

**ANGELINA COUNTY FRESH WATER
SUPPLY DISTRICT NO. 1**

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED

SEPTEMBER 30, 2016

ANGELINA COUNTY FRESH WATER SUPPLY
DISTRICT NO.1
ANNUAL FINANCIAL REPORT FOR THE YEARS ENDED
SEPTEMBER 30, 2016

CONTENTS	PAGE
Annual Filing Affidavit.....	1
Independent Auditors' Report.....	2-3
Management’s Discussion and Analysis.....	4-7
 Basic Financial Statements:	
<u>Government-Wide Financial Statements:</u>	
Statement of Net Position	8
Statement of Activities.....	9-10
 <u>Governmental Fund Financial Statements:</u>	
Balance Sheet	11
Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Position	12
Statements of Revenues, Expenditures, and Changes in Fund Balance.....	13
Reconciliation of Statements of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities	14
 <u>Proprietary Fund Financial Statements:</u>	
Statements of Net Position.....	15
Statements of Revenues, Expenditures, and Changes in Net Position	16
Statements of Cash Flows.....	17
 Notes to Financial Statements.....	 18-22
 Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	23
Budgetary Comparison Schedule – Enterprise Fund	24
 Texas Supplementary Information	
TSI-1 Services and Rates	25-26
TSI-2 General and Enterprise Fund Expenditures	27
TSI-3 Not applicable	
TSI-4 Taxes Levied and Receivable.....	28
TSI-5 Long-term Debt Service Requirements.....	29
TSI-6 Not applicable	
TSI-7a Comparative Schedule of Revenues and Expenditures-General Fund-Five Years.....	30
TSI-7b Comparative Schedule of Revenues and Expenditures-Enterprise Fund-Five Years	31
TSI-8 Board Members, Key Personnel, and Consultants.....	32

ANGELINA COUNTY FRESH WATER SUPPLY
DISTRICT NO.1
ANNUAL FINANCIAL REPORT FOR THE YEARS ENDED
SEPTEMBER 30, 2016

<u>C O N T E N T S</u>	<u>P A G E</u>
Required Communications with Those Charged with Governance	33-35
Required Communications of Internal Control Related Matters Identified in an Audit.....	36-37
Control Deficiencies Identified.....	38

ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS
COUNTY OF ANGELINA

I, _____ of the
(Name of Duly Authorized District Representative)

Angelina County Fresh Water Supply District No. 1
(Name of District)

hereby swear, or affirm, that the district named above has reviewed and approved at a meeting of the Board of Supervisors of the District on the _____ day of _____, 2017, its annual audit report for the fiscal year or period ended September 30, 2016 and that copies of the annual audit report have been filed in the district office, located at 3098 FM 2251, Lufkin, Texas 75904.

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

Date: _____, _____ By: _____
(Signature of District Representative)

(Typed Name & Title of above District Representative)

Sworn to and subscribed to before me this _____ day of _____, _____.

(Signature of notary)

My Commission Expires on: _____, _____.
Notary Public in the State of Texas

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FINANCIAL SECTION



Goff & Herrington, P.C.

P.O. Box 153320 • Lufkin, TX 75915-3320 • (936) 875-3317 • Fax: (936) 622-6823

A.J. Goff, CPA
Ronnie Herrington, CPA
Daniel Raney, CPA

INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of governmental and business-type activities of Angelina County Fresh Water Supply District No. 1 (District) as of and for the year ended September 30, 2016, 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 governmental and business-type activities of Angelina County Fresh Water Supply District No. 1 as of September 30, 2016, and the respective changes in financial position, and, where applicable, 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 4-7 and 23-24 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 Texas Commission on Environmental Quality (TCEQ) requires water districts to include certain information, if applicable to the District, in the Annual Financial Report. This information is identified in the table of contents as TSI-1 through TSI-8. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules required by TCEQ are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Goff & Herrington, P.C.

GOFF & HERRINGTON, P.C.
Certified Public Accountants

September 30, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial and Compliance Report, we, the managers of Angelina County Fresh Water Supply District No. 1, discuss and analyze the District's financial performance for the year ended September 30, 2016. Please read it in conjunction with the independent auditor's report on pages 2 & 3, and the District's financial statements and notes to the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The District's total net position was \$107,013 as of September 30, 2016. Of this amount, \$54,087 (unrestricted) may be used to meet the District's continuing obligations to customers and creditors.
- During the year ended September 30, 2016, the District's net position **increased** by \$28,710.
- At the end of the current fiscal year, unassigned fund balance for the general (tax) fund was \$59,423, or 182% of the total general fund current expenditures.
- The District's cash and investments increased by \$30,817 from the previous year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual financial report consists of three parts – **management's discussion and analysis** (this section), the **basic financial statements**, and **required supplementary information**. The basic financial statements include: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. The required supplementary information further explains and supports the information in the financial statements.

Government-wide Financial Statements

The District's annual financial report includes two government-wide financial statements. These statements provide both long-term and short-term information about the District's finances. Financial reporting at this level uses a perspective similar to that found in the private sector.

The first of these government-wide financial statements is the **Statement of Net Position**. This is the District-wide statement of financial position presenting information that includes all of the District's assets, liabilities, deferred outflows of resources, and deferred inflows of resources, with the difference reported as **net position**. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District as a whole is improving or deteriorating. Evaluation of the overall health of the District would extend to other non-financial factors such as changes to the District's tax base.

The second government-wide financial statement is the **Statement of Activities**, which reports how the District's net position changed during the current year. All current revenues and expenses are included regardless of when the cash is received or paid.

Both of the government-wide financial statements distinguish governmental activities of the District that are principally supported by property tax revenues and from business-type activities that are intended to recover all or a significant portion of their costs through user fees and charges. Governmental activities include general operating activities. Business-type activities include water and sewer operations.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund Financial Statements

A Fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The District uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the District can be divided into two categories: governmental funds and proprietary funds.

Governmental funds – Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term cash inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the District's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the District's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The District maintains one individual governmental fund, the general (tax) fund, which is considered a major fund. The District adopts an annual budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary funds – Proprietary funds are used to report the same functions presented as business-type activities in the governmental-wide financial statements. The District uses an enterprise fund (a type of proprietary fund) to account for its water and sewer operations. A budgetary comparison statement has also been provided for the proprietary fund.

Notes to the financial statements – The accompanying notes to the financial statements provide information essential to a full understanding of the government-wide and fund financial statements.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents other supplementary information which includes schedules require by the Texas Commission on Environmental Control (TCEQ). The TCEQ supplementary information follows the notes to the financial statements.

ANALYSIS OF THE BASIC FINANCIAL STATEMENTS

The District has presented net position measurements as required by generally accepted accounting principles. Our analysis of comparative balances and changes therein for the current year's operations presents both current and prior year data and discusses significant changes in the accounts. Our analysis focuses on the net position (Table I) and changes in net position (Table II) of the District's activities.

The District's assets exceeded liabilities by \$107,013 at September 30, 2016. Assets amounted to \$152,708 with the net investment in capital assets comprising \$52,926 of that total. The District uses capital assets to provide services to the public and, consequently, these assets are not available for future spending. The District's net investment in capital assets is 49.46% of the total net position. The remaining balance of \$54,087 represents unrestricted net position that may be used to meet the District's ongoing obligations.

MANAGEMENTS' DISCUSSION AND ANALYSIS

The District's combined net position was \$107,013 as of September 30, 2016. The following table provides a summary of the District's net position

**Table I
District's Net Position**

	Governmental Activities	Business-Type Activities	2016	2015	% Change
Current Assets:					
Current Assets	\$ 61,922	\$ 34,198	\$ 96,120	\$ 72,812	32.0%
Capital Assets	56,588	-	56,588	68,194	-17.0%
Total Assets	<u>118,510</u>	<u>34,198</u>	<u>152,708</u>	<u>141,006</u>	<u>8.3%</u>
Current Liabilities	2,499	39,534	42,033	15,610	169.3%
Long-term Debt	3,662	-	3,662	74,965	-95.1%
Total Liabilities	<u>6,161</u>	<u>39,534</u>	<u>45,695</u>	<u>90,575</u>	<u>-49.6%</u>
Net Assets:					
Invested in Capital Assets, net related debt	52,926	-	52,926	52,584	0.7%
Unrestricted	59,423	(5,336)	54,087	15,719	244.1%
Total Net Position	<u>\$ 112,349</u>	<u>\$ (5,336)</u>	<u>\$ 107,013</u>	<u>\$ 68,303</u>	<u>56.7%</u>

The following table provides a summary of the District's changes in net position.

**Table II
Change in District's Net Position**

Revenues:					
Taxes/Charges for Services	\$ 53,982	\$ 190,846	\$ 244,828	\$ 236,401	3.6%
Interest	22	-	22	9	144.4%
Total Revenue	<u>54,004</u>	<u>190,846</u>	<u>244,850</u>	<u>236,410</u>	<u>3.6%</u>
Expenses:					
Audit	5,700	-	5,700	5,700	0.0%
Depreciation	3,896	-	3,896	3,894	0.1%
Interest Expense	599	-	599	768	-22.0%
Other	22,446	183,499	205,945	232,662	-11.5%
Total Expense	<u>32,641</u>	<u>183,499</u>	<u>216,140</u>	<u>243,024</u>	<u>-11.1%</u>
Transfers between funds	(17,872)	17,872	-	-	0.0%
Increase/(Decrease) in net position	<u>\$ 3,491</u>	<u>\$ 25,219</u>	<u>\$ 28,710</u>	<u>\$ (6,614)</u>	<u>-534.1%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 Schedules following the Notes to the Financial Statements on pages 23 and 24.

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

As mentioned earlier, revenues exceeded expenses by \$28,710 for the year ended September 30, 2016. The District's unrestricted net position represents approximately three months of operating reserves.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2016, the District had invested \$292,132, less accumulated depreciation of \$201,544, invested in a broad range of capital assets, including water and sewer distribution systems, buildings, and office equipment. The following table provides a summary of the District's capital assets.

	<u>2016</u>	<u>2015</u>	<u>% Change</u>
Land	26,290	34,000	22.7%
Distribution system	25,728	26,996	4.7%
Buildings	4,570	7,196	36.5%
Office equipment	-	-	0.0%
Net capital assets	<u>56,588</u>	<u>68,194</u>	<u>17.0%</u>

There were no additions to capital assets during the year.

Long-term Debt

The District's long-term debt at September 30, 2016, totaled \$3,662 for notes payable. The current portion of the long-term debt was \$3,662. 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 BUDGET

The District's officials considered many factors when setting the next fiscal year's budget and tax rates. These factors included, but were not limited to, anticipated needs for general expenditures and the revenue sources to fund these expenditures. The budget for the fiscal year beginning October 1, 2016 was prepared assuming revenues of \$233,993 and expenditures of \$231,199. The budgeted expenses do not include a provision for capital outlays.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the District's finances and 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 Designee, Kelley Holcomb, General Manager of the Angelina & Neches River Authority (936) 632-7795.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
STATEMENT OF NET POSITION
SEPTEMBER 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total 2016
Assets			
Cash and cash equivalents	41,112	13,299	54,411
Accounts Receivable, net	-	20,899	20,899
Ad valorem taxes receivable	20,810	-	20,810
Capital Assets			
Land	26,290	-	26,290
Other capital assets, net of depreciation	30,298	-	30,298
Total Assets	118,510	34,198	152,708
Liabilities			
Accounts payable	1,666	17,130	18,796
Meter deposits	-	18,737	18,737
Accrued liabilities	833	3,667	4,500
Long-term Liabilities			
Due within 1 year	3,662	-	3,662
Due in more than 1 year	-	-	-
Total Liabilities	6,161	39,534	45,695
Fund Balance/Net Position			
Invested in capital assets, net of related debt	52,926	-	52,926
Unrestricted	59,423	(5,336)	54,087
Total Net Position	112,349	(5,336)	107,013

See accompanying notes to the financial statements

**ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	Program Revenues		
	Charges		
	for		
	Expenses	Services	Contributions
Primary Government			
Governmental Activities:			
General Government	32,641	-	-
Total Governmental Activities	32,641	-	-
Business-Type Activities			
Utility Fund	183,499	190,846	-
Total Business-type Activities	183,499	190,846	-
Total Primary Government	216,140	190,846	-
	General Revenues:		
	Property Taxes		
	Interest Income		
	Transfers		
	Total General Revenue		
	Change in net position		
	Net Position - beginning		
	Net Position - ending		

See accompanying notes to the financial statements

Net (Expense)Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
(32,641)	-	(32,641)
<u>(32,641)</u>	<u>-</u>	<u>(32,641)</u>
-	7,347	7,347
<u>-</u>	<u>7,347</u>	<u>7,347</u>
<u>(32,641)</u>	<u>7,347</u>	<u>(25,294)</u>
53,982	-	53,982
22	-	22
<u>(17,872)</u>	<u>17,872</u>	<u>-</u>
<u>36,132</u>	<u>17,872</u>	<u>54,004</u>
3,491	25,219	28,710
108,858	(30,555)	78,303
<u>\$ 112,349</u>	<u>\$ (5,336)</u>	<u>\$ 107,013</u>

See accompanying notes to the financial statements

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FUND FINANCIAL STATEMENTS

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
STATEMENT OF NET POSITON AND GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	41,112	-	41,112
Taxes receivable	20,810	-	20,810
Total assets	61,922	-	61,922
Liabilities			
Accounts payable	1,666	-	1,666
Accrued liabilities	833	-	833
Total liabilities	2,499	-	2,499
Deferred Inflows of Resources			
Unavailable revenue - property taxes	20,810	-	20,810
Total deferred inflows of resources	20,810	-	20,810
Fund Balance			
Unassigned fund balance	38,613	-	38,613
Total fund balance	38,613	-	38,613
Total liabilities, deferred inflows and fund balance	61,922	-	61,922

See accompanying notes to the financial statements

**ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2016**

Total fund balance - governmental funds	38,613
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$265,843 and the accumulated depreciation was \$197,648. The net effect of including beginning balances for capital assets (net of depreciation) in the governmental activities is to increase (decrease) net position.</p>	
	68,195
<p>Capital outlays are expenditures in the fund financial statements, but they should be shown as increases in capital assets in the government-wide financial statements. The net effect of including the current year capital outlays, less current year depreciation is to increase (decrease) net position.</p>	
	(11,607)
<p>Long-term debt is reported in the government-wide statement of net position, but does not require the use of current financial resources and therefore, is not reported as expenditures in governmental funds.</p>	
	(3,662)
<p>Certain long term assets are not available to pay for current period expenditures, and therefore, are deferred in the governmental funds.</p>	
	<u>20,810</u>
Net position of governmental activities	<u><u>112,349</u></u>

See accompanying notes to the financial statements

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Property taxes	58,998	-	58,998
Miscellaneous income	22	-	22
Total Revenues	59,020	-	59,020
Expenditures			
Audit	5,700	-	5,700
Professional fees	20,000	-	20,000
Principal payments	11,949	-	11,949
Repairs and Maintenance	833	-	833
Administration services	1,613	-	1,613
Total Expenditures	40,095	-	40,095
Excess (deficiency) revenues over expenditures	18,925	-	18,925
Other Financing Sources (Uses)			
Gain (loss) on sale of assets	7,710	-	7,710
Interest expense	(599)	-	(599)
Operating transfers in (out)	(17,872)	-	(17,872)
Total other financing sources (uses)	(10,761)	-	(10,761)
Net change in fund balance	8,164	-	8,164
Fund balances at beginning of period	33,718	-	33,718
Fud balances at end of period	41,882	-	41,882

See accompanying notes to the financial statements

**ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCE
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Net change in fund balances - governmental funds	8,164
Current year capital outlays are expenditures in the governmental fund financial statements but they should be shown as increases in capital assets in the government-wide financial statements. The effect of removing the current year outlays is to increase net position.	(7,710)
Depreciation is not recognized as an expense in governmental fund financial statements since it does not require the use of current financial resources. The net effect of the current years's depreciation is to decrease net position.	(3,896)
Current year debt payments are expenditures in the governmental fund financial statements but they should be shown as reductions of long-term debt in the government-wide financial statements. The effect of removing the current year debt is to increase net position.	11,949
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to the accrual basis of accounting. These include recognizing unavailable revenue from taxes as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, and eliminating interfund transactions. The net effect of these reclassifications is to increase (decrease) net position.	<u>(5,016)</u>
Change in net position of governmental activities	<u><u>3,491</u></u>

See accompanying notes to the financial statements

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
STATEMENT OF NET POSTION
PROPRIETARY FUNDS
SEPTEMBER 30, 2016

	Business-type Activities
Assets	
Current Assets:	
Cash and cash equivalents	13,299
Accounts receivable	20,899
Total Current Assets	34,198
Total Assets	34,198
Liabilities	
Current Liabilities:	
Accounts payable	17,130
Meter deposits	18,737
Accrued liabilities	3,667
Total Current Liabilities	39,534
Total Current Liabilities	39,534
Net Position	
Unrestricted	(5,336)
Total Net Position	(5,336)

See accompanying notes to the financial statements

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Business-type Activities
Operating Revenue	
Charges for services	\$ 190,846
Total Operating Income	190,846
Operating Expenses	
Administrative services	7,174
ANRA expenses	72,467
Purchase/Treatment fees	91,378
Tap fees	913
Repairs	4,532
Utilities/Telephone	7,035
Total Operating Expenses	183,499
Operating Income	7,347
Transfers from general fund	17,872
Change in net position	25,219
Net position, beginning of period	(30,555)
Net position, end of period	\$ (5,336)

See accompanying notes to the financial statements

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Business-type Activities
Cash flows from operation activities:	
Cash received from customers	196,609
Cash paid to employees	-
Cash paid to suppliers	(200,676)
Net cash (used) provided by operating activities	(4,067)
Cash flows from noncapital financing activities:	
Transfer from general fund	17,872
Net cash from noncapital financing activities:	17,872
Cash flows from capital and related financing activities:	
Meter deposits	(8,254)
Net cash used by capital and related financing activities:	(8,254)
Net increase (decrease) in cash and cash equivalents	5,551
Cash and cash equivalents, beginning of period	7,748
Cash and cash equivalents, end of period	13,299
Reconciliation of operating income to net cash provided by operating activities:	
Operating Income	7,347
Changes in assets and liabilities	
Receivables-net of allowance	5,763
Accounts and other payables	(17,177)
Net cash provided by operating activities	(4,067)

See accompanying notes to the financial statements

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ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

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:

Reporting Entity

The Angelina County Fresh Water Supply District No. 1 (District) was created on July 11, 1966 by Order of the Angelina County Commissioners Court for the purpose of providing water and sewer services to its customers in Angelina County. The District operates within its jurisdictional service area which has been expanded by voluntary annexation under the authority of Chapter 49 of the Texas Water Code. The District owns the water and wastewater systems which serve its customers. The accounting policies of the District conform to generally accepted accounting principles as applicable to government units. 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.

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, notes 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.

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.

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

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.

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

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.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United State 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.

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.

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

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 positions 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.

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, 2016 were maintained in checking and interest-bearing demand accounts. The value of cash accounts at September 30, 2016 was \$54,411.

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 of Supervisors 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; other obligations, the principal and interest of which are unconditionally guaranteed or insured by this state or the United State 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.

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

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, 2016, all of the District's \$54,918 deposit balance was covered by federal depository insurance.

NOTE 3 – PROPERTY TAX RECEIVABLE, REVENUE AND EXPENSES

The District maintains a Maintenance & Operations Tax for the purpose of meeting its obligations as a local government entity and providing for the upkeep of the District's facilities. Property taxes were levied in October 2015 for the 2015 tax year. Taxes were due on receipt of the tax bill and were delinquent if not paid by January 31, 2016. 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 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, 2016, was as follows:

	Balance 9/30/2015	Additions	Deletions	Balance 9/30/2016
Capital assets not being depreciated				
Land	34,000	-	(7,710)	26,290
Total assets not being depreciated	34,000	-	(7,710)	26,290
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	265,842	-	-	265,842
Less accumulated depreciation				
Total net assets being depreciated	197,648	3,896	-	201,544
Total net capital assets	68,194	3,896	(7,710)	56,588

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2016

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 9/30/15</u>	<u>Added</u>	<u>Retired</u>	<u>Balance 9/30/16</u>
First Bank & Trust Note Payable	2004	2018	5.00%	55,000	15,610	-	(11,949)	\$3,662

<u>Due During Fiscal Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	3,662	62	3,724
	<u>3,662</u>	<u>62</u>	<u>3,724</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. Originally, the contract was able to be renewed in 10-year terms for up to a total of 100 years. On August 13, 2013, the District amended the contract which included provisions which require ANRA to expand and construct the water and sewer systems necessary to serve all of the District’s service area, to convert the 100-year term to a perpetual right to use the system, and to appoint ANRA to be the District’s agent. ANRA will have an exclusive right of use and control of the District’s water and system systems and is required to provide services that meet state and federal requirements. ANRA is responsible for all the costs and expenses of operating and maintaining the facilities during the contract term. The District is required to establish rates and charges sufficient enough to generate adequate revenues to pay for the cost of operating the Districts water and sewer systems in addition to its own facilities.

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 areas 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 Supervisors and employees.

NOTE 8 – SUBSEQUENT EVENTS

The District has evaluated subsequent events as of September 30, 2017, the date the financial statements were issued, and determined there are no items that would affect the financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Ad valorem taxes	\$ 58,998	\$ 49,305	\$ 9,693
Interest income	\$ 22	-	22
Total Revenues	<u>59,020</u>	<u>49,305</u>	<u>9,715</u>
Expenditures			
Audit	5,700	5,700	-
Professional fees	20,000	20,000	-
Administrative services	2,446	16,455	14,009
Debt service	11,949	5,300	(6,649)
Total Expenditures	<u>40,095</u>	<u>47,455</u>	<u>7,360</u>
Excess (deficiency) of Revenues over Expenditures	<u>18,925</u>	<u>1,850</u>	<u>2,355</u>
Other Financing Sources (Uses)			
Gain (loss) on sale of assets	7,710	-	7,710
Interest expense	(599)	-	(599)
Transfers out	(17,872)	-	(17,872)
Total Other Financing Sources	<u>(10,761)</u>	<u>-</u>	<u>(10,162)</u>
Net Change in Fund Balance	8,164	1,850	(7,807)
Fund Balance-Beginning	33,718		33,718
Fund Balance-Ending	<u>\$ 41,882</u>	<u>\$ 1,850</u>	<u>\$ 25,911</u>

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE
ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
Revenues			
Charges for services	190,846	184,661	6,185
Total Revenues	<u>190,846</u>	<u>184,661</u>	<u>6,185</u>
Expenditures			
Administrative services	7,174	6,836	(338)
ANRA expenses	72,467	72,958	491
Purchase/Treatment fees	91,378	90,506	(872)
Tap fees	913	615	(298)
Repairs	4,532	6,711	2,179
Utilities/Telephone	7,035	6,300	(735)
Total Expenditures	<u>183,499</u>	<u>183,926</u>	<u>427</u>
Excess (deficiency) of Revenues over Expenditures	<u>7,347</u>	<u>735</u>	<u>5,758</u>
Other Financing Sources (Uses)			
Transfers in	17,872	-	17,872
Total Other Financing Sources and Uses	<u>17,872</u>	<u>-</u>	<u>17,872</u>
Net Change in Fund Balance	25,219	735	23,630
Fund Balance - Beginning	<u>(30,555)</u>	<u>(30,555)</u>	<u>-</u>
Fund Balance - Ending	<u>(5,336)</u>	<u>(29,820)</u>	<u>23,630</u>

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TEXAS SUPPLEMENTARY INFORMATION

**ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
TSI – 1 SERVICES AND RATES
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

1. Service Provided by the District during the Fiscal Year:

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

2. Retail Service Providers

(You may omit this information if your district does not provide retail services)

a. Retail Rates based on 3/4" meter:

	Minimum Charge	Minimum Usage	Flat Rate Y/N	Rate per 1,000 Gallons Over Minimum	Usage Levels
Water	\$ 29.83	3,000	N	\$2.57	3,001 to 10,000
				\$3.07	10,001 and up
				\$.	
				\$.	
Waste Basic Service Fee	\$48.42		Y	\$.	
District employs winter averaging for wastewater usage?					Yes <input type="checkbox"/> No <input checked="" type="checkbox"/>
Total water and sewer charges per 10,000 gallons usage (including surcharges)					\$96.24

b. Water and Wastewater Retail Connections:

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
≤ 3/4"	205	160	X 1.0	160
1"	7	4	X 2.5	10
1 1/2"			X 5.0	
2"			X 8.0	
3"			X 15.0	
4"			X 25.0	
Total Water	212	164		212
Total Wastewater	210	210	X 1.0	210

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

**ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
TSI – 1 SERVICES AND RATES (continued)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016**

3. Total Water Consumption during the Fiscal Year:

(You may omit this information if your district does not provide water)

Gallons pumped into system:	12,288,510	Water Accountability Ratio:
		(Gallons billed / Gallons pumped)
Gallons flushed from system:	95,015	
Gallons billed to customers:	<u>10,717,000</u>	<u>88.0%</u>

4. Standby Fees (authorized only under TWC Section 49.231)

(You may omit this information if your district does not levy 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 (required for first audit year or when information changes, otherwise this information may be omitted)

County (ies) in which the 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 (ies) in which the District is located: None

Is the district located within a city's extra territorial jurisdiction (ETJ)? Entirely Partly Not at all

ETJs in which the District is located: City of Lufkin

Are Board members appointed by an office outside the district? Yes No

If Yes, by whom? _____

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**ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
TSI-2 GENERAL AND ENTERPRISE FUND EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<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	1,116	-	1,116
Utilities	-	7,035	7,035
Repairs and Maintenance	-	4,532	4,532
Administrative expenditures:			
Director Fees	-	-	-
Depreciation	3,896	-	3,896
Insurance	-	-	-
Other	1,330	171,932	173,262
Debt Service	12,548	-	12,548
Capital Outlay:			
Capitalized Assets	-	-	-
	<u>44,590</u>	<u>183,499</u>	<u>228,089</u>
Total Expenditures			

* Number of persons employed by the District: 0 Full-time

0 Part-time

**ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
TSI-4 TAXES LEVIED AND RECEIVABLE
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

	<u>Ad Valorem Taxes</u>
Taxes Receivable, Beginning of Year	\$ 22,556
2015 Original Tax Levy	51,038
(less abatements)	(1,681)
Total to be accounted for	<u>71,913</u>
Tax Collections:	
Current Year	44,341
Prior Year	6,762
Total Collections	<u>51,103</u>
Taxes Receivable, End of Year	<u>\$ 20,810</u>
Taxes Receivable by the Years	
2005 and prior	\$ 3,334
2006	221
2007	368
2008	605
2009	662
2010	1,128
2011	1,394
2012	1,406
2013	3,098
2014	3,186
2015	5,408
Taxes Receivable, End of Year	<u>\$ 20,810</u>
Property Valuations:	<u>2015</u> 11,221,050
Maintenance tax rates per \$100 valuation:	0.464262
Percent of taxes collected to taxes levied:	<u>86.88%</u>

**ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
 TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS
 FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Fiscal Year	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 3,662	\$ 62	\$ 3,723
	<u>\$ 3,662</u>	<u>\$ 62</u>	<u>\$ 3,723</u>

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
TSI-7a COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Amount</u>					<u>Percent of Total Fund Revenue</u>				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues:										
Interest income	22	9	8	5	8	0.04%	0.02%	0.02%	0.01%	0.03%
Ad valorem taxes	53,982	52,489	49,107	37,718	30,899	99.96%	99.98%	99.98%	99.99%	99.97%
Total Revenues	<u>54,004</u>	<u>52,498</u>	<u>49,115</u>	<u>37,723</u>	<u>30,907</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Expenses:										
Office supplies and equipment	21,330	37,092	1,161	458	2,625	39.50%	70.65%	2.36%	1.21%	8.49%
Legal and accounting	5,700	5,700	10,047	6,700	30,739	10.55%	10.86%	20.46%	17.76%	99.46%
Tax collection/Appraisal fees	1,116	1,062	947	620	705	2.07%	2.02%	1.93%	1.64%	2.28%
Insurance	-	250	270	350	350	0.00%	0.48%	0.55%	0.93%	1.13%
Interest	599	768	956	1,135	1,306	1.11%	1.46%	1.95%	3.01%	4.23%
Capital outlay	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation expense	3,896	3,894	3,895	3,242	4,862	7.21%	7.42%	7.93%	8.59%	15.73%
Total Expenses	<u>32,641</u>	<u>48,766</u>	<u>17,276</u>	<u>12,505</u>	<u>40,587</u>	<u>60.44%</u>	<u>92.89%</u>	<u>35.17%</u>	<u>33.15%</u>	<u>131.32%</u>
Other Financing Sources (Uses):										
Transfers in (out)	<u>(17,872)</u>	<u>-</u>	<u>(20,000)</u>	<u>(13,000)</u>	<u>-</u>	<u>-33.09%</u>	<u>0.00%</u>	<u>-40.72%</u>	<u>-34.46%</u>	<u>0.00%</u>
Excess Revenues										
Over expenditures	<u>3,491</u>	<u>\$ 3,732</u>	<u>\$ 11,839</u>	<u>\$ 12,218</u>	<u>(9,680)</u>	<u>39.56%</u>	<u>7.11%</u>	<u>64.83%</u>	<u>66.85%</u>	<u>-31.32%</u>

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
TSI-7b COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>Amount</u>					<u>Percent of Total Fund Revenue</u>				
	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>
Revenues:										
Charges for services	<u>190,846</u>	<u>183,912</u>	<u>167,458</u>	<u>156,131</u>	<u>131,903</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Total Revenues	<u>190,846</u>	<u>183,912</u>	<u>167,458</u>	<u>156,131</u>	<u>131,903</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Expenses:										
Administrative services	7,174	9,657	7,273	10,062	10,175	3.76%	5.25%	4.34%	6.44%	7.71%
ANRA expenses	72,467	94,422	88,328	55,996	52,628	37.97%	51.34%	52.75%	35.86%	39.90%
Purchase/Treatment fees	91,378	67,393	50,244	43,588	46,501	47.88%	36.64%	30.00%	27.92%	35.25%
Tap fees	913	7,710	10,773	-	-	0.48%	4.19%	6.43%	0.00%	0.00%
Repairs	4,532	7,228	17,758	29,419	24,878	2.37%	3.93%	10.60%	18.84%	18.86%
Payroll	-	-	1,385	5,390	4,920	0.00%	0.00%	0.83%	3.45%	3.73%
Utilities/Telephone	<u>7,035</u>	<u>7,848</u>	<u>7,479</u>	<u>6,695</u>	<u>7,770</u>	<u>3.69%</u>	<u>4.27%</u>	<u>4.47%</u>	<u>4.29%</u>	<u>5.89%</u>
Total Expenses	<u>183,499</u>	<u>194,258</u>	<u>183,240</u>	<u>151,150</u>	<u>146,872</u>	<u>96.15%</u>	<u>105.63%</u>	<u>109.42%</u>	<u>96.81%</u>	<u>111.35%</u>
Other Financing Sources (Uses):										
Transfers in (out)	<u>17,872</u>	<u>-</u>	<u>20,000</u>	<u>13,000</u>	<u>-</u>	<u>9.36%</u>	<u>0.00%</u>	<u>11.94%</u>	<u>8.33%</u>	<u>0.00%</u>
Excess Revenues										
Over expenditures	<u>25,219</u>	<u>\$ (10,346)</u>	<u>\$ 4,218</u>	<u>\$ 17,981</u>	<u>(14,969)</u>	<u>3.85%</u>	<u>-5.63%</u>	<u>-9.42%</u>	<u>3.19%</u>	<u>-11.35%</u>

**ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2016
UNAUDITED**

Complete District Mailing Address: P.O. Box 821, Lufkin, Texas 75902-0821

District Business Telephone Number: 936-632-7795

Submission Date of the most recent District Registration Form
(TWC Sections 36.054 and 49.054): October 20, 2017

Limit on Fees of Office that a Supervisor may receive during a fiscal year: \$ 0
(Set by Board Resolution – TWC Section 49.060)

<u>Name and Address:</u>	<u>Term of Office (Elected or Appointed) or Date Hired</u>	<u>Fees and Expense Reimbursements (FYE 9/30/16)</u>	<u>Title at Year End</u>	<u>Resident Of District</u>
Board Members:				
Richard Jones 294 Jerri Street Lufkin, TX 75904	5/16-5/20	\$ -	President	Yes
Belinda Ross P.O. Box 3878 Lufkin, TX 75903	5/16-5/20	\$ -	Vice-President	Yes
Belva Hartsfield 210 Susie Street Lufkin, TX 75904	11/14-5/18	\$ -	Secretary	Yes
Jemmie Hageon 163 Hageon Road Lufkin, TX 75904	11/14-5/18	\$ -	Treasurer	Yes
Daryl Hart 1011 Phil Jackson Rd Lufkin, TX 75904	5/16-5/20	\$ -	Supervisor	Yes
Consultants:				
Goff & Herrington, P.C. P.O. Box 153320 Lufkin, TX 75915	N/A	\$ 6,250	Auditor	No
Angelina & Neches River Authority P.O. Box 387 Lufkin, TX 75902	N/A	\$92,467	Management Operations & Maintenance	No



Certified Public Accountants

Goff & Herrington, P.C.

P.O. Box 153320 • Lufkin, TX 75915-3320 • (936) 875-3317 • Fax: (936) 622-6823

A.J. Goff, CPA
Ronnie Herrington, CPA
Daniel Raney, CPA

Required Communication with Those Charged with Governance

Members of the Board of Supervisors
Angelina County Fresh Water Supply District No. 1

We have audited the financial statements of Angelina County Fresh Water Supply District No. 1 (District) for the year ended September 30, 2016, and have issued our report thereon dated September 30, 2017. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 26, 2017, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the modified cash basis of accounting. Our audit of the financial statements does not relieve you or management of your responsibilities.

As part of our audit, we considered the internal control of the District. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

Planned Scope and Timing of the Audit

We performed the audit according to the planned scope and timing previously communicated in our engagement letter. Our audit plan represented an approach responsive to assessment of risk for the District.

Specifically, we designed our audit to:

- Express our opinion on the financial statements of the District.
- Issue any advisory comments to management and the District.
- Issue this report to the Board.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in notes to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2016. We noted no transactions entered into by the District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are in integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. There is one sensitive estimate affecting the financial statements:

Useful Life of Depreciable Assets. The estimated useful lives of capital assets were based on management's estimate of the economic life of the assets.

We evaluated the key factors and assumptions used to develop this accounting estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

Professional standards require us to accumulate all known and likely audit adjustments identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all accounts affected by such audit adjustments. In addition, some of the audit adjustments detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated September 30, 2017.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the District’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Major Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the District’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Board of Supervisors and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Goff & Herrington, P.C.

GOFF & HERRINGTON, P. C.
Certified Public Accountant

September 30, 2017

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Certified Public Accountants

Goff & Herrington, P.C.

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A.J. Goff, CPA
Ronnie Herrington, CPA
Daniel Raney, CPA

Required Communication of Internal Control Related Matters Identified in an Audit

September 30, 2017

Members of the Board of Supervisors
Angelina County Fresh Water Supply District No. 1

In planning and performing our audit of the financial statements of Angelina County Fresh Water Supply District No. 1 (District) as of and for the year ended September 30, 2016, in accordance with auditing standards generally accepted in the United States of America, we considered the District's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and, therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control, described as **2016-1** and **2016-2** on page 38 "Control Deficiencies Identified", to be significant deficiencies.

Required Communication of Internal Control Related Matters Identified in an Audit

Members of the Board of Supervisors
Angelina County Fresh Water Supply District No. 1
Page 2 of 2

Additionally, we have included in this letter a report on communications with the Board of Supervisors as required by auditing standards generally accepted in the United States of America. This information is intended solely for the use of the Board of Supervisors and management of the District and is not intended to be and should not be used by anyone other than these specified parties.

Goff & Herrington, P.C.
GOFF & HERRINGTON, P. C.
Certified Public Accountant

September 30, 2017

ANGELINA COUNTY FRESHWATER SUPPLY DISTRICT No. 1
Required Communications and Recommendations
Control Deficiencies Identified
Fiscal Year Ended September 30, 2016

Finding 2016-1

Criteria: Balance Sheet Account reconciliations are a critical control to help ensure the accuracy of the District's financial information. Proper and timely account reconciliations are an important aspect of strong internal controls.

Condition: During the 2016 audit, it was noted that certain general ledger accounts including accounts receivables, fixed assets, and meter deposits were not being reconciled on a regular timely basis.

Cause: During the audit year, the District had an unexpected change in accounting service providers that resulted in an extended period of time in which the account reconciliation processes were not performed.

Effect: The lack of timely account reconciliations increases the likelihood that material misstatements within the District's financial information will not be identified by District personnel. Several audit adjustments were required in order to complete the audit.

Recommendation: The District should implement a monthly reconciliation process in which all balance sheet accounts are reconciled on a timely basis.

Management's Response: Management was aware of this issue and has proactively implemented procedures to insure all balance sheet accounts are now reconciled on a timely basis. The procedures included engaging a new CPA consultant to assist with these reconciliation on a go forward basis.

Finding 2016-2

Criteria: The Texas Commission on Environmental Quality (TCEQ) Water District Financial Management Guide requires the District to complete the annual audit within 120 calendar days, and provides an additional 15 calendar days to hold the required board meeting, approve the audit report, and file the report with TCEQ (TWC Section 49.194).

Condition: The completion deadline for District's annual audit report was January 28, 2017, and the deadline to hold the required board meeting, approve the audit report, and file the report with TCEQ was February 12, 2017. The District did not meet these filing deadlines.

Cause: The District's auditors were not engaged until May 2017, and the accounting records were not available until September 2017.

Effect: The effect of this condition is a technical noncompliance with TCEQ guidelines. This prevents TCEQ from timely reviewing the District's annual financial report.

Recommendation: The District should implement procedures to ensure the auditors are engaged and all reports and records are available in time to meet TCEQ requirements.

Management's Response: Management is aware of the issue and fully anticipates the 2017 audit will be completed within the required timeframe.

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