

ANGELINA AND NACOGDOCHES COUNTIES WATER
CONTROL AND IMPROVEMENT DISTRICT NO. 1
Lufkin, Texas

FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT

September 30, 2020 and 2019

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ANNUAL FILING AFFIDAVIT

THE STATE OF TEXAS }

COUNTY OF: RUSK }

I, _____
(Printed: Name of President, Chairman, Director or Attorney)

of the ANGELINA AND NACOGDOCHES COUNTIES WATER CONTROL AND IMPROVEMENT DISTRICT NUMBER 1
(Name of District)

hereby swear, or affirm, that the district named above has filed copies of its annual audit report of the fiscal year or period ended September 30, 2020 in the district office and with the city or county listed below.

This annual filing affidavit and the attached copy of the annual audit report are being submitted to the Commission in satisfaction of all annual filing requirements within Section 50.374 of the Texas Water Code.

_____ Rusk _____
(Name of City or County where audit report is filed)

Date: _____, 20____. _____
(Signature of District Official)

_____ _____
(Title of District Official) (Typed Name of District Official)

Sworn to and subscribed to before me this _____ day of _____, 20____.

(Signature of Notary)

(Seal)

(Printed Name of Notary)

My Commission Expires On: _____
Notary Public in and for the State of Texas

INDEPENDENT AUDITORS' REPORT

Board of Directors
Angelina and Nacogdoches Counties Water Control
and Improvement District No. 1
Lufkin, Texas 75901

We have audited the accompanying financial statements of Angelina and Nacogdoches Counties Water Control and Improvement District No. 1 (the "District"), as of and for the years ended September 30, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Angelina and Nacogdoches Counties Water Control and Improvement District No. 1 as of September 30, 2020 and 2019, and the changes in financial position and cash flows thereof for the years 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 beginning on page 6, the schedule of changes in net pension liability and related ratios on page 21, the schedule of employer contributions on page 22, and the notes to required supplementary information on page 23 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.

Supplementary Information

Our audits were conducted for the purpose of forming an opinion on the financial statements that collectively comprise the District's basic financial statements. The supplementary information beginning on page 28 is presented for the purpose of additional analysis and is not a required part of the basic financial statements.

The supplementary information on pages 25 through 33 is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The annual filing affidavit on page 3 and supplemental TSI-8 schedule beginning on page 32 have 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 them.

Axley & Rode LLP
CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
March 26, 2021

ANGELINA AND NACOGDOCHES COUNTIES WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Angelina and Nacogdoches Counties Water Control and Improvement District No. 1 (the "District") provides an overview of the District's financial activity for the fiscal years ended September 30, 2020 and 2019. It should be read in conjunction with the basic financial statements, which begin on page 9.

Overview of the Financial Statements

This report consists of four parts - *management's discussion and analysis* (this section), the *basic financial statements*, *required supplementary information*, and *supplementary information*. The financial statements offer *short-* and *long-term* financial information about the activities of the District. The Statements of Net Position and Revenues, Expenses, Changes in Net Position, and cash flows on pages 9 through 11 provide information about the District as a whole and include fixed assets consisting of land, dam, buildings and equipment, and depreciation on those assets. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by sections of *required supplementary information* and *supplementary information* that further explain and support the information in the financial statements.

Financial Highlights

- Net position increased approximately \$194,800 from 2019.
- Total operating revenues were approximately \$613,500.
- Total operating expenses were approximately \$483,000.

Financial Analysis of the Water District as a Whole

Net Position. The District's net position was \$6,135,526 at September 30, 2020. (See Table 1)

TABLE 1
NET POSITION

	SEPTEMBER 30,		TOTAL PERCENTAGE CHANGE 2020-2019
	2020	2019	
Current assets	\$ 3 088 085	\$ 2 915 471	5.9%
Restricted assets	458 071	458 071	- %
Net capital assets	2 602 206	2 579 619	0.9%
Deferred outflows	17 535	44 196	(60.3)%
TOTAL ASSETS AND DEFERRED OUTFLOWS	6 165 897	5 997 357	2.8%
Current liabilities	9 680	10 530	(8.1)%
Long-term liabilities	9 223	46 087	(82.2)%
Deferred inflows	11 468	48	23 791.7%
TOTAL LIABILITIES AND DEFERRED INFLOWS	30 371	56 665	(46.4)%
Net investment in capital assets	2 602 206	2 579 619	0.9%
Restricted	458 071	458 071	- %
Unrestricted	3 075 249	2 903 002	5.9%
TOTAL NET POSITION	\$ 6 135 526	\$ 5 940 692	3.3%

The net position increased approximately \$194,800, which represents a combination of a net operating income of approximately \$130,700 and net non-operating income of approximately \$64,100.

Changes in Net Position. The District's total revenues were approximately \$677,500. A significant portion, 78.2 percent, of the District's revenue came from water contracts and 7.3 percent came from lease income. The remaining 14.5 percent consists of interest income, grant income and other miscellaneous income. The District's total operating expenses increased approximately \$10,000. (See Table 2)

ANGELINA AND NACOGDOCHES COUNTIES WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

TABLE 2
CHANGES IN NET POSITION

	SEPTEMBER 30,		TOTAL PERCENTAGE CHANGE 2020-2019
	2020	2019	
Operating Revenues:			
Water receipts	\$ 530 102	\$ 530 102	- %
Lease income	49 650	50 226	(1.1)%
Other income	4 590	4 424	3.8%
Grant income	28 985	221 068	(86.9)%
TOTAL OPERATING INCOME	<u>613 327</u>	<u>805 820</u>	(23.9)%
Operating Expenses:			
Employee related expenses	272 886	275 063	(0.8)%
Other operating expenses	209 767	197 018	6.5%
TOTAL OPERATING EXPENSES	<u>482 653</u>	<u>472 081</u>	2.2%
OPERATING INCOME	<u>130 674</u>	<u>333 739</u>	(60.8)%
Non-Operating Revenue (Expense):			
Interest income	64 160	55 513	15.6%
Timber sales	-	125 086	%
Timber management	-	(12 694)	%
TOTAL NON-OPERATING REVENUE (EXPENSE)	<u>64 160</u>	<u>167 905</u>	(61.8)%
CHANGE IN NET POSITION	194 834	501 644	(61.2)%
Net position, beginning	5 940 692	5 439 048	
NET POSITION, ENDING	<u>\$ 6 135 526</u>	<u>\$ 5 940 692</u>	

Financial Analysis of Government Funds

The District has no governmental funds. See Notes to Financial Statements for additional information.

Analysis of Changes in Capital Assets

As of September 30, 2020, the District had invested approximately \$3,759,000 in a broad range of capital assets, including land, equipment, buildings, dam and dam improvements. Capital additions for the year consisted of approximately \$99,200 related to construction in process for the marina boat ramp and parking during the year (see page 14 for details).

The Budget, Economic Environment, and Rates

The final budget for the year ended September 30, 2020 was amended during the year to make the 2019-20 budget equal to actuals.

Contacting the District's Financial Management

This financial report is designed to provide a general overview of the District's finances and to show the District's accountability to its beneficiaries. If you have questions about this report or need additional financial information, contact the District's office at 1524 Woodberry, Lufkin, Texas 75904.

BASIC FINANCIAL STATEMENTS

ANGELINA AND NACOGDOCHES COUNTIES WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
STATEMENTS OF NET POSITION

	SEPTEMBER 30,	
	2020	2019
ASSETS		
Current Assets:		
Cash in bank	\$ 155 252	\$ 301 184
Investments - Money market fund	629 367	269 270
TOTAL CASH AND CASH EQUIVALENTS - UNRESTRICTED	784 619	570 454
Time deposits	2 261 711	2 001 712
Investments	-	100 165
Accrued interest receivable	599	599
Accounts receivable, net of allowances for uncollectible amounts	31 377	25 799
Grants receivable	-	206 963
Prepaid insurance	9 779	9 779
TOTAL CURRENT ASSETS	3 088 085	2 915 471
Restricted Assets:		
Time deposits - Restricted	458 071	458 071
TOTAL RESTRICTED ASSETS	458 071	458 071
Capital Assets:		
Land	615 020	615 020
Buildings and improvements	600 740	600 740
Dam and improvements	2 225 845	2 225 845
Vehicles and equipment	217 729	217 729
Construction in process	99 236	-
	3 758 570	3 659 334
Less accumulated depreciation	(1 156 364)	(1 079 715)
NET CAPITAL ASSETS	2 602 206	2 579 619
Deferred Outflows:		
Deferred outflows - Pension	17 535	44 196
TOTAL DEFERRED OUTFLOWS	17 535	44 196
TOTAL ASSETS AND DEFERRED OUTFLOWS	\$ 6 165 897	\$ 5 997 357
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 9 680	\$ 10 530
TOTAL CURRENT LIABILITIES		10 530
Long-term Liabilities:		
Net pension liability	9 223	46 087
TOTAL LIABILITIES	18 903	56 617
Deferred Inflows:		
Deferred inflows - Pension	11 468	48
TOTAL LIABILITIES AND DEFERRED INFLOWS	30 371	56 665
Net Position:		
Net investment in capital assets	2 602 206	2 579 619
Restricted	458 071	458 071
Unrestricted	3 075 249	2 903 002
TOTAL NET POSITION	6 135 526	5 940 692
TOTAL LIABILITIES, DEFERRED INFLOWS, AND NET POSITION	\$ 6 165 897	\$ 5 997 357

The accompanying notes are an integral part of these statements.

ANGELINA AND NACOGDOCHES COUNTIES WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	FOR THE YEAR ENDED SEPTEMBER 30,	
	2020	2019
Operating Revenue:		
Water contract receipts	\$ 530 102	\$ 530 102
Lease income - Annual renewals	49 650	50 226
Grant income	28 985	221 068
Other income	4 590	4 424
TOTAL OPERATING REVENUE	613 327	805 820
Operating Expenses:		
Salaries and wages	217 024	210 526
Employee benefits	55 862	64 537
Utilities	10 595	10 876
Other expenses	29 517	38 933
Legal and professional	10 850	13 735
Maintenance and repairs	74 460	61 538
TCEQ water fee	7 696	7 696
Depreciation	76 649	64 240
TOTAL OPERATING EXPENSES	482 653	472 081
OPERATING INCOME	130 674	333 739
Non-Operating Revenues (Expenses):		
Interest income	64 160	55 513
Timber sales	-	125 086
Timber management	-	(12 694)
TOTAL NON-OPERATING REVENUES (EXPENSES)	64 160	167 905
CHANGE IN NET POSITION	194 834	501 644
Net position, beginning of year	5 940 692	5 439 048
NET POSITION, END OF YEAR	\$ 6 135 526	\$ 5 940 692

The accompanying notes are an integral part of these statements.

ANGELINA AND NACOGDOCHES COUNTIES WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
STATEMENTS OF CASH FLOWS

	FOR THE YEAR ENDED SEPTEMBER 30,	
	2020	2019
Cash Flows from Operating Activities:		
Cash received from customers and grants	\$ 814 712	\$ 596 748
Cash payments to suppliers for goods and services	(122 548)	(128 021)
Cash payments to employees for services	(283 089)	(264 397)
NET CASH PROVIDED BY OPERATING ACTIVITIES	409 075	204 330
Cash Flows from Capital and Related Financing Activities:		
Acquisition of capital assets	(99 235)	(342 172)
Cash payments relating to sale of timber	-	(12 694)
Cash received from timber sales	-	125 086
NET CASH USED BY CAPITAL ACTIVITIES	(99 236)	(229 780)
Cash Flows from Investing Activities:		
Interest on cash and investments	64 159	55 513
Proceeds from sales and maturities of time deposits	215 166	1 223 247
Purchase of time deposits	(375 000)	(815 000)
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	(95 674)	463 760
NET CHANGE IN CASH AND CASH EQUIVALENTS	214 165	438 310
Cash and cash equivalents, beginning of year	570 454	132 144
CASH AND CASH EQUIVALENTS, END OF YEAR	\$ 784 619	\$ 570 454
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 130 674	\$ 333 739
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	76 649	64 240
Change in Assets, Deferred Outflows, Liabilities, and Deferred Inflows:		
(Increase) decrease in accounts receivable, net	(5 578)	(2 109)
(Increase) decrease in grants receivable	206 963	(206 963)
(Increase) decrease in deferred outflows	26 661	(30 440)
Increase (decrease) in deferred inflows	11 420	(4 077)
Increase (decrease) in accounts payable	(850)	8 834
Increase (decrease) in pension liability	(36 864)	41 106
TOTAL ADJUSTMENTS	278 401	(129 409)
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ 409 075	\$ 204 330

The accompanying notes are an integral part of these statements.

ANGELINA AND NACOGDOCHES COUNTIES WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Angelina and Nacogdoches Counties Water Control and Improvement District No. 1 (the "District") have been prepared in accordance with accounting principles generally accepted in the United States of America, as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity:

The Angelina and Nacogdoches Counties Water Control and Improvement District No. 1 (The "District") was formed by an order of the Board of Water Engineers for the State of Texas on June 14, 1954, and confirmed at an election held within the District on July 27, 1954 to perform the purposes of Section 59 of Article XVI of the Constitution of Texas. The District owns Lake Striker in East Texas and mainly provides water rights to two companies and one municipality. The District is governed by a five member Board of Trustees who are elected by the residents of the District. The District does not have the authority to levy property taxes.

In evaluating how to define the reporting entity, management has considered all potential component units as required by generally accepted accounting principles. The basic criterion for including a governmental department, agency, institution, commission, public authority, or other governmental organization in a governmental unit's general purpose financial report is the exercise of oversight responsibility over such agencies by the governmental unit's elected officials. The manifestations of such oversight responsibility are financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations, and accountability for fiscal matters. After considering the above, there are no other agencies, organizations, or activities meeting the criteria to be included in the financial reporting entity.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation:

The District financial statements are reported using the economic resource measurement focus and the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America for governmental proprietary funds. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. The accounting policies of the District conform to applicable generally accepted accounting principles as defined by the Governmental Accounting Standards Board (GASB). Operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the District. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as taxes and investment earnings, result from non-exchange transactions.

Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the District's principal ongoing operations. The principal operating revenues of the District are charges to customers for water sales and rental of real estate lots at the lake. Operating expenses for the District include the cost of sales, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

C. Allowance for Doubtful Accounts:

Accounts receivable are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on their assessments of the current status of individual accounts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to accounts receivable. All accounts due to the District at September 30, 2020 and 2019 are expected by management to be collected.

D. Use of Estimates:

The process of preparing financial statements in accordance with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, deferred outflows, liabilities, deferred inflows, revenues, and expenses. The most significant estimates relate to depreciation and employee benefit plan obligations. Accordingly, upon settlement, actual results may differ from estimated amounts.

ANGELINA AND NACOGDOCHES COUNTIES WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

E. Capital Assets:

Capital assets purchased or acquired with an original cost of \$3,000 or more are reported at historical or estimated historical cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. Depreciation on all assets is provided on the straight-line basis over the following estimated useful lives:

Dam and improvements	10 - 100 years
Buildings and improvements	10 - 30 years
Vehicles and equipment	3 - 10 years

F. Budgetary Data:

The official budget was prepared for adoption for the proprietary fund. The following procedures are followed in establishing the budgetary data reflected in the required supplementary information:

- a. Prior to the beginning of fiscal year, the District prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the District is then called for the purpose of adopting the proposed budget. Public notice of the meeting must have been given.
- c. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the Board.

Once a budget is approved, it can be amended only by approval of a majority of the members of the Board. The Budget was approved during the August 30, 2019 board meeting.

G. Compensated Absences:

The District accounts for expenditures related to vacation pay when such payments are made to employees, as benefits do not accumulate beyond the end of the fiscal year.

H. Investment Accounting Policy:

The District's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at the time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

I. Cash and Cash Equivalents:

For purposes of the statements of cash flows, the District considers all highly liquid investments (including restricted assets) with a maturity of three months or less when purchased to be cash equivalents.

J. Net Position:

Net position represents the difference between assets, deferred outflows, liabilities, and deferred inflows. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on its use, either through enabling legislation or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

K. Deferred Inflows and Outflows:

In addition to assets, the statement of financial position includes a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District had \$17,535 and \$44,196 in deferred outflows at September 30, 2020 and 2019, respectively, which consist of pension contributions made after the most recent measurement date of the pension plan and other pension related items. See Note 5 for further details.

ANGELINA AND NACOGDOCHES COUNTIES WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

In addition to liabilities, the statement of financial position includes a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District had \$11,468 and \$48 in deferred inflows at September 30, 2020 and 2019, respectively, which consist of pension related items. See Note 5 for further details.

L. Net Pension Liability:

The District accounts for the net pension liability in accordance with GASB Statement No. 68, *Accounting and Financial Reporting for Pensions an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. The net pension liability as defined by GASB Statement No. 68 is the difference between the actuarial present value of projected pension benefit payments attributable to employees' past service and the respective pension plan's fiduciary net position. See Note 5 starting on page 16 for the net pension liability as of December 31, 2019 and 2018.

NOTE 2 - CAPITAL ASSET ACTIVITY

A summary of changes in proprietary fund type capital assets for 2020 follows:

	BALANCE 10/01/2019	ADDITIONS	DELETIONS/ AND TRANSFERS	BALANCE 09/30/2020
Capital Assets Not Being Depreciated:				
Land	\$ 615 020	\$ -	\$ -	\$ 615 020
Construction in process	-	99 235	-	99 235
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>615 020</u>	<u>99 235</u>	<u>-</u>	<u>714 255</u>
Capital Assets Being Depreciated:				
Buildings and improvements	600 740	-	-	600 740
Dam and improvements	2 225 845	-	-	2 225 845
Vehicles and equipment	217 729	-	-	217 729
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>3 044 314</u>	<u>-</u>	<u>-</u>	<u>3 044 314</u>
Less Accumulated Depreciation for:				
Buildings and improvements	(189 932)	(21 550)	-	(211 482)
Dam and improvements	(713 227)	(47 810)	-	(761 037)
Vehicles and equipment	(176 556)	(7 289)	-	(183 845)
TOTAL ACCUMULATED DEPRECIATION	<u>(1 079 715)</u>	<u>(76 649)</u>	<u>-</u>	<u>(1 156 364)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	<u>1 964 599</u>	<u>(76 649)</u>	<u>-</u>	<u>1 887 950</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 2 579 619</u>	<u>\$ 22 586</u>	<u>\$ -</u>	<u>\$ 2 602 205</u>

A summary of changes in proprietary fund type capital assets for 2019 follows:

	BALANCE 10/01/2018	ADDITIONS	DELETIONS	BALANCE 09/30/2019
Capital Assets Not Being Depreciated:				
Land	\$ 615 020	\$ -	\$ -	\$ 615 020
Construction in process	1 561	275 355	(276 916)	-
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>616 581</u>	<u>275 355</u>	<u>(276 916)</u>	<u>615 020</u>
Capital Assets Being Depreciated:				
Buildings and improvements	600 740	-	-	600 740
Dam and improvements	1 882 112	66 817	276 916	2 225 845
Vehicles and equipment	217 729	-	-	217 729
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>2 700 581</u>	<u>66 817</u>	<u>276 916</u>	<u>3 044 314</u>
Less Accumulated Depreciation for:				
Buildings and improvements	(168 641)	(21 291)	-	(189 932)
Dam and improvements	(677 617)	(35 610)	-	(713 227)
Vehicles and equipment	(169 217)	(7 339)	-	(176 556)
TOTAL ACCUMULATED DEPRECIATION	<u>(1 015 475)</u>	<u>(64 240)</u>	<u>-</u>	<u>(1 079 715)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	<u>1 685 106</u>	<u>2 577</u>	<u>-</u>	<u>1 964 599</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 2 301 687</u>	<u>\$ 277 932</u>	<u>\$ -</u>	<u>\$ 2 579 619</u>

NOTE 3 - DEPOSITS AND INVESTMENTS

At September 30, 2020, the carrying amount of the District's deposits in banks was \$2,875,034 and the bank balance totaled \$2,880,046. At September 30, 2019, the carrying amount of the District's deposits in banks was \$2,760,967 and the bank balance totaled \$2,770,455. The District had \$629,367 and \$7,954 invested in a money market fund through a trust account at a local bank at September 30, 2020 and 2019, respectively. The fund invests only in direct obligations of the U.S. Treasury with maturities of 397 days or less.

ANGELINA AND NACOGDOCHES COUNTIES WATER CONTROL
AND IMPROVEMENT DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 3 - DEPOSITS AND INVESTMENTS - CONTINUED

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment (generally, the longer the maturity of an investment, the greater the sensitivity of its fair value). The District limited interest rate risk at September 30, 2020 and 2019 by investing only in money market accounts and short term certificates of deposit.

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits. Of the September 30, 2020 bank balance, \$2,880,046 was covered by federal depository insurance. Of the September 30, 2019 bank balance, \$2,770,455 was covered by federal depository insurance.

The District's investment policy allows the deposits of the District to be invested in fully secured time deposits and in direct obligations of the United States of America.

The Public Funds Investment Act (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports and establishment of appropriate policies. Among other things, it requires the District to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposits. Statutes authorize the District to invest in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, (10) and common trust funds. The Act also requires the District to have independent auditors perform test procedures related to investment practices as provided by the Act. In compliance with the Public Funds Investment Act, the District has adopted a deposit and investment policy. The District is in substantial compliance with the requirements of the Act and with local policies.

As of September 30, 2020, the District had the following investments:

NAME	CARRYING AMOUNT	DAYS WEIGHTED MATURITY
Certificates of Deposit	\$ 2 719 782	501
Money Market Fund	\$ 629 367	-

As of September 30, 2019, the District had the following investments:

NAME	CARRYING AMOUNT	DAYS WEIGHTED MATURITY
Certificates of Deposit	\$ 2 459 783	480
Money Market Fund	\$ 269 270	-
Federal Agency Bond	\$ 100 165	1,101

NOTE 4 - RESTRICTED NET POSITION - WATER PURCHASE AGREEMENTS

On May 1, 1992 the District entered into the following water purchase agreement:

A water purchase agreement with Texas Utilities Electric Company, a private corporation of the State of Texas, whereby the District is to furnish 5,000 acre feet of water per year.

The water purchase agreement with Texas Utilities Electric Company requires that surplus funds in the amount of \$458,071 be held and invested by the District. The income from the investment of these funds shall be applied to reduce the District's operating expenses. These surplus funds shall be used only to defray extraordinary major operation and maintenance costs as determined by the parties (the District and Texas Utilities Electric) to the water purchase agreements.

NOTE 5 - PENSION PLAN

1. Plan Information

Plan Description. The District participates in the Texas County & District Retirement System (TCDRS), which is a statewide, agent multiple-employer, public employee retirement system.

The plan provisions are adopted by the governing body of the employer, within the options available in the Texas state statutes governing TCERS (TCERS Act). Members can retire at ages 60 and above with 10 or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 80 or more. Members are vested after 10 years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

NOTE 5 - PENSION PLAN - CONTINUED

TCDRS is a savings-based plan. For the District's plan, 6% of each employee's pay is deposited into his or her TCDRS account. By law, the employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 150%) and is then converted to an annuity. There are no automatic COLAs. Each year, the District may elect an ad hoc COLA for its retirees (if any). There are two COLA types, each limited by actual inflation. Benefit terms are established under the TCDRS Act. They may be amended as of January 1 each year, but must remain in conformity with the Act.

The District's contribution rate is calculated annually on an actuarial basis, although the employer may elect to contribute a higher rate. The District's contribution rate is based on the TCDRS funding policy adopted by the TCDRS Board of Trustees and must conform with the TCDRS Act. The actuarially determined employer contribution rate for 2020 was 6.74%. Contributions to the pension plan from the District were \$11,730 for the fiscal year ended September 30, 2020.

The Board of Trustees of TCDRS is responsible for the administration of the statewide multiple-employer public employee retirement system. TCDRS in the aggregate issue a comprehensive annual financial report ("CAFR") on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034 or the website at www.tcdrs.org.

Membership Information			
Members	December 31, 2018	December 31, 2019	
Number of inactive employees entitled to but not yet receiving benefits	1	1	
Number of Active Employees:	3	3	
Inactive Employees (or their Beneficiaries) Receiving Benefits			
Members	December 31, 2018	December 31, 2019	
Number of Benefit Recipients:	-	-	
Average monthly benefit	\$ -	\$ -	

2. Actuarial Assumptions

For the fiscal year ending September 30, 2020, the net pension liability was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Real rate of return	5.25%
Inflation	2.75%
Long-term investment return	8.0%

The Plan does not have an automatic cost-of-living adjustments ("COLA") nor is one not considered to be substantively automatic under GASB No. 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculation or in the funding valuation. Each year, the plans may elect an ad-hoc COLA for its retirees.

The annual salary increase rates assumed for individual members vary by length of service and by entry-age group. The annual rates consist of a general wage inflation component of 3.25% (made up of 2.75% inflation and 0.5% productivity increase assumptions) and a merit, promotion, and longevity component that on average approximates 1.6% per year for a career employee.

Mortality rates for depositing members were based on the RP-2000 Active Employee Mortality Table for males and females as appropriate, with adjustments, with the projection scale AA. Service retirees, beneficiaries, and non-depositing members were based on RP-2014 Combined Mortality Table for males and females as appropriate, with adjustments with the projection scale AA. Disabled retirees were based on RP-2014 Disabled Mortality Table for males and females as appropriate, with adjustments, with the projection scale AA.

The actuarial cost method was Entry Age Normal, as required by GASB No. 68. Straight-line amortization over Expected Working Life with a 5 year smoothing period, and a non-asymptotic recognition method with no corridor were utilized in the actuarial calculations.

For the fiscal year ending September 30, 2019, the actuarial assumptions used in the December 31, 2018 valuation were based on the results of an actuarial experience study for the period January 1, 2018 - December 31, 2018, except where required to be different by GASB No. 68. Updated mortality assumptions were adopted in 2018.

ANGELINA AND NACOGDOCHES COUNTIES WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 5 - PENSION PLAN - CONTINUED

3. Long-Term Expected Rate of Return

The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on April 2020 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2017. See Milliman's TCDRS Investigation of Experience report for the period January 1, 2013 - December 31, 2016 for more details.

Asset Class	Benchmark	Target Allocation ⁽¹⁾	Geometric Real Rate of Return ⁽²⁾
US Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.20%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	20.00%	8.20%
Global Equities	MSCI World (net) Index	2.50%	5.50%
International Equities - Developed	MSCI World Ex USA (net) Index	7.00%	5.20%
International Equities - Emerging	MSCI Emerging Markets (net) Index	7.00%	5.70%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	(0.20)%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	12.00%	3.14%
Direct Lending	S&P/LSTA Leveraged Loan Index	11.00%	7.16%
Distressed Debt	Cambridge Associates Distressed Securities Index ⁽⁴⁾ 67% FTSE NAREIT All Equity REITs Index + 33% S&P Global REIT (net) Index	4.00%	6.90%
REIT Equities	(net) Index	3.00%	4.50%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	8.40%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁵⁾	6.00%	5.50%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	8.00%	2.30%

- (1) Target asset allocation adopted at the June 2020 TCDRS Board meeting.
- (2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.80%, per Cliffwater's 2020 capital market assumptions.
- (3) Includes vintage years 2006-present of Quarter Pooled Horizon IRRs.
- (4) Includes vintage years 2005-present of Quarter Pooled Horizon IRRs.
- (5) Includes vintage years 2007-present of Quarter Pooled Horizon IRRs.

4. Discount Rate

The discount rate used to measure the total pension asset liability was 8.1%. Using the alternative method, the projected fiduciary net position is determined to be sufficient compared to projected benefit payments based on the funding requirements under the District's funding policy and the legal requirements under the TCDRS Act.

1. TCDRS has a funding policy where the underfunded actuarial accrued liability ("UAAL") shall be amortized as a level percent of pay over 20-year layered periods.
2. Under the TCDRS Act, the District is legally required to make the contribution specified in the funding policy.
3. The District's assets are projected to exceed its accrued liabilities in 20 years or less. When this point is reached, the employer is still required to contribute at least the normal cost.
4. Any increase cost due to the adoption of a COLA is required to be funded over a period of 15 years, if applicable.

Since the projected fiduciary net position is projected to be sufficient to pay projected benefit payments in all future years, the discount rate for purposes of calculating the total pension liability and net pension liability of the District is equal to the long-term assumed rate of return on investments.

5. Sensitivity Analysis

The following presents the net pension liability of the District, calculated using the discount rate of 8.10%, as well as what the District's net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
Total pension liability	\$ 622 675	\$ 567 866	\$ 518 856
Fiduciary net position	558 643	558 643	558 643
Net pension liability/(asset)	\$ 64 032	\$ 9 223	\$ (39 787)

ANGELINA AND NACOGDOCHES COUNTIES WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 5 - PENSION PLAN - CONTINUED

6. Changes in Net Pension Liability

Changes in Net Pension Liability / (Asset)	Total Pension Liability (a)	Increase (Decrease) Fiduciary Net Position (b)	Net Pension Liability / (Asset) (a) - (b)
Balances as of December 31, 2018	\$ 502 252	\$ 456 165	\$ 46 087
Changes for the Year:			
Service cost	19 670	-	19 670
Interest on total pension liability ⁽¹⁾	42 276	-	42 276
Effect of plan changes ⁽²⁾	-	-	-
Effect of economic/demographic gains or losses	3 669	-	3 669
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	-	-	-
Benefit payments	-	-	-
Administrative expenses	-	(426)	426
Member contributions	-	12 724	(12 724)
Net investment income	-	74 884	(74 884)
Employer contributions	-	14 294	(14 294)
Other ⁽³⁾	-	1 003	(1 003)
Balances as of December 31, 2019	<u>\$ 567 866</u>	<u>\$ 558 643</u>	<u>\$ 9 223</u>

(1) Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

(2) No plan changes valued.

(3) Relates to allocation of system-wide items

7. Pension Expense and Deferred Inflows/Outflows

As of December 31, 2019, the deferred inflows and outflows of resources are as follows:

Deferred Inflows/ Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ -	\$ 4 437
Change of assumptions	-	1 368
Net difference between projected and actual earnings	11 468	-
Contributions made subsequent to measurement date	-	11 730
	<u>\$ 11 468</u>	<u>\$ 17 535</u>

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year Ended September 30,	
2020	\$ 48
2021	\$ (1 652)
2022	\$ 1 723
2023	\$ (7 141)
2024	\$ 226
Thereafter	\$ 1 133

NOTE 6 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. During the years ended September 30, 2020 and 2019, the District maintained general liability, property and casualty, and workers' compensation insurance through commercial insurance providers. Coverages have not significantly decreased and there have been no significant costs in excess of premiums incurred by the District during the years ended September 30, 2020 and 2019.

NOTE 7 - SUBSEQUENT EVENTS

Management has evaluated subsequent events through March 26, 2021, the date of the financial statements were available to be issued.

NOTE 8 - RELATED PARTY TRANSACTIONS

The District's Board President receives a director fee each month which amounts to no more than \$150 per day for the various services that he provides to the District. The District paid \$6,100 and \$7,850, respectively, to the District's Board President for the years ended September 30, 2020 and 2019.

ANGELINA AND NACOGDOCHES COUNTIES WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
NOTES TO FINANCIAL STATEMENTS - CONTINUED

NOTE 8 - RELATED PARTY TRANSACTIONS - CONTINUED

The District rents office space from the bookkeeper at a rate of \$100 per month. The District paid \$1,200 to the bookkeeper for rent for each of the years presented.

NOTE 9 - ECONOMIC DEPENDENCY

The District has water contracts with two companies and one municipality. Total water contract sales to two of these entities for each of the years presented approximated 90% of total water contract sales for each period.

REQUIRED SUPPLEMENTARY INFORMATION

ANGELINA AND NACOGDOCHES COUNTIES WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
LAST TEN FISCAL YEARS*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability:						
Service cost	\$ 19 670	\$ 19 392	\$ 17 324	\$ 17 340	\$ 15 727	\$ 15 389
Interest on total pension liability	42 276	37 388	32 913	28 500	25 329	22 100
Effect of plan changes	-	-	-	-	(103)	-
Effect of assumption changes or inputs	-	-	1 779	-	2 244	-
Effect of economic/demographic (gains) or losses	3 669	3 286	1 162	(191)	(3 777)	1 155
Benefit payments/refunds of contributions	-	-	-	-	-	-
NET CHANGE IN TOTAL PENSION LIABILITY	<u>65 615</u>	<u>60 066</u>	<u>53 178</u>	<u>45 649</u>	<u>39 420</u>	<u>38 644</u>
Total pension liability, beginning	<u>502 252</u>	<u>442 186</u>	<u>389 008</u>	<u>343 359</u>	<u>303 939</u>	<u>265 295</u>
TOTAL PENSION LIABILITY, ENDING (a)	<u>567 866</u>	<u>502 252</u>	<u>442 186</u>	<u>389 008</u>	<u>343 359</u>	<u>303 939</u>
Fiduciary Net Position:						
Employer contributions	14 294	14 326	11 717	11 877	11 942	12 129
Member contributions	12 724	12 022	10 415	9 502	9 234	8 973
Investment income net of investment expenses	74 884	(7 851)	53 179	23 467	(6 065)	17 746
Benefit payments/refunds of contributions	-	-	-	-	-	-
Administrative expenses	(426)	(366)	(291)	(255)	(223)	(218)
Other	1 003	829	295	1 634	(25)	(16)
NET CHANGE IN FIDUCIARY NET POSITION	<u>102 479</u>	<u>18 960</u>	<u>75 315</u>	<u>46 225</u>	<u>14 863</u>	<u>38 614</u>
Fiduciary net position, beginning	<u>456 165</u>	<u>437 205</u>	<u>361 890</u>	<u>315 665</u>	<u>300 802</u>	<u>262 188</u>
FIDUCIARY NET POSITION, ENDING (b)	<u>558 643</u>	<u>456 165</u>	<u>437 205</u>	<u>361 890</u>	<u>315 665</u>	<u>300 802</u>
NET PENSION LIABILITY/(ASSET), ENDING = (a) - (b)	<u>\$ 9 223</u>	<u>\$ 46 087</u>	<u>\$ 4 981</u>	<u>\$ 27 118</u>	<u>\$ 27 694</u>	<u>\$ 3 137</u>
Fiduciary net position as a % of total pension liability	98.38%	90.82%	98.87%	93.03%	91.93%	98.97%
Pensionable covered payroll	\$ 212 073	\$ 200 368	\$ 173 582	\$ 158 363	\$ 153 895	\$ 149 554
Net pension liability as a % of covered payroll	4.35%	23.00%	2.87%	17.12%	18.00%	2.10%

* This schedule illustrates the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

ANGELINA AND NACOGDOCHES COUNTIES WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
 SCHEDULE OF EMPLOYER CONTRIBUTIONS
 LAST TEN FISCAL YEARS

YEAR ENDING DECEMBER 31,	ACTUARIALLY DETERMINED CONTRIBUTION	ACTUAL EMPLOYER CONTRIBUTION	CONTRIBUTION DEFICIENCY (EXCESS)	PENSIONABLE COVERED PAYROLL	ACTUAL CONTRIBUTION AS A % OF COVERED PAYROLL
2010	\$ 8 700	\$ 8 700	\$ -	\$ 132 216	6.6%
2011	\$ 9 057	\$ 9 057	\$ -	\$ 136 198	6.6%
2012	\$ 11 187	\$ 11 187	\$ -	\$ 141 256	7.9%
2013	\$ 11 642	\$ 11 642	\$ -	\$ 145 341	8.0%
2014	\$ 12 129	\$ 12 129	\$ -	\$ 149 554	8.1%
2015	\$ 11 942	\$ 11 942	\$ -	\$ 153 895	7.8%
2016	\$ 11 877	\$ 11 877	\$ -	\$ 158 363	7.5%
2017	\$ 11 717	\$ 11 717	\$ -	\$ 173 582	6.8%
2018	\$ 14 326	\$ 14 326	\$ -	\$ 200 368	7.2%
2019	\$ 14,294	\$ 14 294	\$ -	\$ 212 073	6.7%

See independent auditors' report and notes to required supplemental information.

ANGELINA AND NACOGDOCHES COUNTIES WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
 NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
 For the Year Ended September 30, 2020

Valuation Date	Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.
Methods and Assumptions:	
Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	12.8 years (based on contribution rate calculated in 12/31/2019 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.75%
Salary Increases	Varies by age and service. 4.9% average over career including inflation
Investment Rate of Return	8.00%, net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected 2017: New mortality assumptions were reflected
Changes in Plan Provisions Reflected in the Schedule of Employer Contributions*	2015: No changes in plan provisions were reflected in the Schedule 2016: No changes in plan provisions were reflected in the Schedule 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017 2018: No changes in plan provisions were reflected in the Schedule 2019: No changes in plan provisions were reflected in the Schedule

*Only changes that affect the benefit amount and that are effective 2015 and later are shown in the Notes to Schedule.

SUPPLEMENTARY INFORMATION

ANGELINA AND NACOGDOCHES COUNTIES WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
SUPPLEMENTAL SCHEDULES INCLUDED WITHIN THIS REPORT
Year Ended September 30, 2020

- (X) TSI-1. Services and Rates
- (X) TSI-2. Proprietary Fund Expenses
- (X) TSI-3. Temporary Investments
- () TSI-4. Taxes Levied and Receivable
- () TSI-5. Long-Term Debt Service Requirements by Years
- () TSI-6. Changes in Long-Term Debt
- (X) TSI-7C. Comparative Schedule of Revenues and Expenses - Enterprise Fund
- (X) TSI-8. Board Members, Key Personnel, and Consultants (Unaudited)
- (X) Statement of Revenues, Expenditures, and Changes in Net Position - Budget and Actual

ANGELINA AND NACOGDOCHES COUNTIES WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
TSI-1. SERVICES AND RATES
For the Year Ended September 30, 2020

1. **Services Provided by the District:**

- | | | |
|--|---|-------------------------------------|
| <input type="checkbox"/> Retail Water | <input checked="" type="checkbox"/> Wholesale Water | <input type="checkbox"/> Drainage |
| <input type="checkbox"/> Retail Wastewater | <input type="checkbox"/> Wholesale Wastewater | <input type="checkbox"/> Irrigation |
| <input checked="" type="checkbox"/> Parks/Recreation | <input type="checkbox"/> Fire Protection | <input type="checkbox"/> Security |
| <input checked="" 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:**

- Retail Rates Not Applicable
- Service Providers Not Applicable

3. **Total Water Consumption (In Thousands) During The Fiscal Year:**

Gallons pumped into system: N/A

Gallons billed to customers: N/A

4. **Standby Fees:**

- Standby Fees Not Applicable

5. **Location of District:**

County in which district is located. Rusk, Nacogdoches and Angelina

Is the District located entirely within one county? Yes No

Is the District located within a city? Entirely Partly Not at all

Is the general membership of the Board appointed by an office outside the District?
 Yes No

If Yes, by whom? _____

ANGELINA AND NACOGDOCHES COUNTIES WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
 TSI-2. PROPRIETARY FUND EXPENSES
 For the Year Ended September 30, 2020

Salaries:	
Lake manager	\$ 101 772
Secretary	19 079
Wages	90 673
Bonuses	5 500
TOTAL	<u>217 024</u>
Employee Benefits:	
Retirement plan	16 894
Health insurance	22 034
Payroll taxes	16 934
TOTAL	<u>55 862</u>
Utilities:	
Gas	918
Telephone	4 242
Electricity	4 999
Water	436
TOTAL	<u>10 595</u>
Other Expenses:	
Office expense	4 254
Insurance and bonds	14 138
Director expenses	1 510
Director fees	7 300
Rent	1 200
Dues and subscriptions	115
New Salem VFD	1 000
TOTAL	<u>29 517</u>
Legal and Professional:	
Accounting and audit	5 000
Legal services	810
Engineering fees	5 040
TOTAL	<u>10 850</u>
Maintenance and Operations:	
Roads and grounds	7 661
Dam and lake	57 155
Building repairs	3 284
Equipment repairs and operations	6 360
TOTAL	<u>74 460</u>
Depreciation	
Water quality assessment fee	76 649
Timber management	7 696
TOTAL EXPENDITURES	<u>\$ 482 653</u>

Number of persons employed by the District: -2- full time and -2- part time.

ANGELINA AND NACOGDOCHES COUNTIES WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
 TSI-3. TEMPORARY INVESTMENTS
 September 30, 2020

FUNDS	IDENTIFICATION OR CERTIFICATE NUMBER	INTEREST RATE	MATURITY DATE	BALANCE AT END OF YEAR	ACCRUED INTEREST RECEIVABLE AT END OF YEAR
Enterprise Fund:					
Certificate of deposit	Ally Bank	3.00%	09/13/2021	\$ 100 000	\$ -
Certificate of deposit	BarClays	2.00%	11/09/2020	19 782	-
Certificate of deposit	BMO Harris Bank	0.60%	06/26/2023	245 000	-
Certificate of deposit	BMW Bank	1.75%	06/20/2022	185 000	-
Certificate of deposit	BMW Bank	1.85%	09/20/2021	60 000	-
Certificate of deposit	Capital One	1.60%	05/11/2021	100 000	-
Certificate of deposit	Capital One	2.10%	09/20/2021	100 000	-
Certificate of deposit	Centerstate Bank	1.40%	03/30/2022	200 000	-
Certificate of deposit	CitiBank	1.50%	03/28/2022	40 000	-
Certificate of deposit	CitiBank	2.65%	02/08/2021	50 000	-
Certificate of deposit	CitiBank	3.00%	06/07/2021	100 000	-
Certificate of deposit	Community Bank	1.40%	11/13/2020	100 000	-
Certificate of deposit	Discover Bank	2.05%	09/20/2021	100 000	-
Certificate of deposit	Eagle Bank	2.60%	03/15/2021	20 000	-
Certificate of deposit	Exchange Bank	2.45%	05/17/2021	100 000	-
Certificate of deposit	Goldman Sachs	2.10%	08/09/2021	40 000	-
Certificate of deposit	Golden Sachs	2.15%	07/18/2022	200 000	-
Certificate of deposit	Lincoln Savings	0.45%	06/26/2023	100 000	-
Certificate of deposit	Merchants Bank	0.10%	11/19/2020	245 000	-
Certificate of deposit	Morgan Stanley	2.20%	10/30/2024	45 000	-
Certificate of deposit	Morgan Stanley	1.85%	10/12/2021	100 000	-
Certificate of deposit	Morgan Stanley	2.10%	07/26/2021	100 000	-
Certificate of deposit	Morgan Stanley	1.85%	12/27/2022	245 000	-
Certificate of deposit	Wells Fargo	2.25%	01/20/2022	100 000	-
Certificate of deposit	Wells Fargo	1.85%	12/30/2022	25 000	-
Money market fund	Trust account	0.02%	N/A	629 367	-
				\$ <u>3 349 149</u>	\$ <u>-</u>

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ANGELINA AND NACOGDOCHES COUNTIES WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
 TSI-7C. COMPARATIVE SCHEDULE OF REVENUES AND EXPENSES - ENTERPRISE FUND
 Five Years Ended September 30, 2020

	FOR THE YEAR ENDED SEPTEMBER 30,				
	2020	2019	2018	2017	2016
Operating Revenues:					
Water contract receipts	\$ 530 102	\$ 530 102	\$ 530 102	\$ 530 102	\$ 530 102
Lease income	49 650	50 226	49 070	50 640	47 370
Grant income	28 985	221 068	10 738	-	-
Other income	4 590	4 424	7 753	7 688	7 037
TOTAL OPERATING REVENUES	<u>613 327</u>	<u>805 820</u>	<u>597 663</u>	<u>588 430</u>	<u>584 509</u>
Operating Expenses:					
Salaries and benefits	272 886	275 063	242 984	213 005	201 699
Utilities	10 595	10 876	11 518	10 543	11 127
Other expenses	40 367	52 668	59 350	37 226	36 584
Maintenance and repairs	74 460	61 538	16 140	9 797	19 912
TCEQ water fee	7 696	7 696	7 696	7 596	8 660
Depreciation	76 649	64 240	63 201	55 737	57 081
TOTAL OPERATING EXPENSES	<u>482 653</u>	<u>472 081</u>	<u>400 889</u>	<u>333 904</u>	<u>335 063</u>
OPERATING INCOME	<u>130 674</u>	<u>333 739</u>	<u>196 774</u>	<u>254 526</u>	<u>249 446</u>
Nonoperating Revenues (Expenses):					
Timber sales	-	125 086	-	-	206 025
Net interest income	64 160	55 513	33 784	15 686	1 817
Timber management	-	(12 694)	-	-	(20 798)
TOTAL NONOPERATING REVENUES (EXPENSES)	<u>64 160</u>	<u>167 905</u>	<u>33 784</u>	<u>15 686</u>	<u>187 044</u>
NET INCOME	<u>\$ 194 834</u>	<u>\$ 501 644</u>	<u>\$ 230 558</u>	<u>\$ 270 212</u>	<u>\$ 436 490</u>

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PERCENT OF
TOTAL OPERATING REVENUE FOR
THE YEAR ENDED SEPTEMBER 30, 2020

2020	2019	2017	2016	2015
86.5	65.9	88.7	90.1	90.7
8.1	6.2	8.2	8.6	8.1
4.7	27.4	1.8	-	-
0.7	0.5	1.3	1.3	1.2
<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
44.5	34.1	40.7	36.2	34.5
1.7	1.3	1.9	1.8	1.9
6.6	6.5	10.0	6.3	6.4
12.1	7.6	2.7	1.7	3.4
1.3	1.0	1.3	1.3	1.5
12.5	8.0	10.6	9.5	9.8
<u>78.7</u>	<u>58.5</u>	<u>67.2</u>	<u>56.8</u>	<u>57.5</u>
21.3	41.4	32.8	43.2	42.5
-	15.5	-	-	35.2
10.5	6.9	5.8	2.6	0.5
<u>-</u>	<u>(1.6)</u>	<u>-</u>	<u>-</u>	<u>(3.6)</u>
<u>10.5</u>	<u>20.8</u>	<u>5.8</u>	<u>2.6</u>	<u>32.1</u>
<u>31.8</u>	<u>62.2</u>	<u>38.6</u>	<u>45.8</u>	<u>74.6</u>

ANGELINA AND NACOGDOCHES COUNTIES WATER CONTROL AND IMPROVEMENT DISTRICT NUMBER 1
 TSI-8. BOARD MEMBERS, KEY PERSONNEL, AND CONSULTANTS
 September 30, 2020
 (Unaudited)

Complete District Mailing Address: 1524 Woodberry, Lufkin, Texas 75904
 District Business Telephone Number: 936.632.2075
 Submission Date of the most recent District Registration Form
 (TWC Section 36.054 and 49.054): January 2020
 Limit on Fees of Office that a Director may receive during a fiscal year: \$150.00 per meeting.

NAME AND ADDRESS	TERMS OF OFFICE (ELECTED OR APPOINTED) OR DATE HIRED	FEES FYE 09/30/2020	EXPENSE REIMBURSEMENTS FYE 09/30/2020	TITLE AT YEAR END	RESIDENT OF DISTRICT?
Board Members:					
Samuel D. Griffin, Jr. P. O. Drawer 150607 Lufkin, Texas 75915	05/2019 - 05/2022 Elected	\$ 6 100	\$ 343	President	Yes
David W. Rusk 360 Quail Creek Lufkin, Texas 75904	05/2019 - 05/2022 Elected	\$ 450	\$ 140	Secretary	Yes
Raymond Rust, III P. O. Box 635050 Nacogdoches, Texas,75963	05/2019 - 05/2022 Appointed	\$ 150	\$ 70	Director	Yes
William Elliott 4219 Raguet Nacogdoches, Texas 75964	05/2020 - 05/2024 Elected	\$ 150	\$ 69	Director	Yes
Brian Ballard 1300 South Evenside Henderson, Texas 75654	05/2020 - 05/2024 Elected	\$ 450	\$ 97	Director	Yes
Key Administrative Personnel:					
David Mason 18970 CR 4256 South Reklaw, Texas 75784	06/2001	\$ 101 772	\$ 98	General Manager	
Becky Bowers 1524 Woodberry Lufkin, Texas 75904	02/1978	\$ 19 079	\$ 3 097	Bookkeeper	
Consultants:					
Stokes and Associates, Inc. P. O. Box 1114 Henderson, Texas 75653-1114	2/2007	\$ 5 040	\$ -	Engineer	
Axley & Rode, LLP 1307 South First Street Lufkin, Texas 75901	10/1990	\$ 5 000	\$ -	Auditor	
Germer, P.L.L.C. 550 Fannin, Suite 400 Beaumont, Texas 77701	10/2007	\$ 810	\$ -	Attorney	

NOTE: No director is disqualified from serving on this board under the Texas Water Code.

See independent auditors' report.

ANGELINA AND NACOGDOCHES COUNTIES WATER CONTROL AND IMPROVEMENT DISTRICT NO. 1
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
NET POSITION - BUDGET AND ACTUAL
For the Year Ended September 30, 2020

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE FAVORABLE (UNFAVORABLE)
Operating Revenue:				
Water contract receipts	\$ 530 102	\$ 530 102	\$ 530 102	\$ -
Lease income	36 000	49 650	49 650	-
Other income	2 000	31 410	31 410	-
Grant income	-	2 165	2 165	-
TOTAL OPERATING REVENUES	<u>568 102</u>	<u>613 327</u>	<u>613 327</u>	<u>-</u>
Operating Expenses:				
Salaries and wages	216 330	217 024	217 024	-
Employee benefits	47 874	55 862	55 862	-
Utilities	13 100	10 595	10 595	-
Other expenses	40 900	29 517	29 517	-
Legal and professional	8 000	10 850	10 850	-
Maintenance and repairs	266 500	74 460	74 460	-
TCEQ water fee	9 000	7 696	7 696	-
Depreciation	37 000	76 649	76 649	-
TOTAL OPERATING EXPENSES	<u>638 704</u>	<u>482 653</u>	<u>482 653</u>	<u>-</u>
OPERATING INCOME (LOSS)	<u>(70 602)</u>	<u>130 674</u>	<u>130 674</u>	<u>-</u>
Non-Operating Revenues (Expenses):				
Net investment income	64 257	64 160	64 160	-
Timber sales	2 500	-	-	-
Timber management	-	-	-	-
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>66 757</u>	<u>64 160</u>	<u>64 160</u>	<u>-</u>
CHANGE IN NET POSITION	<u>(3 845)</u>	<u>194 834</u>	<u>194 834</u>	<u>-</u>
Net position, beginning of year	<u>5 940 692</u>	<u>5 940 692</u>	<u>5 940 692</u>	<u>-</u>
NET POSITION, END OF YEAR	<u>\$ 5 936 847</u>	<u>\$ 6 135 526</u>	<u>\$ 6 135 526</u>	<u>\$ -</u>

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