

**ANGELINA & NECHES  
RIVER AUTHORITY**

**ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED**

**AUGUST 31, 2017**



ANGELINA & NECHES RIVER AUTHORITY  
ANNUAL FINANCIAL REPORT FOR THE YEARS ENDED  
AUGUST 31, 2017

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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 Directors  
Angelina & Neches River Authority  
Lufkin, Texas

### **Report on the Financial Statements**

We have audited the accompanying financial statements of Angelina & Neches River Authority (the "Authority") which comprise the statement of net position as of August 31, 2017, and the related statement of revenues, expenditures, and changes in net position, and statement of cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents. The financial statements of the Authority as of August 31, 2016 and for the year then ended were audited by other auditors whose report dated December 1, 2016 expressed an unmodified opinion on these statements.

### ***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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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.



***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the activities of the Angelina & Neches River Authority, as of August 31, 2017, and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Other Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4-7 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 Authority's basic financial statements. The combining statements, Texas supplementary information and other information sections are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining statements, Texas supplementary information and the schedule of expenditures of federal awards are the responsibility of management and were 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 combining statements, Texas supplementary information and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

The other information section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.



**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 11, 2017, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

*Goff & Herrington, P.C.*  
GOFF & HERRINGTON, P.C.  
Certified Public Accountants

November 11, 2017

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Our discussion and analysis of the Angelina & Neches River Authority's (the Authority) financial performance provides an overview of the Authority's financial activities for the year ended August 31, 2017. This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements, which have the following components: (1) management's discussion and analysis (MD&A), (2) basic financial statements, (3) notes to the financial statements, (4) required supplementary schedules and (5) other supplemental schedules. Please read it in conjunction with the Authority's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

At August 31, 2017, the Authority's total combined net position was \$6,926,601. During the year, the Authority had operating revenues of \$2,627,317, operating expenses of \$2,314,955 and net non-operating revenues of \$2,506,350, resulting in a combined increase in net position of \$2,818,712 for the year ended August 31, 2017.

The Authority's total cash and investments decreased \$2,908,343 from the previous year largely due to the significant funds spent on capital improvement projects.

The Authority's fixed assets (net of accumulated depreciation) increased \$3,255,248.

### OVERVIEW OF THE FINANCIAL STATEMENTS

The MD&A is intended to serve as an introduction to the basic financial statements of the Authority. The basic financial statements are comprised of two components: 1) basic financial statements, and 2) notes to the financial statements. This report also contains other required supplementary information (RSI) in addition to the basic financial statements and additional supplemental schedules.

#### **Basic Financial Statements**

The basic financial statements include the Statements of Net Position, the Statements of Revenues, Expenditures, and Changes in Net Position, and the Statements of Cash Flows that present information for the Authority as a whole and provide an indication of the Authority's financial health. The financial statements are presented as a single Enterprise Fund using the accrual basis of accounting.

The Statements of Net Position report the current and noncurrent assets and liabilities for the Authority as well as delineating the restricted assets from assets to be used for general purposes. The Statements of Revenue, Expenditures, and Changes in Net Position report all of the revenues and expenses during the time periods indicated. The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and cash payments for repayment of bonds and capital additions.

The Authority, as of August 31, 2017, has five funds – ANRA Operations, Holmwood Utilities, Lake Columbia Preconstruction, Neches Compost Facility and North Angelina County Regional Wastewater Facility. All of these funds together comprise the Basic Financial Statements and none of the funds independently depend on governmental funds as a major source of revenue. Therefore, all of the funds are presented in a combined financial statement. The supplemental schedules portion of the report includes a Statement of Net Assets, Statement of Revenue, Expenditures, and Changes in Net Position and Statement of Cash Flows by fund.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The Authority's combined net position was \$6,926,601 as of August 31, 2017. The following table provides a summary of the Authority's net position.

**Table I  
Authority's Net Position**

	2017	2016	% Change
<b>Assets:</b>			
Current Assets	\$ 2,891,394	\$ 5,921,238	-51.2%
Capital Assets, net	12,747,864	9,492,616	34.3%
Total Assets	<u>15,639,258</u>	<u>15,413,854</u>	1.5%
<b>Liabilities:</b>			
Current Liabilities	919,875	499,635	84.1%
Long-term Debt	7,625,402	7,925,650	-3.8%
Total Liabilities	<u>8,545,277</u>	<u>8,425,285</u>	1.4%
<b>Deferred Inflows of Resources:</b>			
Loan forgiveness - TWDB	167,380	2,880,680	-94.2%
Total deferred inflows	<u>167,380</u>	<u>2,880,680</u>	-94.2%
<b>Net Position:</b>			
Invested in Capital Assets, net of related debt	5,310,097	1,761,971	201.4%
Restricted	2,109,880	4,758,169	-55.7%
Unrestricted	(493,376)	(2,412,251)	-79.5%
Total Net Position	<u>\$ 6,926,601</u>	<u>\$ 4,107,889</u>	68.6%

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

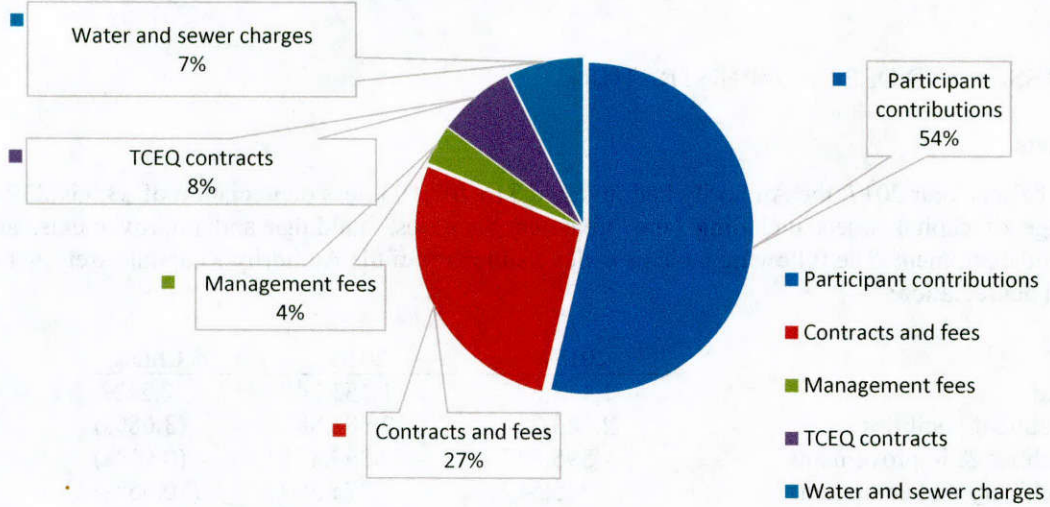
**Table II  
Change in Authority's Net Position**

	2017	2016	% Change
<b>Revenues:</b>			
Charges for Services	\$ 2,627,317	\$ 2,668,006	-1.5%
Investment income	26,275	15,819	66.1%
Other income - loan forgiveness	2,713,300	655,833	313.7%
Other income	25,932	-	100.0%
Total Revenue	<u>5,392,824</u>	<u>3,339,658</u>	61.5%
<b>Expenses:</b>			
General services	1,485,962	1,505,175	-1.3%
Holmwood Utility	93,078	102,607	-9.3%
Lake Columbia	126,528	153,209	-17.4%
North Angelina County RWF	359,797	472,451	-23.8%
Neches Composting	508,747	444,622	14.4%
Total Expense	<u>2,574,112</u>	<u>2,678,064</u>	-3.9%
Change in net position	2,818,712	661,594	326.0%
Beginning net position	4,107,889	3,446,295	19.2%
Ending net position	<u>\$ 6,926,601</u>	<u>\$ 4,107,889</u>	68.6%

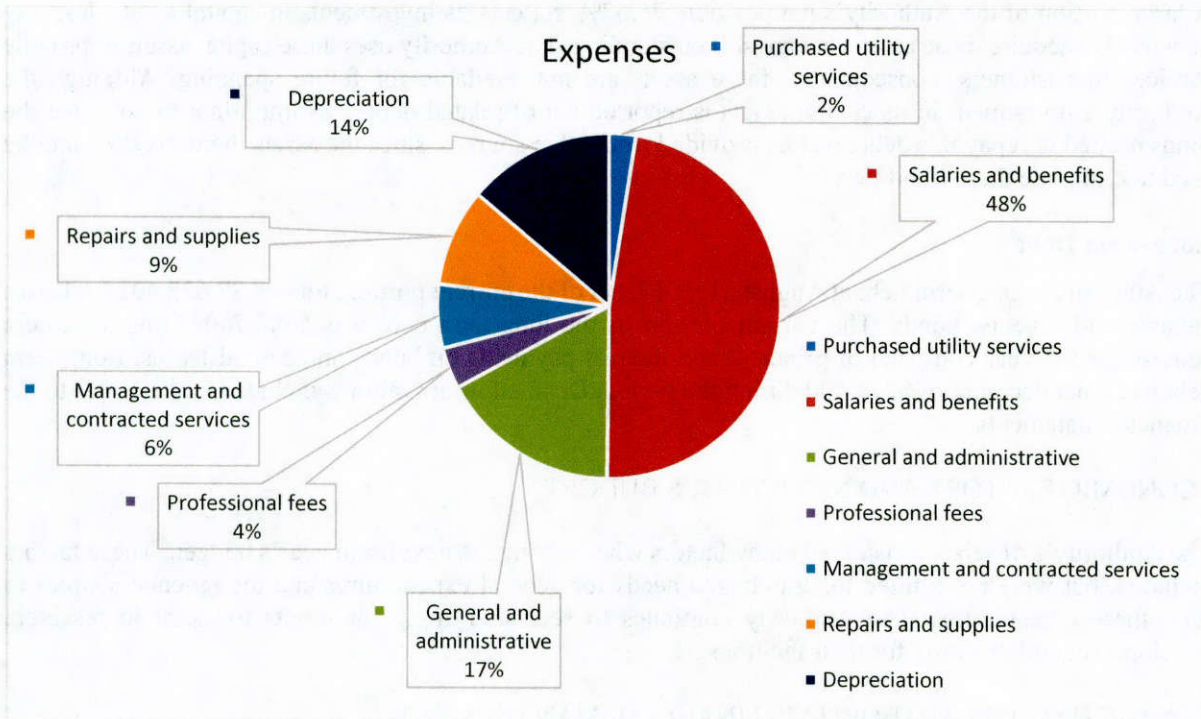
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

The charts below represents the Authority's revenues by source and expenditures by type:

**Revenues - by Source**



**Expenses**





## MANAGEMENT'S DISCUSSION AND ANALYSIS

### BUDGETARY HIGHLIGHTS

The Board of Directors did not make any changes to the budget during the year. The analysis of the budget is reflected on the Budgetary Comparison Schedules following the Notes to the Financial Statements on page 20.

### CAPITAL ASSET AND DEBT ADMINISTRATION

#### Capital Assets

At the end of fiscal year 2017, the Authority had invested \$16,707,103, less depreciation of \$3,959,239 in a broad range of capital assets including land, treatment facilities, buildings and improvements, and machinery and equipment. The following table provides a summary of the Authority's capital assets, net of accumulated depreciation:

	2017	2016	% Change
Land	1,178,695	1,153,249	2.21%
Treatment Facilities	2,583,224	2,681,880	(3.68%)
Facilities & improvements	395,847	399,475	(0.91%)
Machinery and equipment	245,549	274,509	(10.55%)
Construction in progress	8,344,549	4,983,503	67.44%
Net capital assets	12,747,864	9,492,616	34.29%

A large portion of the Authority's net position, 76.67%, reflects its investments in capital assets, less any debt used to acquire those assets that are still outstanding. The Authority uses these capital assets to provide services to customers; consequently, these assets are not available for future spending. Although the Authority's investment in its capital assets is reported net of related debt, it is important to note that the funds needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to eliminate these liabilities.

#### Long-term Debt

The Authority's long-term debt at August 31, 2017, net of the current portion, totaled \$7,625,402 for leases payable and revenue bonds. The current portion of the long-term debt was \$340,740. Long-term debt activity for the year consisted of principal and interest payments on bonds and capital leases. Long term debt had a net decrease of \$274,400 during the period. Detailed information is included in the Notes to the Financial Statements.

### ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The Authority's officials considered many factors when setting the next fiscal year's budget. These factors included, but were not limited to, anticipated needs for general expenditures and the revenue sources to fund these expenditures. The Authority continues to seek and apply for grants to assist in research, development and planning for their facilities.

### CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the Authority's finances and show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Authority's General Manager, Kelley Holcomb, (936) 633-7543.



**ANGELINA & NECHES RIVER AUTHORITY**  
**STATEMENT OF NET POSITION**  
**AUGUST 31, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
<b>ASSETS</b>		
<b>Current Assets:</b>		
Cash and cash equivalents	\$ 638,444	\$ 898,498
Restricted cash and cash equivalents	2,109,880	4,758,169
Accounts Receivable, net	143,070	264,571
Total current assets	2,891,394	5,921,238
<b>Capital Assets:</b>		
Land	1,178,695	1,145,208
Other capital assets, net of depreciation	11,569,169	8,347,408
Total capital assets	12,747,864	9,492,616
Total Assets	15,639,258	15,413,854
<b>LIABILITIES</b>		
<b>Current Liabilities:</b>		
Accounts payable	485,298	65,812
Compensated absences	30,301	29,787
Accrued interest payable	63,536	89,144
Bonds and leases payable - current	340,740	314,892
Total current liabilities	919,875	499,635
<b>Long-term Liabilities:</b>		
Deferred interest	591,911	599,059
Bond and leases payable - noncurrent	7,033,491	7,326,591
Total long-term liabilities	7,625,402	7,925,650
Total Liabilities	8,545,277	8,425,285
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Loan forgiveness - TWDB	167,380	2,880,680
Total deferred inflows of resources	167,380	2,880,680
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	5,310,097	1,761,971
Restricted for debt service	175,648	151,572
Restricted for construction	1,934,232	4,606,597
Unrestricted	(493,376)	(2,412,251)
Total Net Position	\$ 6,926,601	\$ 4,107,889

The accompanying notes are an integral part of the financial statements.

**ANGELINA & NECHES RIVER AUTHORITY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION**  
**FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016**

	2017	2016
<b>Operating Revenues:</b>		
Participant contributions	\$ 1,410,052	\$ 1,193,425
Contracts and fees	723,657	810,223
Management fees	99,145	92,957
TCEQ contracts	200,243	372,214
Water and sewer charges	194,220	199,187
<b>Total Operating Revenues</b>	<b>2,627,317</b>	<b>2,668,006</b>
 <b>Operating Expenditures:</b>		
Purchased utility services	58,208	67,384
Salaries and benefits	1,101,718	929,264
General and administrative	393,471	497,093
Professional fees	89,418	106,623
Management and contracted services	137,953	264,560
Repairs and supplies	211,175	213,414
Depreciation	323,012	318,905
<b>Total Expenditures</b>	<b>2,314,955</b>	<b>2,397,243</b>
Excess (deficiency) revenues over expenditures	312,362	270,763
 <b>Non-operating Revenues (Expenditures):</b>		
Investment income	26,275	15,819
Interest expense	(259,157)	(280,821)
Other income - loan forgiveness	2,713,300	655,833
Other non-operating revenues (expenditures)	25,932	-
Total other financing sources (uses)	2,506,350	390,831
Net change in fund balance	2,818,712	661,594
Net position, beginning	4,107,889	3,446,295
Net position, ending	\$ 6,926,601	\$ 4,107,889

The accompanying notes are an integral part of the financial statements.

**ANGELINA & NECHES RIVER AUTHORITY**  
**STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016**

	<b>2017</b>	<b>2016</b>
Cash Flows from Operation Activities:		
Cash received from customers	\$ 2,748,841	\$ 2,511,450
Cash paid to suppliers	(870,595)	(1,172,851)
Cash paid to employees	(1,101,204)	(917,829)
Net cash provided by operating activities	777,042	420,770
Cash Flows from Capital and Related Financing Activities:		
Purchase of capital assets	(3,178,410)	(722,837)
Debt proceeds	53,691	5,326,914
Principal payments on long-term debt	(329,230)	(350,681)
Interest paid on long-term debt	(283,643)	(245,504)
Net cash (used) provided by capital and related financing activities:	(3,737,592)	4,007,892
Cash Flows from Investing Activities:		
Interest from investments	26,275	15,819
Other income	25,932	-
Net cash provided by capital and related financing activities:	52,207	15,819
Net increase (decrease) in cash and cash equivalents	(2,908,343)	4,444,481
Cash and cash equivalents, beginning of period	5,656,667	1,212,186
Cash and cash equivalents, end of period	\$ 2,748,324	\$ 5,656,667
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	\$ 312,362	\$ 270,763
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation	323,012	318,905
Changes in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	121,524	(124,180)
Increase (Decrease) in:		
Accounts payable	19,630	(53,101)
Accrued liabilities	514	8,383
Net cash provided by operating activities	\$ 777,042	\$ 420,770
Non-Cash Financing Activities:		
Loan forgiveness	2,713,300	655,833
Net non-cash financing activities:	2,713,300	655,833

The accompanying notes are an integral part of the financial statements.

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**ANGELINA & NECHES RIVER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Angelina & Neches River Authority (the “Authority”) have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority applies all GASB pronouncements. The more significant of the Authority’s accounting policies are described below.

Reporting Entity

The Authority (formerly the Sabine-Neches Conservation District and the Neches River Conservation District) was created as a governmental agency to construct, maintain, and operate, in the valley of the Neches River and its tributaries, all works essential to the control, storage, preservation, and distribution to all useful purposes of water in the Neches River - (Article 8280-108, Vernon’s Texas Civil Statutes, amended in 1977 by an Act of the Legislature of the State of Texas). The Authority is governed by a nine-member board appointed by the Governor of Texas to six year terms. The Directors are residents of the Neches River basin and one third of the Board is appointed every two years. The board sets policy, provides oversight, and employs a General Manager.

Management has determined that there are no other entities that meet the criteria for inclusion in the Authority’s reporting entity. The Authority is a separate self-supporting governmental unit with no taxing powers covering all or a portion of the counties in the Neches Basin. The Authority is not included in any other governmental reporting entity. The Authority is in compliance with the requirements of Texas Water Codes 49.191, Duty to Audit, and 49.199, Policies and Audits of Districts.

Fund Financial Statements

GASB 34 requires special purpose governments engaged only in business-type activities to present only the financial statements required for Enterprise Funds. For these governments, basic financial statements and required supplementary information consist of a Management’s Discussion and Analysis (“MD&A”), Enterprise Fund financial statements, notes to financial statements and required supplementary information other than MD&A, if applicable. Required fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenditures and Changes in Net Position, and a Statement of Cash Flows.

Basis of Accounting and Financial Statement Presentation

The Authority’s basic financial statements are presented as a single Enterprise Fund. This Enterprise Fund accounts for the acquisition, operation and maintenance of the Authority’s facilities and services 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 Enterprise 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.

**ANGELINA & NECHES RIVER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2017**

The Authority distinguishes between operating and non-operating revenues and expenses consistently with the criteria used to identify cash flows from operating activities in the Statement of Cash Flows. Generally, the Authority classifies revenues generated from water sales, wastewater treatment services, and related activities and services as operating revenues. Operation and maintenance and depreciation are classified as operating expenses. All other income and expenses, including investment income, interest expense, gain/loss on the sale of capital assets and impairment loss are considered non-operating activity.

Cash and Cash Equivalents

Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and so near maturity that there is no significant risk of changes in value due to changes in interest rates. Cash equivalents include investments with original maturities of three months or less. Cash equivalents are stated at cost which approximates fair value.

Investments

Investments with quoted fair values are carried at the reported sales price on the last day of the Authority's year and are recorded at fair value in the balance sheet. Certificates of deposit are stated at cost due to their short-term maturities. All investments, financial disclosures, quarterly reporting, and annual adoption are compliant with Texas Government Code, Title 10, Chapter 2256 (the Public Funds Investment Act).

Accounts Receivable:

The Authority uses the direct charge off method to account for bad debts, directly expensing receivables which management deems uncollectible, or realizable at less than full value. This method provides results similar to the reserve method in all material respects. The Authority considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is recorded.

Fixed Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., water lines, sewer lines, and storm sewer), are reported in the financial statements. Moveable capital assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years are capitalized. Plant and property with a cost of greater than \$25,000 are capitalized. Donated assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects when constructed. Interest costs incurred in connection with the construction of capital assets are not capitalized when the effects of capitalization materially impact the financial statements due to the uncertainty of the Lake Columbia project. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful years:

Vehicle	5 years
Equipment	10-20 years
Treatment facilities	20-30 years



**ANGELINA & NECHES RIVER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2017**

Restricted Assets

The restricted assets consist of bond reserve funds and sinking funds on various revenue bonds and funds designated by the Board of Directors. The bond reserve and sinking funds are segregated as required by certain bond indentures.

Sick Leave and Vacation

The Authority allows employees to accumulate sick leave. Pursuant to Governmental Accounting Standards Board pronouncements, the Authority does not accrue sick leave rights since these rights are nonvesting. The Authority does accrue vacation benefits in its financial statements in accordance with generally accepted accounting principles.

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 Authority prepares a budget in accordance with The Water Code, Chapter 49, Subchapter G, and Section 49.199 for use in planning and controlling costs. The budget and any changes are approved by the Board of Directors.

The budget is adopted on a basis consistent with generally accepted accounting principles. The General Manager is authorized by the Board to transfer budgeted amounts between accounts, but any revisions that alter the total Expenses must be approved by the Board. Appropriate sections of the budget are approved by Neches Compost Facility Management Committee, which has limited authority, prior to final approval of the Authority Board of Directors.

Net Position

Net position represents the difference between assets/deferred outflows and liabilities/deferred inflows. 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 Authority 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 Authority's policy to use restricted resources first and then unrestricted resources as they are needed.

**ANGELINA & NECHES RIVER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2017**

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The Authority secured federal funds as part of a Loan Forgiveness program which is reflected as deferred inflows of resources.

Subsequent Events

The Authority has evaluated subsequent events as of November 11, 2017 the date the financial statements were available to be issued.

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 AND INVESTMENTS

*Investment Policies.* Applicable state laws and regulations allow the Authority to invest its funds in direct or indirect obligations of the United States, the state, or any county, city, school district, or other political subdivision of the state. Funds may also be placed in certificates of deposit of state or national banks or savings and loan associations (depository institutions) domiciled within the state. Related state statutes and provisions included in the Authority's bond resolutions require that all funds invested in depository institutions be guaranteed by federal depository insurance and/or be secured in the manner provided by law for the security of public funds.

*Interest Rate Risk.* This is the risk that changes in the interest rates will adversely affect the fair value of the Authority's investments. The Authority's cash and cash equivalents are currently invested in short-term instruments such as money market funds and an interest-bearing checking account. The Authority was not exposed to interest rate risk at August 31, 2017.

*Custodial Credit Risk – Deposits.* In the case of deposits, there is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of August 31, 2017, all of the Authority's \$2,748,324 deposit balance was collateralized with securities held by the pledging financial institution.

**ANGELINA & NECHES RIVER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2017**

**NOTE 3 – CAPITAL ASSETS**

Capital asset activity for the year ended August 31, 2017, was as follows:

	Balance 8/31/2016	Additions	Deletions	Balance 8/31/2017
Capital assets not being depreciated				
Land	\$1,153,249	25,447	-	1,178,696
Treatment facilities	4,625,681	77,299	-	4,702,980
Machinery and equipment	1,628,428	114,468	-	1,742,896
Facilities & improvements	737,982	-	-	737,982
Construction in progress	4,983,503	3,361,046	-	8,344,549
Total assets at cost	<u>13,128,843</u>	<u>3,578,260</u>	<u>-</u>	<u>16,707,103</u>
Less accumulated depreciation	<u>(3,636,227)</u>	<u>(323,012)</u>	<u>-</u>	<u>(3,959,239)</u>
Total net capital assets	<u>\$9,492,616</u>	<u>3,255,248</u>	<u>-</u>	<u>\$12,747,864</u>

**NOTE 4 – LONG-TERM LIABILITIES**

The following is a summary of changes in the Authority's long-term liabilities for the year ended August 31, 2017:

Fund	Issue Date	Original Amount	Balance 8/31/16	Additions	Retirements	Balance 8/31/2017	Current Portion
<b>Leases Payable</b>							
ANRA	2013	\$142,027	\$74,353	\$53,691	(\$29,367)	\$98,677	\$32,864
Neches Compost	2008	260,000	145,730	-	(18,176)	127,554	17,876
		<u>402,027</u>	<u>220,083</u>	<u>53,691</u>	<u>(47,543)</u>	<u>226,231</u>	<u>50,740</u>
<b>Revenue Bonds</b>							
ANRA Ops	2015	590,000	590,000	-	(5,000)	585,000	5,000
Holmwood	2012	510,000	400,000	-	(30,000)	370,000	30,000
Lake Columbia	2005	230,000	230,000	-	-	230,000	-
Deferred Interest	2005	67,884	67,884	-	(9,698)	58,186	-
Lake Columbia	2009	734,000	734,000	-	-	734,000	-
Deferred Interest	2005	1,429,100	264,315	40,664	-	304,979	-
Lake Columbia	2005	800,000	800,000	-	-	800,000	-
Deferred Interest	2005	266,860	266,860	-	(38,114)	228,746	-
North Angelina Co.	2012	2,240,000	2,240,000	-	(170,000)	2,070,000	175,000
North Angelina Co.	2014	205,000	185,000	-	(20,000)	165,000	20,000
North Angelina Co.	2016	1,820,000	1,820,000	-	-	1,820,000	10,000
Neches Compost	2014	446,900	366,400	-	(42,100)	324,300	43,400
Neches Compost	2014	67,500	56,000	-	(6,300)	49,700	6,600
Total Bonds		<u>9,407,244</u>	<u>8,020,459</u>	<u>40,664</u>	<u>(321,212)</u>	<u>7,739,911</u>	<u>290,000</u>
Total Debt		<u>\$9,809,271</u>	<u>\$8,240,542</u>	<u>\$94,355</u>	<u>(\$368,755)</u>	<u>\$7,966,142</u>	<u>\$340,740</u>

**ANGELINA & NECHES RIVER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2017**

NOTE 4 – LONG-TERM LIABILITIES (continued)

Future payments on bonds are as follows (excludes deferred interest and loan forgiveness):

Year Ending August 31,	Bonds Payable			
	Principal	Interest	Deferred	Total
2018	\$290,000	\$252,569	\$47,812	\$590,381
2019	300,400	243,719	47,812	591,931
2020	310,800	234,195	47,812	592,807
2021	318,600	224,295	47,812	590,707
2022	340,400	213,887	47,812	602,099
2023-2027	2,085,800	720,061	47,872	2,853,673
2028-2032	938,000	383,301	-	1,321,301
2033-2037	835,000	229,205	-	1,064,205
2038-2042	575,000	82,518	-	657,518
2043-2047	1,154,000	730,709	304,979	2,189,688
Total	\$7,148,000	\$3,314,459	\$591,911	\$11,054,370

Revenue bonds at year end were comprised of the following debt issues:

Description	Interest Rate	Balance at 8/31/2017
General Improvement Project Revenue Bond, Series 2015 (ANRA)	3.52%	\$585,000
Revenue Bonds, Series 2012 (Holmwood Utilities)	3.47%	370,000
Revenue Bonds, Series 2005 (Lake Columbia)	5.68%-5.83%	288,186
Revenue Bonds, Series 2005 (Lake Columbia)	5.68%-5.83%	1,038,979
Revenue Bonds, Series 2005 (Lake Columbia - TWDB)	5.40%	1,028,746
Revenue Bonds, Series 2012 (North Angelina County)	4.15%-4.65%	2,070,000
Revenue Bonds, Series 2014 (North Angelina County)	0.00%-2.05%	165,000
Revenue Bonds, Series 2016 (North Angelina County)	0.00%-2.36%	1,820,000
Revenue Refunding Bonds, Series 2014 (Neches Compost- Tax Exempt)	3.05%	324,300
Revenue Refunding Bonds, Series 2014 (Neches Compost- Taxable)	5.50%	49,700
		\$7,739,911

The Authority secured debt from Texas Water Development Board in connection with a wastewater system improvements project. The total loan is \$1,820,000 and \$3,176,250 from the Clean Water State Revolving Fund (CWSRF). \$3,176,250 is in the form of loan forgiveness and \$1,820,000 is in the form of revenue bonds as indicated in the above schedule.

The Authority is obligated to maintain Interest and Sinking Fund accounts for all Texas Water Development Board bonds and is in compliance with those bond covenant mandates. These amounts are reflected as restricted cash on the Statement of Net Position.

**ANGELINA & NECHES RIVER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2017**

NOTE 4 – LONG-TERM LIABILITIES (continued)

Future payments under capital leases are as follows:

Year Ending August 31,	Principal	Interest	Total
2018	\$50,740	\$10,626	\$61,366
2019	46,083	8,300	54,383
2020	45,938	6,002	51,940
2021	36,055	3,891	39,946
2022	29,032	2,044	31,076
Thereafter	18,383	430	18,813
Total	<u>\$226,231</u>	<u>\$31,293</u>	<u>\$257,524</u>

NOTE 5 – RISK MANAGEMENT

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the Authority carries commercial insurance. The Authority has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the past three fiscal years.

NOTE 6 – EMPLOYEE BENEFIT PLANS

*Defined Contribution Pension Plan.* The Authority provides pension benefits for all of its eligible employees through the Angelina & Neches River Authority Profit Sharing Plan (the "Plan"), a defined contribution plan. The effective date of the plan was September 1, 1992 and the Plan begins on September 1 and ends on August 31. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Plan is a qualified pension plan under Section 401(a) of the Internal Revenue Code with First Bank & Trust of East Texas serving as the Plan Administrator.

The Plan provides that the Authority make a contribution. The Authority contributed \$21,500 to the Plan for the year ended August 31, 2017. The Authority's contributions will be allocated to the Profit Sharing Contribution Account of each eligible participant on behalf of which the contribution has been made. The Authority's contributions for each employee (and investment earnings allocated to the employee's account) are partially vested after two (2) years and fully vested after six (6) years of service. The Authority began monthly contributions to this fund of 3% of eligible employees' salary in June 2000. The Authority's contributions for investment earnings forfeited by employees who leave employment before six (6) years of service will be used first, when required, to restore forfeited account balances for reemployed participants and any remaining amounts will be added to the employer's profit sharing contribution for the Plan Year in which the forfeiture occurred.

**ANGELINA & NECHES RIVER AUTHORITY  
NOTES TO THE FINANCIAL STATEMENTS  
AUGUST 31, 2017**

Total Assets in the plan at August 31, 2017 are \$216,188. The asset allocation breakdown is as follows:

<u>Fund</u>	<u>Percent Invested</u>	<u>Fund Balance</u>
Federated Government Obligations	2.53%	\$5,477
Certificates of Deposit	23.79%	51,423
U.S. Government Agencies	5.97%	12,917
Dodge & Cox Income Fund	4.05%	8,751
Federated Government Income	2.03%	4,399
USAA Short-term Bond Fund	1.33%	2,868
Vanguard Bond Index Fund	4.23%	9,147
Vanguard Inter-term	4.96%	10,726
Vanguard Short-term	2.45%	5,288
Dodge & Cox Funds	1.48%	3,204
Fidelity Contrafund Income	3.56%	7,702
Fidelity Mt Vernon	5.05%	10,927
T. Rowe Price Midcap Fund	3.49%	7,552
Vanguard World Fund International	2.55%	5,523
Vanguard Small Cap Growth Fund	5.81%	12,554
Vanguard Emerging Market Fund	2.00%	4,326
Vanguard Extended Market Fund	6.07%	13,121
Vanguard 500 Index Fund	18.63%	40,283
Total – All Funds		<u>\$216,188</u>

*Deferred Compensation Plan.* The Authority maintains a deferred compensation plan, which is available to all employees. The plan complies with Section 457 of the Internal Revenue Code (Deferred Compensation Plans with Respect to Service for State and Local Governments). ICMA RC is the independent administrator of the plan. The plan consists solely of employee contributions which are tax deferred. The total contributions to the plan during the years ended August 31, 2017 and 2016 were \$3,347 and \$5,045, respectively. Payments are made to Vantage Point Transfer Agents.

**NOTE 7 – ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT No. 1**

The Authority serves as the manager and operator for Angelina County Fresh Water Supply District No. 1 (the "District"). As the manager and operator, the Authority bills and receives payments for all water and sewer charges of the District and deposits them into the bank account of the District. This bank account and receivables are assets of the District, a legally separate entity from ANRA. However, the Authority maintains the financial records of the District's utility operations. In addition, the District has the sole responsibility for rate setting as it applies to the District. The original contract between the Authority and the District is in place for an initial term of ten years, with additional ten year renewal options up to a total of 100 years. On August 13, 2013, the contract was amended to include provisions which require the Authority to expand and construct the water and sewer systems necessary to serve the District's service area, to convert the 100-year term to a perpetual right to use the system, and to appoint the Authority to be the District's agent. The Authority 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. The Authority will also be responsible for all the costs and expenses of operating and maintaining the facilities during the contract term.



**ANGELINA & NECHES RIVER AUTHORITY**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**AUGUST 31, 2017**

NOTE 8 – COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from granting agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts of expenditures which may be disallowed by the grantor cannot be determined at this time although the Authority expects such amounts, if any, to be immaterial. The Authority is subject to various other claims and lawsuits which may arise in the ordinary course of business. After consulting with counsel representing the Authority in connection with such claims and lawsuits, it is the opinion of management and counsel that the disposition or ultimate determination of such claims and lawsuits will not have a material effect on the financial position of the Authority. No claim liabilities are reported at year end. The Authority has incurred expenses in connection with the Lake Columbia project, however the amount is not due and payable until the completion of the project and after the expenses are approved by the Texas Water Development Board.

NOTE 9 – LOAN FORGIVENESS

Loans forgiveness during the year consists of the following:

Fund	Balance 8/31/2016	Additions	Forgiveness	Balance 8/31/2017
TWDB 2014	\$ 4,430	-	4,430	\$ -
TWDB 2015	2,876,250	-	2,708,870	167,380
	<u>\$2,880,680</u>	-	<u>2,713,300</u>	<u>\$167,380</u>

The Texas Water Development Board (TWDB) made a commitment to provide financial assistance to the Authority in the form of a loan in an amount not to exceed \$4,996,250 for the construction of a project and to provide a subsidy in the form of loan forgiveness to the Authority in an amount not to exceed \$3,176,250 as Loan Forgiveness Funds without the expectation of repayment. The table below details those funds:

Loan (reflected as debt on the Statement of Net Position)	\$1,820,000
Loan Forgiveness (reflected as deferred inflows of resources)	167,380
	<u>\$1,987,380</u>

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SUPPLEMENTARY INFORMATION



**ANGELINA & NECHES RIVER AUTHORITY  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED AUGUST 31, 2017**

	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
<b>Operating Revenues:</b>			
Participant contributions	\$ 1,350,015	\$ 1,410,052	\$ 60,037
Contracts and fees	569,893	723,657	153,764
Management fees	25,000	99,145	74,145
TCEQ contracts	212,347	200,243	(12,104)
Water and sewer charges	197,414	194,220	(3,194)
<b>Total Operating Revenues</b>	<u>2,354,669</u>	<u>2,627,317</u>	<u>272,648</u>
<b>Operating Expenditures:</b>			
Purchased utility services	70,415	58,208	12,207
Salaries and benefits	1,122,469	1,101,718	20,751
General and administrative	511,136	393,471	117,665
Professional fees	109,095	89,418	19,677
Management and contracted services	143,632	137,953	5,679
Repairs and supplies	238,074	211,175	26,899
Depreciation	-	323,012	(323,012)
<b>Total Expenditures</b>	<u>2,194,821</u>	<u>2,314,955</u>	<u>(120,134)</u>
Excess (deficiency) revenues over expenditures	<u>159,848</u>	<u>312,362</u>	<u>152,514</u>
<b>Non-operating Revenues (Expenditures):</b>			
Investment income	1,901	26,275	24,374
Interest expense	(228,057)	(259,157)	(31,100)
Other income - loan forgiveness	-	2,713,300	2,713,300
Other non-operating revenues (expenditures)	3,120	25,932	22,812
<b>Total other financing sources (uses)</b>	<u>(223,036)</u>	<u>2,506,350</u>	<u>2,729,386</u>
Net change in fund balance	(63,188)	2,818,712	2,881,900
Net position, beginning	4,107,889	4,107,889	-
Net position, ending	<u>\$ 4,044,701</u>	<u>\$ 6,926,601</u>	<u>2,881,900</u>

**ANGELINA & NECHES RIVER AUTHORITY**  
**STATEMENT OF NET POSTION - BY FUND**  
**AUGUST 31, 2017 AND 2016**

	<u>ANRA Operations</u>	<u>Holmwood Utilities</u>	<u>Lake Columbia</u>
<b>ASSETS</b>			
<b>Current Assets:</b>			
Cash and cash equivalents	\$ 23,700	\$ 15,652	\$ 3,650
Restricted cash and cash equivalents	5,131	18,354	-
Accounts Receivable, net	114,319	16,809	-
Interfund receivables	316,934	-	-
Total current assets	<u>460,084</u>	<u>50,815</u>	<u>3,650</u>
<b>Capital Assets:</b>			
Land	555,040	1,483	-
Other capital assets, net of depreciation	284,590	339,240	4,983,503
Total capital assets	<u>839,630</u>	<u>340,723</u>	<u>4,983,503</u>
 Total Assets	 <u>1,299,714</u>	 <u>391,538</u>	 <u>4,987,153</u>
<b>LIABILITIES</b>			
<b>Current Liabilities:</b>			
Accounts payable	4,800	14,428	-
Interfund payables	-	8,428	268,048
Compensated absences	24,656	-	-
Accrued interest payable	-	5,426	8,284
Bonds and leases payable - current	37,864	30,000	-
Total current liabilities	<u>67,320</u>	<u>58,282</u>	<u>276,332</u>
<b>Long-term Liabilities:</b>			
Deferred interest	-	-	591,911
Bond and leases payable - noncurrent	645,813	340,000	1,764,000
Total long-term liabilities	<u>645,813</u>	<u>340,000</u>	<u>2,355,911</u>
 Total Liabilities	 <u>713,133</u>	 <u>398,282</u>	 <u>2,632,243</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Loan forgiveness - TWDB	-	-	-
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
<b>NET POSITION</b>			
Invested in capital assets, net of related debt	155,953	(34,703)	3,211,219
Restricted for debt service	5,131	18,354	-
Restricted for construction	-	-	-
Unrestricted	425,497	9,605	(856,309)
Total Net Position	<u>\$ 586,581</u>	<u>\$ (6,744)</u>	<u>\$ 2,354,910</u>



<u>Neches Compost</u>	<u>North Angelina County RWF</u>	<u>Adjustments</u>	<u>Total 2017</u>	<u>Total 2016</u>
\$ 287,061	\$ 308,381	\$ -	\$ 638,444	\$ 898,498
5,719	2,080,676	-	2,109,880	4,758,169
11,942	-	-	143,070	264,571
-	-	(316,934)	-	-
<u>304,722</u>	<u>2,389,057</u>	<u>(316,934)</u>	<u>2,891,394</u>	<u>5,921,238</u>
52,993	569,179	-	1,178,695	1,145,208
469,376	5,492,460	-	11,569,169	8,347,408
<u>522,369</u>	<u>6,061,639</u>	<u>-</u>	<u>12,747,864</u>	<u>9,492,616</u>
<u>827,091</u>	<u>8,450,696</u>	<u>(316,934)</u>	<u>15,639,258</u>	<u>15,413,854</u>
6,666	459,404	-	485,298	65,812
17,629	22,829	(316,934)	-	-
5,645	-	-	30,301	29,787
3,691	46,135	-	63,536	89,144
67,876	205,000	-	340,740	314,892
<u>101,507</u>	<u>733,368</u>	<u>(316,934)</u>	<u>919,875</u>	<u>499,635</u>
-	-	-	591,911	599,059
433,678	3,850,000	-	7,033,491	7,326,591
<u>433,678</u>	<u>3,850,000</u>	<u>-</u>	<u>7,625,402</u>	<u>7,925,650</u>
<u>535,185</u>	<u>4,583,368</u>	<u>(316,934)</u>	<u>8,545,277</u>	<u>8,425,285</u>
-	167,380	-	167,380	2,880,680
-	167,380	-	167,380	2,880,680
17,124	1,960,504	-	5,310,097	1,761,971
5,719	146,444	-	175,648	151,572
-	1,934,232	-	1,934,232	4,606,597
269,063	(341,232)	-	(493,376)	(2,412,251)
<u>\$ 291,906</u>	<u>\$ 3,699,948</u>	<u>\$ -</u>	<u>\$ 6,926,601</u>	<u>\$ 4,107,889</u>

**ANGELINA & NECHES RIVER AUTHORITY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN NET POSITION - BY FUND**  
**FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016**

	<u>ANRA Operations</u>	<u>Holmwood Utilities</u>	<u>Lake Columbia</u>
<b>Operating Revenues:</b>			
Participant contributions	\$ -	\$ -	\$ 117,094
Contracts and fees	633,482	-	-
Management fees	615,319	-	-
TCEQ contracts	200,243	-	-
Water and sewer charges	-	194,220	-
<b>Total Operating Revenues</b>	<u>1,449,044</u>	<u>194,220</u>	<u>117,094</u>
<b>Operating Expenditures:</b>			
Purchased utility services	10,567	25,457	-
Salaries and benefits	916,984	-	-
General and administrative	146,453	18,738	14,839
Professional fees	66,746	200	22,472
Management and contracted services	137,953	93,320	-
Repairs and supplies	121,277	8,882	-
Depreciation	60,113	28,239	-
<b>Total Expenditures</b>	<u>1,460,093</u>	<u>174,836</u>	<u>37,311</u>
Excess (deficiency) revenues over expenditures	<u>(11,049)</u>	<u>19,384</u>	<u>79,783</u>
<b>Non-operating Revenues (Expenditures):</b>			
Investment income	-	-	-
Interest expense	(25,869)	(11,562)	(89,217)
Other income - loan forgiveness	-	-	-
Other non-operating revenues (expenditures)	5,534	-	-
<b>Total other financing sources (uses)</b>	<u>(20,335)</u>	<u>(11,562)</u>	<u>(89,217)</u>
Net change in fund balance	(31,384)	7,822	(9,434)
Net position, beginning	<u>617,965</u>	<u>(14,566)</u>	<u>2,364,344</u>
Net position, ending	<u>\$ 586,581</u>	<u>\$ (6,744)</u>	<u>\$ 2,354,910</u>

	<u>Neches Compost</u>	<u>North Angelina County RWF</u>	<u>Adjustments</u>	<u>Total 2017</u>	<u>Total 2016</u>
\$	578,599	\$ 714,359	-	\$ 1,410,052	\$ 1,193,425
	89,565	610	-	723,657	810,223
	-	-	(516,174)	99,145	92,957
	-	-	-	200,243	372,214
	-	-	-	194,220	199,187
	<u>668,164</u>	<u>714,969</u>	<u>(516,174)</u>	<u>2,627,317</u>	<u>2,668,006</u>
	-	22,184	-	58,208	67,384
	184,734	-	-	1,101,718	929,264
	178,379	35,062	-	393,471	497,093
	-	-	-	89,418	106,623
	189,555	233,299	(516,174)	137,953	264,560
	39,870	41,146	-	211,175	213,414
	83,811	150,849	-	323,012	318,905
	<u>676,349</u>	<u>482,540</u>	<u>(516,174)</u>	<u>2,314,955</u>	<u>2,397,243</u>
	<u>(8,185)</u>	<u>232,429</u>	<u>-</u>	<u>312,362</u>	<u>270,763</u>
	-	26,275	-	26,275	15,819
	(21,953)	(110,556)	-	(259,157)	(280,821)
	-	2,713,300	-	2,713,300	655,833
	20,398	-	-	25,932	-
	<u>(1,555)</u>	<u>2,629,019</u>	<u>-</u>	<u>2,506,350</u>	<u>390,831</u>
	(9,740)	2,861,448	-	2,818,712	661,594
	301,646	838,500	-	4,107,889	3,446,295
\$	<u>291,906</u>	<u>\$ 3,699,948</u>	<u>-</u>	<u>\$ 6,926,601</u>	<u>\$ 4,107,889</u>

**ANGELINA & NECHES RIVER AUTHORITY**  
**STATEMENT OF CASH FLOWS - BY FUND**  
**FOR THE YEARS ENDED AUGUST 31, 2017 AND 2016**

	<u>ANRA</u> <u>Operations</u>	<u>Holmwood</u> <u>Utilities</u>	<u>Lake</u> <u>Columbia</u>
<b>Cash Flows from Operation Activities:</b>			
Cash received from customers	\$ 1,473,327	\$ 202,741	\$ 146,882
Cash paid to suppliers	(502,498)	(152,605)	(37,336)
Cash paid to employees	(918,536)	-	-
Net cash (used) provided by operating activities	<u>52,293</u>	<u>50,136</u>	<u>109,546</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>			
Purchase of capital assets	(125,318)	(11,392)	-
Debt proceeds	53,691	-	-
Principal payments on long-term debt	(34,367)	(30,000)	-
Loan forgiveness	-	-	-
Interest paid on long-term debt	(25,869)	(13,892)	(107,036)
Net cash from capital and related financing activities:	<u>(131,863)</u>	<u>(55,284)</u>	<u>(107,036)</u>
<b>Cash Flows from Investing Activities:</b>			
Interest from investments	-	-	-
Other income	5,534	-	-
Net cash used by capital and related financing activities:	<u>5,534</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	(74,036)	(5,148)	2,510
Cash and cash equivalents, beginning of period	102,867	39,154	1,140
Cash and cash equivalents, end of period	<u>\$ 28,831</u>	<u>\$ 34,006</u>	<u>\$ 3,650</u>
<b>Reconciliation of Operating Income to Net Cash</b>			
<b>Provided by Operating Activities:</b>			
Operating Income	\$ (11,049)	\$ 19,384	\$ 79,783
<b>Adjustments to reconcile operating income to cash provided by operating activities:</b>			
Depreciation	60,113	28,239	-
<b>Changes in assets and liabilities:</b>			
<b>(Increase) decrease in:</b>			
Accounts receivable	24,283	8,521	29,788
<b>Increase (Decrease) in:</b>			
Accounts payable	(19,502)	(6,008)	(25)
Accrued liabilities	(1,552)	-	-
Net cash provided by operating activities	<u>\$ 52,293</u>	<u>\$ 50,136</u>	<u>\$ 109,546</u>

	<u>Neches Compost</u>	<u>North Angelina County RWF</u>	<u>Adjustments</u>	<u>Total 2017</u>	<u>Total 2016</u>
\$	696,383	\$ 745,682	\$ (516,174)	\$ 2,748,841	\$ 2,511,450
	(404,614)	(289,716)	516,174	(870,595)	(1,172,851)
	(182,668)	-	-	(1,101,204)	(917,829)
	<u>109,101</u>	<u>455,966</u>	<u>-</u>	<u>777,042</u>	<u>420,770</u>
	(107,157)	(2,934,543)	-	(3,178,410)	(1,022,837)
	-	-	-	53,691	5,326,914
	(64,863)	(200,000)	-	(329,230)	(350,681)
	-	-	-	-	(355,833)
	(24,903)	(111,943)	-	(283,643)	(245,504)
	<u>(196,923)</u>	<u>(3,246,486)</u>	<u>-</u>	<u>(3,737,592)</u>	<u>3,352,059</u>
	-	26,275	-	26,275	15,819
	20,398	-	-	25,932	655,833
	<u>20,398</u>	<u>26,275</u>	<u>-</u>	<u>52,207</u>	<u>671,652</u>
	(67,424)	(2,764,245)	-	(2,908,343)	4,444,481
	360,204	5,153,302	-	5,656,667	1,212,186
\$	<u>292,780</u>	<u>2,389,057</u>	<u>-</u>	<u>2,748,324</u>	<u>5,656,667</u>
\$	(8,185)	\$ 232,429	\$ -	\$ 312,362	\$ 270,763
	83,811	150,849	-	323,012	318,905
	-	-	-	-	-
	28,219	30,713	-	121,524	(124,180)
	3,190	41,975	-	19,630	(53,101)
	2,066	-	-	514	8,383
\$	<u>109,101</u>	<u>455,966</u>	<u>-</u>	<u>777,042</u>	<u>420,770</u>

**ANGELINA & NECHES RIVER AUTHORITY  
HOLMWOOD UTILITIES  
TSI - 1 SERVICES AND RATES  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2017**

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

- |  |   |                                     |
|--|---|-------------------------------------|
| <input checked="" type="checkbox"/> Retail Water   | <input type="checkbox"/> Wholesale Water      | <input type="checkbox"/> Drainage   |
| <input checked="" type="checkbox"/> Retail Wastewater  | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation |
| <input type="checkbox"/> Parks/Recreation  | <input type="checkbox"/> Fire Protection      | <input type="checkbox"/> Security   |
| <input type="checkbox"/> Solid Waste/Garbage   | <input type="checkbox"/> Flood Control        | <input type="checkbox"/> Roads      |
| <input 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	\$ 42.81	3,000	N	\$1.92	3,001 to 10,000
				\$2.50	10,001 and up
				\$ .	
				\$ .	
Waste Basic Service Fee	\$43.52 \$0.00	3,000	Y	\$3.44	3,001 to 7,000
District employs winter averaging for wastewater usage?					Yes ___ No <u>X</u>
Total water and sewer charges per 10,000 gallons usage (including surcharges)					\$113.53

**b. Water and Wastewater Retail Connections:**

Meter Size	Total Connections	Active Connections	ESFC Factor	Active ESFCs
≤ 3/4"	183	152	X 1.0	152
1"	6	6	X 2.5	15
1 1/2"			X 5.0	
2"			X 8.0	
3"			X 15.0	
4"			X 25.0	
Total Water	189	158		167
Total Wastewater	166	165	X 1.0	165

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

**ANGELINA & NECHES RIVER AUTHORITY  
HOLMWOOD UTILITIES  
TSI – 1 SERVICES AND RATES (continued)  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2017**

**3. Total Water Consumption during the Fiscal Year:**

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

Gallons pumped into system:	12,351,190	Water Accountability Ratio:
		(Gallons billed / Gallons pumped)
Gallons flushed from system:	114,481	
Gallons billed to customers:	<u>10,142,818</u>	<u>83.0%</u>

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

(You may omit this information if your district does not levy standby fees)

Does the District have Debt Service standby fees?  Yes  No

If yes, Date of the most recent Commission Order: \_\_\_\_\_

Does the District have Operation and Maintenance standby fees?  Yes  No

If yes, Date of the most recent Commission Order: \_\_\_\_\_

**5. Location of District (required for first audit year or when information changes, otherwise this information may be omitted)**

County (ies) in which the District is located: Jasper 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 Jasper

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

If Yes, by whom? Governor

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**ANGELINA & NECHES RIVER AUTHORITY  
TSI-5 - LONG TERM DEBT REQUIREMENTS  
ALL BONDED DEBT SERIES - BY YEAR  
FOR THE YEAR ENDED AUGUST 31, 2017**

Fiscal Year Ended	Annual Debt Service Requirements - All Series Bonds			
	Principal	Interest	Deferred Interest	Total Debt Service
2018	290,000	252,569	47,812	590,381
2019	300,400	243,719	47,812	591,931
2020	310,800	234,195	47,812	592,807
2021	318,600	224,295	47,812	590,707
2022	340,400	213,887	47,812	602,099
2023	351,500	202,724	47,872	602,096
2024	453,300	152,409	-	605,709
2025	413,000	136,376	-	549,376
2026	425,000	121,889	-	546,889
2027	443,000	106,663	-	549,663
2028	205,000	90,444	-	295,444
2029	218,000	84,349	-	302,349
2030	215,000	75,526	-	290,526
2031	150,000	69,259	-	219,259
2032	150,000	63,723	-	213,723
2033	150,000	58,148	-	208,148
2034	165,000	52,448	-	217,448
2035	165,000	46,077	-	211,077
2036	170,000	39,663	-	209,663
2037	185,000	32,869	-	217,869
2038	190,000	25,407	-	215,407
2039	95,000	17,518	-	112,518
2040	95,000	15,380	-	110,380
2041	95,000	13,223	-	108,223
2042	100,000	10,990	-	110,990
2043	100,000	8,680	-	108,680
2044	105,000	6,292	-	111,292
2045	839,000	714,439	304,979	1,858,418
2046	110,000	1,298	-	111,298
	<u>7,148,000</u>	<u>3,314,459</u>	<u>591,911</u>	<u>11,054,370</u>

**ANGELINA & NECHES RIVER AUTHORITY  
 TSI-5 - LONG TERM DEBT REQUIREMENTS  
 GENERAL IMPROVEMENT REVENUE BOND, SERIES 2015  
 ANGELINA & NECHES RIVER AUTHORITY  
 FOR THE YEAR ENDED AUGUST 31, 2017**

Fiscal Year Ended	Annual Debt Service Requirements			Total Debt Service
	Principal	Interest	Deferred Interest	
2018	5,000	20,490	-	25,490
2019	5,000	20,314	-	25,314
2020	9,000	20,068	-	29,068
2021	10,000	19,734	-	29,734
2022	20,000	19,206	-	39,206
2023	26,000	18,397	-	44,397
2024	66,000	16,779	-	82,779
2025	68,000	14,422	-	82,422
2026	70,000	11,995	-	81,995
2027	73,000	9,480	-	82,480
2028	75,000	6,877	-	81,877
2029	78,000	4,185	-	82,185
2030	80,000	1,402	-	81,402
2031	-	-	-	-
2032	-	-	-	-
2033	-	-	-	-
2034	-	-	-	-
2035	-	-	-	-
2036	-	-	-	-
2037	-	-	-	-
2038	-	-	-	-
2039	-	-	-	-
2040	-	-	-	-
2041	-	-	-	-
2042	-	-	-	-
2043	-	-	-	-
2044	-	-	-	-
2045	-	-	-	-
2046	-	-	-	-
	<u>\$ 585,000</u>	<u>\$ 183,349</u>	<u>\$ -</u>	<u>\$ 768,349</u>

**ANGELINA & NECHES RIVER AUTHORITY  
 TSI-5 - LONG TERM DEBT REQUIREMENTS  
 CONTRACT REVENUE BOND, SERIES 2016  
 NORTH ANGELINA COUNTY RWF  
 FOR THE YEAR ENDED AUGUST 31, 2017**

Fiscal Year Ended	Annual Debt Service Requirements			Total Debt Service
	Principal	Interest	Deferred Interest	
2018	10,000	37,593	-	47,593
2019	5,000	37,590	-	42,590
2020	5,000	37,577	-	42,577
2021	5,000	37,554	-	42,554
2022	5,000	37,519	-	42,519
2023	5,000	37,475	-	42,475
2024	10,000	37,394	-	47,394
2025	10,000	37,273	-	47,273
2026	30,000	36,994	-	66,994
2027	30,000	36,547	-	66,547
2028	75,000	35,703	-	110,703
2029	75,000	35,451	-	110,451
2030	75,000	33,135	-	108,135
2031	80,000	31,708	-	111,708
2032	80,000	30,184	-	110,184
2033	80,000	28,620	-	108,620
2034	85,000	26,965	-	111,965
2035	85,000	25,218	-	110,218
2036	85,000	23,429	-	108,429
2037	90,000	21,547	-	111,547
2038	90,000	19,576	-	109,576
2039	95,000	17,518	-	112,518
2040	95,000	15,380	-	110,380
2041	95,000	13,223	-	108,223
2042	100,000	10,990	-	110,990
2043	100,000	8,680	-	108,680
2044	105,000	6,292	-	111,292
2045	105,000	2,826	-	107,826
2046	110,000	1,298	-	111,298
	<u>\$ 1,820,000</u>	<u>\$ 761,259</u>	<u>\$ -</u>	<u>\$ 2,581,259</u>

**ANGELINA & NECHES RIVER AUTHORITY  
 TSI-5 - LONG TERM DEBT REQUIREMENTS  
 CONTRACT REVENUE REFUNDING BOND, SERIES 2012  
 NORTH ANGELINA COUNTY RWF  
 FOR THE YEAR ENDED AUGUST 31, 2017**

Fiscal Year Ended	Annual Debt Service Requirements			Total Debt Service
	Principal	Interest	Deferred Interest	
2018	175,000	69,746	-	244,746
2019	185,000	63,850	-	248,850
2020	190,000	57,617	-	247,617
2021	195,000	51,214	-	246,214
2022	205,000	44,644	-	249,644
2023	210,000	37,738	-	247,738
2024	215,000	30,662	-	245,662
2025	225,000	23,418	-	248,418
2026	230,000	15,836	-	245,836
2027	240,000	8,086	-	248,086
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
2032	-	-	-	-
2033	-	-	-	-
2034	-	-	-	-
2035	-	-	-	-
2036	-	-	-	-
2037	-	-	-	-
2038	-	-	-	-
2039	-	-	-	-
2040	-	-	-	-
2041	-	-	-	-
2042	-	-	-	-
2043	-	-	-	-
2044	-	-	-	-
2045	-	-	-	-
2046	-	-	-	-
	<u>\$ 2,070,000</u>	<u>\$ 402,811</u>	<u>\$ -</u>	<u>\$ 2,472,811</u>

**ANGELINA & NECHES RIVER AUTHORITY**  
**TSI-5 - LONG TERM DEBT REQUIREMENTS**  
**CONTRACT REVENUE BOND, SERIES 2014**  
**NORTH ANGELINA COUNTY RWF**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

Fiscal Year Ended	Annual Debt Service Requirements			Total Debt Service
	Principal	Interest	Deferred Interest	
2018	20,000	1,927	-	21,927
2019	20,000	1,881	-	21,881
2020	20,000	1,773	-	21,773
2021	20,000	1,602	-	21,602
2022	20,000	1,361	-	21,361
2023	20,000	1,056	-	21,056
2024	20,000	701	-	20,701
2025	25,000	253	-	25,253
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
2032	-	-	-	-
2033	-	-	-	-
2034	-	-	-	-
2035	-	-	-	-
2036	-	-	-	-
2037	-	-	-	-
2038	-	-	-	-
2039	-	-	-	-
2040	-	-	-	-
2041	-	-	-	-
2042	-	-	-	-
2043	-	-	-	-
2044	-	-	-	-
2045	-	-	-	-
2046	-	-	-	-
	<u>\$ 165,000</u>	<u>\$ 10,554</u>	<u>\$ -</u>	<u>\$ 175,554</u>

**ANGELINA & NECHES RIVER AUTHORITY**  
**TSI-5 - LONG TERM DEBT REQUIREMENTS**  
**CONTRACT REVENUE REFUNDING BOND, SERIES 2014 (TAXABLE)**  
**NECHES COMPOST FACILITY**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

Fiscal Year Ended	Annual Debt Service Requirements			Total Debt Service
	Principal	Interest	Deferred Interest	
2018	6,600	2,734	-	9,334
2019	7,000	2,371	-	9,371
2020	7,100	1,986	-	9,086
2021	7,500	1,595	-	9,095
2022	7,900	1,183	-	9,083
2023	6,600	748	-	7,348
2024	7,000	385	-	7,385
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
2032	-	-	-	-
2033	-	-	-	-
2034	-	-	-	-
2035	-	-	-	-
2036	-	-	-	-
2037	-	-	-	-
2038	-	-	-	-
2039	-	-	-	-
2040	-	-	-	-
2041	-	-	-	-
2042	-	-	-	-
2043	-	-	-	-
2044	-	-	-	-
2045	-	-	-	-
2046	-	-	-	-
	<u>\$ 49,700</u>	<u>\$ 11,002</u>	<u>\$ -</u>	<u>\$ 60,702</u>

**ANGELINA & NECHES RIVER AUTHORITY**  
**TSI-5 - LONG TERM DEBT REQUIREMENTS**  
**CONTRACT REVENUE REFUNDING BOND, SERIES 2014 (TAX EXEMPT)**  
**NECHES COMPOST FACILITY**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

Fiscal Year Ended	Annual Debt Service Requirements			Total Debt Service
	Principal	Interest	Deferred Interest	
2018	43,400	9,891	-	53,291
2019	43,400	8,567	-	51,967
2020	44,700	7,244	-	51,944
2021	46,100	5,880	-	51,980
2022	47,500	4,474	-	51,974
2023	48,900	3,026	-	51,926
2024	50,300	1,534	-	51,834
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
2032	-	-	-	-
2033	-	-	-	-
2034	-	-	-	-
2035	-	-	-	-
2036	-	-	-	-
2037	-	-	-	-
2038	-	-	-	-
2039	-	-	-	-
2040	-	-	-	-
2041	-	-	-	-
2042	-	-	-	-
2043	-	-	-	-
2044	-	-	-	-
2045	-	-	-	-
2046	-	-	-	-
	<u>\$ 324,300</u>	<u>\$ 40,616</u>	<u>\$ -</u>	<u>\$ 364,916</u>

**ANGELINA & NECHES RIVER AUTHORITY  
 TSI-5 - LONG TERM DEBT REQUIREMENTS  
 CONTRACT REVENUE REFUNDING BOND, SERIES 2005  
 LAKE COLUMBIA  
 FOR THE YEAR ENDED AUGUST 31, 2017**

Fiscal Year Ended	Annual Debt Service Requirements			Total Debt Service
	Principal	Interest	Deferred Interest	
2018	-	84,114	38,114	122,228
2019	-	84,114	38,114	122,228
2020	-	84,114	38,114	122,228
2021	-	84,114	38,114	122,228
2022	-	84,114	38,114	122,228
2023	-	84,114	38,176	122,290
2024	35,000	46,000	-	81,000
2025	35,000	44,012	-	79,012
2026	40,000	42,024	-	82,024
2027	45,000	39,752	-	84,752
2028	40,000	37,196	-	77,196
2029	50,000	34,904	-	84,904
2030	45,000	32,039	-	77,039
2031	55,000	29,461	-	84,461
2032	55,000	26,309	-	81,309
2033	55,000	23,157	-	78,157
2034	65,000	19,979	-	84,979
2035	60,000	16,222	-	76,222
2036	70,000	12,753	-	82,753
2037	75,000	8,708	-	83,708
2038	75,000	4,373	-	79,373
2039	-	-	-	-
2040	-	-	-	-
2041	-	-	-	-
2042	-	-	-	-
2043	-	-	-	-
2044	-	-	-	-
2045	-	-	-	-
2046	-	-	-	-
	<u>\$ 800,000</u>	<u>\$ 921,573</u>	<u>\$ 228,746</u>	<u>\$ 1,950,319</u>



**ANGELINA & NECHES RIVER AUTHORITY  
 TSI-5 - LONG TERM DEBT REQUIREMENTS  
 CONTRACT REVENUE REFUNDING BOND, SERIES 2005  
 LAKE COLUMBIA  
 FOR THE YEAR ENDED AUGUST 31, 2017**

Fiscal Year Ended	Annual Debt Service Requirements			Total Debt Service
	Principal	Interest	Deferred Interest	
2018	-	13,224	9,698	22,922
2019	-	13,224	9,698	22,922
2020	-	13,224	9,698	22,922
2021	-	13,224	9,698	22,922
2022	-	13,224	9,698	22,922
2023	-	13,224	9,696	22,920
2024	10,000	13,224	-	23,224
2025	10,000	12,656	-	22,656
2026	15,000	12,088	-	27,088
2027	10,000	11,236	-	21,236
2028	15,000	10,668	-	25,668
2029	15,000	9,809	-	24,809
2030	15,000	8,950	-	23,950
2031	15,000	8,090	-	23,090
2032	15,000	7,230	-	22,230
2033	15,000	6,371	-	21,371
2034	15,000	5,504	-	20,504
2035	20,000	4,637	-	24,637
2036	15,000	3,481	-	18,481
2037	20,000	2,614	-	22,614
2038	25,000	1,458	-	26,458
2039	-	-	-	-
2040	-	-	-	-
2041	-	-	-	-
2042	-	-	-	-
2043	-	-	-	-
2044	-	-	-	-
2045	-	-	-	-
2046	-	-	-	-
	<u>\$ 230,000</u>	<u>\$ 197,360</u>	<u>\$ 58,186</u>	<u>\$ 485,546</u>

**ANGELINA & NECHES RIVER AUTHORITY**  
**TSI-5 - LONG TERM DEBT REQUIREMENTS**  
**CONTRACT REVENUE REFUNDING BOND, SERIES 2005**  
**LAKE COLUMBIA**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

Fiscal Year Ended	Annual Debt Service Requirements			Total Debt Service
	Principal	Interest	Deferred Interest*	
2018	-	-	-	-
2019	-	-	-	-
2020	-	-	-	-
2021	-	-	-	-
2022	-	-	-	-
2023	-	-	-	-
2024	-	-	-	-
2025	-	-	-	-
2026	-	-	-	-
2027	-	-	-	-
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
2032	-	-	-	-
2033	-	-	-	-
2034	-	-	-	-
2035	-	-	-	-
2036	-	-	-	-
2037	-	-	-	-
2038	-	-	-	-
2039	-	-	-	-
2040	-	-	-	-
2041	-	-	-	-
2042	-	-	-	-
2043	-	-	-	-
2044	-	-	-	-
2045	734,000	711,613	304,979	1,750,592
2046	-	-	-	-
	<u>\$ 734,000</u>	<u>\$ 711,613</u>	<u>\$ 304,979</u>	<u>\$ 1,750,592</u>

\* *Principal and interest are both deferred until 2045*

**ANGELINA & NECHES RIVER AUTHORITY**  
**TSI-5 - LONG TERM DEBT REQUIREMENTS**  
**CONTRACT REVENUE REFUNDING BOND, SERIES 2012**  
**HOLMWOOD UTILITIES**  
**FOR THE YEAR ENDED AUGUST 31, 2017**

Fiscal Year Ended	Annual Debt Service Requirements			Total Debt Service
	Principal	Interest	Deferred Interest	
2018	30,000	12,850	-	42,850
2019	35,000	11,808	-	46,808
2020	35,000	10,592	-	45,592
2021	35,000	9,378	-	44,378
2022	35,000	8,162	-	43,162
2023	35,000	6,946	-	41,946
2024	40,000	5,730	-	45,730
2025	40,000	4,342	-	44,342
2026	40,000	2,952	-	42,952
2027	45,000	1,562	-	46,562
2028	-	-	-	-
2029	-	-	-	-
2030	-	-	-	-
2031	-	-	-	-
2032	-	-	-	-
2033	-	-	-	-
2034	-	-	-	-
2035	-	-	-	-
2036	-	-	-	-
2037	-	-	-	-
2038	-	-	-	-
2039	-	-	-	-
2040	-	-	-	-
2041	-	-	-	-
2042	-	-	-	-
2043	-	-	-	-
2044	-	-	-	-
2045	-	-	-	-
2046	-	-	-	-
	<u>\$ 370,000</u>	<u>\$ 74,322</u>	<u>\$ -</u>	<u>\$ 444,322</u>

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**ANGELINA & NECHES RIVER AUTHORITY  
 TWDB INTEREST & SINKING FUND WORKSHEETS  
 FOR THE FISCAL YEAR ENDED AUGUST 31, 2017**

If the Texas Water Development Board (TWDB) serves as revenue bondholder for your entity, and the information requested here is not included in your annual audit, please complete and mail this worksheet to: Audit and Funds Management Division, TWDB, P.O. Box 13231, Austin, Texas 78711-3231

ISSUER'S NAME: Angelina & Neches River Authority/North Angelina County Regional Waste Water Facility

FISCAL YEAR ENDING: August 31, 2017

The Required Ultimate Balances and the Required Present Balances shown below are per the current bond ordinances authorizing the currently outstanding First Lien and Junior Lien Revenue Bonds, respectively, in the fiscal year referenced above. The Actual Present Balances, which are maintained in separate accounts of the Issuer as per the bond covenants, appear as restricted cash and investments in the Issuer's audited financial statements for the fiscal year referenced above.

	<u>INTEREST &amp; SINKING FUND</u>	<u>RESERVE FUND</u>
<u>FIRST LIEN BONDS</u>		
REQUIRED ULTIMATE BALANCE	\$ 145,944	\$ -
REQUIRED PRESENT BALANCE (8/31/2017)	\$ 145,944	\$ -
ACTUAL PRESENT BALANCE (8/31/2017)	\$ 146,444	\$ -
<u>JUNIOR LIEN BONDS</u>		
REQUIRED ULTIMATE BALANCE	\$ -	\$ -
REQUIRED PRESENT BALANCE (8/31/2017)	\$ -	\$ -
ACTUAL PRESENT BALANCE (8/31/2017)	\$ -	\$ -

The above is true and correct to the best of my knowledge: Goff & Herrington, P.C. November 11, 2017

Preparer's Signature

Date

cc: Goff & Herrington, P.C.  
 Certified Public Accountants

**ANGELINA & NECHES RIVER AUTHORITY  
SCHEDULE OF BOARD MEMBERS AND KEY PERSONNEL  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2017  
(UNAUDITED)**

**Board of Directors**

**Mr. Jody Anderson, President**  
361 Red Loving Road  
Lufkin, Texas 75901  
Term Ends: 9-5-2019

**Mr. Thomas R "Tom" Murphy, Vice President**  
908 E. Mimosa Lane  
Crockett, Texas 75835  
Term Ends: 9-5-2019

**Mrs. Patricia E. Dickey, Secretary Treasurer**  
112 South 5th Street  
Crockett, Texas 75835  
Term Ends: 9-5-2017

**Mr. Skip Ogle, Secretary Pro Tem**  
15816 Eastside Road  
Tyler, Texas 75707  
Term Ends: 9-5-2021

**Ms. Julie Dowell, Director**  
107 Lakeshore Drive  
Bullard, Texas 75757  
Term Ends: 9-5-2017

**Mr. Louis Bronaugh, Director**  
104 Westchester  
Lufkin, Texas 75901  
Term Ends: 9-5-2017

**Mr. David M. King, Director**  
183 Fernwood Drive  
Nacogdoches, Texas 75964  
Term Ends: 9-5-2019

**Mr. Dale Morton, Director**  
289 CR 2093  
Nacogdoches, Texas, 75965  
Term Ends: 9-5-2021

**Mrs. Francis G. Spruiell, Director**  
P.O. Box 631788  
Nacogdoches, Texas, 75963  
Term Ends: 9-5-2021

**Key Personnel**

**Kelley Holcomb**  
General Manager  
Telephone: (936) 633-7543  
Fax: (936) 632-2564  
Cell Phone: (936) 635-0413  
E-mail Address: [kholcomb@anra.org](mailto:kholcomb@anra.org)

**Brian Sims**  
Environmental Division Manager  
Telephone: (936) 633-7527  
Fax: (936) 632-2564  
E-mail Address: [bsims@anra.org](mailto:bsims@anra.org)

**Chris Key, P.E.**  
Operations Division Manager  
Telephone: (936) 633-7544  
Fax: (936) 632-2564  
Cell Phone: (936) 240-5589  
E-mail Address: [ckey@anra.org](mailto:ckey@anra.org)

**Dyan Stanford**  
Administration Division Manager  
Telephone: (936) 633-7549  
Fax: (936) 632-2564  
Cell Phone: (936) 635-6004  
E-mail Address: [dstanford@anra.org](mailto:dstanford@anra.org)

Executive Staff Mailing address is P.O. Box 387, Lufkin, Texas 75902-0387

**ANGELINA & NECHES RIVER AUTHORITY**  
**SCHEDULE OF INSURANCE IN FORCE**  
**AUGUST 31, 2017**  
**(UNAUDITED)**

<u>Name of Insurance Company</u>	<u>Policy Number</u>	<u>Policy Period</u>	<u>Details of Coverage</u>	<u>Limits of Liability</u>	<u>Annual Premium</u>
Texas Water Conservation Association	0042	7/1/17-7/1/18	Auto Liability	\$ 1,000,000	\$ 5,268
Texas Water Conservation Association	0042	7/1/17-7/1/18	General Liability	\$ 1,000,000	\$ 1,126
Texas Water Conservation Association	0042	7/1/17-7/1/18	Errors & Omissions	\$ 1,000,000	\$ 2,590
Texas Water Conservation Association	0042	7/1/17-7/1/18	Property Liability	\$ 7,239,451	\$ 9,404
Texas Water Conservation Association	0042	7/1/17-7/1/18	Auto Physical Damage	Scheduled	\$ 7,229
Texas Water Conservation Association	0042	7/1/17-7/1/18	Crime	\$10,000/\$25,000	\$ 454
					\$ 26,071

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FEDERAL AWARDS 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 ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors  
Angelina & Neches River Authority  
Lufkin, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Angelina & Neches River Authority (the "Authority"), as of and for the year ended August 31, 2017, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 11, 2017.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies, which are described in the accompanying schedule of findings and questioned costs as item **2017-1**.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Page 2

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Authority's Response to Findings**

The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Goff & Herrington, P.C.*

GOFF & HERRINGTON, P.C.  
Certified Public Accountants

November 11, 2017





Certified Public Accountants

Goff & Herrington, P.C.

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

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

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Board of Directors  
Angelina & Neches River Authority

**Report on Compliance for Each Major Federal Program**

We have audited the Angelina & Neches River Authority's (the "Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended August 31, 2017. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Authority's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Authority's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2017.

***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item **2017-2**. Our opinion on each major federal program is not modified with respect to these matters.



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Page 2

The Authority's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**Report on Internal Control over Compliance**

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Goff & Herrington, P.C.*

GOFF & HERRINGTON, P.C.  
Certified Public Accountants

November 11, 2017

**ANGELINA & NECHES RIVER AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2017**

**Section I – Summary of Auditor’s Results:**

*Financial Statements*

Type of auditor’s report issued: Unmodified  
 Internal control over financial reporting:  
   Material weaknesses identified? \_\_\_ Yes  No  
   Significant deficiencies identified that are not considered to be material weaknesses?  Yes \_\_\_ No  
   Noncompliance material to financial statements noted? \_\_\_ Yes  No

*Federal Awards*

Type of auditor’s report on compliance for major programs: Unmodified  
 Internal control over major programs:  
   Material weaknesses identified? \_\_\_ Yes  No  
   Significant deficiencies identified that are not considered to be material weaknesses?  Yes \_\_\_ No  
   Any audit findings disclosed that are required to be reported in compliance with section 2 CFR 200.516(a) of OMB Uniform Guidance? \_\_\_ Yes  No

*Identification of Major Programs*

<u>CFDA No.</u>	<u>Name of Federal Program</u>
66.458	Capitalization Grants for Clean Water State Revolving Fund

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000  
 Auditee qualified as low risk?  Yes \_\_\_ No

**Section II – Financial Statement Findings**

***Finding 2017-1***

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

**Condition:** During the 2017 audit, it was noted that certain general ledger accounts including accounts receivables, fixed assets, and long-term debt were not being reconciled on a regular timely basis.

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

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

**ANGELINA & NECHES RIVER AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2017**

***Finding 2017-1 (Continued)***

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

**Authority Response:** The Authority agrees with this finding and will adhere to the corrective action plan on page 50.

***Finding 2017-2***

**Criteria:** In accordance with the Office of Management and Budget's (OMB) Uniform Guidance, the Authority is required to maintain documentation of all internal control processes and monitor adherence to these processes. This helps to ensure that all policies, procedures, and activities are designed to provide reliable assurance regarding achievement of objectives in effectiveness and efficiency of operations, reliability of reporting, and compliance with applicable laws and regulations.

**Condition:** During the 2017 audit, it was noted that the Authority did not have complete formal written internal control documentation of its policies and procedures. The OMB Uniform Guidance requires that this documentation of written policies and procedures be in place by July 1, 2015.

**Questioned Cost:** None

**Cause:** The Authority was unaware of the requirement.

**Effect:** The effect of this condition is a technical noncompliance with the OMB Uniform Guidance.

**Recommendation:** We recommend the Authority closely monitor State and Federal compliance requirements and proceed with documentation of all internal control processes.

**Authority Response:** The Authority agrees with this finding and will adhere to the corrective action plan on page 50.



**ANGELINA & NECHES RIVER AUTHORITY  
SCHEDULE OF STATUS OF PRIOR FINDINGS  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2017**

There were no findings or questioned costs reported in the prior year.

**ANGELINA & NECHES RIVER AUTHORITY  
CORRECTIVE ACTION PLAN  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2017**

**2017-1:** Management has proactively implemented procedures to insure all balance sheet accounts are now reconciled on a timely basis. The procedures included engaging a new CPA consultant to assist with these reconciliations on a go-forward basis.

**2017-2:** Prior to the audit, the Authority was in the process of documenting standard operating procedures, including documentation and monitoring of the Authority's system of internal controls. The Authority will develop an adequate internal control system that includes the required written policies and procedures that adheres to the requirements under OMB Uniform Guidance. The Authority anticipates the documentation to be complete by December 31, 2017.

**ANGELINA & NECHES RIVER AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**AUGUST 31, 2017**

<u>Federal Grantor/Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass through Grantor's Number</u>	<u>Federal and State Expenditures</u>
Texas Commission on Environmental Quality (TCEQ) Clean Water Act 319(H), Lake Sam Rayburn OSSF Program Support and Attoyac Bayou Remediation	66.460	582-14-40162	\$ 36,637
Texas Water Development Board (TWDB) Loan Forgiveness, Clean Water State Revolving Fund Project 73677	66.458	LF1000258	4,430
Texas Water Development Board (TWDB) Loan Forgiveness, Clean Water State Revolving Fund Project 73677	66.458	LF1000397	<u>2,708,870</u>
<b>Total Federal Assistance</b>			<u>\$ 2,749,937</u>

**ANGELINA & NECHES RIVER AUTHORITY  
NOTES TO THE SCHEDULE OF EXPENDITURES  
FOR THE FISCAL YEAR ENDED AUGUST 31, 2017**

**NOTE A – BASIS OF PRESENTATION**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the Angelina & Neches River Authority under programs of the federal government for the year ended August 31, 2017. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Angelina & Neches River Authority, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Angelina & Neches River Authority.

**NOTE B – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

(1) Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) The Angelina & Neches River Authority elected not to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

**NOTE C – BALANCES OF LOANS AND LOAN FORGIVENESS**

Loans forgiveness during the year consists of the following:

Fund	Balance 8/31/2016	Additions	Forgiveness	Balance 8/31/2017
TWDB 2014	\$ 4,430	-	4,430	\$ -
TWDB 2015	2,876,250	-	2,708,870	167,380
	<u>\$2,880,680</u>	-	<u>2,713,300</u>	<u>\$167,380</u>

The Texas Water Development Board (TWDB) made a commitment to provide financial assistance to the Authority in the form of a loan in an amount not to exceed \$4,996,250 for the construction of a project and to provide a subsidy in the form of loan forgiveness to the Authority in an amount not to exceed \$3,176,250 as Loan Forgiveness Funds without the expectation of repayment. The table below details those funds:

Loan (reflected as debt on the Statement of Net Position)	\$1,820,000
Loan Forgiveness (reflected as deferred inflows of resources)	<u>167,380</u>
	<u>\$1,987,380</u>

**NOTE D – SUBRECIPIENTS**

No amounts were provided to subrecipients.



**Goff & Herrington, P.C.**

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

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

November 11, 2017

Members of the Board of Directors and Management  
Angelina & Neches River Authority  
P.O. Box 387  
210 E. Lufkin Avenue  
Lufkin, Texas 75902

We have audited the accompanying financial statements of Angelina & Neches River Authority (the "Authority") which comprise the statement of net position as of August 31, 2017, and the related statement of revenues, expenditures, and changes in net position, and statement of cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated July 21, 2017. Professional standards also require that we communicate to you the following information related to our audit.

Significant Audit Findings

*Qualitative Aspects of Accounting Practices*

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Authority are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2017. We noted no transactions entered into by the Authority during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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. The most sensitive estimate(s) affecting the Authority's financial statements were:

*Allowance for Doubtful Accounts.* Management's estimate of the allowance for doubtful accounts is based on historical utility billing collections.

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

We evaluated the key factors and assumptions used to develop these estimates in determining that they are reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

*Difficulties Encountered in Performing the Audit*

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



*Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. The attached Schedule A summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

In addition, the attached Schedule B contains a listing of audit adjustments that have been corrected by management. These adjustments, which are material in the aggregate, were detected as a result of audit procedures and corrected by management as part of the audit process.

*Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, 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 November 11, 2017.

*Management 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 Authority'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.

*Other Audit Findings or Issues*

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

Restriction on Use

This information is intended solely for the information and use of the board of directors and management of the Authority and is not intended to be, and should not be, used by anyone other than these specified parties.

Sincerely,

*Goff & Herrington, P.C.*

GOFF & HERRINGTON, P.C.  
Certified Public Accountants





Schedule A

Summary of Passed Audit Adjustments  
Angelina & Neches River Authority  
August 31, 2017

Description of Passed Audit Adjustment (PAJE)

PAJE #1 - To record accrued payroll at 8/31/2017 and adjust equity for payroll expense recorded in the current year that were incurred in the prior year.

Effect on the Financial Statements

	<u>Total Assets</u>	<u>Total Liabilities</u>	<u>Fund Balance/ Net Position</u>	<u>Revenues</u>	<u>Expenses</u>	<u>Change in Fund Balance/ Net Position</u>
PAJE #1	-	58,183	51,274	-	6,909	6,909
Total PAJEs	-	58,183	51,274	-	6,909	6,909
Financial Statement Caption Total	15,639,258	8,545,277	6,926,601	2,627,317	2,314,955	2,818,712
% PAJE Effect of Financial Statement Item	0.00%	0.68%	0.74%	0.00%	0.30%	0.25%



## Schedule B

Client: **Angelina Neches River Authority**  
 Engagement: **2017 - ANRA**  
 Period Ending: **8/31/2017**  
 Trial Balance: **2100.00 - Trial Balance - ANRA**  
 Workpaper: **Adjusting Journal Entries Report - ANRA**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>				
To adjust accrued vacation at year end.				
330.05	Accrued - Compensated Absences		1,551.93	
700.00	Salaries			1,551.93
<b>Total</b>			<b>1,551.93</b>	<b>1,551.93</b>
<b>Adjusting Journal Entries JE # 2</b>				
To adjust due to/from accounts				
133.01	Due From ACF		7,776.62	
133.02	Due From HMU			7,776.62
<b>Total</b>			<b>7,776.62</b>	<b>7,776.62</b>
<b>Adjusting Journal Entries JE # 3</b>				
To adjust loan ending balance to confirmation and debt schedule per bank.				
327.02	Unit#46,47,48 Trucks 2013		688.28	
799.08	Debt Service - Interest		846.56	
799.12	Debt Service Mini X - Interest		386.33	
799.20	Debt Service Vehicles 2016 - Interest		965.38	
327.01	Consolidated Loan 2013			846.56
327.03	Backhoe 2013			386.33
365.00	Lease - Chevy Trucks (2)			965.38
799.10	Debt Service Unit #46,47,48 - Interest			688.28
<b>Total</b>			<b>2,886.55</b>	<b>2,886.55</b>
<b>Adjusting Journal Entries JE # 4</b>				
To reclassify capital expenditures to fixed assets.				
201.00	Machinery & Equipment		9,477.25	
201.03	Jet Machine 2008		6,450.00	
754.01	Equipment - Lab/Field			9,477.25
754.04	Electronic Equipment			6,450.00
<b>Total</b>			<b>15,927.25</b>	<b>15,927.25</b>
<b>Adjusting Journal Entries JE # 5</b>				
To record depreciation expense during the year ended 8/31/2017.				
201.00	Machinery & Equipment		10,000.00	
800.00	Depreciation		60,113.14	
205.00	Accumulated Depreciation			10,000.00
205.00	Accumulated Depreciation			60,113.14
<b>Total</b>			<b>70,113.14</b>	<b>70,113.14</b>
<b>Adjusting Journal Entries JE # 6</b>				
To reclassify receipt of prior year receivable to correct account.				
130.00	A/R Operations		42,440.08	
135.01	Due from Clean Water Act 2013		29,909.49	
130.00	A/R Operations			29,909.49
135.01	Due from Clean Water Act 2013			42,440.08
<b>Total</b>			<b>72,349.57</b>	<b>72,349.57</b>
<b>Adjusting Journal Entries JE # 7</b>				
To record CRP receivable at year end				
134.01	Due from Clean Rivers Program		40,991.53	
100.60.01	CRP - TCEQ Contract			40,991.53
<b>Total</b>			<b>40,991.53</b>	<b>40,991.53</b>



Client: **Angelina Neches River Authority**  
 Engagement: **2017 - ANRA**  
 Period Ending: **8/31/2017**  
 Trial Balance: **2100.00 - Trial Balance - ANRA**  
 Workpaper: **Adjusting Journal Entries Report - ANRA**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 8</b>				
To adjust TWC liability to actual and correct prior period mis-posting of \$2,570 and to correct rate change over accrual in the current period.				
333.04	Payroll Liabilities:333.04 +- SUTA - State Unemployment Comm		5,513.86	
702.03	SUTA - State Unemployment Comm			5,513.86
<b>Total</b>			<b>5,513.86</b>	<b>5,513.86</b>
<b>Adjusting Journal Entries JE # 9</b>				
To adjust beginning equity to prior year audit balance				
451.00	Retained Earnings		1,620.00	
100.55.02	Miscellaneous Income			1,620.00
<b>Total</b>			<b>1,620.00</b>	<b>1,620.00</b>
<b>Adjusting Journal Entries JE # 10</b>				
To reclassify current portion of Capital leases				
327.01	Consolidated Loan 2013		8,347.00	
327.02	Unit#46,47,48 Trucks 2013		8,666.00	
327.03	Backhoe 2013		5,548.00	
365.00	Lease - Chevy Trucks (2)		10,303.00	
315.00	Curr Portion Long Term Debt			32,864.00
<b>Total</b>			<b>32,864.00</b>	<b>32,864.00</b>





Client:  
Engagement: 2017 - ANRA  
Period Ending: 8/31/2017  
Trial Balance: 2100.02 - Trial Balance - NAC RWF  
Workpaper: Adjusting Journal Entries Report - NAC RWF

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries</b>				
<b>Adjusting Journal Entries JE # 1</b>				
To reclass \$43,835 and \$17,300 escrow Releases to the correct Loan forgiveness escrow account. These related to LF1000397, but were coded to the LF1000258 account.				
120.02	BOT- RestrictedCash- 469k-LF		61,135.73	
122.02	BOT-RestrictedCash- 3,176,250-LF			61,135.73
<b>Total</b>			<b>61,135.73</b>	<b>61,135.73</b>
<b>Adjusting Journal Entries JE # 2</b>				
To reclassify final release of \$4,429 on FL1000258 to correct account.				
122.02	BOT-RestrictedCash- 3,176,250-LF		4,429.40	
120.02	BOT- RestrictedCash- 469k-LF			4,429.40
<b>Total</b>			<b>4,429.40</b>	<b>4,429.40</b>
<b>Adjusting Journal Entries JE # 3</b>				
To reclassify interest income on LF1000258 to interest income.				
122.02	BOT-RestrictedCash- 3,176,250-LF		69.71	
500.06	IncomeInterest - CD/Bonds			69.71
<b>Total</b>			<b>69.71</b>	<b>69.71</b>
<b>Adjusting Journal Entries JE # 4</b>				
To reclassify releases to correct L1000257 account.				
120.02	BOT- RestrictedCash- 469k-LF		67,137.00	
122.02	BOT-RestrictedCash- 3,176,250-LF		94,498.91	
120.01	BOT-RestrictedCash- 205k-L			67,137.00
120.01	BOT-RestrictedCash- 205k-L			94,498.91
<b>Total</b>			<b>161,635.91</b>	<b>161,635.91</b>
<b>Adjusting Journal Entries JE # 5</b>				
To consolidate loan forgiveness liability accounts on general ledger.				
498.02	Loan - TWDB 2014 - ACF PAD -Loan Forgiveness		360,263.00	
480.20	TWDB Loan Forgiveness 2014			360,263.00
<b>Total</b>			<b>360,263.00</b>	<b>360,263.00</b>
<b>Adjusting Journal Entries JE # 6</b>				
To recognize the final release on FL1000258 as single audit federal revenues.				
480.20	TWDB Loan Forgiveness 2014		4,430.00	
510.00	Single Audit Revenue			4,430.00
<b>Total</b>			<b>4,430.00</b>	<b>4,430.00</b>
<b>Adjusting Journal Entries JE # 7</b>				
To recognize 2017 escrow release on LF1000357 as single audit federal revenue.				
480.10	TWDB Loan Forgiveness 2016		2,708,870.05	
510.00	Single Audit Revenue			2,708,870.05
<b>Total</b>			<b>2,708,870.05</b>	<b>2,708,870.05</b>
<b>Adjusting Journal Entries JE # 8</b>				
To record interest income on loan \$1,820,000 escrow account.				
122.01	BOT-RestrictedCash- 1,820,000-L		10,587.87	
500.06	IncomeInterest - CD/Bonds			10,587.87
<b>Total</b>			<b>10,587.87</b>	<b>10,587.87</b>
<b>Adjusting Journal Entries JE # 9</b>				
To record interest income on loan \$250k escrow account.				
120.01	BOT-RestrictedCash- 205k-L		567.86	
500.06	IncomeInterest - CD/Bonds			567.86
<b>Total</b>			<b>567.86</b>	<b>567.86</b>
<b>Adjusting Journal Entries JE # 10</b>				
To record interest income on loan forgiveness \$3,186,000 escrow account.				
122.02	BOT-RestrictedCash- 3,176,250-LF		15,050.03	
500.06	IncomeInterest - CD/Bonds			15,050.03
<b>Total</b>			<b>15,050.03</b>	<b>15,050.03</b>
<b>Adjusting Journal Entries JE # 11</b>				
To eliminate duplicate accounts that were intended to be reversed.				
410D0	Accrued Interest - TWDB		31,448.00	
430D0	Accrued Interest TWDB 2016 Bond		25,271.00	
410	Regions - Bond Series 2012 - Accrued Interest			31,448.00
430	TWDB - Bond Series 2016 - Accrued Interest - TWDB			25,271.00
<b>Total</b>			<b>56,719.00</b>	<b>56,719.00</b>





NAC RWF - Page 2

**Adjusting Journal Entries JE # 12**

To adjust accrued interest to actual at 8/31/2017.

414.02	TWDB - Bond Series 2016 - Accrued Interest	2,923.65	
970.24	Debt Service - Regions Bond 2012 - Interest	387.65	
970.26	Debt Service - TWDB Bond 2014 - Interest	9.89	
411.02	Regions - Bond Series 2012 - Accrued Interest - TWDB		387.65
413.02	TWDB - Bond Series 2014 - Accrued Interest		9.89
970.28	Debt Service- TWDB Series 2016 - Interest		2,923.65
<b>Total</b>		<u>3,321.19</u>	<u>3,321.19</u>

**Adjusting Journal Entries JE # 13**

To record depreciation expense during the year ended 8/31/2017.

211.00	Plant General	30.00	
980.00	Depreciation	150,849.59	
212.00	Accumulated Depreciation		150,849.59
968.00	Miscellaneous Expense		30.00
<b>Total</b>		<u>150,879.59</u>	<u>150,879.59</u>

**Adjusting Journal Entries JE # 14**

To adjust beginning equity to prior year audit balance and post prior auditor eliminating entry

350.00	Retained Earnings	300,000.00	
968.00	Miscellaneous Expense	1,058.00	
213.02	NACRW System-ACF Sewer In Const - Loan Forgivness		300,000.00
350.00	Retained Earnings		1,058.00
<b>Total</b>		<u>301,058.00</u>	<u>301,058.00</u>

**Adjusting Journal Entries JE # 15**

To reclassify to capital assets

206.00	Treatment Facilities	49,850.00	
924.00	Reserve - Maintenance & Equipment		49,850.00
<b>Total</b>		<u>49,850.00</u>	<u>49,850.00</u>

<b>Total Adjusting Journal Entries</b>		<u>3,888,867.34</u>	<u>3,888,867.34</u>
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<b>Total All Journal Entries</b>		<u>3,888,867.34</u>	<u>3,888,867.34</u>
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Client: **Angelina Neches River Authority**  
Engagement: **2017 - ANRA**  
Period Ending: **8/31/2017**  
Trial Balance: **2100.01 - Trial Balance - Lake Columbia**  
Workpaper: **Adjusting Journal Entries Report - Lake Columbia**

Account	Description	W/P Ref	Debit	Credit
<b>Adjusting Journal Entries JE # 1</b>				
To reclassify amount due to ANRA				
300.00	Accounts Payable		33,964.61	
312.00	Due to ANRA/Mgt Expenses			33,964.61
<b>Total</b>			<b>33,964.61</b>	<b>33,964.61</b>
<b>Adjusting Journal Entries JE # 2</b>				
To relieve deferred interest per the amortization schedule in the loan document				
330.01	L.C. Contract Revenue Bonds - Deferred Interest 800K		38,114.29	
330.02	L.C. Contract Revenue Bonds - Deferred Interest 230K		9,698.00	
970.03	Debt Service - Contract Bond - Interest			47,812.29
<b>Total</b>			<b>47,812.29</b>	<b>47,812.29</b>
<b>Adjusting Journal Entries JE # 3</b>				
To continue to accrue \$40,664 annual deferred interest per amortization schedule				
970.03	Debt Service - Contract Bond - Interest		40,664.00	
331.01	TWDB ST Participation Loan - Deferred Interest 734K			40,664.00
<b>Total</b>			<b>40,664.00</b>	<b>40,664.00</b>
<b>Adjusting Journal Entries JE # 4</b>				
To True-up accrued interest at 8/31/2017. Note that \$7,287 of true-up is related to old accruals still on the books.				
325.00	Accrued Interest on Payable		6,837.96	
330.03	L.C. Contract Revenue Bonds - Accrued Interest		3,833.00	
970.03	Debt Service - Contract Bond - Interest			10,670.96
<b>Total</b>			<b>10,670.96</b>	<b>10,670.96</b>
<b>Adjusting Journal Entries JE # 5</b>				
To adjust beginning equity to prior year audit balance				
350.00	Retained Earnings		25.00	
958.00	Travel & Per Diem.			25.00
<b>Total</b>			<b>25.00</b>	<b>25.00</b>



Client: *Angelina Neches River Authority*  
 Engagement: *2017 - ANRA*  
 Period Ending: *8/31/2017*  
 Trial Balance: *2100.03 - Trial Balance - Holmwood*  
 Workpaper: *Adjusting Journal Entries Report - Holmwood*

Account	Description	W/IP Ref	Debit	Credit
<b>Adjusting Journal Entries</b>				
<b>Adjusting Journal Entries JE # 1</b>				
To reclassify amounts due to ANRA				
300.00	Accounts Payable		623.40	
307.00	Due to ANRA Ops			623.40
<b>Total</b>			<b>623.40</b>	<b>623.40</b>
<b>Adjusting Journal Entries JE # 2</b>				
To adjust accrued interest to actual at 8/31/2017				
411.02	Regions 2012-Accrued Interest		1,895.83	
970.24	Debt Service:970.24 -+ Regions Bond - Interest			1,895.83
<b>Total</b>			<b>1,895.83</b>	<b>1,895.83</b>
<b>Adjusting Journal Entries JE # 3</b>				
To record depreciation expense during the year ended 8/31/2017.				
980.00	Depreciation.		28,238.87	
212.00	Accumulated Depreciation			28,238.87
<b>Total</b>			<b>28,238.87</b>	<b>28,238.87</b>
<b>Adjusting Journal Entries JE # 4</b>				
To adjust customer deposit balance to actual.				
480.00	Meter Deposits Payable		1,351.24	
500.12	Income - Miscellaneous Income			1,351.24
<b>Total</b>			<b>1,351.24</b>	<b>1,351.24</b>
<b>Adjusting Journal Entries JE # 5</b>				
To record allowance for bad debts on utility accounts over 120 days past due.				
969.00	Bad Debt Expense		2,116.30	
1210.03	Allowance for Doubtful Accounts			2,116.30
<b>Total</b>			<b>2,116.30</b>	<b>2,116.30</b>
<b>Adjusting Journal Entries JE # 6</b>				
To adjust beginning equity to prior year audit balance				
968.00	Miscellaneous Expense		7,330.00	
350.00	Retained Earnings			7,330.00
<b>Total</b>			<b>7,330.00</b>	<b>7,330.00</b>
	<b>Total Adjusting Journal Entries</b>		<b>41,555.64</b>	<b>41,555.64</b>
	<b>Total All Journal Entries</b>		<b>41,555.64</b>	<b>41,555.64</b>





Client:  
Engagement: 2017 - ANRA  
Period Ending: 8/31/2017  
Trial Balance: 2100.04 - Trial Balance - Compost  
Workpaper: Adjusting Journal Entries Report - Compost

Account	Description	W/P Ref	Debit	Credit
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**Adjusting Journal Entries**

**Adjusting Journal Entries JE # 1**

To adjust accrued vacation liability at year end.

900.00	Personnel Expenses - Salaries		2,063.62	
415.00	Accrued Vacation Payable			2,063.62
<b>Total</b>			<b>2,063.62</b>	<b>2,063.62</b>

**Adjusting Journal Entries JE # 2**

To reclassify due to/from ANRA

300.00	Accounts Payable		310.24	
310.00	Due To ANRAMgt Expenses			310.24
<b>Total</b>			<b>310.24</b>	<b>310.24</b>

**Adjusting Journal Entries JE # 3**

Client prepared entry reversing an entry posted twice to the general ledger.

408.00	Regions - Accrued Principal		400.00	
970.15	Debt Service - Windrow Turner - Principal		18,175.60	
970.23	Debt Service - Regions Bond - Principal		48,000.00	
458.00	TSB Loan - Windrow Turner			18,175.60
463.01	Region Refunding Bonds - Tax Exempt			42,100.00
463.02	Region Refunding Bonds- Taxable			6,300.00
<b>Total</b>			<b>66,575.60</b>	<b>66,575.60</b>

**Adjusting Journal Entries JE # 4**

To reclassify interest and principal.

316.00	Principal Payable-Current		1,300.00	
970.24	Debt Service: - Regions Bond - Interest		300.00	
463.01	Region Refunding Bonds - Tax Exempt			1,300.00
463.02	Region Refunding Bonds- Taxable			300.00
<b>Total</b>			<b>1,600.00</b>	<b>1,600.00</b>

**Adjusting Journal Entries JE # 5**

To reclass insurance proceeds to other revenue account

208.00	Equipment		500.00	
208.02	Equipment: - Heavy Equipment		19,898.00	
500.50	Insurance proceeds			20,398.00
<b>Total</b>			<b>20,398.00</b>	<b>20,398.00</b>

**Adjusting Journal Entries JE # 6**

To adjust accrued interest to actual at 8/31/2017.

410.00	Regions - Accrued Interest		3,321.20	
970.24	Debt Service: - Regions Bond - Interest			3,321.20
<b>Total</b>			<b>3,321.20</b>	<b>3,321.20</b>

**Adjusting Journal Entries JE # 7**

To adjust loan ending balance to confirmation and debt schedule per bank.

970.24	Debt Service: - Regions Bond - Interest		2,013.08	
458.00	TSB Loan - Windrow Turner			2,013.08
<b>Total</b>			<b>2,013.08</b>	<b>2,013.08</b>





## Neches Compost Facility - Page 2

### Adjusting Journal Entries JE # 8

To record depreciation expense during the year ended 8/31/2017.

206.00	Treatment Facilities	30.00	
207.00	Land	8,041.00	
980.00	Depreciation	83,810.68	
206.00	Treatment Facilities		8,041.00
212.00	Accumulated Depreciation		83,810.68
212.00	Accumulated Depreciation		13.00
968.00	Miscellaneous Expense		17.00
<b>Total</b>		<b>91,881.68</b>	<b>91,881.68</b>

### Adjusting Journal Entries JE # 9

To adjust beginning equity to prior year audit balance

968.00	Miscellaneous Expense	2,554.00	
350.00	Retained Earnings		2,554.00
<b>Total</b>		<b>2,554.00</b>	<b>2,554.00</b>
<b>Total Adjusting Journal Entries</b>		<b>190,717.42</b>	<b>190,717.42</b>
<b>Total All Journal Entries</b>		<b>190,717.42</b>	<b>190,717.42</b>

