

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

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED

SEPTEMBER 30, 2018

ANGELINA COUNTY FRESH WATER SUPPLY
DISTRICT NO.1
ANNUAL FINANCIAL REPORT FOR THE YEARS ENDED
SEPTEMBER 30, 2018

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ANGELINA COUNTY FRESH WATER SUPPLY
DISTRICT NO.1
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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 _____, 2019, its annual audit report for the fiscal year or period ended September 30, 2018 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, 2018, 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, 2018, 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

April 11, 2019

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, 2018. 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 \$829,898 as of September 30, 2018. Of this amount, \$209,444 (unrestricted) may be used to meet the District's continuing obligations to customers and creditors.
- During the year ended September 30, 2018, the District's net position **increased** by \$640,603.
- At the end of the current fiscal year, unassigned fund balance for the general (tax) fund was \$116,033, or 17.61% of the total general fund current expenditures.
- The District's cash and investments increased by \$98,108 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 required by the Texas Commission on Environmental Quality (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 \$829,898 at September 30, 2018. Assets amounted to \$861,162 with the investment in capital assets comprising \$620,454 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 74.76% of the total net position. The remaining balance of \$209,444 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 \$829,898 as of September 30, 2018. The following table provides a summary of the District's net position.

**Table I
District's Net Position**

	Governmental Activities	Business-Type Activities	2018	2017	% Change
Current Assets:					
Current Assets	\$ 157,588	\$ 83,120	\$ 240,708	\$ 138,053	74.36%
Capital Assets	620,454	-	620,454	645,700	-3.91%
Total Assets	<u>778,042</u>	<u>83,120</u>	<u>861,162</u>	<u>783,753</u>	<u>9.88%</u>
Current Liabilities	3,230	28,034	31,264	73,303	-57.35%
Long-term Debt	-	-	-	521,155	100.00%
Total Liabilities	<u>3,230</u>	<u>28,034</u>	<u>31,264</u>	<u>594,458</u>	<u>-94.74%</u>
Net Assets:					
Invested in Capital Assets, net of related debt	620,454	-	620,454	124,545	398.18%
Unrestricted	154,358	55,086	209,444	64,750	223.47%
Total Net Position	<u>\$ 774,812</u>	<u>\$ 55,086</u>	<u>\$ 829,898</u>	<u>\$ 189,295</u>	<u>338.42%</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	2018	2017	% Change
Revenues:					
Taxes/Charges for Services	\$ 62,667	\$ 289,938	\$ 352,605	\$ 282,149	25.0%
Grants and contributions	595,501	-	595,501	-	100.0%
Interest and other income	75,210	-	75,210	54	139177.8%
Total Revenue	<u>733,378</u>	<u>289,938</u>	<u>1,023,316</u>	<u>282,203</u>	<u>262.6%</u>
Expenses:					
Professional fees	92,203	217,696	309,899	217,667	42.4%
Depreciation	55,174	-	55,174	10,787	411.5%
Other	15,489	2,151	17,640	57,662	-69.4%
Total Expense	<u>162,866</u>	<u>219,847</u>	<u>382,713</u>	<u>286,116</u>	<u>33.8%</u>
Special items					
Transfer of operations	-	-	-	86,195	-100.0%
Transfers	<u>(13,797)</u>	<u>13,797</u>	<u>-</u>	<u>-</u>	<u>100.0%</u>
Increase/(Decrease) in net position	<u>\$ 556,715</u>	<u>\$ 83,888</u>	<u>\$ 640,603</u>	<u>\$ 82,282</u>	<u>228.86%</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 \$829,898 for the year ended September 30, 2018. The District's unrestricted net position represents approximately twenty-six months of operating reserves.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2018, the District had invested \$1,631,679, less accumulated depreciation of \$1,011,225, 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.

	2018	2017	% Change
Land	30,217	28,144	7.37%
Distribution system	23,188	24,457	(5.19%)
Sewer system	548,527	588,681	(6.82%)
Buildings	3,722	4,418	(15.75%)
Work in progress	14,800	-	100.00%
Net capital assets	<u>620,454</u>	<u>645,700</u>	<u>(3.91%)</u>

Significant capital additions during the year included collection system additions and initial capital costs related to a major distribution system addition. For more details on the transfer of operations, refer to Note 2 of these financial statements.

Long-term Debt

The District's did not have any long-term debt at September 30, 2018. The District received a Water Loan Assistance Grant from the Texas Water Development Board (TWDB) to be used, in part, to extinguish the \$521,155 in bonds payable that were assumed by the District as a result of the transfer of operation of ACWCID #3 in 2017 (see Note 2).

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, 2018 was prepared assuming revenues of \$373,032 and expenditures of \$360,533. 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 contracted operator, Kelley Holcomb (ANRA General Manager), (936) 632-7795.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
STATEMENT OF NET POSITION
SEPTEMBER 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total 2018
Assets			
Cash and cash equivalents	103,302	57,440	160,742
Accounts Receivable, net	-	25,680	25,680
Ad valorem taxes receivable	38,325	-	38,325
Prepaid assets	15,961	-	15,961
Capital Assets			-
Land	30,217	-	30,217
Other capital assets, net of depreciation	590,237	-	590,237
Total Assets	<u>778,042</u>	<u>83,120</u>	<u>861,162</u>
Liabilities			
Accounts payable	2,397	1,615	4,012
Meter deposits	-	26,419	26,419
Accrued liabilities	833	-	833
Total Liabilities	<u>3,230</u>	<u>28,034</u>	<u>31,264</u>
Fund Balance/Net Position			
Invested in capital assets, net of related debt	620,454	-	620,454
Unrestricted	154,358	55,086	209,444
Total Net Position	<u>774,812</u>	<u>55,086</u>	<u>829,898</u>

See accompanying notes to the financial statements

Net (Expense)Revenue and Changes in Net Assets

Governmental Activities	Business-type Activities	Total
432,635	-	432,635
<u>432,635</u>	<u>-</u>	<u>432,635</u>
-	70,091	70,091
<u>-</u>	<u>70,091</u>	<u>70,091</u>
<u>432,635</u>	<u>70,091</u>	<u>502,726</u>
62,667	-	62,667
-	-	-
75,210	-	75,210
<u>(13,797)</u>	<u>13,797</u>	<u>-</u>
<u>124,080</u>	<u>13,797</u>	<u>137,877</u>
556,715	83,888	640,603
218,097	(28,802)	189,295
<u>\$ 774,812</u>	<u>\$ 55,086</u>	<u>\$ 829,898</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 POSITION AND GOVERNMENTAL FUNDS BALANCE SHEET
SEPTEMBER 30, 2018**

	General Fund	Other Governmental Funds	Total Governmental Funds
Assets			
Cash and cash equivalents	103,302	-	103,302
Taxes receivable	38,325	-	38,325
Prepaid assets	15,961	-	15,961
Total assets	<u>157,588</u>	<u>-</u>	<u>157,588</u>
Liabilities			
Accounts payable	2,397	-	2,397
Accrued liabilities	833	-	833
Total liabilities	<u>3,230</u>	<u>-</u>	<u>3,230</u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes	38,325	-	38,325
Total deferred inflows of resources	<u>38,325</u>	<u>-</u>	<u>38,325</u>
Fund Balance			
Unassigned fund balance	116,033	-	116,033
Total fund balance	<u>116,033</u>	<u>-</u>	<u>116,033</u>
Total liabilities, deferred inflows and fund balance	<u>157,588</u>	<u>-</u>	<u>157,588</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, 2018**

Total fund balance - governmental funds	116,033
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 \$1,573,606 and the accumulated depreciation was \$956,050. The net effect of including beginning balances for capital assets (net of depreciation) in the governmental activities is to increase (decrease) net position.	590,525
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.	29,929
Certain long term assets are not available to pay for current period expenditures, and therefore, are deferred in the governmental funds.	<u>38,325</u>
Net position of governmental activities	<u><u>774,812</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, 2018

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenues			
Property taxes	70,634	-	70,634
Miscellaneous income	75,210	-	75,210
Total Revenues	145,844	-	145,844
Expenditures			
Professional fees	92,203	-	92,203
Debt service	521,155	-	521,155
Repairs and Maintenance	9,229	-	9,229
Capital expenditures	29,929	-	29,929
Administration services	6,261	-	6,261
Total Expenditures	658,777	-	658,777
Excess (deficiency) revenues over expenditures	(512,933)	-	(512,933)
Other Financing Sources (Uses)			
TWDB Grant	595,501	-	595,501
Operating transfers in (out)	(13,797)	-	(13,797)
Total other financing sources (uses)	581,704	-	581,704
Net change in fund balance	68,771	-	68,771
Fund balances at beginning of period	47,262	-	47,262
Fud balances at end of period	<u>116,033</u>	<u>-</u>	<u>116,033</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, 2018**

Net change in fund balances - governmental funds	68,771
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.	29,929
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.	(55,175)
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.	521,155
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>(7,965)</u>
Change in net position of governmental activities	<u><u>556,715</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, 2018

	Business-type Activities
Assets	
Current Assets:	
Cash and cash equivalents	57,440
Accounts receivable	25,680
Total Current Assets	83,120
Total Assets	83,120
Liabilities	
Current Liabilities:	
Accounts payable	1,615
Meter deposits	26,419
Total Current Liabilities	28,034
Total Current Liabilities	28,034
Net Position	
Unrestricted	55,086
Total Net Position	55,086

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, 2018

	Business-type Activities
Operating Revenue	
Charges for services	\$ 289,938
Total Operating Income	289,938
 Operating Expenses	
Administrative services	217,696
Bad debt expense	2,151
Total Operating Expenses	219,847
 Operating Income	70,091
 Special Items	
Transfer of operations	13,797
Total special items	13,797
 Change in net position	83,888
 Net position, beginning of period	(28,802)
Net position, end of period	\$ 55,086

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, 2018

	Business-type Activities
Cash flows from operation activities:	
Cash received from customers	293,387
Cash paid to employees	-
Cash paid to suppliers	(257,290)
Net cash provided by operating activities	36,097
Cash flows from noncapital financing activities:	
Transfer from general fund	13,797
Net cash provided by noncapital financing activities:	13,797
Cash flows from capital and related financing activities:	
Meter deposits	195
Net cash provided by capital and related financing activities:	195
Net increase in cash and cash equivalents	50,089
Cash and cash equivalents, beginning of period	7,351
Cash and cash equivalents, end of period	57,440
Reconciliation of operating income to net cash provided by operating activities:	
Operating Income	70,091
Changes in assets and liabilities	
Receivables-net of allowance	3,449
Accounts and other payables	(37,443)
Net cash provided by operating activities	36,097

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, 2018

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, 2018

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.

Accounts Receivable

The District carries its accounts receivable at cost less an allowance for doubtful accounts. On an annual basis, the District evaluates its accounts receivable and adjusts the allowance for doubtful accounts based on its history of past write-offs and collections. The balance in the allowance for uncollectible accounts was \$2,065 and \$2,597 at September 30, 2018 and 2017, respectively.

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.

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, 2018

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, 2018

NOTE 3 – DEPOSITS

Deposits

All cash accounts as of September 30, 2018 were maintained in checking and non-interest-bearing demand accounts. The value of cash accounts at September 30, 2018 was \$160,742.

Interest Rate Risk. The District does not have a formal investment policy in place. The District's cash and cash equivalents are currently maintained in checking and non-interest-bearing demand accounts.

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.

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, 2018, all of the District's \$160,742 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 2017 for the 2017 tax year. Taxes were due on receipt of the tax bill and were delinquent if not paid by January 31, 2018. 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 \$0.488819 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 operating expenses 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, 2018

NOTE 5 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2018, was as follows:

	Balance 9/30/2017	Additions/ Transfers	Deletions	Balance 9/30/2018
Capital assets not being depreciated				
Land	28,144	2,073	-	30,217
Total assets not being depreciated	28,144	2,073	-	30,217
Capital assets being depreciated				
Water & sewer systems	1,515,787	13,056	-	1,528,843
Buildings	44,359	-	-	44,359
Office equipment	13,460	-	-	13,460
Work in progress	-	14,800	-	14,800
Total assets being depreciated	1,573,606	27,856	-	1,601,462
Less accumulated depreciation				
Total net assets being depreciated	956,050	55,175	-	1,011,225
Total net capital assets	645,700	(25,246)	-	620,454

Depreciation expense for the year ended September 30, 2018 was \$55,175.

NOTE 6 – LONG-TERM LIABILITIES

Outstanding long-term liabilities consist of the following:

	Issue Date	Maturity Date	Interest Rate	Original Amount	Balance 9/30/17	Added	Retired	Balance 9/30/18
Revenue Bond, Series 2005	2005	2035	0.00%	580,000	521,155	-	521,155	-
Total					\$521,155	-	\$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. 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. During year end September 30, 2018, the District's application was approved and the series 2005 bond obligation was extinguished.

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
September 30, 2018

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 Fund. This coverage is paid for by ANRA. The District continues to carry commercial fidelity bonds for directors.

REQUIRED SUPPLEMENTARY INFORMATION

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Actual</u>	<u>Final Budget</u>	<u>Variance Favorable (Unfavorable)</u>
Revenues			
Ad valorem taxes	\$ 70,634	\$ 64,138	\$ 6,496
Other income	\$ 75,210	-	75,210
Total Revenues	<u>145,844</u>	<u>64,138</u>	<u>81,706</u>
Expenditures			
Professional fees	92,203	41,500	(50,703)
Debt service	521,155	-	(521,155)
Repairs and Maintenance	9,229	2,500	(6,729)
Capital expenditures	29,929	-	(29,929)
Administration services	6,261	5,400	(861)
Total Expenditures	<u>658,777</u>	<u>49,400</u>	<u>(609,377)</u>
Excess (deficiency) of Revenues over Expenditures	<u>(512,933)</u>	<u>14,738</u>	<u>(527,671)</u>
Other Financing Sources (Uses)			
TWDB Grant	595,501	-	595,501
Transfers out	(13,797)	-	(13,797)
Total Other Financing Sources (Uses)	<u>581,704</u>	<u>-</u>	<u>581,704</u>
Net Change in Fund Balance	68,771	14,738	54,033
Fund Balance-Beginning	47,262	47,262	-
Fund Balance-Ending	<u>\$ 116,033</u>	<u>\$ 62,000</u>	<u>\$ 54,033</u>

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE
ENTERPRISE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2018

	<u>Actual</u>	<u>Budget</u>	Variance Favorable (Unfavorable)
Revenues			
Charges for services	289,938	305,793	(15,855)
Total Revenues	<u>289,938</u>	<u>305,793</u>	<u>(15,855)</u>
Expenditures			
Administrative services	217,696	314,213	96,517
Bad debt expense	2,151	-	(2,151)
Total Expenditures	<u>219,847</u>	<u>314,213</u>	<u>94,366</u>
Excess (deficiency) of Revenues over Expenditures	<u>70,091</u>	<u>(8,420)</u>	<u>(110,221)</u>
Other Financing Sources (Uses)			
Transfer of operations	13,797	-	13,797
Total Other Financing Sources (Uses)	<u>13,797</u>	<u>-</u>	<u>13,797</u>
Net Change in Fund Balance	83,888	(8,420)	(96,424)
Fund Balance - Beginning	(28,802)	(28,802)	-
Fund Balance - Ending	<u>55,086</u>	<u>(37,222)</u>	<u>(96,424)</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, 2018**

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"	210	177	X 1.0	177
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	217	181		187
Total Wastewater	298	298	X 1.0	298

* 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, 2018**

3. Total Water Consumption during the Fiscal Year:

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

Gallons pumped into system:	12,672,660	Water Accountability Ratio:
		(Gallons billed / Gallons pumped)
Gallons flushed from system:	119,136	
Gallons billed to customers:	<u>11,433,598</u>	<u>91.20%</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? _____

**ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
TSI-2 GENERAL AND ENTERPRISE FUND EXPENSES
FOR THE YEAR ENDED SEPTEMBER 30, 2018**

	<u>General Fund</u>	<u>Business Fund</u>	<u>Total</u>
Personnel Expenditures (including benefits)	-	-	-
Professional Fees:	92,203	217,696	309,899
Contracted Services:			
Tax Collector	1,994	-	1,994
Utilities	-	-	-
Repairs and Maintenance	-	-	-
Administrative expenditures:			
Director Fees	-	-	-
Depreciation	55,175	-	55,175
Insurance	-	-	-
Other	7,235	2,151	9,386
Debt Service	521,155	-	521,155
Capital Outlay:			
Capitalized Assets	-	-	-
	<u>677,762</u>	<u>219,847</u>	<u>897,609</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, 2018**

	Ad Valorem Taxes
Taxes Receivable, Beginning of Year	\$ 22,948
2017 Original Tax Levy	82,902
(less abatements)	-
Total to be accounted for	105,850
Tax Collections:	
Current Year	60,820
Prior Year	6,705
Total Collections	67,525
 Taxes Receivable, End of Year	 \$ 38,325
 Taxes Receivable by the Years	
2007 and prior	\$ 3,719
2008	838
2009	1,347
2010	1,647
2011	1,766
2012	2,592
2013	3,835
2014	3,570
2015	4,482
2016	7,457
2017	7,072
Taxes Receivable, End of Year	\$ 38,325
 Property Valuations:	 <u>2017</u> 19,566,680
 Maintenance tax rates per \$100 valuation:	 0.488819
 Percent of taxes collected to taxes levied:	 <u><u>73.36%</u></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, 2018

	Amount					Percent of Total Fund Revenue				
	2018	2017	2016	2015	2014	2018	2017	2016	2015	2014
Revenues:										
Interest income	-	24	22	9	8	0.00%	0.03%	0.04%	0.02%	0.02%
Ad valorem taxes	62,667	76,545	53,982	52,489	49,107	8.55%	99.93%	99.96%	99.98%	99.98%
Grant revenue	595,501	-	-	-	-	81.20%	0.00%	0.00%	0.00%	0.00%
Other revenues	75,210	30	-	-	-	10.26%	0.04%	0.00%	0.00%	0.00%
Total Revenues	<u>733,378</u>	<u>76,599</u>	<u>54,004</u>	<u>52,498</u>	<u>49,115</u>	<u>8.55%</u>	<u>99.96%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Expenses:										
Office supplies and equipment	13,495	5,955	1,330	17,092	1,161	1.84%	7.77%	2.46%	32.56%	2.36%
Legal and accounting	23,403	6,250	5,700	5,700	10,047	3.19%	8.16%	10.55%	10.86%	20.46%
Other professional fees	68,800	25,417	20,000	20,000	-	9.38%	33.18%	37.03%	38.10%	0.00%
Tax collection/Appraisal fees	1,994	1,116	1,116	1,062	947	0.27%	1.46%	2.07%	2.02%	1.93%
Insurance	-	-	-	250	270	0.00%	0.00%	0.00%	0.48%	0.55%
Interest	-	90	599	768	956	0.00%	0.12%	1.11%	1.46%	1.95%
Capital outlay	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%
Depreciation expense	55,174	10,788	3,896	3,894	3,895	7.52%	14.08%	7.21%	7.42%	7.93%
Total Expenses	<u>162,866</u>	<u>49,616</u>	<u>32,641</u>	<u>48,766</u>	<u>17,276</u>	<u>22.21%</u>	<u>64.77%</u>	<u>60.44%</u>	<u>92.89%</u>	<u>35.17%</u>
Other Financing Sources (Uses):										
Transfers in (out)	<u>(13,797)</u>	<u>-</u>	<u>(17,872)</u>	<u>-</u>	<u>(20,000)</u>	<u>-1.88%</u>	<u>0.00%</u>	<u>-33.09%</u>	<u>0.00%</u>	<u>-40.72%</u>
Special Items										
Transfer of operations	<u>-</u>	<u>78,745</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>0.00%</u>	<u>102.80%</u>	<u>0.00%</u>	<u>0.00%</u>	<u>0.00%</u>
Excess Revenues										
Over expenditures	<u>\$ 556,715</u>	<u>\$ 105,728</u>	<u>\$ 3,491</u>	<u>\$ 3,732</u>	<u>\$ 11,839</u>	<u>-13.66%</u>	<u>35.19%</u>	<u>39.56%</u>	<u>7.11%</u>	<u>64.83%</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, 2018

	<u>Amount</u>					<u>Percent of Total Fund Revenue</u>				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Revenues:										
Charges for services	289,938	205,584	190,846	183,912	167,458	100.00%	100.00%	100.00%	100.00%	100.00%
Total Revenues	<u>289,938</u>	<u>205,584</u>	<u>190,846</u>	<u>183,912</u>	<u>167,458</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Expenses:										
Administrative services	217,696	12,824	7,174	9,657	7,273	75.08%	6.24%	3.76%	5.25%	4.34%
ANRA expenses	-	66,888	72,467	94,422	88,328	0.00%	32.54%	37.97%	51.34%	52.75%
Purchase/Treatment fees	-	119,112	91,378	67,393	50,244	0.00%	57.94%	47.88%	36.64%	30.00%
Contract services	-	17,452	-	-	-	0.00%	8.49%	0.00%	0.00%	0.00%
Tap fees	-	4,977	913	7,710	10,773	0.00%	2.42%	0.48%	4.19%	6.43%
Repairs	-	6,730	4,532	7,228	17,758	0.00%	3.27%	2.37%	3.93%	10.60%
Utilities/Telephone	-	8,517	7,035	7,848	7,479	0.00%	4.14%	3.69%	4.27%	4.47%
Other expenses	2,151	-	-	-	1,385	0.74%	0.00%	0.00%	0.00%	0.83%
Total Expenses	<u>219,847</u>	<u>236,500</u>	<u>183,499</u>	<u>194,258</u>	<u>183,240</u>	<u>75.83%</u>	<u>115.04%</u>	<u>96.15%</u>	<u>105.63%</u>	<u>109.42%</u>
Other Financing Sources (Uses):										
Transfers in (out)	13,797	-	17,872	-	20,000	4.76%	0.00%	9.36%	0.00%	11.94%
Special Items										
Transfer of operations	-	7,450	-	-	-	0.00%	3.62%	0.00%	0.00%	0.00%
Excess Revenues										
Over expenditures	<u>\$ 83,888</u>	<u>\$(23,466)</u>	<u>\$ 25,219</u>	<u>\$(10,346)</u>	<u>\$ 4,218</u>	<u>\$ 0</u>	<u>\$ (0)</u>	<u>\$ 0</u>	<u>\$ (0)</u>	<u>\$ 0</u>

**ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2018
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 9/30/18)</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	5/18-5/22	\$ -	Secretary/Treasurer	Yes
Jemmie Hageon 163 Hageon Road Lufkin, TX 75904	5/18-5/22	\$ -	Secretary Pro Tem	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 2901 N. John Redditt Drive Lufkin, TX 75904	N/A	\$273,807	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, 2018, and have issued our report thereon dated April 11, 2019. 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 August 23, 2018, 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 2018.

Accounting Estimates

Accounting estimates are an 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 April 11, 2019.

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

April 11, 2019

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Certified Public Accountants

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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

April 11, 2019

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, 2018, 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 **2018-1** 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

April 11, 2019

ANGELINA COUNTY FRESHWATER SUPPLY DISTRICT #1
Required Communications and Recommendations
Control Deficiencies Identified
Fiscal Year Ended September 30, 2018

Finding 2018-1

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, 2019, and the deadline to hold the required board meeting, approve the audit report, and file the report with TCEQ was February 12, 2019. The District did not meet these filing deadlines.

Cause: Subsequent to year end, the District moved the administrative functions to a new location, and as a result, the accounting records were not available until April 2019.

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 2019 audit will be completed within the required timeframe.

ANGELINA COUNTY FRESHWATER SUPPLY DISTRICT #1
Required Communications and Recommendations
Status of Prior Year Findings
Fiscal Year Ended September 30, 2018

Finding 2017-1

Condition: The completion deadline for District's 2017 annual audit report was January 28, 2018, and the deadline to hold the required board meeting, approve the audit report, and file the report with TCEQ was February 12, 2018. The District did not meet the TCEQ filing deadlines.

Status: The District's 2018 annual audit report was not completed by the required date, and the required board action and filing the report with TCEQ was not completed prior to the deadlines established by TCEQ.