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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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, 2015, 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

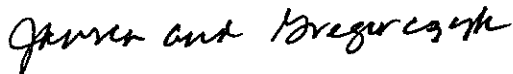
Required Supplementary Information

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 20-21 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
June 27, 2016

**ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2015**

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, 2015. 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 \$48,766 and \$194,258 from the Proprietary Fund compared to total non-operating revenues of \$52,498 from the General (Tax) Fund and \$183,912 from charges for services from the Proprietary Fund, resulting in a combined decrease to net position of \$6,614 for the year ended September 30, 2015.
2. The District's cash and investments decreased \$6,129 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 (business activities).

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, 2015 has two funds, the Governmental Fund or General Fund and the Proprietary Fund.

THE DISTRICT AS A WHOLE

The District's net assets decreased by \$6,614 in the year ended September 30, 2015. Table 1 and Table 2 below reflect the net assets and changes in net assets of governmental activities.

Expenses-Business Type Fund

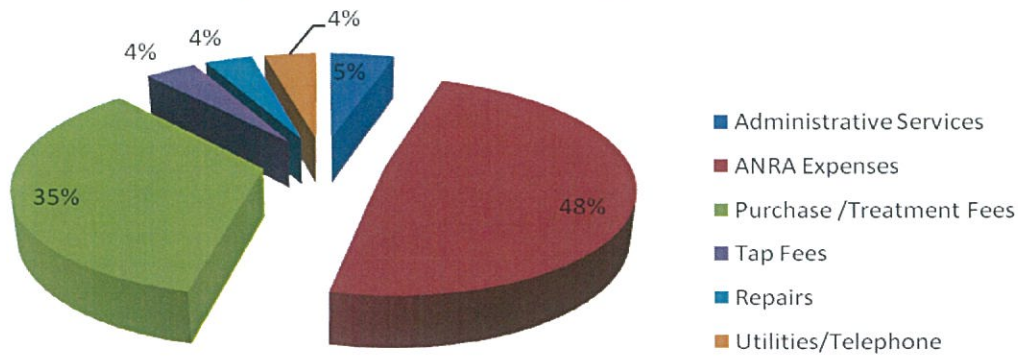


Table 1

	Governmental Activities	Business-Type Activities	2015	2014
Current Assets:				
Current Assets	\$38,402	\$34,410	\$72,812	\$69,064
Capital Assets	68,194	-	68,194	72,089
Total Assets	106,596	34,410	141,006	141,153
Long-term Debt	15,610	-	15,610	15,610
Current Liabilities	10,000	64,965	74,965	40,626
Total Liabilities	25,610	64,965	90,575	56,236
Net Assets:				
Invested in Capital Assets, net of related debt	52,584	-	52,584	51,969
Unrestricted	46,274	(30,555)	15,719	32,948
Total Net Position	\$98,858	(\$30,555)	\$68,303	\$84,917

Table 2

Revenues:				
Taxes/Charges for Services	\$52,489	\$183,912	\$236,401	\$216,565
Interest	9	-	9	8
Total Revenue	\$52,498	\$183,912	\$236,410	\$216,573
Expenses:				
Audit	\$5,700	\$0	\$5,700	\$5,700
Depreciation	3,894	-	3,894	3,895
Interest Expense	768	-	768	956
Other	\$38,404	194,258	232,662	189,964
	48,766	\$194,258	243,024	200,515
Transfers between funds	-	-	-	(20,000)
Increase in net position	\$3,732	(\$10,346)	(\$6,614)	(\$3,942)

General Fund Budgetary Highlights

The Board of Supervisors 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, 2015, the District had \$68,194 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, 2015 was \$197,648. There were no additions to capital assets during the year.

Long-term Debt

The District's long-term debt at September 30, 2015, totaled \$15,610 for notes payable. The current portion of the long-term debt was \$4,705. 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 2015 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) 632-7795

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
STATEMENT OF NET POSITION
September 30, 2015

	Primary Government			Total 2015
	Governmental Activities	Business Type Activities	Adjustments	
Assets				
Cash and cash equivalents	\$ 15,846	\$ 7,748		\$ 23,594
Accounts Receivable	17,872	26,662	(17,872)	26,662
Ad valorem taxes receivable	22,556	-		22,556
Capital assets				-
Land	34,000			34,000
Other capital assets, net of depreciation	34,194			34,194
Total Assets	<u>\$ 124,468</u>	<u>\$ 34,410</u>	<u>\$ (17,872)</u>	<u>\$ 141,006</u>
Liabilities				
Account Payable	\$ -	\$ 35,974	\$ (17,872)	\$ 18,102
Meter Deposits	-	26,991		26,991
Reserve for Repairs and Maintenance	-	2,000		2,000
Long term liabilities		-	-	-
Due within 1 year	4,705	-		4,705
Due in more than 1 year	10,905	-		10,905
	<u>15,610</u>	<u>64,965</u>	<u>(17,872)</u>	<u>60,703</u>
Deferrend Inflow of Resources				
Unavailable revenue - property taxes	-	-	-	-
	<u>15,610</u>	<u>64,965</u>	<u>(17,872)</u>	<u>60,703</u>
Fund Balance/Net Position				
Invested in capital assets, net of related debt	52,584	-		52,584
Unrestricted	56,274	(30,555)		25,719
Total Net Position	<u>\$ 108,858</u>	<u>\$ (30,555)</u>		<u>\$ 78,303</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, 2015

	<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>Total</u>
Primary government						
Government activities:						
General Government	\$ 48,766			\$ (48,766)	\$ -	\$ (48,766)
Business-type activities						
Utility Fund	194,258	183,912			(10,346)	(10,346)
Total business-type activities	<u>194,258</u>	<u>183,912</u>	<u>-</u>	<u>-</u>	<u>(10,346)</u>	<u>(10,346)</u>
Total primary government	<u>\$ 243,024</u>	<u>\$ 183,912</u>	<u>\$ -</u>	<u>\$ (48,766)</u>	<u>\$ (10,346)</u>	<u>\$ (59,112)</u>
General Revenues:						
Property Taxes				52,489	-	52,489
Interest income				9	-	9
Total general revenue				<u>52,498</u>	<u>-</u>	<u>52,498</u>
Transfers between funds				-	-	-
Change in net position				3,732	(10,346)	(6,614)
Net Position - Beginning				<u>105,126</u>	<u>(20,209)</u>	<u>84,917</u>
Net Position - Ending				<u>\$ 108,858</u>	<u>\$ (30,555)</u>	<u>\$ 78,303</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, 2015

	General Fund	Adj	Total
Assets			
Cash and cash equicalents	\$ 15,846		\$ 15,846
Accounts receivable	17,872		17,872
Taxes receivable	22,556		22,556
Capital assets			-
Land		34,000	34,000
Other capital assets, net of depreciation		34,194	34,194
Total assets	56,274	68,194	124,468
Liabilities			
Accounts payable	-	-	-
Long term liabilities			
Due within 1 year		4,705	4,705
Due in more than 1 year		10,905	10,905
	-	15,610	15,610
Deferred Inflows of Resources			
Unavailable revenue - property taxes	22,556	(22,556)	-
	22,556	(6,946)	15,610
Fund balance/Net position			
Fund balance - unassigned	33,718		
	\$ 56,274		
Net position			
Net investment in capital assets			\$ 52,584
Unrestricted			56,274
			108,858
			\$ 124,468

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, 2015

	<u>General Fund</u>	<u>Adjustments</u>	<u>Total Governmental Funds</u>
Revenues			
Property taxes	\$ 51,937	552	\$ 52,489
Miscellaneous income	9		9
Total Revenues	<u>\$ 51,946</u>		<u>\$ 52,498</u>
 Expenditures			
Audit	\$ 5,700		\$ 5,700
Professional Fees	20,000		20,000
Interest	768		768
Principal payments	4,510	(4,510)	-
Capital Outlay	-		-
Depreciation	-	3,894	3,894
Repairs and Maintenance	3,212		3,212
Reserve for Repairs and Maintenance	10,000		10,000
Administration services	5,191		5,192
Total Expenditures	<u>\$ 49,381</u>		<u>\$ 48,766</u>
 Other financing sources (uses)			
Operating transfers in (out)	<u>-</u>	-	<u>-</u>
 Excess revenues and other sources over expenditures and other uses	2,565	-	3,732
 Fund balances at beginning of period	<u>31,153</u>		<u>105,126</u>
 Fund balances at end of period	<u>\$ 33,718</u>		<u>\$108,858</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, 2015

Business Type
Activities

ASSETS

Current Assets	
Cash and cash equivalents	\$7,748
Accounts Receivable	26,662
Total Current Assets	34,410
Total Assets	\$ 34,410

LIABILITIES

Current Liabilities	
Account Payable	37,974
Meter Deposits	26,991
Total Current Liabilities	\$ 64,965

NET POSITION

Unrestricted	(30,555)
Total Net Position	\$ (30,555)

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, 2015

	Business-Type Activities
Operating Revenue	
Charges for services	\$ 183,912
Miscellaneous	-
Total operating income	\$ 183,912
Operating expenses	
Administrative Services	9,657
ANRA Expenses	94,422
Purchase /Treatment Fees	67,393
Tap Fees	7,710
Repairs	7,228
Utilities/Telephone	7,848
Total operating expenses	194,258
Operating income	(10,346)
Non-operating income	
Interest income	-
Change in net position, before transfers	(10,346)
Transfers from general fund	-
Change in net position	(10,346)
Net position, beginning of period	(20,209)
Net position, end of period	\$ (30,555)

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, 2015

	<u>Business Type Activities</u>
Cash flows from operation activities:	
Cash received from customers	\$ 182,335
Cash paid to employees	-
Cash paid to suppliers	(185,024)
Net cash provided by operating activities	(2,689)
Cash flows from noncapital financing activities:	
Transfer From General Fund	-
Cash flows from capital and related financing activities:	
Meter Deposits	2,215
Cash flows from investing activities:	
Interest and dividends	
Net increase (decrease) in cash and cash equivalents	(474)
Cash and cash equivalents, beginning of period	8,222
Cash and cash equivalents, end of period	7,748
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	(\$10,346)
Changes in assets and liabilities:	
Receivables-net of allowance	(1,577)
Accounts and other payables	9,234
Net cash provided by operating activities	\$ (2,689)

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

Reconciliation of Government-Wide and Fund Financial Statements

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

Governmental funds total fund balance	\$ 33,718
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	68,194
Deferred tax revenue is not available to pay for current period expenditures and, therefore, is deferred in the funds.	22,556
The following liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	(15,610)
Loans & Leases	-
Total Net Position	<u>\$ 108,858</u>

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

Excess of revenues over expenditures	\$ 2,564
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	(3,894)
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	552
Capital Outlay is reported as an expenditure in the governmental fund	-
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	4,510
Change in Net Position	<u>\$ 3,732</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, 2015

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, 2015 were maintained in checking and interest bearing demand accounts. The value of cash accounts at September 30, 2014 was \$23,594.

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, 2015, all of the District's \$23,594 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 2014 for the 2014 year. Taxes were due on receipt of the tax bill and were delinquent if not paid by January 31, 2015. 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 \$0.464262 per \$100 valuation.

The District contracted with the Angelina County on October 23, 1984 to authorize the Tax Assessor-Collector to collect taxes on behalf of the District. 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, 2015, was as follows:

	Balance 9/30/2014	Additions	Deletions	Balance 9/30/2015
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	43,239	-	-	43,239
Office equipment	13,460	-	-	13,460
Total assets being depreciated	231,842	-	-	231,842
Less accumulated depreciation	(193,754)	(3,894)		(197,648)
Total net assets being depreciated	38,089	(3,894)		34,195
Total net capital assets	<u>\$ 72,089</u>	<u>\$ (3,894)</u>	<u>\$ -</u>	<u>\$ 68,195</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	Principal	Interest	Total
Ending			
2016	4,705	573	5,278
2017	4,909	369	5,278
2018	5,122	156	5,278
2019	874	5	879
	<u>\$ 15,611</u>	<u>\$ 1,102</u>	<u>\$ 16,713</u>

NOTE 6 – COMMITMENTS

During 1997, the District entered into a long-term contract 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. On August 13, 2013, the District amended the contract to include provisions that ANRA is to build a sanitary sewer collection system improvements to serve all of the

District's service area, to convert the 100 year term to perpetual right to use the system and appointed ANRA to be the District's agent. ANRA will have an exclusive right, use and control of the District's facilities 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 contract 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 June 27, 2016, the date the financial statements were issued and determined there are no items that would affect the financial statements.

SUPPLEMENTAL SCHEDULES

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
 BUDGETARY COMPARISON SCHEDULE
 GOVERNMENTAL FUNDS - General Fund
 FOR THE YEAR ENDED September 30, 2015

REVENUES	Actual	Final Budget	Variance Favorable (Unfavorable)
Ad Valorem taxes	\$ 51,937	\$ 49,074	\$ 2,863
Interest income	9	-	9
Total Revenues	<u>51,946</u>	<u>49,074</u>	<u>2,872</u>
 EXPENDITURES			
Audit	\$ 5,700	5,700	-
Professional fees	20,000	20,000	-
Administrative services	18,404	16,400	(2,004)
Capital Outlay	-	-	-
Debt service	5,278	5,500	222
Total Expenditures	<u>49,381</u>	<u>47,600</u>	<u>(1,782)</u>
Excess (deficiency) of Revenues Over Expenditures	<u>2,565</u>	<u>1,474</u>	<u>1,090</u>
 OTHER FINANCING SOURCES			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	2,565	1,474	1,091
Fund Balances - Beginning	<u>31,153</u>	<u>31,153</u>	<u>-</u>
Fund Balances - Ending	<u><u>33,718</u></u>	<u><u>32,627</u></u>	<u><u>1,091</u></u>

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
 BUDGETARY COMPARISON SCHEDULE - O&M FUND
 FOR THE YEAR ENDED September 30, 2015

	<u>Actual</u>	<u>Budget</u>	Variance Positive (Negative)
REVENUES			
Charges for Services	\$ 183,912	180,456	\$ 3,456
Interest	-	-	-
Miscellaneous Income	-	-	-
Total Revenues	<u>183,912</u>	<u>180,456</u>	<u>3,456</u>
EXPENDITURES			
Administrative services	\$ 9,657	\$ 10,291	\$ 634
ANRA Expenses	94,422	96,374	1,952
Purchase /Treatment Fees	67,393	58,992	(8,401)
Tap Fees	7,710	615	(7,095)
Repairs	7,228	7,311	83
Utilities/telephone	7,848	6,684	(1,164)
Total expenditures	<u>\$ 194,258</u>	<u>\$ 180,267</u>	<u>\$ (13,990)</u>
Excess (deficiency) of Revenues Over Expenditures	<u>(10,346)</u>	<u>189</u>	<u>(10,534)</u>
OTHER FINANCING SOURCES			
Transfers In	-	-	-
Transfers Out	-	-	-
Total Other Financing Sources and Uses	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	(10,346)	189	(10,534)
Fund Balances - Beginning	(20,209)	(20,209)	-
Fund Balances - Ending	<u>\$ (30,555)</u>	<u>\$ (20,020)</u>	<u>\$ (10,534)</u>

Angelina County FWSD #1

TSI-1 SERVICES AND RATES

FY 2015

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

<u>X</u>	Retail Water	_____	Wholesale Water	_____	Drainage
<u>X</u>	Retail Wastewater	_____	Wholesale Wastewater	_____	Irrigation
_____	Parks/Recreation	_____	Fire Protection	_____	Security
_____	Solid Waste/Garbage	_____	Flood Control	_____	Roads
_____	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
_____	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"	238	182	x 1.0	<u>182</u>
1"	13	12	x 2.5	<u>30</u>
1 1/2"			x 5.0	_____
2"			x 8.0	_____
4"			x 25.0	_____
Total water	<u>251</u>	<u>194</u>		<u>212</u>
Total wastewater	<u>210</u>	<u>210</u>	x 1.0	<u>210</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:	11,775,040	Water Accountability Ratio:
Gallons flushed from system:	116,047	
Gallons billed to customers:	10,088,000	<u>86.7%</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, 2015

	<u>General Fund</u>	<u>Business Fund</u>	<u>Total</u>
Personnel Expenditures (including benefits)	\$ -	\$ -	\$ -
Professional Fees:	25,700	-	25,700
Contracted Services:			
Tax Collector	-		-
Utilities	-	7,848	7,848
Repairs and Maintenance	-	7,228	7,228
Administrative Expenditures:			
Directors Fees	-	-	-
Depreciation	3,894	-	3,894
Insurance	-	-	-
Other	18,404	179,182	197,586
Debt Service	768	-	768
Capital Outlay:			
Capitalized Assets	-		-
Total Expenditures	<u>\$ 48,766</u>	<u>\$ 194,258</u>	<u>\$ 243,024</u>

* Number of persons employed by the District:

0 Full-time

0 Part-time

TSI-4 Taxes Levied and Receivable
For the Year Ended September 30, 2015

	AD VALOREM TAXES
Taxes Receivable, Beginning of Year	\$ 22,004
2014 Original Tax Levy	49,205
(less abatements)	(773)
Total to be accounted for	70,436
Tax collections:	
Current Year	42,815
Prior Years	5,065
Total Collections	47,880
Taxes Receivable, End of Year	\$ 22,556
Taxes Receivable, By Years	
2004 and prior	3,743
2005	127
2006	307
2007	419
2008	688
2009	827
2010	1,313
2011	1,874
2012	1,843
2013	5,290
2014	6,125
Taxes Receivable, End of Year	\$ 22,556
Property Valuations:	2014 \$ 13,504,627
Maintenance tax rates per \$100 Valuation	\$0.4643
Percent of Taxes Collected to Taxes Levied:	87.0%

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
 TSI-5. Long Term Debt Service Requirements
 Notes Payable
 FOR THE YEAR ENDED September 30, 2015

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	4,705	573	5,278
2017	4,909	369	5,278
2018	5,122	156	5,278
2019	874	5	879
	<u>\$ 15,610</u>	<u>\$ 1,103</u>	<u>\$ 16,713</u>

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT
 TSI-7 Governmental Fund Expenses
 For the Year Ended September 30, 2015

	Amount								Percent of total fund revenue				
	2015	2014	2013	2012	2011	2015	2014	2013	2012	2011			
Revenues:													
Interest income	\$ 9	\$ 8	\$ 5	\$ 8	\$ 12	0.02%	0.02%	0.01%	0.01%	0.04%			
Ad Valorem taxes	52,489	49,107	37,718	61,455	31,190	99.98%	99.98%	99.99%	99.99%	99.96%			
TOTAL REVENUES	52,498	49,115	37,723	61,463	31,202	100.00%	100.00%	100.00%	100.00%	100.00%			
Expenses:													
Office Supplies and Expenses	37,092	1,161	458	2,625	1,632	70.65%	2.36%	1.21%	4.27%	5.23%			
Legal and Accounting	5,700	10,047	6,700	30,739	7,425	10.86%	20.46%	17.76%	50.01%	23.80%			
Tax Collection/Appraisal Fees	1,062	947	620	705	-	2.02%	1.93%	1.64%	1.15%	0.00%			
Insurance	250	270	350	350	-	0.48%	0.55%	0.93%	0.57%	0.00%			
Interest	768	956	1,135	1,306	1,472	1.46%	1.95%	3.01%	2.12%	4.72%			
Capital Outlay	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%			
Depreciation Expense	3,894	3,895	3,242	4,862	4,862	7.42%	7.93%	8.59%	7.91%	15.58%			
TOTAL EXPENSES	48,766	17,276	12,505	40,587	15,391	92.89%	35.17%	33.15%	66.03%	49.33%			
Other Financing Sources:													
Operating Transfers	-	13,000	(13,000)	-	-	0.00%	0.00%	0.00%	0.00%	0.00%			
EXCESS REVENUE OVER EXPENDITURES	\$ 3,732	\$ 44,839	\$ 12,218	\$ 20,876	\$ 15,811	7.11%	64.83%	66.85%	33.97%	50.67%			

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO.1
 TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
 September 30, 2015
 (Unaudited)

NAME AND ADDRESS	TERM OF OFFICE ELECTED & EXPIRES OR DATE HIRED	FEES AND EXPENSE REIMBURSEMENTS Year Ended September 30, 2015	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 75903	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>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		\$108,803	Management Operations & Maintenance	No