 30,899	\$ 31,190
Miscellaneous income	8	-	8	12
Total Revenues	<u>\$ 27,790</u>	<u>3,118</u>	<u>\$ 30,907</u>	<u>\$ 31,202</u>
Expenditures				
Audit	\$ 5,000	\$ -	\$ 5,000	\$ 4,970
Professional Fees	25,739		25,739	2,455
Interest	1,306		1,306	1,472
Principal payments	3,971	(3,971)	-	-
Depreciation	-	4,862	4,862	4,862
Administration services	3,680		3,680	1,632
Total Expenditures	<u>\$ 39,696</u>	<u>891</u>	<u>\$ 40,587</u>	<u>\$ 15,391</u>
Other financing sources (uses)				
Operating transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess revenues and other sources over expenditures and other uses	(11,906)	2,227	(9,680)	15,811
Fund balances at beginning of period	<u>27,473</u>		<u>90,749</u>	<u>74,938</u>
Fund balances at end of period	<u>\$ 15,567</u>		<u>\$81,069</u>	<u>\$ 90,749</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 ASSETS  
PROPRIETARY FUND  
September 30, 2012 and 2011

	Business - Type Activities	
	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Current Assets		
Cash and cash equivalents	\$3,845	\$ 7,540
Accounts Receivable	14,104	19,900
Total Current Assets	<u>17,949</u>	<u>27,440</u>
Total Assets	<u>\$ 17,949</u>	<u>\$ 27,440</u>
<b>LIABILITIES</b>		
Current Liabilities		
Account Payable	41,902	38,483
Meter Deposits	18,455	16,396
Total Current Liabilities	<u>\$ 60,357</u>	<u>\$ 54,879</u>
<b>NET ASSETS</b>		
Unrestricted	<u>(42,408)</u>	<u>(27,439)</u>
Total Net Assets	<u>\$ (42,408)</u>	<u>\$ (27,439)</u>

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 ASSETS  
PROPRIETARY FUND  
For the Years Ended September 30, 2012 and 2011

	Business-Type Activities	
	<u>2012</u>	<u>2011</u>
OPERATING REVENUE		
Charges for services	\$131,903	\$135,066
Miscellaneous	-	-
TOTAL OPERATING REVENUE	\$131,903	\$135,066
OPERATING EXPENSE		
Administrative Services	10,175	13,393
ANRA Expenses	52,628	49,657
Purchase /Treatment Fees	46,501	46,484
Repairs	24,878	17,901
Salaries	4,920	5,147
Utilities/Telephone	7,770	6,954
TOTAL OPERATING EXPENSE	146,872	139,536
OPERATING INCOME	(\$14,969)	(\$4,470)
NONOPERATIONG REVENUES		
Interest income	-	-
Change in net assets, before transfers	(14,969)	(4,470)
Transfers from general fund	-	-
Change in net assets	(14,969)	(4,470)
Net assets, beginning of period	(27,439)	(34,384)
Net assets, end of period	(\$42,408)	(\$38,854)

The accompanying notes to 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, 2012 AND 2011

	Business-Type Activities	
	<u>2012</u>	<u>2011</u>
Cash flows from operation activities:		
Cash received from customers	\$ 137,699	\$ 129,192
Cash paid to suppliers	<u>(151,238)</u>	<u>(129,288)</u>
Net cash provided by operating activities	(13,539)	(96)
Cash flows from noncapital financing activities:		
Transfer from General Fund	7,787	
Cash flows from capital and related financing activities:		
Meter Deposits	2,057	1,914
Cash flows from investing activities:		
Interest and dividends		
Net increase (decrease) in cash and cash equivalents	(3,695)	1,818
Cash and cash equivalents, beginning of period	<u>7,540</u>	<u>5,722</u>
Cash and cash equivalents, end of period	3,845	7,540
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	(\$14,969)	(\$4,470)
Changes in assets and liabilities:		
Receivables-net of allowance	5,798	(5,872)
Accounts and other payables	<u>(4,368)</u>	<u>10,246</u>
Net cash provided by operating activities	<u>\$ (13,539)</u>	<u>\$ (96)</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, 2012

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

Governmental funds total fund balance	\$	15,567
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		72,700
Deferred tax revenue is not available to pay for current period expenditures and, therefore, is deferred in the funds.		21,387
The following liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Loans & Leases		(28,585)
Total Net Assets	<u>\$</u>	<u>81,069</u>

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

Excess of revenues over expenditures	\$	(11,907)
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		(4,862)
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		3,118
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		3,971
Change in Net Assets	<u>\$</u>	<u>(9,680)</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, 2012**

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 authority 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. 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. Accounting and Financial Reporting

In June 2007, the GASB issued Statement No. 51 ("GASB 51"), *Accounting and Financial Reporting for Intangible Assets*. GASB 51 established guidance on the recognition of intangible assets, and established guidance on the accounting and financial reporting of intangible assets. The District was required to apply the provisions of GASB 51 in its fiscal year ending September 30, 2012. The District did not experience any measurable impact on its financial position and results of operations.

NOTE 2 - DEPOSITS

Deposits

All cash accounts as of September 30, 2012 were maintained in checking and interest bearing demand accounts. The value of cash accounts at September 30, 2012 was \$7,174.

*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, 2012, all of the District's \$7,174 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 2011 for the 2012 year. Taxes were due on receipt of the tax bill and were delinquent if not paid by January 31, 2012. 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 \$0.480194 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, 2012, was as follows:

	Balance 9/30/2011	Additions	Deletions	Balance 9/30/2012
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	175,142	-	-	175,142
Buildings	36,714	-	-	36,714
Office equipment	13,460	-	-	13,460
Total assets being depreciated	225,316	-	-	225,316
Less accumulated depreciation	(181,754)	(4,862)		(186,616)
Total net assets being depreciated	43,562	(4,862)		38,700
Total net capital assets	<u>\$ 77,562</u>	<u>\$ (4,862)</u>	<u>\$ -</u>	<u>\$ 72,700</u>

**NOTE 5 – LONG-TERM LIABILITIES**

Outstanding long-term liabilities consist of the following:

	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance 9/30/11</u>	<u>Added</u>	<u>Retired</u>	<u>Balance 9/30/12</u>
1st Bank & Trust								
Note Payable	2004	2018	5.00%	\$55,000	\$32,556	\$0	(3,971)	\$28,585
Less: Current Portion								<u>(4,143)</u>
Net Long Term Debt								<u>\$24,442</u>

Due During  
Fiscal Year

<u>Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	4,143	1,135	5,278
2014	4,322	955	5,278
2015	4,510	768	5,278
2016	4,705	573	5,278
2017	4,909	369	5,278
2018-2020	<u>5,997</u>	<u>160</u>	<u>6,157</u>
	<u>\$ 28,585</u>	<u>\$ 3,960</u>	<u>\$ 32,546</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 17, 2013, the date the financial statements were issued and determined there are no items that would affect the financial statements.

In May, 2012 the property owners of Redland Estates subdivision and the District voted to annex Redland Estates into the District. The Election Results returned, by an overwhelming majority, voter approval of the annexation. The election authorized the assessment of ad valorem taxes and sewer service fees for the annexed service area.



ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1  
 BUDGETARY COMPARISON SCHEDULE - O&M FUND  
 FOR THE YEAR ENDED September 30, 2012

	<u>Actual</u>	<u>Budget</u>	Variance Positive (Negative)
<b>REVENUES</b>			
Charges for Services	\$ 131,903	132,580	\$ (677)
Interest	-	36	(36)
Miscellaneous Income	-	300	(300)
Total Revenues	<u>131,903</u>	<u>132,916</u>	<u>(1,013)</u>
<b>EXPENDITURES</b>			
Administrative services	\$ 10,175	\$ 8,153	\$ (2,022)
ANRA Expenses	52,628	52,628	-
Purchase /Treatment Fees	46,501	44,400	(2,101)
Repairs	24,878	15,500	(9,378)
Salaries	4,920	5,534	614
Utilities/telephone	7,770	6,660	(1,110)
Total expenditures	<u>\$ 146,872</u>	<u>\$ 132,875</u>	<u>\$ (13,996)</u>
Excess (deficiency) of Revenues Over Expenditures	<u>(14,969)</u>	<u>41</u>	<u>(15,009)</u>
<b>OTHER FINANCING SOURCES</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(14,969)	41	(15,009)
Fund Balances - Beginning	(27,439)	(27,439)	-
Fund Balances - Ending	<u>\$ (42,408)</u>	<u>\$ (27,398)</u>	<u>\$ (15,009)</u>

See accompanying notes to the financial statements.

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1  
 BUDGETARY COMPARISON SCHEDULE  
 GOVERNMENTAL FUNDS - General Fund  
 FOR THE YEAR ENDED September 30, 2012

<b>REVENUES</b>	Actual	Final Budget	Variance Favorable (Unfavorable)
Ad Valorem taxes	\$ 27,782	\$ 33,187	\$ (5,405)
Miscellaneous Income	8	-	8
Total Revenues	<u>27,790</u>	<u>33,187</u>	<u>(5,397)</u>
 <b>EXPENDITURES</b>			
Current			
General Government	\$ 34,419	22,580	(11,839)
Debt Service	1,306	1,306	-
Principal on Debt	3,971	3,971	-
Capital Improvements	-	-	-
Total Expenditures	<u>39,696</u>	<u>27,857</u>	<u>(11,839)</u>
Excess (deficiency) of Revenues Over Expenditures	<u>(11,906)</u>	<u>5,330</u>	<u>(17,236)</u>
 <b>OTHER FINANCING SOURCES</b>			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources and Uses	-	-	-
Net Change in Fund Balance	(11,906)	5,330	(17,236)
Fund Balances - Beginning	<u>27,473</u>	<u>27,473</u>	-
Fund Balances - Ending	<u><u>15,567</u></u>	<u><u>32,803</u></u>	<u><u>(17,236)</u></u>

See accompanying notes to the financial statements

**SUPPLEMENTAL SCHEDULES**



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

Gallons pumped into system:	14,359,440	Water Accountability Ratio:
Gallons billed to customers:	11,510,000	<u>80.2%</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? \_\_\_\_\_



TSI-4 Taxes Levied and Receivable  
For the Year Ended September 30, 2012

	<b>AD VALOREM TAXES</b>
Taxes Receivable, Beginning of Year	\$ 18,269
2012 Original Tax Levy	29,207
(less abatements)	<u>(198)</u>
Total to be accounted for	47,278
Tax collections:	
Current Year	23,559
Prior Years	<u>2,332</u>
Total Collections	25,891
Taxes Receivable, End of Year	<u>\$ 21,387</u>
Taxes Receivable, By Years	
2000 and prior	2,977
2001	797
2002	464
2003	568
2004	433
2005	477
2006	785
2007	1,501
2008	1,514
2009	2,562
2010	3,803
2011	<u>5,506</u>
Taxes Receivable, End of Year	<u>\$ 21,387</u>
Property Valuations:	<b>2012</b> \$ 8,109,256
Maintenance tax rates per \$100 Valuation	\$0.4802
Percent of Taxes Collected to Taxes Levied:	<u>80.7%</u>

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1  
 TSI-5. Long Term Debt Service Requirements  
 Notes Payable  
 FOR THE YEAR ENDED September 30, 2012

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	4,143	1,135	5,278
2014	4,322	955	5,277
2015	4,510	768	5,278
2016	4,705	573	5,278
2017	4,909	369	5,278
2018-2020	5,996	160	6,157
	<u>\$ 28,585</u>	<u>\$ 3,960</u>	<u>\$ 32,547</u>



ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT  
 TSI-7 Governmental Fund Expenses  
 For the Year Ended September 30, 2012

	Amount					Percent of total fund revenue				
	2012	2011	2010	2009	2008	2012	2011	2010	2009	2008
<b>Revenues:</b>										
Interest income	\$ 8	\$ 12	\$ -	\$ 6	\$ 3	0.03%	0.04%	0.0%	0.03%	0.0%
Miscellaneous Income	-	-	49	94	32	0.00%	0.00%	0.2%	0.40%	0.1%
Ad Valorem taxes	30,899	31,190	26,851	23,365	21,615	99.97%	99.96%	99.8%	99.57%	99.8%
<b>TOTAL REVENUES</b>	<b>30,907</b>	<b>31,202</b>	<b>\$ 26,900</b>	<b>\$ 23,465</b>	<b>\$ 21,650</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.0%</b>	<b>100.00%</b>	<b>100.0%</b>
<b>Expenses:</b>										
Salaries and Wages	\$ -	\$ -	\$ -	\$ -	\$ -	0.00%	0.00%	0.0%	0.00%	0.0%
Operations and Maintenance	-	-	-	-	-	0.00%	0.00%	0.0%	0.00%	0.0%
Director's Expenses	-	-	-	-	-	0.00%	0.00%	0.0%	0.00%	0.0%
Office Supplies and Expenses	2,625	1,632	404	1,365	170	8.49%	5.23%	1.5%	5.82%	0.8%
Legal and Accounting	30,739	7,425	4,832	5,013	5,500	99.46%	23.80%	18.0%	21.36%	25.4%
Travel and Contract Labor	-	-	-	-	-	0.00%	0.00%	0.0%	0.00%	0.0%
Tax Collection/Appraisal Fees	705	-	-	567	391	2.28%	0.00%	0.0%	2.42%	1.8%
Insurance	350	-	-	-	-	1.13%	0.00%	0.0%	0.00%	0.0%
Interest	1,306	1,472	1,832	3,377	6,599	4.23%	4.72%	6.8%	14.39%	30.5%
Capital Outlay	-	-	-	-	-	0.00%	0.00%	0.0%	0.00%	0.0%
Depreciation Expense	4,862	4,862	4,862	6,465	9,062	15.73%	15.58%	18.1%	27.55%	41.9%
<b>TOTAL EXPENSES</b>	<b>40,587</b>	<b>15,391</b>	<b>11,930</b>	<b>16,787</b>	<b>21,722</b>	<b>131.32%</b>	<b>49.33%</b>	<b>44.3%</b>	<b>71.54%</b>	<b>100.3%</b>
<b>EXCESS REVENUE OVER EXPENDITURES</b>	<b>\$ (9,680)</b>	<b>\$ 15,811</b>	<b>\$ 14,970</b>	<b>\$ 6,678</b>	<b>\$ (72)</b>	<b>-31.32%</b>	<b>50.67%</b>	<b>55.7%</b>	<b>28.46%</b>	<b>-0.3%</b>

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO.1  
 TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS  
 September 30, 2012  
 (Unaudited)

NAME AND ADDRESS	TERM OF OFFICE ELECTED & EXPIRES OR DATE HIRED	FEES AND EXPENSE REIMBURSEMENTS Year Ended September 30, 2012	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
Jemie 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		\$5,000	CPA	No
Angelina & Neches River Authority PO Box 387 Lufkin, TX 75902		\$52,628	Operator	No