

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

ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED

SEPTEMBER 30, 2021

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DISTRICT NO.1
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INDEPENDENT AUDITORS' 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 the governmental activities and major fund of the Angelina County Fresh Water Supply District (the "District"), as of and for the year ended September 30, 2021, 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.

Auditors' Responsibility

Our responsibility is to express an opinion 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and major fund of the Angelina County Fresh Water Supply District No. 1, as of September 30, 2021, and the respective changes in financial position 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 17 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 the District to include certain information, if applicable, in the Annual Financial Report. This information is identified in the table of contents as Texas supplementary information. The Texas supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Texas supplementary information is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. 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 Texas supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Lufkin, Texas
January 25, 2022


CERTIFIED PUBLIC ACCOUNTANTS

FINANCIAL SECTION

MANAGEMENT'S DISCUSSION AND ANALYSIS

In this section of the Annual Financial Report, we, the managers of Angelina County Fresh Water Supply District No. 1 (District), discuss and analyze the District's financial performance for the year ended September 30, 2021. 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 \$821,212 as of September 30, 2021. Of this amount, \$88,913 (unrestricted) may be used to meet the District's continuing obligations to customers and creditors.
- During the year ended September 30, 2021, the District's net position **decreased** by \$42,044.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$48,896, or 12.32% of the total general fund current expenditures.
- The District's cash and investments decreased by \$9,175 from the previous year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The basic financial statements include: (1) combined fund financial statements and government-wide financial statements and (2) notes to the financial statements. The combined fund financial statements and government-wide financial statements combine both: (1) the Statement of Net Position and Governmental Funds Balance Sheet and (2) the Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances. This report also includes required and other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The District's annual report includes two financial statements combining the government-wide financial statements and the fund financial statements. The government-wide financial statements provide both long-term and short-term information about the District's overall status. Financial reporting at this level uses a perspective similar to that found in the private sector with its basis in full accrual accounting and elimination or reclassification of internal activities.

The Statement of Net Position includes all of the District's assets, liabilities, and deferred inflows and outflows 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.

The Statement of Activities reports how the District's net position changed during the current fiscal year. All current year revenues and expenses are included regardless of when cash is received or paid.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Fund Financial Statements

The combined statements also include 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 has one governmental fund type. The General Fund accounts for resources not accounted for in another fund, customer service revenues, costs and general expenditures. The District reports all activity in the general fund in accordance with the Texas Commission on Environmental Quality's (TCEQ) *Water District Financial Management Guide*.

Governmental funds are reported in each of the financial statements. The focus in the fund statements provides a distinctive view of the District's governmental funds. These statements report short-term fiscal accountability focusing on the use of spendable resources and balances of spendable resources available at the end of the year. They are useful in evaluating annual financing requirements of the District and the commitment of spendable resources for the near-term.

Since the government-wide focus includes the long-term view, comparisons between these two perspectives may provide insight into the long-term impact of short-term financing decisions. The adjustments columns, the Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position and the Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities explain the differences between the two presentations and assist in understanding the differences between these two perspectives.

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 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 \$821,212 at September 30, 2021. Assets amounted to \$906,505 with the investment in capital assets comprising \$696,388 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 84.80% of the total net position. The District also has restricted cash in the amount \$35,911 comprised held in escrow related to future construction. The remaining balance of \$88,913 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 \$821,212 as of September 30, 2021. The following table provides a summary of the District's net position.

**Table I
District's Net Position**

	2021	2020*	% Change
Assets:			
Current Assets	\$ 210,117	\$ 221,835	-5.3%
Capital Assets	696,388	750,901	-7.3%
Total Assets	<u>906,505</u>	<u>972,736</u>	<u>-6.8%</u>
Liabilities:			
Current Liabilities	85,293	109,480	-22.1%
Total Liabilities	<u>85,293</u>	<u>109,480</u>	<u>-22.1%</u>
Net Assets:			
Invested in Capital Assets, net of related debt	696,388	750,901	-7.3%
Restricted	35,911	35,902	0.0%
Unrestricted	88,913	76,453	16.3%
Total Net Position	<u>\$ 821,212</u>	<u>\$ 863,256</u>	<u>-4.9%</u>

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

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

	2021	2020*	% Change
Revenues:			
Taxes/Charges for Services	\$ 407,615	\$ 411,082	-0.8%
Grants and contributions	-	89,561	-100.0%
Interest and other income	1,803	275	555.6%
Total Revenue	<u>409,418</u>	<u>500,918</u>	<u>-18.3%</u>
Expenses:			
Professional fees	370,269	356,041	4.0%
Depreciation	60,081	59,895	0.3%
Other	21,112	29,794	-29.1%
Total Expense	<u>451,462</u>	<u>445,730</u>	<u>1.3%</u>
Increase/(Decrease) in net position	(42,044)	55,188	-176.2%
Net position, beginning	863,256	808,068	6.8%
Net position, ending	<u>\$ 821,212</u>	<u>\$ 863,256</u>	<u>-4.9%</u>

*Certain amounts in the prior year schedules have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

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 the general fund is reflected on the Budgetary Comparison Schedule following the Notes to the Financial Statements on page 17.

OVERALL FINANCIAL POSITION AND RESULTS OF OPERATIONS

As mentioned earlier, expenses exceeded revenues by \$42,044 for the year ended September 30, 2021. The District's unrestricted net position represents approximately three months of operating reserves.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At September 30, 2021, the District had invested \$1,886,760, less accumulated depreciation of \$1,190,372, invested in a broad range of capital assets, including water distribution and sanitary sewer collection systems, buildings, and office equipment. The following table provides a summary of the District's capital assets.

	2021	2020	% Change
Land	\$ 45,227	\$ 45,227	0.00%
Distribution system	150,131	150,998	(0.57%)
Sewer system	376,885	429,834	(12.32%)
Buildings	1,633	2,330	(29.91%)
Work in progress	122,512	122,512	0.00%
Net capital assets	\$ <u>696,388</u>	\$ <u>750,901</u>	<u>(7.26%)</u>

Significant capital additions during the year included purchase and installation of steel tanks. See page 16 for additional information.

Long-term Debt

The District did not have any long-term debt at September 30, 2021.

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, 2021 was prepared assuming revenues of \$396,838 and expenditures of \$373,944. The budgeted expenses do not include a provision for capital outlays or depreciation.

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.

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
STATEMENT OF NET POSITION AND GOVERNMENTAL FUND BALANCE SHEET
SEPTEMBER 30, 2021

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Net Position</u>
Assets			
Current Assets:			
Cash and cash equivalents	107,775	-	107,775
Restricted cash - construction escrow	35,911	-	35,911
Accounts receivable, net	30,997	-	30,997
Taxes receivable	35,434	-	35,434
Total current assets	<u>210,117</u>	<u>-</u>	<u>210,117</u>
Noncurrent Assets:			
Capital assets			
Land	-	45,227	45,227
Other capital assets (net of depreciation)	-	528,649	528,649
Construction in progress	-	122,512	122,512
Total noncurrent assets	<u>-</u>	<u>696,388</u>	<u>696,388</u>
Total Assets	<u>210,117</u>	<u>696,388</u>	<u>906,505</u>
Liabilities			
Current Liabilities:			
Accounts payable	19,480	-	19,480
Accrued liabilities	979	-	979
Meter deposits	28,923	-	28,923
Unearned revenues - construction escrow	35,911	-	35,911
Total current liabilities	<u>85,293</u>	<u>-</u>	<u>85,293</u>
Total Liabilities	<u>85,293</u>	<u>-</u>	<u>85,293</u>
Deferred Inflows of Resources			
Unavailable revenue - property taxes	35,434	(35,434)	-
Total deferred inflows of resources	<u>35,434</u>	<u>(35,434)</u>	<u>-</u>
Fund Balance			
Assigned Fund Balance:			
Assigned for repairs and maintenance	4,583	(4,583)	-
Restricted Fund Balance			
Restricted for future construction	35,911	(35,911)	-
Unassigned fund balance	48,896	(48,896)	-
Total fund balance	<u>89,390</u>	<u>(89,390)</u>	<u>-</u>
Total Liabilities, Deferred Inflows and Fund Balance	<u>210,117</u>		
Net Position			
Net investment in capital assets		696,388	696,388
Restricted		35,911	35,911
Unrestricted		88,913	88,913
Total Net Position		<u>821,212</u>	<u>821,212</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, 2021**

Total fund balance - governmental funds	\$	89,390
<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 \$1,881,192 and the accumulated depreciation was \$1,130,291. The net effect of including beginning balances for capital assets (net of depreciation) in the governmental activities is to increase (decrease) net position.</p>		
		750,901
<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>		
		5,568
<p>The current depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net position.</p>		
		(60,081)
<p>Certain long term assets are not available to pay for current period expenditures, and therefore, are deferred in the governmental funds.</p>		
		35,434
Net position of governmental activities	\$	821,212

See accompanying notes to the financial statements

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
STATEMENT OF ACTIVITIES AND GOVERNMENTAL
FUND REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	General Fund	Adjustments	Statement of Activities
Revenues			
Charges for water service	97,185	-	97,185
Charges for sewer services	218,265	-	218,265
Property taxes	78,973	(4,377)	74,596
Tap and reconnections fees	14,491	-	14,491
Penalties	3,078	-	3,078
Miscellaneous income	1,803	-	1,803
Total Revenues	413,795	(4,377)	409,418
Expenditures			
Purchase and treatment fees	319,269	-	319,269
Tap fees	6,850	-	6,850
Management fees	35,000	-	35,000
Professional fees	16,000	-	16,000
Tax appraisal fees	2,285	-	2,285
Repairs and Maintenance	2,300	-	2,300
Bank fees and return checks	4,699	-	4,699
Capital outlay	5,568	(5,568)	-
Depreciation expense	-	60,081	60,081
Office expense	4,844	-	4,844
Miscellaneous expenses	134	-	134
Total Expenditures	396,949	54,513	451,462
Excess (deficiency) revenues over expenditures	16,846	(58,890)	(42,044)
Fund balances at beginning of period	72,544	790,712	863,256
Fund balances at end of period	89,390	731,822	821,212

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, 2021**

Net change in fund balances - governmental funds	\$ 16,846
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.	5,568
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 year's depreciation is to decrease net position.	(60,081)
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>(4,377)</u>
Change in net position of governmental activities	<u><u>\$ (42,044)</u></u>

See accompanying notes to the financial statements

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying basic financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America as promulgated by the Governmental Accounting Standards Board (GASB). In addition, the accounting records of the District are maintained in accordance with the Water District Financial Management Guide published by the Texas Commission on Environmental Quality.

The District is a political subdivision of local government and was established on June 21, 1966 by an act of the Angelina County Commissioners Court as the result of a petition from local landowners. The District was created under the authority of Article 16, Section 59 of the Texas Constitution as a “conservation and reclamation” district. GASB has established the criteria for determining whether or not an entity is a primary government or a component unit of a primary government. The primary criteria are that it has a separately elected governing body, it is legally separate, and it is fiscally independent of other state and local governments. Under these criteria, the District is considered a primary government and is not a component unit of any other government. Additionally, no other entities meet the criteria for inclusion in the District’s financial statement as component units.

Financial Statement Presentation

These financial statements have been prepared in accordance with GASB Codification of Governmental Accounting and Financial Reporting Standards Part II, Financial Reporting (“GASB Codification”).

The GASB Codification sets forth standards for external financial reporting for all state and local government entities, which include a requirement for a Statement of Net Position and a Statement of Activities. It requires the classification of net position into three components: Net Investment in Capital Assets; Restricted; and Unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets — This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets.

Restricted Position — This component of net position consists of external constraints placed on the use of assets imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulation of other governments or constraints imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Position — This component of net position consists of assets that do not meet the definition of Restricted or Net Investment in Capital Assets.

When both restricted and unrestricted resources are available for use, generally it is the District’s use restricted resources first.

Government-Wide Financial Statements

The Statement of Net Position and the Statement of Activities display information about the District as a whole. The District’s Statement of Net Position and Statement of Activities are combined with the governmental fund financial statements. The District is viewed as a special purpose government and has the option of combining these financial statements.

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

The Statement of Net Position is reported by adjusting the governmental fund types to report on the full accrual basis, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

The Statement of Activities is reported by adjusting the governmental fund types to report only items related to current year revenues and expenditures. Items such as capital outlay are allocated over their estimated useful lives as depreciation expense.

Fund Financial Statements

As discussed above, the District's fund financial statements are combined with the government-wide statements. The fund statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances.

The District reports fund balances for governmental funds in classifications based primarily on the extent to which the entity is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. The nonspendable classification represents assets that will be consumed or maintained intact; and, therefore will never convert to cash, such as inventories of supplies and endowments. Provisions of laws, contracts, and grants specify how fund resources can be used in the restricted classification. The nature of these two classifications precludes a need for a policy from the Board of Directors. However, the Board of Directors has adopted fund balance policies for the three unrestricted classifications: committed, assigned, and unassigned. The District had \$4,583 assigned fund balance at September 31, 2021 for future repairs and maintenance expenses and \$35,911 in restricted fund balance related to future construction projects.

When the District incurs expenditures that can be made from either restricted or unrestricted balances, the expenditures are charged to restricted balances. When the entity incurs expenditures that can be made from either committed, assigned, or unassigned balances, the expenditures are charged to committed, assigned and then unassigned.

Governmental Funds

The District has one governmental fund and considers it to be a major fund.

General Fund - To account for resources not required to be accounted for in another fund, customer service revenues, costs and general expenditures.

Basis of Accounting

The District uses the modified accrual basis of accounting for governmental fund types. The modified accrual basis of accounting recognizes revenues when both "measurable and available." Measurable means the amount can be determined. Available means collectable within the current period or soon enough thereafter to pay current liabilities. The District considers revenue reported in governmental funds to be available if they are collectable within 60 days of year end. Also, under the modified accrual basis of accounting, expenditures are recorded when the related fund liability is incurred, except for principal and interest on long-term debt, which are recognized as expenditures when payment is due.

Property taxes considered available by the District and included in revenue include taxes collected during the year and taxes collected after year-end, which were considered available to defray the expenditures of the current year. Deferred inflows of resources related to property tax revenues are those taxes which the District does not reasonably expect to be collected soon enough in the subsequent period to finance current expenditures.

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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	12-30 years
Office Furniture	5 years
Water & Sewer Systems	5-30 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.

At September 31, 2021, the District had restricted cash in the amount of \$35,911 related to a construction grant from the Texas Water Development Board (TWDB). The grant funds are held in escrow, in the District's name, and will be distributed as reimbursements of qualified construction expenses as they are incurred. The District will recognize the grant revenue in the period that the qualified expenses are incurred and recognized. The District had \$35,911 in unearned revenues at September 30, 2021.

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 \$2,078 at September 30, 2021.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reported period. Accordingly, actual results could differ from those estimates.

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 proposed operating budgets for the fiscal year. The operating budgets include proposed expenditures and the means of financing them.
2. The budgets are approved by the Board and are 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.

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.

ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2021

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.

Reclassifications

Certain accounts in the prior year financial statements have been reclassified for comparative purposes to conform to the presentation in the current year financial statements.

NOTE 2 – DEPOSITS

Deposits

All cash accounts as of September 30, 2021 were maintained in checking and non-interest-bearing demand accounts. The carrying value of cash accounts at September 30, 2021 was \$143,686.

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, 2021, all of the District's \$143,686 deposit balance was covered by federal depository insurance.

NOTE 3 – 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 2020 for the 2020 tax year. Taxes were due on receipt of the tax bill and were delinquent if not paid by January 31, 2021. 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 \$0.50 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, 2021

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended September 30, 2021, was as follows:

	Balance 9/30/2020	Additions/ Transfers	Retirements	Balance 9/30/2021
Capital assets not being depreciated				
Land	45,227	-	-	45,227
Work in progress	122,512	-	-	122,512
Total assets not being depreciated	<u>167,739</u>	<u>-</u>	<u>-</u>	<u>167,739</u>
Capital assets being depreciated				
Water & sewer systems	1,663,734	5,568	-	1,669,302
Buildings	44,359	-	-	44,359
Office equipment	5,360	-	-	5,360
Total assets being depreciated	<u>1,713,453</u>	<u>5,568</u>	<u>-</u>	<u>1,719,021</u>
Less accumulated depreciation	<u>1,130,291</u>	<u>60,081</u>	<u>-</u>	<u>1,190,372</u>
Total net assets being depreciated	<u>583,162</u>	<u>(54,513)</u>	<u>-</u>	<u>528,649</u>
Total net capital assets	<u><u>750,901</u></u>	<u><u>(54,513)</u></u>	<u><u>-</u></u>	<u><u>696,388</u></u>

Depreciation expense for the year ended September 30, 2021 was \$60,081.

NOTE 5 – 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 6 – 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.

NOTE 7 – COVID-19

The COVID-19 pandemic, which was initially declared in 2020, continues to affect the region. As a result, the District temporarily suspended certain fees and penalties related to late or non-payment. During the year ended September 30, 2021, the fees and penalties suspension was terminated. Although the District cannot estimate the length or gravity of the impact of the COVID-19 outbreak at this time, if the pandemic continues, it may have an adverse effect on the District’s results of future operations, financial position, and liquidity.

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REQUIRED SUPPLEMENTARY INFORMATION

**ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Original and Final Budget	Actual	Variance Positive (Negative)
Revenues			
Charges for water service	86,605	97,185	10,580
Charges for sewer services	232,645	218,265	(14,380)
Property taxes	72,033	78,973	6,940
Tap and reconnections fees	3,080	14,491	11,411
Penalties	2,400	3,078	678
Grant revenues	-	-	-
Miscellaneous income	75	1,803	1,728
Total Revenues	396,838	413,795	16,957
Expenditures			
Purchase and treatment fees	316,794	319,269	(2,475)
Tap fees	-	6,850	(6,850)
Management fees	35,000	35,000	-
Professional fees	14,500	16,000	(1,500)
Tax appraisal fees	1,300	2,285	(985)
Repairs and Maintenance	3,000	2,300	700
Bank fees and return checks	250	4,699	(4,449)
Capital outlay	5,000	5,568	(568)
Depreciation expense	-	-	-
Office expense	3,099	4,844	(1,745)
Miscellaneous expenses	-	134	(134)
Total Expenditures	378,943	396,949	(18,006)
Excess (deficiency) revenues over expenditures	17,895	16,846	(1,049)
Fund balances at beginning of period	72,544	72,544	-
Fund balances at end of period	90,439	89,390	(1,049)

See accompanying notes to the financial statements

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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, 2021**

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"	220	180	X 1.0	180
1"	7	4	X 2.5	10
1 1/2"			X 5.0	
2"			X 8.0	
4"			X 25.0	
6"	1	1	X 50.0	50
Total Water	228	185		240
Total Wastewater	318	318	X 1.0	318

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

See accompanying notes to the financial statements

**ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
TSI – 1 SERVICES AND RATES (continued)
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021**

3. Total Water Consumption during the Fiscal Year:

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

Gallons pumped into system:	14,603,347	Water Accountability Ratio:
		(Gallons billed / Gallons pumped)
Gallons flushed from system:	148,097	
Gallons billed to customers:	<u>13,079,442</u>	<u>90.6%</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 EXPENDITURES
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Personnel Expenditures (including benefits)	-
Professional Fees:	370,269
Contracted Services:	
Tax appraisal fees	2,285
Utilities	6,850
Repairs and Maintenance	2,300
Administrative expenditures:	
Director Fees	-
Depreciation	-
Insurance	250
Other	9,427
Debt Service	-
Capital Outlay:	
Capitalized Assets	<u>5,568</u>
Total Expenditures	<u><u>396,949</u></u>

* 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, 2021**

	Ad Valorem Taxes
Taxes Receivable, Beginning of Year	\$ 39,812
2020 Original Tax Levy	73,145
(less adjustments)	<u>(3,420)</u>
Total to be accounted for	109,537
Tax Collections:	
Current Year	66,734
Prior Year	<u>7,369</u>
Total Collections	<u>74,103</u>
 Taxes Receivable, End of Year	 <u>\$ 35,434</u>
 Taxes Receivable by the Years	
2010 and prior	\$ 5,320
2011	1,368
2012	1,760
2013	2,351
2014	2,105
2015	2,727
2016	3,771
2017	2,635
2018	3,255
2019	4,454
2020 (current)	<u>5,688</u>
Taxes Receivable, End of Year	<u>\$ 35,434</u>
 Property Valuations:	 <u>2020</u> 26,721,899
 Maintenance tax rates per \$100 valuation:	 0.500000
 Percent of taxes collected to taxes levied:	 <u>91.24%</u>

See accompanying notes to the financial statements

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ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
TSI-7a COMPARATIVE SCHEDULE OF REVENUES AND EXPENDITURES - GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Amount					Percent of Total Fund Revenue				
	2021	2020	2019	2018	2017	2021	2020	2019	2018	2017
Revenues:										
Interest income	-	-	-	-	24	0.00%	0.00%	0.00%	0.00%	0.01%
Utility sales	333,019	331,798	320,092	289,938	205,584	80.48%	66.15%	77.31%	28.11%	80.08%
Ad valorem taxes	78,973	79,942	78,923	70,634	51,085	19.09%	15.94%	19.06%	6.85%	19.90%
Grant revenue	-	89,561	10,500	595,501	-	0.00%	17.86%	2.54%	57.74%	0.00%
Other revenues	1,803	275	4,535	75,210	30	0.43%	0.05%	1.09%	7.30%	0.01%
Total Revenues	<u>413,795</u>	<u>501,576</u>	<u>414,050</u>	<u>1,031,283</u>	<u>256,723</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Expenses:										
Office expenses	11,977	6,886	7,854	13,496	5,955	2.89%	1.37%	1.90%	1.31%	2.32%
Legal and accounting	16,000	9,000	8,905	23,403	6,250	3.87%	1.79%	2.15%	2.27%	2.43%
Administrative services	319,269	319,124	332,105	219,847	236,500	77.16%	63.62%	80.21%	21.32%	92.12%
Other professional fees	41,850	48,612	30,000	68,800	25,417	10.11%	9.69%	7.25%	6.67%	9.90%
Tax collection/Appraisal fees	2,285	2,212	2,075	1,994	1,116	0.55%	0.44%	0.50%	0.19%	0.43%
Insurance	-	-	-	-	-	0.00%	0.00%	0.00%	0.00%	0.00%
Interest	-	-	-	-	90	0.00%	0.00%	0.00%	0.00%	0.04%
Capital outlay	5,568	124,713	124,799	29,929	-	1.35%	24.86%	30.14%	2.90%	0.00%
Debt service	-	-	-	521,155	3,662	0.00%	0.00%	0.00%	50.53%	1.43%
Total Expenses	<u>396,949</u>	<u>510,547</u>	<u>505,738</u>	<u>878,624</u>	<u>278,990</u>	<u>95.93%</u>	<u>101.77%</u>	<u>122.15%</u>	<u>85.19%</u>	<u>108.67%</u>
Excess Revenues										
Over expenditures	<u>16,846</u>	<u>(8,971)</u>	<u>(91,688)</u>	<u>152,659</u>	<u>(22,267)</u>	<u>4.07%</u>	<u>-1.77%</u>	<u>-22.15%</u>	<u>14.81%</u>	<u>-8.67%</u>
Special Items										
Transfer of operations	-	-	-	-	78,745	0.00%	0.00%	0.00%	0.00%	30.67%
Net Increase (Decrease)										
In Fund Balance	<u>\$ 16,846</u>	<u>\$ (8,971)</u>	<u>\$ (91,688)</u>	<u>\$ 152,659</u>	<u>\$ 56,478</u>	<u>4.07%</u>	<u>-1.79%</u>	<u>-22.14%</u>	<u>14.80%</u>	<u>22.00%</u>

See accompanying notes to the financial statements

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**ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT NO. 1
TSI-8. BOARD MEMBERS, KEY PERSONNEL AND CONSULTANTS
FOR THE FISCAL YEAR ENDED SEPTEMBER 30, 2021
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 9/30/21)</u>	<u>Title at Year End</u>	<u>Resident Of District</u>
Board Members:				
Richard Jones 294 Jerri Street Lufkin, TX 75904	5/20-5/24	\$ -	President	Yes
Belinda Ross P.O. Box 3878 Lufkin, TX 75903	5/20-5/24	\$ -	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
Vacant at 9/30/2021	N/A	\$ -	N/A	N/A
Consultants:				
Axley & Rode, LLP P.O. Box 1388 Lufkin, TX 75902	N/A	\$ 5,000	Auditor	No
Angelina & Neches River Authority 2901 N. John Redditt Drive Lufkin, TX 75904	N/A	\$354,270	Management Operations & Maintenance	No

See accompanying notes to the financial statements

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