

**ANGELINA COUNTY FRESH WATER
SUPPLY DISTRICT NO. 1
ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED
SEPTEMBER 30, 2017**

ANGELINA COUNTY FRESH WATER SUPPLY
DISTRICT NO.1
ANNUAL FINANCIAL REPORT FOR THE YEARS ENDED
SEPTEMBER 30, 2017

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ANGELINA COUNTY FRESH WATER SUPPLY
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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 the Directors of the District on the _____ day of _____, 2018, its annual audit report for the fiscal year or period ended September 30, 2017 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



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

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, 2017, 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, 2017, 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 24-25 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

January 22, 2018

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, 2017. 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 \$189,295 as of September 30, 2017. Of this amount, \$64,750 (unrestricted) may be used to meet the District's continuing obligations to customers and creditors.
- During the year ended September 30, 2017, the District's net position **increased** by \$82,282.
- At the end of the current fiscal year, unassigned fund balance for the general (tax) fund was \$47,262, or 111% of the total general fund current expenditures.
- The District's cash and investments increased by \$8,223 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 \$189,295 at September 30, 2017. Assets amounted to \$783,753 with the investment in capital assets comprising \$645,700 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 65.79% of the total net position. The remaining balance of \$64,750 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 \$189,295 as of September 30, 2017. The following table provides a summary of the District's net position.

**Table I
District's Net Position**

	Governmental Activities	Business-Type Activities	2017	2016	% Change
Current Assets:					
Current Assets	\$ 101,573	\$ 36,480	\$ 138,053	\$ 96,120	43.6%
Capital Assets	645,700	-	645,700	56,588	1041.1%
Total Assets	<u>747,273</u>	<u>36,480</u>	<u>783,753</u>	<u>152,708</u>	<u>413.2%</u>
Current Liabilities	8,021	65,282	73,303	42,033	74.4%
Long-term Debt	521,155	-	521,155	3,662	14131.4%
Total Liabilities	<u>529,176</u>	<u>65,282</u>	<u>594,458</u>	<u>45,695</u>	<u>1200.9%</u>
Net Assets:					
Invested in Capital Assets, net of related debt	124,545	-	124,545	52,926	135.3%
Unrestricted	93,552	(28,802)	64,750	54,087	19.7%
Total Net Position	<u>\$ 218,097</u>	<u>\$ (28,802)</u>	<u>\$ 189,295</u>	<u>\$ 107,013</u>	<u>76.9%</u>

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

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

	Governmental Activities	Business-Type Activities	2017	2016	% Change
Revenues:					
Taxes/Charges for Services	\$ 76,565	\$ 205,584	\$ 282,149	\$ 244,828	15.2%
Interest and other income	54	-	54	22	145.5%
Total Revenue	<u>76,619</u>	<u>205,584</u>	<u>282,203</u>	<u>244,850</u>	<u>15.3%</u>
Expenses:					
Audit	6,250	-	6,250	5,700	9.6%
Depreciation	3,896	-	3,896	3,896	0.0%
Interest Expense	599	-	599	599	0.0%
Other	38,871	236,500	275,371	205,945	33.7%
Total Expense	<u>49,616</u>	<u>236,500</u>	<u>286,116</u>	<u>216,140</u>	<u>32.4%</u>
Special items					
Transfer of operations	78,745	7,450	86,195	-	0.0%
Increase/(Decrease) in net position	<u>\$ 105,748</u>	<u>\$ (23,466)</u>	<u>\$ 82,282</u>	<u>\$ 28,710</u>	<u>186.6%</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 24 and 25.

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

As mentioned earlier, revenues exceeded expenses by \$189,295 for the year ended September 30, 2017. The District's unrestricted net position represents approximately seven months of operating reserves.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2017, the District had invested \$1,601,750, less accumulated depreciation of \$956,050, 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>2017</u>	<u>2016</u>	<u>% Change</u>
Land	28,144	26,290	7.05%
Distribution system	24,457	25,728	(4.94)%
Sewer system	588,681	-	100.00%
Buildings	4,418	4,570	(3.33)%
Office equipment	-	-	0.00%
Net capital assets	<u>645,700</u>	<u>56,588</u>	<u>1041.05%</u>

Significant capital additions during the year included the land, distribution system, and buildings that were added to the District as a result of the transfer of operations from Angelina County Water Control and Improvement District No. 3. (ACWCID #3) For more details on the transfer of operations, refer to NOTE 2 of these financial statements.

Long-term Debt

The District's long-term debt at September 30, 2017, totaled \$521,155 for bonds payable as a result of the transfer of operation of ACWCID #3 (see NOTE 2). The current portion of the long-term debt was \$20,000. Long-term debt activity for the year consisted of the addition of the ACWCID #3 bond and principal and interest payments on an existing note.

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, 2017 was prepared assuming revenues of \$369,931 and expenditures of \$363,613. 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 General Manager, Kelley Holcomb, (936) 632-7795.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
STATEMENT OF NET POSITION
SEPTEMBER 30, 2017

	Primary Government		
	Governmental Activities	Business-type Activities	Total 2017
Assets			
Cash and cash equivalents	55,283	7,351	62,634
Accounts Receivable, net	-	21,526	21,526
Ad valorem taxes receivable	46,290	-	46,290
Other receivables	-	7,603	7,603
Capital Assets			-
Land	28,144	-	28,144
Other capital assets, net of depreciation	617,556	-	617,556
Total Assets	<u>747,273</u>	<u>36,480</u>	<u>783,753</u>
Liabilities			
Accounts payable	7,188	35,391	42,579
Meter deposits	-	26,224	26,224
Accrued liabilities	833	3,667	4,500
Long-term Liabilities			-
Due within 1 year	20,000	-	20,000
Due in more than 1 year	501,155	-	501,155
Total Liabilities	<u>529,176</u>	<u>65,282</u>	<u>594,458</u>
Fund Balance/Net Position			
Invested in capital assets, net of related debt	124,545	-	124,545
Unrestricted	93,552	(28,802)	64,750
Total Net Position	<u>218,097</u>	<u>(28,802)</u>	<u>189,295</u>

See accompanying notes to the financial statements

**ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Program Revenues		
	Charges		
	for		
	Services		
	Expenses	Contributions	
Primary Government			
Governmental Activities:			
General Government	49,616	-	-
Total Governmental Activities	49,616	-	-
Business-Type Activities			
Utility Fund	236,500	205,584	-
Total Business-type Activities	236,500	205,584	-
Total Primary Government	286,116	205,584	-

General Revenues:

Property Taxes

Interest Income

Other income

Special items:

Transfer of operations

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
(49,616)	-	(49,616)
(49,616)	-	(49,616)
-	(30,916)	(30,916)
-	(30,916)	(30,916)
(49,616)	(30,916)	(80,532)
76,565	-	76,565
24	-	24
30	-	30
78,745	7,450	86,195
-	-	-
155,364	7,450	162,814
105,748	(23,466)	82,282
112,349	(5,336)	107,013
<u>\$ 218,097</u>	<u>\$ (28,802)</u>	<u>\$ 189,295</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, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	55,283	-	55,283
Taxes receivable	46,290	-	46,290
Total assets	<u>101,573</u>	<u>-</u>	<u>101,573</u>
Liabilities			
Accounts payable	7,188	-	7,188
Accrued liabilities	833	-	833
Total liabilities	<u>8,021</u>	<u>-</u>	<u>8,021</u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes	46,290	-	46,290
Total deferred inflows of resources	<u>46,290</u>	<u>-</u>	<u>46,290</u>
Fund Balance			
Unassigned fund balance	47,262	-	47,262
Total fund balance	<u>47,262</u>	<u>-</u>	<u>47,262</u>
Total liabilities, deferred inflows and fund balance	<u>101,573</u>	<u>-</u>	<u>101,573</u>

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, 2017**

Total fund balance - governmental funds	47,262
<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 \$258,132 and the accumulated depreciation was \$201,544. The net effect of including beginning balances for capital assets (net of depreciation) in the governmental activities is to increase (decrease) net position.</p>	
	66,221
<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>	
	586,605
<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>	
	(521,155)
<p>Certain long term assets are not available to pay for current period expenditures, and therefore, are deferred in the governmental funds.</p>	
	<u>39,164</u>
Net position of governmental activities	<u><u>218,097</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, 2017

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Property taxes	51,085	-	51,085
Miscellaneous income	30	-	30
Total Revenues	51,115	-	51,115
Expenditures			
Audit	6,250	-	6,250
Professional fees	25,417	-	25,417
Principal payments	3,662	-	3,662
Repairs and Maintenance	4,100	-	4,100
Administration services	2,971	-	2,971
Total Expenditures	42,400	-	42,400
Excess (deficiency) revenues over expenditures	8,715	-	8,715
Other Financing Sources (Uses)			
Interest income	24		24
Interest expense	(90)	-	(90)
Operating transfers in (out)	-	-	-
Total other financing sources (uses)	(66)	-	(66)
Net change in fund balance	8,649	-	8,649
Fund balances at beginning of period	38,613	-	38,613
Fud balances at end of period	<u>47,262</u>	<u>-</u>	<u>47,262</u>

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, 2017**

Net change in fund balances - governmental funds	8,649
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.	597,393
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.	(10,788)
Current year debt proceeds/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.	(517,493)
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.	<hr style="width: 100%;"/> 27,987
Change in net position of governmental activities	<hr style="width: 100%;"/> 105,748

See accompanying notes to the financial statements

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
STATEMENT OF NET POSTION
PROPRIETARY FUNDS
SEPTEMBER 30, 2017

	Business-type Activities
Assets	
Current Assets:	
Cash and cash equivalents	7,351
Accounts receivable	21,526
Other receivables	7,603
Total Current Assets	36,480
Total Assets	36,480
Liabilities	
Current Liabilities:	
Accounts payable	35,391
Meter deposits	26,224
Accrued liabilities	3,667
Total Current Liabilities	65,282
Total Current Liabilities	65,282
Net Position	
Unrestricted	(28,802)
Total Net Position	(28,802)

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, 2017

	Business-type Activities
Operating Revenue	
Charges for services	\$ 205,584
Total Operating Income	205,584
 Operating Expenses	
Administrative services	12,824
ANRA expenses	66,888
Purchase/Treatment fees	119,112
Contracted services	17,452
Tap fees	4,977
Repairs	6,730
Utilities/Telephone	8,517
Total Operating Expenses	236,500
 Operating Income	(30,916)
 Special Items	
Transfer of operations	7,450
Total special items	7,450
 Change in net position	(23,466)
 Net position, beginning of period	(5,336)
Net position, end of period	\$ (28,802)

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, 2017

	Business-type Activities
Cash flows from operation activities:	
Cash received from customers	204,804
Cash paid to employees	-
Cash paid to suppliers	(218,239)
Net cash (used) provided by operating activities	(13,435)
Cash flows from capital and related financing activities:	
Meter deposits	7,487
Net cash used by capital and related financing activities:	7,487
Net increase (decrease) in cash and cash equivalents	(5,948)
Cash and cash equivalents, beginning of period	13,299
Cash and cash equivalents, end of period	7,351
Reconciliation of operating income to net cash provided by operating activities:	
Operating Income	(30,916)
Changes in assets and liabilities	
Receivables-net of allowance	(780)
Accounts and other payables	18,261
Net cash provided by operating activities	(13,435)

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, 2017

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) 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 systems 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.

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.

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.

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

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.
3. The budget is approved by the Board and is adopted on a basis consistent with generally accepted accounting principles.
4. 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.

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.

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

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 – TRANSFER OF OPERATIONS

Effective July 12, 2017, under Texas Senate Bill No. 2282 (S.B. 2282) the assets and liabilities comprising Angelina County Water Control and Improvement District No. 3's (ACWCID #3) operations were transferred to the District, and ACWCID #3 was dissolved and the terms of ACWCID #3's directors were immediately expired. As a result of the transfer, the District recognized a net gain of \$86,195 on the transfer of operations as a special item. The District recognized the following assets, liabilities and net position:

	Carrying Values
Transferred assets (net)	
Current assets:	
Cash	13,370
Capital assets:	
Land	1,854
Sewer system	597,539
Buildings	507
Total assets	613,270
Transferred liabilities	
Current liabilities:	
Meter deposits	5,920
Long-term liabilities:	
Bond payable	521,155
Total Liabilities	527,075
Net position of transferred operations	
Invested in capital assets, net of related debt	78,745
Unrestricted	7,450
Total net position	86,195

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 3 – DEPOSITS

Deposits

All cash accounts as of September 30, 2017 were maintained in checking and interest-bearing demand accounts. The value of cash accounts at September 30, 2017 was \$62,634.

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 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; 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.

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, 2017, all of the District's \$62,634 deposit balance was covered by federal depository insurance.

NOTE 4 – PROPERTY TAX RECEIVABLE, REVENUE AND EXPENSES

The District maintains a Maintenance and 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 2016 for the 2016 tax year. Taxes were due on receipt of the tax bill and were delinquent if not paid by January 31, 2017. 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.

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2017, was as follows:

	Balance 9/30/2016	Additions/ Transfers	Deletions	Balance 9/30/2017
Capital assets not being depreciated				
Land	26,290	1,854	-	28,144
Total assets not being depreciated	26,290	1,854	-	28,144
Capital assets being depreciated				
Water & sewer systems	175,143	1,340,644	-	1,515,787
Buildings	43,239	1,120	-	44,359
Office equipment	13,460	-	-	13,460
Total assets being depreciated	231,842	1,341,764	-	1,573,606
Less accumulated depreciation				
Total net assets being depreciated	201,544	754,506	-	956,050
Total net capital assets	56,588	575,817	-	645,700

During the year ended September 31, 2017, the operations of ACWCID #3 were transferred to the District under S.B. 2282 (NOTE 2). As part of the transfer, the District received fixed assets with a carrying value of \$1,343,618 and accumulated depreciation related to these assets of \$743,719. The net assets transferred are included in the current year additions in the above schedule. Depreciation expense for the year ended was \$10,788.

NOTE 6 – LONG-TERM LIABILITIES

Outstanding long-term liabilities consist of the following:

	Issue Date	Maturity Date	Interest Rate	Original Amount	Balance 9/30/16	Added	Retired	Balance 9/30/17
First Bank & Trust Note Payable	2004	2018	5.00%	55,000	\$3,662	-	\$3,622	\$ -
Revenue Bond, Series 2005	2005	2035	0.00%	580,000	-	521,155	-	521,155
Total					\$3,662	\$521,155	\$3,662	\$521,155

During the year ended September 31, 2017, the operations of ACWCID #3 were transferred to the District under S.B. 2282 (NOTE 2). As part of the transfer, the obligation related to the remaining balance of the ACWCID #3 Tax and Sewer System Revenue Bond, Series 2005 was transferred to the District. The carrying value of the obligation at the transfer date was \$521,155 and is included as additions to long-term debt in the schedule above. During the year ended September 30, 2017, the District submitted an application for loan forgiveness to the Texas Water Development Board (TWDB) from the Water Loan Assistance Fund. Subsequent to fiscal year end September 30, 2017, the District's application was approved and the series 2005 bond obligation was forgiven.

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2017

NOTE 6 – LONG-TERM LIABILITIES (continued)

Annual debt service requirements to maturity for the District’s long term debt are as follows:

<u>Due During Fiscal year:</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	20,000	-	20,000
2019	20,000	-	20,000
2020	20,000	-	20,000
2021	20,000	-	20,000
2022	20,000	-	20,000
2023-2027	100,000	-	100,000
2028-2032	100,000	-	100,000
2033-2037	221,155	-	221,155
Thereafter	-	-	-
Total	521,155	-	521,155

NOTE 7 – 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 to include provisions that ANRA is to build a sanitary sewer collection system 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, 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 expenses of operating and maintaining the facilities during the contract term.

NOTE 8 – 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 directors and employees.

NOTE 9 – SUBSEQUENT EVENTS

Subsequent to fiscal year end September 30, 2017, a financial application that the District had previously submitted to the Texas Water Development Board (TWDB) for loan forgiveness from the Water Loan Assistance Fund was approved, and the series 2005 bond obligation, that was transferred to the District as part of the transfer of operation of ACWCID#3, was forgiven (NOTE 2 and 6).

REQUIRED SUPPLEMENTARY INFORMATION

**ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Ad valorem taxes	\$ 51,085	\$ 51,531	\$ (446)
Interest income	\$ 30	-	30
Total Revenues	<u>51,115</u>	<u>51,531</u>	<u>(416)</u>
Expenditures			
Audit	6,250	7,000	750
Professional fees	25,417	26,500	1,083
Administrative services	7,071	12,550	5,479
Debt service	3,662	4,375	713
Total Expenditures	<u>42,400</u>	<u>50,425</u>	<u>8,025</u>
Excess (deficiency) of Revenues over Expenditures	<u>8,715</u>	<u>1,106</u>	<u>(8,441)</u>
Other Financing Sources (Uses)			
Interest income	24	-	24
Interest expense	(90)	-	(90)
Transfers out	-	-	-
Total Other Financing Sources	<u>(66)</u>	<u>-</u>	<u>24</u>
Net Change in Fund Balance	8,649	1,106	(8,417)
Fund Balance-Beginning	38,613	38,613	-
Fund Balance-Ending	<u>\$ 47,262</u>	<u>\$ 39,719</u>	<u>\$ (8,417)</u>

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE
ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
Revenues			
Charges for services	205,584	183,625	21,959
Total Revenues	<u>205,584</u>	<u>183,625</u>	<u>21,959</u>
Expenditures			
Administrative services	12,824	9,273	(3,551)
ANRA expenses	66,888	67,073	185
Purchase/Treatment fees	119,112	90,106	(29,006)
Contract services	17,452	1,550	(15,902)
Tap fees	4,977	-	(4,977)
Repairs	6,730	5,720	(1,010)
Utilities/Telephone	8,517	7,800	(717)
Total Expenditures	<u>236,500</u>	<u>181,522</u>	<u>(54,978)</u>
Excess (deficiency) of Revenues over Expenditures	<u>(30,916)</u>	<u>2,103</u>	<u>76,937</u>
Special Items			
Transfer of operations	7,450	-	7,450
Total Special Items	<u>7,450</u>	<u>-</u>	<u>7,450</u>
Net Change in Fund Balance	(23,466)	2,103	84,387
Fund Balance - Beginning	(5,336)	(5,336)	-
Fund Balance - Ending	<u>(28,802)</u>	<u>(3,233)</u>	<u>84,387</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, 2017**

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"	207	161	X 1.0	161
1"	7	3	X 2.5	8
1 1/2"			X 5.0	
2"			X 8.0	
3"			X 15.0	
4"			X 25.0	
Total Water	214	164		169
Total Wastewater	359	307	X 1.0	307

* 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, 2017**

3. Total Water Consumption during the Fiscal Year:

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

Gallons pumped into system:	15,503,300	Water Accountability Ratio:
		(Gallons billed / Gallons pumped)
Gallons flushed from system:	98,078	
Gallons billed to customers:	<u>11,988,605</u>	<u>78.0%</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, 2017**

	<u>General Fund</u>	<u>Business Fund</u>	<u>Total</u>
Personnel Expenditures (including benefits)	-	-	-
Professional Fees:	31,667	-	31,667
Contracted Services:			
Tax Collector	1,116	-	1,116
Utilities	-	8,517	8,517
Repairs and Maintenance	-	6,730	6,730
Administrative expenditures:			
Director Fees	-	-	-
Depreciation	10,788	-	10,788
Insurance	-	-	-
Other	5,955	221,253	227,208
Debt Service	3,752	-	3,752
Capital Outlay:			
Capitalized Assets	-	-	-
	<u>53,278</u>	<u>236,500</u>	<u>289,778</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, 2017**

	Ad Valorem Taxes
Taxes Receivable, Beginning of Year	\$ 20,810
2016 Original Tax Levy	69,808
(less abatements)	<u>(12,211)</u>
Total to be accounted for	78,407
Tax Collections:	
Current Year	44,593
Prior Year	<u>4,087</u>
Total Collections	48,681
 Add: ACWCID # 3 taxes receivables	 16,564
Taxes Receivable, End of Year	<u>\$ 46,290</u>
 Taxes Receivable by the Years	
2006 and prior	\$ 4,310
2007	1,028
2008	915
2009	2,122
2010	2,364
2011	2,062
2012	4,173
2013	4,501
2014	5,730
2015	8,789
2016	<u>10,297</u>
Taxes Receivable, End of Year	<u>\$ 46,290</u>
 Property Valuations:	 2016 14,304,730
 Maintenance tax rates per \$100 valuation:	 0.464262
 Percent of taxes collected to taxes levied:	 <u>63.88%</u>

**ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
TSI-5 LONG-TERM DEBT SERVICE REQUIREMENTS BY YEARS
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Fiscal Year	Principal	Interest	Total
2018	\$ 20,000	\$ -	\$ 20,000
2019	20,000	-	20,000
2020	20,000	-	20,000
2021	20,000	-	20,000
2022	20,000	-	20,000
2023-2027	100,000	-	100,000
2028-2032	100,000	-	100,000
2033-2037	221,155	-	221,155
Thereafter	-	-	-
	<u>\$ 521,155</u>	<u>\$ -</u>	<u>\$ 521,155</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, 2017

	Amount					Percent of Total Fund Revenue				
	2017	2016	2015	2014	2013	2017	2016	2015	2014	2013
Revenues:										
Interest income	24	22	9	8	5	0.03%	0.04%	0.02%	0.02%	0.01%
Ad valorem taxes	76,565	53,982	52,489	49,107	37,718	99.93%	99.96%	99.98%	99.98%	99.99%
Other revenues	30	-	-	-	-	0.04%	0.00%	0.00%	0.00%	0.00%
Total Revenues	76,619	54,004	52,498	49,115	37,723	99.96%	100.00%	100.00%	100.00%	100.00%
Expenses:										
Office supplies and equipment	31,372	21,330	37,092	1,161	458	40.95%	39.50%	70.65%	2.36%	1.21%
Legal and accounting	6,250	5,700	5,700	10,047	6,700	8.16%	10.55%	10.86%	20.46%	17.76%
Tax collection/Appraisal fees	1,116	1,116	1,062	947	620	1.46%	2.07%	2.02%	1.93%	1.64%
Insurance	-	-	250	270	350	0.00%	0.00%	0.48%	0.55%	0.93%
Interest	90	599	768	956	1,135	0.12%	1.11%	1.46%	1.95%	3.01%
Capital outlay	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation expense	10,788	3,896	3,894	3,895	3,242	14.08%	7.21%	7.42%	7.93%	8.59%
Total Expenses	49,616	32,641	48,766	17,276	12,505	64.76%	60.44%	92.89%	35.17%	33.15%
Other Financing Sources (Uses):										
Transfers in (out)	-	(17,872)	-	(20,000)	(13,000)	0.00%	-33.09%	0.00%	-40.72%	-34.46%
Special Items										
Transfer of operations	78,745	-	-	-	-	102.77%	0.00%	0.00%	0.00%	0.00%
Excess Revenues										
Over expenditures	<u>\$ 105,748</u>	<u>\$ 3,491</u>	<u>\$ 3,732</u>	<u>\$ 11,839</u>	<u>12,218</u>	<u>35.20%</u>	<u>39.56%</u>	<u>7.11%</u>	<u>64.83%</u>	<u>66.85%</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, 2017

	<u>Amount</u>					<u>Percent of Total Fund Revenue</u>				
	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Revenues:										
Charges for services	205,584	190,846	183,912	167,458	156,131	100.00%	100.00%	100.00%	100.00%	100.00%
Total Revenues	<u>205,584</u>	<u>190,846</u>	<u>183,912</u>	<u>167,458</u>	<u>156,131</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Expenses:										
Administrative services	12,824	7,174	9,657	7,273	10,062	6.24%	3.76%	5.25%	4.34%	6.44%
ANRA expenses	66,888	72,467	94,422	88,328	55,996	32.54%	37.97%	51.34%	52.75%	35.86%
Purchase/Treatment fees	119,112	91,378	67,393	50,244	43,588	57.94%	47.88%	36.64%	30.00%	27.92%
Contract services	17,452	-	-	-	-	8.49%	0.00%	0.00%	0.00%	0.00%
Tap fees	4,977	913	7,710	10,773	-	2.42%	0.48%	4.19%	6.43%	0.00%
Repairs	6,730	4,532	7,228	17,758	29,419	3.27%	2.37%	3.93%	10.60%	18.84%
Payroll	-	-	-	1,385	5,390	0.00%	0.00%	0.00%	0.83%	3.45%
Utilities/Telephone	8,517	7,035	7,848	7,479	6,695	4.14%	3.69%	4.27%	4.47%	4.29%
Total Expenses	<u>236,500</u>	<u>183,499</u>	<u>194,258</u>	<u>183,240</u>	<u>151,150</u>	<u>115.04%</u>	<u>96.15%</u>	<u>105.63%</u>	<u>109.42%</u>	<u>96.81%</u>
Other Financing Sources (Uses):										
Transfers in (out)	<u>-</u>	<u>17,872</u>	<u>-</u>	<u>20,000</u>	<u>13,000</u>	<u>0.00%</u>	<u>9.36%</u>	<u>0.00%</u>	<u>11.94%</u>	<u>8.33%</u>
Special Items										
Transfer of operations	<u>7,450</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3.62%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Excess Revenues										
Over expenditures	<u>\$ (23,466)</u>	<u>\$ 25,219</u>	<u>\$ (10,346)</u>	<u>\$ 4,218</u>	<u>\$ 17,981</u>	<u>-15.04%</u>	<u>3.85%</u>	<u>-5.63%</u>	<u>-9.42%</u>	<u>3.19%</u>

**ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2017
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 Director 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 9/30/17)</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
Jemie 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	\$92,305	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, 2017, and have issued our report thereon dated January 22, 2018. 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 November 17, 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 2017.

As described in Note 2 to the financial statements, Texas Senate Bill No. 2282 (S.B. 2282) required that the assets and liabilities comprising Angelina County Water Control and Improvement District No. 3's (ACWCID #3) operations were transferred to the District. The transfer of operations was effective July 12, 2017. In accordance with *GASB Statement No. 69, Government Combinations and Disposals of Government Operations*, the District recognized a net gain of \$86,195 on the transfer of operations as a special item.

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 January 22, 2018.

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

January 22, 2018

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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 of Internal Control Related Matters Identified in an Audit

January 22, 2018

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, 2017, 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.

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

January 22, 2018

ANGELINA COUNTY FRESHWATER SUPPLY DISTRICT #1
Required Communications and Recommendations
Control Deficiencies Identified
Fiscal Year Ended September 30, 2017

None

ANGELINA COUNTY FRESHWATER SUPPLY DISTRICT #1
Required Communications and Recommendations
Status of Prior Year Findings
Fiscal Year Ended September 30, 2017

Finding 2016-1

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.

Status: During the 2017 audit, there were no instances noted in which general ledger accounts were not being reconciled on a regular timely basis.

Finding 2016-2

Condition: The completion deadline for District's 2016 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.

Status: The District's 2017 annual audit report was completed and the required board action was completed prior to the respective deadlines.