

Angelina & Neches River Authority

Communication to the Board

August 31, 2016

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December 1, 2016

To the Board of Directors
Angelina & Neches River Authority

We have audited the financial statements of the Angelina & Neches River Authority ("ANRA") for the year ended August 31, 2016. 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 November 10, 2016. 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 ANRA 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 2015. We noted no transactions entered into by the governmental unit 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 financial statements was:

Management's estimate of the depreciation expense and related accumulated depreciation is based on the useful lives of fixed assets. We evaluated the key factors and assumptions used to develop the depreciation expense in determining that it is 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. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole. Copies of all adjustments are included as an attachment to this letter.

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 December 1, 2016.

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 the governmental unit'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 the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Other Matters

With respect to the supplementary information accompanying the financial statements, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

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

Very truly yours,


Hansen and Gregorczyk

Angelina & Neches River Authority
Corrected Misstatements
August 31, 2016

Name	Memo	Account	Debit	Credit
	Reclass to agree to bond closing	55.02 · Miscellaneous Income		1,131.58
	Reclass to agree to bond closing	790 · Bond Issuance Costs	6,407.59	
	Reclass to agree to bond closing	207.03 · Financial		5,276.01
			6,407.59	6,407.59
	Reclass to agree to bond closing	207.07 · Bond Counsel		22,592.41
	Reclass to agree to bond closing	790 · Bond Issuance Costs	22,592.41	
			22,592.41	22,592.41
	Reclass to agree to bond closing	207.05 · Permit Fees.		3,795.00
	Reclass to agree to bond closing	790 · Bond Issuance Costs	3,795.00	
			3,795.00	3,795.00
T.C.E.Q. C...	Reclass	130 · A/R Operations		42,440.08
T.C.E.Q. C...	Reclass	156 · Enterprise Reimbursements	42,440.08	
			42,440.08	42,440.08
	Reclass	156 · Enterprise Reimbursements		42,440.18
T.C.E.Q. C...	Reclass	135.01 · Due from Clean Water Act ...	42,440.18	
			42,440.18	42,440.18
	To record net accrual for vac/sl	700.00 · Salaries	4,443.00	
	To record net accrual for vac/sl	330.05 · Accrued - Compensated A...		4,443.00
			4,443.00	4,443.00
	Reclass - below capitalization threshold	208 · Interim-New Office Project 2015		2,189.60
	Reclass - below capitalization threshold	734 · Miscellaneous Expense	2,189.60	
			2,189.60	2,189.60
	To record annual depr	800 · Depreciation	46,012.98	
	To record annual depr	205 · Accumulated Depreciation		46,012.98
			46,012.98	46,012.98
TOTAL			170,320.84	170,320.84

Lake Columbia Enterprise Fund
Corrected Misstatements
August 31, 2016

Name	Memo	Account	Debit	Credit
	To record def interest	970.03 · L.C. Contract Bond - Interest	40,664.00	
	To record def interest	331.01 · Deferred Interest \$734K		40,664.00
			40,664.00	40,664.00
TEXAS COMPT...	To reverse trx posted x 2	300 · Accounts Payable	59,224.00	
TEXAS COMPT...	To reverse trx posted x 2	970.03 · L.C. Contract Bond - Interest		59,224.00
			59,224.00	59,224.00
	To record accrued inter...	970.03 · L.C. Contract Bond - Interest	11,667.00	
	To record accrued inter...	325 · Accrued Interest on Payable		11,667.00
			11,667.00	11,667.00
TOTAL			111,555.00	111,555.00

NECHES COMPOST FACILITY
Corrected Misstatements
August 31, 2016

Memo	Account	Debit	Credit
To record c/m of debt	316 · Principal Payable-Current		2,733.00
To record c/m of debt	463.01 · Tax Exempt	2,733.00	
Reclass prin payments	463.01 · Tax Exempt	40,900.00	
Reclass prin payments	463.02 · Taxable	5,900.00	
Reclass prin payments	970.23 · Regions Bond - Principal Debt 3		46,800.00
		49,533.00	49,533.00
Reclass prin pymts	970.15 · TSB Windrow Turner - Princpal		17,800.00
Reclass prin pymts	458 · TSB Loan - Windrow Turner	17,800.00	
		17,800.00	17,800.00
Reclass	458 · TSB Loan - Windrow Turner	1,133.00	
Reclass	463.01 · Tax Exempt		1,533.00
Reclass	463.02 · Taxable	400.00	
		1,533.00	1,533.00
To record annual depr	980 · Depreciation	97,323.43	
To record annual depr	212 · Accumulated Depreciation		97,323.43
		97,323.43	97,323.43
TOTAL		<u>166,189.43</u>	<u>166,189.43</u>

NORTH ANGELINA COUNTY RWF
Corrected Misstatements
August 31, 2016

Memo	Account	Debit	Credit
To reclass prin on loan	498.01 · Loan - PAD	20,000.04	
To reclass prin on loan	970.25 · TWDB Bond 2014 - Principal		20,000.04
To record C/M on bonds 2014	421 · Current Maturity - 2014 Series		20,000.00
To record C/M on bonds 2014	498.01 · Loan - PAD	20,000.00	
		40,000.04	40,000.04
	498.01 · Loan - PAD		0.04
	956.04 · Office	0.04	
		0.04	0.04
To accrue interest on 2016 bonds	985 · Interest Expense	25,271.00	
To accrue interest on 2016 bonds	430 · Accrued Interest TWDB 2016 Bond		25,271.00
		25,271.00	25,271.00
	413.01 · TWDB 2014 - Accrued Principal	0.04	
	956.04 · Office		0.04
		0.04	0.04
Record C/M on 2012 bond	497 · Loan - Regions Bond Series 2012	5,000.00	
Record C/M on 2012 bond	411 · Regions - Bond Series 2012		5,000.00
Reclass prin on 2012 bond pymt	970.23 · Regions Bond 2012 - Principal		165,000.00
Reclass prin on 2012 bond pymt	497 · Loan - Regions Bond Series 2012	165,000.00	
		170,000.00	170,000.00
To record net accrual on TWDB 2012	410 · Accrued Interest - TWDB	2,316.00	
To record net accrual on TWDB 2012	985 · Interest Expense		2,316.00
		2,316.00	2,316.00
To record TWDB LF release payments	480.2 · TWDB Loan Forgiveness 2014	355,833.00	
To record TWDB LF release payments	500.13 · Loan Forgiveness TWDB 2014		355,833.00
		355,833.00	355,833.00
Record interest on TWDB LF bonds	122.02 · RestrictedCash-\$3,176,250-LF	6,206.00	
Record interest on TWDB LF bonds	500.06 · Interest - CD/Bonds		6,206.00
		6,206.00	6,206.00
To record interest on TWDB Loan 2016	122.01 · RestrictedCash-\$1,820,000-L	9,566.00	
To record interest on TWDB Loan 2016	500.06 · Interest - CD/Bonds		9,566.00
		9,566.00	9,566.00
Reclass	213.03 · Loves Travel Stop	180,000.00	
Reclass	500.05 · Tap Fees		180,000.00
		180,000.00	180,000.00
To expense consistent with other large tap fee expenses	202.01 · Gravity Line		9,980.00
To expense consistent with other large tap fee expenses	934 · Tap Fees	9,980.00	
		9,980.00	9,980.00
Reclass from debt	499.02 · Loan Forgiveness-Construction	3,176,250.00	
Reclass from debt	480.1 · TWDB Loan Forgiveness 2016		3,176,250.00
Reclass from debt	480.2 · TWDB Loan Forgiveness 2014	4,430.00	
Reclass from debt	480.2 · TWDB Loan Forgiveness 2014		4,430.00
		3,180,680.00	3,180,680.00
Reclass to revenue - amount paid to OPS	480.1 · TWDB Loan Forgiveness 2016	300,000.00	
Reclass to revenue - amount paid to OPS	510 · Single Audit Revenue		300,000.00
		300,000.00	300,000.00
Reclass from F/A	946.01 · Equipment	162.83	
Reclass from F/A	206 · Treatment Facilities		162.83

Memo	Account	Debit	Credit
		162.83	162.83
To record annual depr	980 · Depreciation	147,881.59	
To record annual depr	212 · Accumulated Depreciation		147,881.59
		147,881.59	147,881.59
TOTAL		<u>4,427,896.54</u>	<u>4,427,896.54</u>

Holmwood Utilities
Corrected Misstatements
August 31, 2016

Name	Memo	Account	Debit	Credit
	Reclass prin	970.23 · Regions Bond - Principal		10,000.00
	Reclass prin	411.01 · Regions 2012-Accrued Principal	10,000.00	
			10,000.00	10,000.00
	To record c/m of long term debt	471 · Loan - Regions Bond Series 2012	30,000.00	
	To record c/m of long term debt	411.01 · Regions 2012-Accrued Principal		30,000.00
			30,000.00	30,000.00
ANRA	To balance with OPS Due From	307 · Due to ANRA Ops		87.00
ANRA	To balance with OPS Due From	500.12 · Miscellaneous Income	87.00	
			87.00	87.00
	To record annual depr	980 · Depreciation.	27,687.17	
	To record annual depr	212 · Accumulated Depreciation		27,687.17
			27,687.17	27,687.17
TOTAL			<u>67,774.17</u>	<u>67,774.17</u>