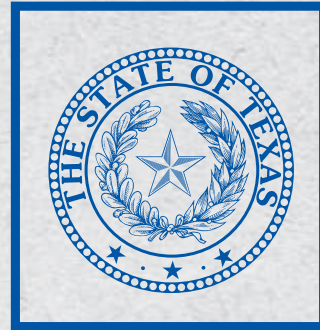




ANGELINA & NECHES RIVER AUTHORITY
Comprehensive Annual Financial Report

Fiscal Year Ended August 31, 2016



ANGELINA & NECHES RIVER AUTHORITY

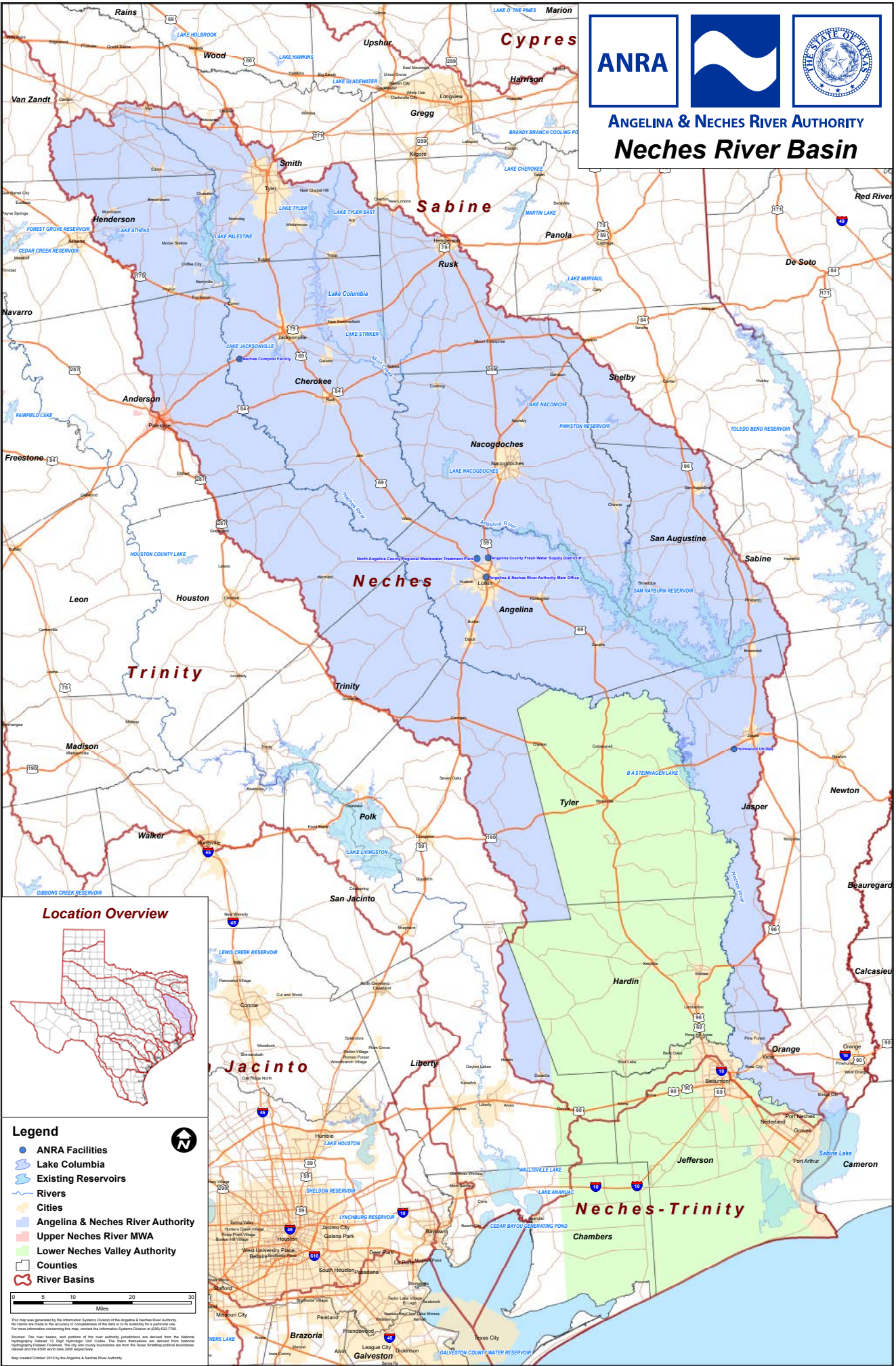
Comprehensive Annual Financial Report

September 1, 2015 - August 31, 2016

P.O. Box 387 • Lufkin, TX 75902
936-632-7795 • 800-282-5634
www.anra.org • info@anra.org



ANGELINA & NECHES RIVER AUTHORITY
Neches River Basin



Legend

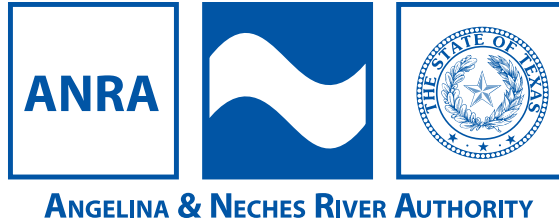
- ANRA Facilities
- Lake Columbia
- Existing Reservoirs
- Rivers
- Cities
- Angelina & Neches River Authority
- Upper Neches River MWA
- Lower Neches Valley Authority
- Counties
- River Basins

0 5 10 20 30
Miles

This map was generated by the Information Systems Division of the Angelina & Neches River Authority. No liability is made for the accuracy or completeness of the data or its suitability for a particular use. For more information concerning this map, contact the Information Systems Division at (936) 632-7700.

Source: The river basins and portions of the river authority jurisdiction are derived from the National Hydrography Dataset 1:250,000 (National Hydrography Dataset). The cities, reservoirs, and rivers are derived from National Hydrography Dataset. The city and county boundaries are from the Texas Statewide Geographic Information System and the ERII 2000 data (2000) from the Texas Statewide Geographic Information System.

Map created October 2010 by the Angelina & Neches River Authority.



February 1, 2017

Members of the Board
Angelina & Neches River Authority

Dear Board Members:

The Angelina & Neches River Authority (ANRA) is proud to present this Comprehensive Annual Final Report for FY 2016, which covers the period from September 1, 2015 through August 31, 2016. The Executive Staff are committed to providing an accurate and detailed analysis of ANRA's financial position, its operations activities and special projects.

ANRA is required to complete an audit of financial records within ninety (90) days after the end of each fiscal year. The *Annual Financial Report of the Angelina & Neches River Authority for the Fiscal Years ended August 31, 2016 and 2015* was prepared by Jansen and Gregorczyk, Certified Public Accountants, and approved by the Board of Directors at the December 13, 2016 regular Board Meeting. That report is located at the end of this Comprehensive Annual Financial Report.

This report is being published to present the information in a way that provides our customers, participants, local/state/federal elected officials, Board of Directors, and the general public with a broad overview of the Authority's activities within the Neches Basin. This report is also designed to offer a means to measure the operating results of the Authority. Each division within the Authority (Administration, Environmental, and Operations) is discussed, with highlights of each division's departmental activities presented.

Respectfully,

A handwritten signature in dark red ink, appearing to read 'Kelley Holcomb', is written over a faint, light blue outline map of the state of Texas.

Kelley Holcomb
General Manager

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INTRODUCTION



About the Angelina & Neches River Authority

The Angelina & Neches River Authority (“The Authority” or ANRA) is a political subdivision of the state of Texas created by the state legislature under the authority of Article 16, Chapter 59 of the Texas state constitution. It is recognized as an independent governmental agency authorized to construct, maintain, and operate any and all works necessary for the purpose of controlling, storing, and preserving water resources in the 17 county jurisdiction in the Neches River Basin. The Authority receives no tax revenues from the state nor can it levy any taxes. Authority revenues are derived solely from services provided. It is authorized to issue revenue bonds for the purpose of financing projects to be paid by and through customer contracts which obligate the customer to pay its share of the debt obligation.

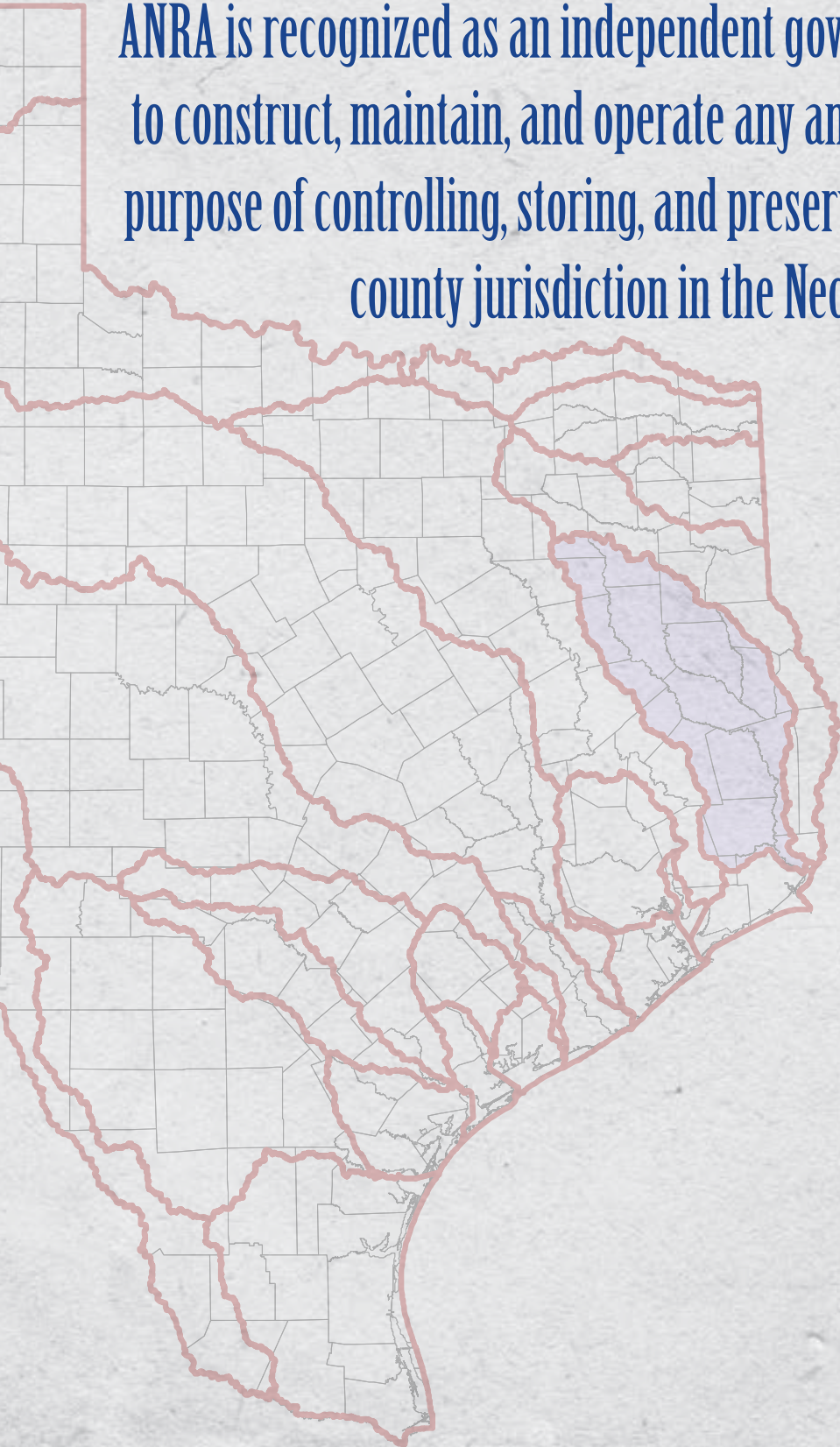
The Authority is governed by a nine member Board of Directors appointed by the Governor of Texas to six year terms. The Directors are residents of the Neches River basin and one third of the Board is appointed every two years. The Board sets policy, provides oversight, and employs a General Manager. The major functions of the Authority are water quality management, water resource development, and conservation of water resources. The Authority administers several water quality related environmental programs including the Upper Neches basin surface water quality monitoring programs, permit compliance monitoring programs, industrial pretreatment program, and a water/wastewater sample collection and testing program.

ANRA’s central office is located in Lufkin, Texas. The Authority’s territorial jurisdiction of 8,500 square miles lie wholly or in part of the following counties: Van Zandt, Smith, Henderson, Newton, Cherokee, Anderson, Rusk, Houston, Nacogdoches, San Augustine, Shelby, Angelina, Trinity, Sabine, Polk, Jasper, and Orange.

For financial purposes, ANRA’s activities are divided into two categories, governmental activities and business type activities. Governmental activities provide oversight of ANRA’s activities and include General Administration, Clean Rivers Program, On-Site Sewage Facilities Program, Field Operations, and the Laboratory. Business like activities are where ANRA provides water, wastewater and composting services throughout the basin and include Angelina County Fresh Water Supply District No.1, Holmwood Utilities, Neches Compost Facility, and North Angelina County Regional Wastewater Facility. Business type activities are proprietary with each activity considered an enterprise fund. Enterprise funds are restricted to that activity and as such, accounted for on an individual basis.



ANRA is recognized as an independent governmental agency authorized to construct, maintain, and operate any and all works necessary for the purpose of controlling, storing, and preserving water resources in the 17 county jurisdiction in the Neches River Basin.



ANRA's jurisdictional service area includes all or a portion of the following counties:

**Van Zandt
Smith
Henderson
Newton
Cherokee
Anderson
Rusk
Houston
Nacogdoches
San Augustine
Shelby
Angelina
Trinity
Sabine
Polk
Jasper
Orange**

This area encompasses approximately 8,500 square miles.



MISSION STATEMENT

The Angelina & Neches River Authority shall conserve, store, control, preserve, use, and distribute the storm water, floodwater, and the water of the rivers and streams of the state in the Neches River Basin for the benefit of the human environment and the natural environment.

Powers Relating To Flooding

The Authority may:

1. prevent the devastation of land from recurrent overflows;
2. protect life and property in the authority from uncontrolled floodwater; and
3. encourage the conservation of soil to prevent destructive erosion and to prevent the increased flood menace related to that erosion.

Powers Relating To the Use of Water In General

The Authority may:

1. through practical means, provide for the control and coordination of the regulation of the water of the Neches River and its tributaries;
2. by adequate organization and administration, provide for preserving the equitable rights of the people of different sections of the watershed area in the beneficial use of the water of the Neches River and its tributaries;
3. store, control, and conserve the water of the Neches River and its tributaries inside or outside the authority and prevent the escape of that water without the maximum of public service;
4. equitably distribute the water of the Neches River and its tributaries to meet the regional potential requirements for all uses, including domestic, manufacturing, and irrigation uses; and
5. use controlled and conserved floodwater and stormwater for any purpose that results in the performance of a useful service authorized by the constitution of this state.

Powers Relating To Domestic, Commercial, or Industrial Use of Water

The Authority may:

1. conserve the water of the Neches River and its tributaries essential for the domestic uses of the people of the authority, including all necessary water supplies for cities and towns;
2. control the water of the Neches River and its tributaries and make the water available for use in the development of commercial and industrial enterprises in the entire watershed area of the authority; and
3. control, store, and use the water of the Neches River and its tributaries in the development and distribution of hydroelectric power, if that use is economically coordinated with other superior uses and subordinated to the uses declared by law to be superior.





PURPOSE

Acting under the broad authority of the Texas State Constitution and Chapter 8501, Special District and Local Laws Code, the Authority, as a conservation and reclamation district, has the same power of control and regulation over the waters of the Neches River and its tributaries that the state has, subject to the constitution and statutes of this state.

Powers Relating To Use of Water for Irrigation

The Authority may:

1. provide for the irrigation of all land in the authority or land outside the authority but inside the authority's watershed area where the irrigation is required for agricultural purposes or is considered helpful to more profitable agricultural production.

Powers Relating To Drainage of Water

The Authority may:

1. provide for the better encouragement and development of drainage systems for, and provide for the drainage of, lands in the valleys of the Neches River and its tributaries as needed for profitable agricultural production; and
2. provide for drainage for other land in the watershed area of the authority as required for the most advantageous use of the land.

Powers Relating To the Acquisition or Operation of Works, Land or Other Property

The Authority may:

1. purchase or construct any work necessary or convenient for the exercise of the authority's powers under this chapter and to accomplish the purposes of Chapter 8501 of the Special District Local Law Code;
2. purchase or otherwise acquire land or other property necessary or convenient for carrying out the purposes of Chapter 8501 of the Special District Local Law Code; and
3. provide works and plans, and the works provided under the power of the authority, shall regard primarily the necessary and potential needs for water by or within the area in the authority constituting the watershed of the Neches River and its tributaries.

Coordination and Joint Planning Undertakings Among Districts

The Authority may:

1. coordinate its plans with other entities, such as a drainage, conservation, reclamation, or other district created by this state with powers provided in Section 59, Article XVI, Texas Constitution; and
2. enter into joint undertakings with other districts for the purposes for which the entities are created. The acts taken under Subsection (1) must be approved by a majority of the boards of directors of all the districts involved.





Statutes Relevant to Authority Operations

Texas Constitution

Article 16	General Provisions
Section 59	Conservation and Development of Natural Resources and Parks and Recreational Facilities; Conservation and Reclamation Districts

Special District Local Laws Code

Chapter 8501	Angelina & Neches River Authority
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Local Government Code

Chapter 245	Issuance of Local Permits
Chapter 395	Financing Capital Improvements Required by New Development in Municipalities, Counties and Certain Other Local Governments
Chapter 501	Provisions Governing Development Corporations

Government Code

Chapter 551	Open Meetings
Chapter 552	Public Information
Chapter 2256	Public Funds Investment

Texas Water Code

Chapter 7	Enforcement
Chapter 11	Water Rights
Chapter 12	Provisions Generally Applicable to Water Rights
Chapter 26	Water Quality Control
Chapter 30	Regional Waste Disposal
Chapter 49	Provisions Applicable to All Districts

Natural Resources Code

Chapter 71	Lease for Mineral Development
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Texas Administrative Code

Title 30 Chapter 285	On-Site Sewage Facilities
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Texas Health & Safety Code

Chapter 341	Minimum Standards of Sanitation and Health Protection Measures
Chapter 366	On-Site Sewage Disposal Systems



Goals and Objectives FY 2016

Short Range Planning Goals Year One (2016)

Administrative Development

- Revise Personnel Policy
- Revise Records Retention Policy
- Staff development
- Develop comprehensive training program
- Revise job descriptions, evaluation forms and other HR forms
- Evaluate salaries and benefits package
- Perform Financial Modeling
- Complete conversion of paper files to electronic files

Business Development

- Market ANRA services to potential customers
- Laboratory services
- Surplus sludge disposal capacity for Neches Compost Facility
- Conduit bonding capacity
- Basin wide stakeholder meetings and public education
- Explore potential grant opportunities to address water quality impairments within the basin
- Regional facilities – continue to pursue development of regional water and wastewater facilities

Lake Columbia

- Market State Participation capacity for Lake Columbia project
- Secure USACE 404 permit for Lake Columbia
- Develop master plan to address staffing needs and central office requirements in preparation for Lake Columbia 404 permit issuance
- Complete all preliminary decision making in preparation for Lake Columbia 404 permit issuance

Long Range Planning Goals Years Two - Five (FY 2017-2021)

- Continue all tasks necessary for construction of Lake Columbia
- Develop and operate regional water and wastewater facilities within the basin
- Continue to expand the level of water quality testing within the basin
- Develop a central regional sludge disposal transfer station
- Develop a Gulf Coast regional office



Neches River at SH 7



HISTORY OF THE ANGELINA & NECHES RIVER AUTHORITY

History of the Angelina & Neches River Authority

The Angelina and Neches River Authority (ANRA) was originally established in 1935 as the Sabine-Neches Conservation District (SNCD). In 1949, the Texas Legislature divided the District into the Sabine River Authority (SRA) of Texas and the Neches River Conservation District (NRCD). The NRCD was inactive until 1971, when Governor Preston Smith appointed nine members to the Board of Directors. In 1977, the District's name was changed to the Angelina and Neches River Authority.

To accomplish the goals of the newly revived District, the Control Zone Rayburn program, the Environmental Laboratory and the Lake Eastex water supply project were developed to meet the demands of a growing basin. These programs sought to provide water quality monitoring, protection and development by licensing on-site septic systems around Sam Rayburn Reservoir, providing laboratory testing services for water and wastewater facilities throughout the basin, and by developing a reservoir as a new water supply for East Texas. Currently, ANRA is comprised of five governmental type departments [General Administration (GA), Environmental Laboratory (LAB), Field Operations (FOPs), Clean Rivers Program (CRP) and the On-Site Sewage Facility (OSSF) Program] and five business type enterprises [Angelina County Fresh Water Supply District No. 1 (ACF), Holmwood Utilities (HMU), Lake Columbia (LC), North Angelina County Regional Wastewater Facility (NAC) and Neches Compost Facility (NCF)].

Moving into FY 2017, ANRA's budget is approximately \$2.5 million. It employs 22 full time employees. ANRA's total payroll and payroll liabilities is \$1.1 million, of which approximately \$900,000 is direct salaries for employees. ANRA does not have taxing authority and derives 100% of its revenue from services provided during the normal course of its operations in fulfilling its legislative mandate.

Organization meeting Directors of the Sabine-Neches Conservation District held May 20, 1935 at 10:00 o'clock, at the Municipal Building in Jacksonville, Texas.

The following Directors were present:

P. K. Birdwell, Tyler, Smith County; T. J. Ramey, Sulphur Springs, Hopkins County; A. J. Deason, Henderson, Rusk County; C. K. DeBusk, Jacksonville, Cherokee County; Paul Sanderson, Trinity, Trinity County; Roscoe Perry, Lufkin, Angelina County; W. C. Richards, Athens, Henderson County; Guy A. Blount, Nacogdoches, Nacogdoches County; R. Hughes, Wills Point, Van Zandt County; Ernest Haney, Greenville, Hunt County; W. W. Baird, Kaufman, Kaufman County; E. C. Clabaugh Jr., Carthage, Panola County; H. V. Puckett, Quitman, Wood County; John Alford, Point, Rains County; T. D. Rowell, Jefferson, Marion County; F. B. Braswell, Jasper, Jasper County; L. M. Coe, Upshur County, Gilmer; Thurman T. Taylor, Livingston, Polk County.

The meeting was opened by Guy A. Blount who called on C. K. DeBusk to read the provisions of the Bill creating the Sabine-Neches Conservation District and to report on his recent trip to Washington and the contacts made there as well as the information obtained relative to this project and its application to the Public Works Program. Mr. DeBusk stated that many contacts were made and the project recognized as being in line with those anticipated by the government but that no one was able to talk with authority at that time. He was promised surveys, if and when appropriations were made and likewise malarial control work.

At the opening of the meeting there were only 15 Directors present and the meeting adjourned for lunch and re-assembled at 1:30 o'clock.

Upon re-assembling, the first order of business, was the election of officers and the following were unanimously elected:

Guy A. Blount, President

P. K. Birdwell, Vice President

C. K. DeBusk, Secretary

The matter of election of the Board of Managing Directors was then discussed and Mr. Blount and others urged that due and careful attention be given to the appointment of these Directors. After some discussion of the method that should be pursued in the matter of electing these Directors, a motion was made by Mr. Rowell, seconded by Mr. Clabaugh, that a committee of three be appointed to make recommendations for the Board of five Managing Directors. President Blount appointed on this committee H. V. Puckett, Thurman T. Taylor and C. K. DeBusk. The committee on recommendations placed in nomination:

Guy A. Blount, Nacogdoches County

G. M. Sells, Orange County

H. V. Puckett, Wood County

Paul Sanderson, Trinity County

W. C. Richards, Henderson County

and they were unanimously elected to membership on the Board of Managing Directors, in accordance with provisions of the Bill creating the District.

There being no further business, the meeting adjourned.

G.A. Blount, President.

C.K. DeBusk, Secretary.

Meeting minutes from the Inaugural Board of Directors Meeting for the Sabine-Neches Conservation District, held May 20, 1935



Neches River Conservation District
 Post Office Box 387 210 Lufkin Avenue
 LUFKIN, TEXAS 75901

FILE COPY

LICENSE FOR PRIVATE SEWAGE FACILITY

License No. 001 Date Issued September 5, 1972

This License is authorization for the below-named Licensee to construct and operate a sewage disposal system in the location specified and as described in Application No. 009, for ten (10) years from the date of issuance as long as Licensee complies with all the requirements of Order No. 72-0315-5 of the Texas Water Quality Board; and provided that sewage facility meets inspection requirements five years from date of issuance. (Licensee shall be required to pay a \$10.00 inspection fee five years from date of issuance to maintain this License in effect.)

NECHES RIVER CONSERVATION DISTRICT

By: Don A. Fries

First On-Site Sewage Facility license issued by the Neches River Conservation District, 1972

ANGELINA AND NECHES RIVER AUTHORITY—
 NAME CHANGE—TERRITORY

CHAPTER 394

S. B. No. 125

An Act relating to a change of name of the Neches River Conservation District and describing the territory comprising the newly named Angelina and Neches River Authority; providing for repayment of state appropriations; amending Sections 1 and 3, Chapter 97, General Laws, Acts of the 44th Legislature, Regular Session, 1935, as amended (Article 8280—108, Vernon's Texas Civil Statutes); providing for the applicability of Chapters 5, 6, 21, and 50, Water Code, as amended; and declaring an emergency.

Be it enacted by the Legislature of the State of Texas:

Section 1. Sections 1 and 3, Chapter 97, General Laws, Acts of the 44th Legislature, Regular Session, 1935, as amended (Article 8280—108, Vernon's Texas Civil Statutes), are amended * to read as follows:

"Section 1. There shall be and is hereby created a conservation and reclamation district by the name of Angelina and Neches River Authority, which district is created as a governmental agency, body politic and corporate, vested with all the authority as such under the Constitution and Laws of the State; and which shall have and be recognized to exercise all of the powers of such governmental agency and body politic and corporate as are expressly authorized in the provisions of the Constitution, Section 59 of Article 16, for districts created to conserve, store, control, preserve, utilize and distribute the storm and flood waters and the waters of the rivers and streams of the State, and such powers as may be contemplated and implied by the purposes of this provision of the Constitution, and as may be conferred by General Law, as well as by the provisions of this Act. Nothing herein contained shall authorize said district to levy any taxes or special assessments, or to create any debt payable out of taxation. The district shall repay the State of Texas from funds received from sources other than the State of Texas in the amount of the appropriation made to the Neches River Conservation District, predecessor of the Angelina and Neches River Authority, in Chapter 659, Acts of the 63rd Legislature, Regular Session, 1973. The district shall have and be recognized to exercise all the rights and powers of an independent governmental agency, body politic and corporate, to construct, maintain and operate, in the valleys of the Neches River and its tributaries, within or without the boundaries of such district, any and all works deemed essential to the operation of the district and for its administration in the control, storing, preservation and distribution to all useful purposes of the waters of the Neches River and its tributary streams, including the storm and flood waters thereof; and such district shall have and be recognized to exercise such authority and power of control and regulation over such waters of the Neches River and its tributaries as may be exercised by the State of Texas, subject to the provisions of the Constitution and the Acts of the Legislature.

4. V.A.T.S. Water Auxiliary Laws, Table III.

1079

Ch. 394 65th LEGISLATURE—REGULAR SESSION

"The rights, powers, privileges, authority, and functions granted to the district and the district itself are expressly subject to Chapters 5, 6, 21, and 50, Water Code, as amended, to the extent these laws are presently applicable.

"In this Act, 'district' means the Angelina and Neches River Authority."

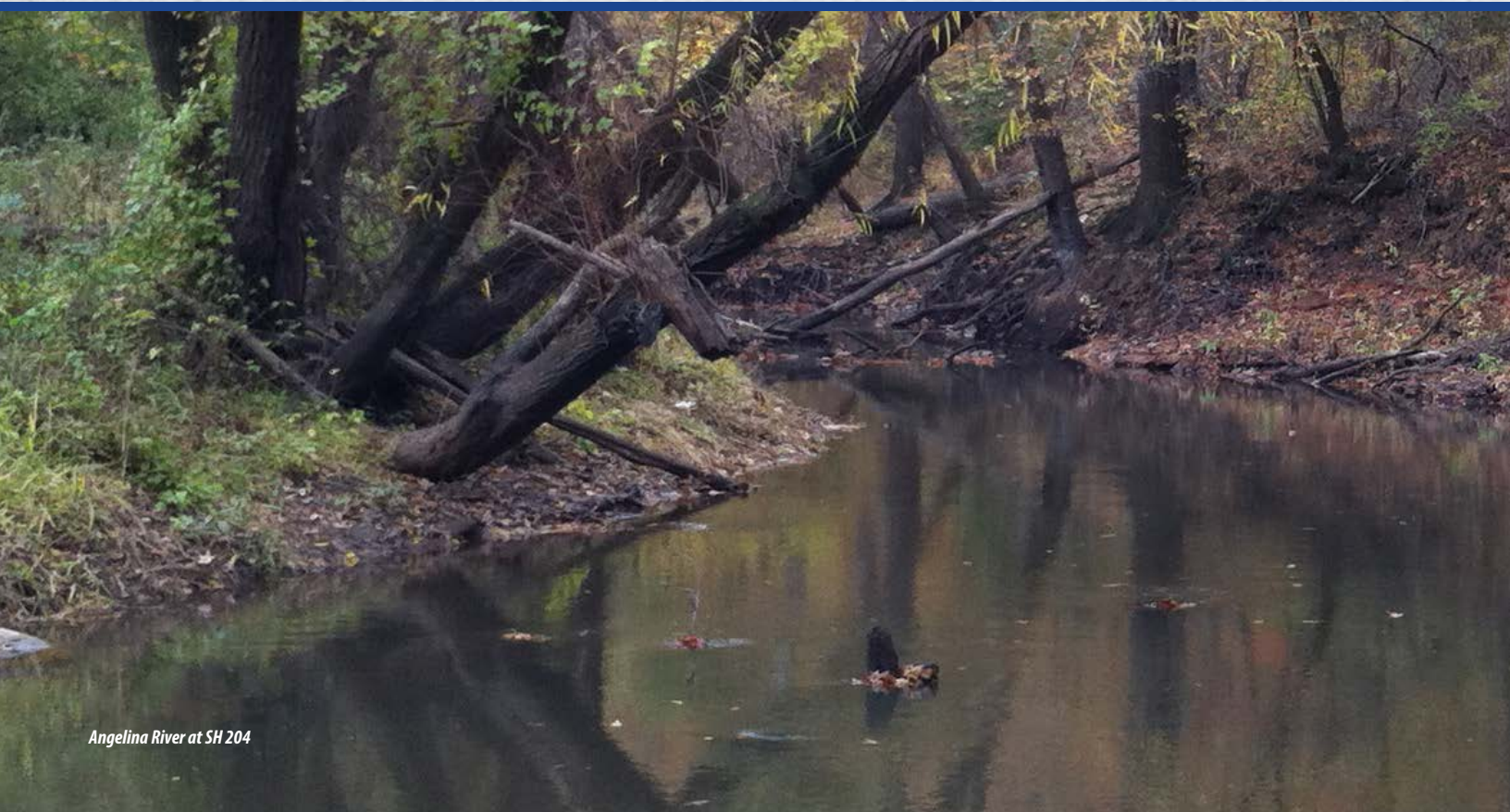
"Sec. 3. The territory which shall be embraced within the boundaries of said Angelina and Neches River Authority shall be that part of the State of Texas defined as follows: All that territory lying and being situated within the watershed of the Neches River and its tributaries, and which includes the following named Counties, lying wholly or in part within said watershed: Van Zandt, Angelina, Nacogdoches, San Augustine, Sabine, Jasper, Newton, Rusk, Shelby, Houston, Trinity, Polk, and Orange, and that portion of the drainage area of Flat Creek in Henderson County which lies west of presently designated Farm-to-Market Road No. 607 leading from LaRue through Leagueville to Brownsboro; provided that there is excepted from the area covered by the Angelina and Neches River Authority all the area presently covered by the Lower Neches Valley Authority and the Upper Neches River Municipal Water Authority. It is the intent of the Legislature to preserve the present area and authority of the Lower Neches Valley Authority, Upper Neches River Municipal Water Authority, and the Neches River Conservation District."

Sec. 2. The importance of this legislation and the crowded condition of the calendars in both houses create an emergency and an imperative public necessity that the constitutional rule requiring bills to be read on three several days in each house be suspended, and this rule is hereby suspended, and that this Act take effect and be in force from and after its passage, and it is so enacted.

Passed the senate on March 3, 1977: Yeas 31, Nays 0; May 28, 1977, senate concurred in house amendments by a viva-voce vote; passed the house, with amendments, on May 26, 1977, by a non-record vote. Approved June 15, 1977. Effective Aug. 29, 1977, 90 days after date of adjournment.

Legislation changing the name of the Neches River Conservation District to the Angelina and Neches River Authority (S.B. No. 125, 65th Legislature), 1977

SIGNIFICANT MILESTONES IN ANRA'S HISTORY



Angelina River at SH 204

1935

The Angelina & Neches River Authority (ANRA) was originally established as the Sabine-Neches Conservation District (SNCD).

1949

The Texas Legislature divided the SNCD into the Sabine River Authority (SRA) of Texas and the Neches River Conservation District (NRCD).

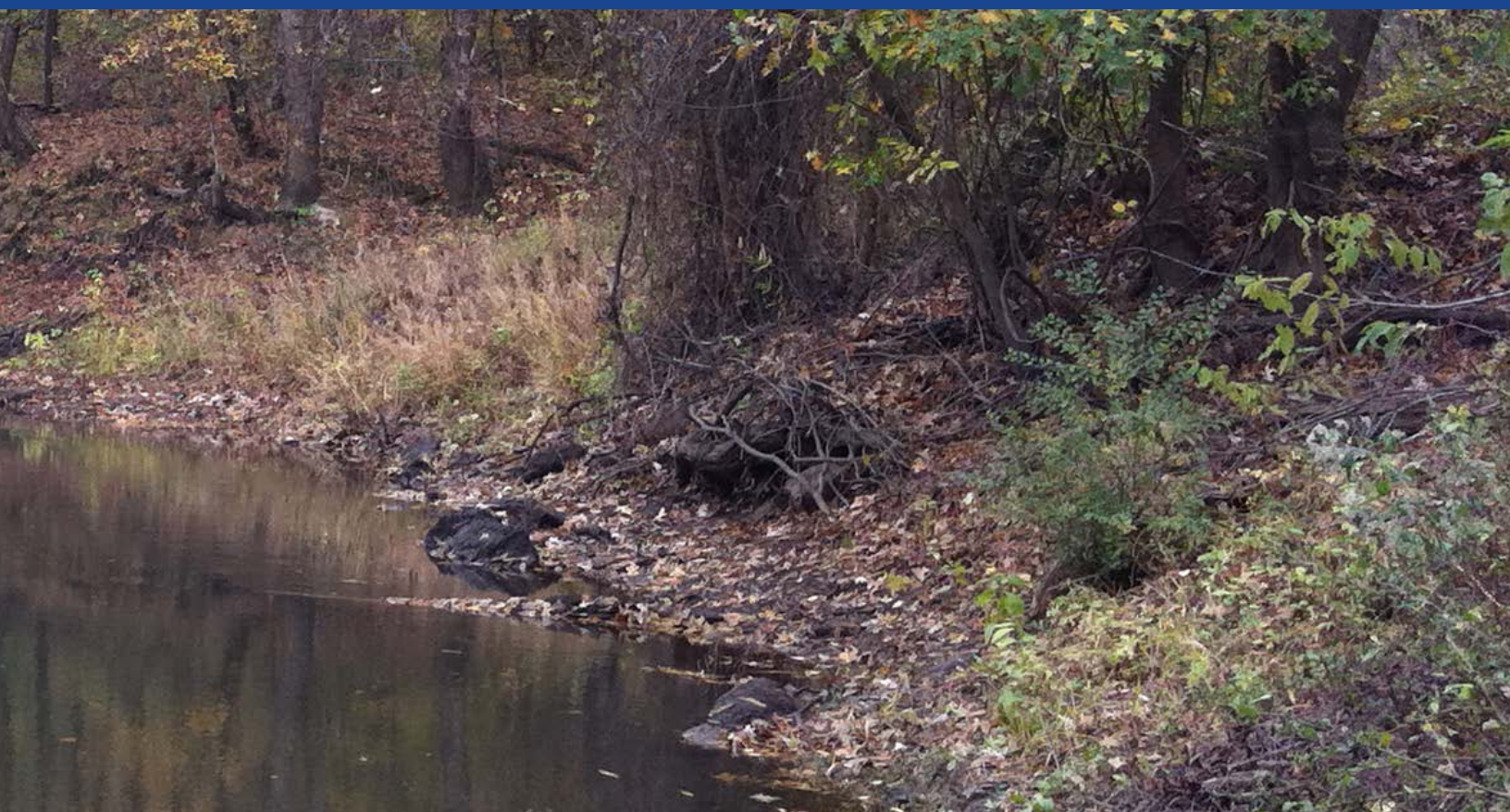
1963

The last known board meeting of the NRCD was held on July 18, 1963.

1971

The NRCD was inactive until 1971, when Governor Preston Smith appointed nine members to the Board of Directors. The NRCD was formed through joint efforts of the City of Lufkin officials and Lufkin Paper Mill.

1930's - 1970's



NRCD opened its Central Office on the 2nd floor of the old Lufkin City Hall building at 210 E. Lufkin Avenue and hired its first Executive Director.

NRCD began the implementation of its Control Zone Rayburn Program for regulating and licensing on-site septic systems within a 2000-ft zone around Sam Rayburn Reservoir.

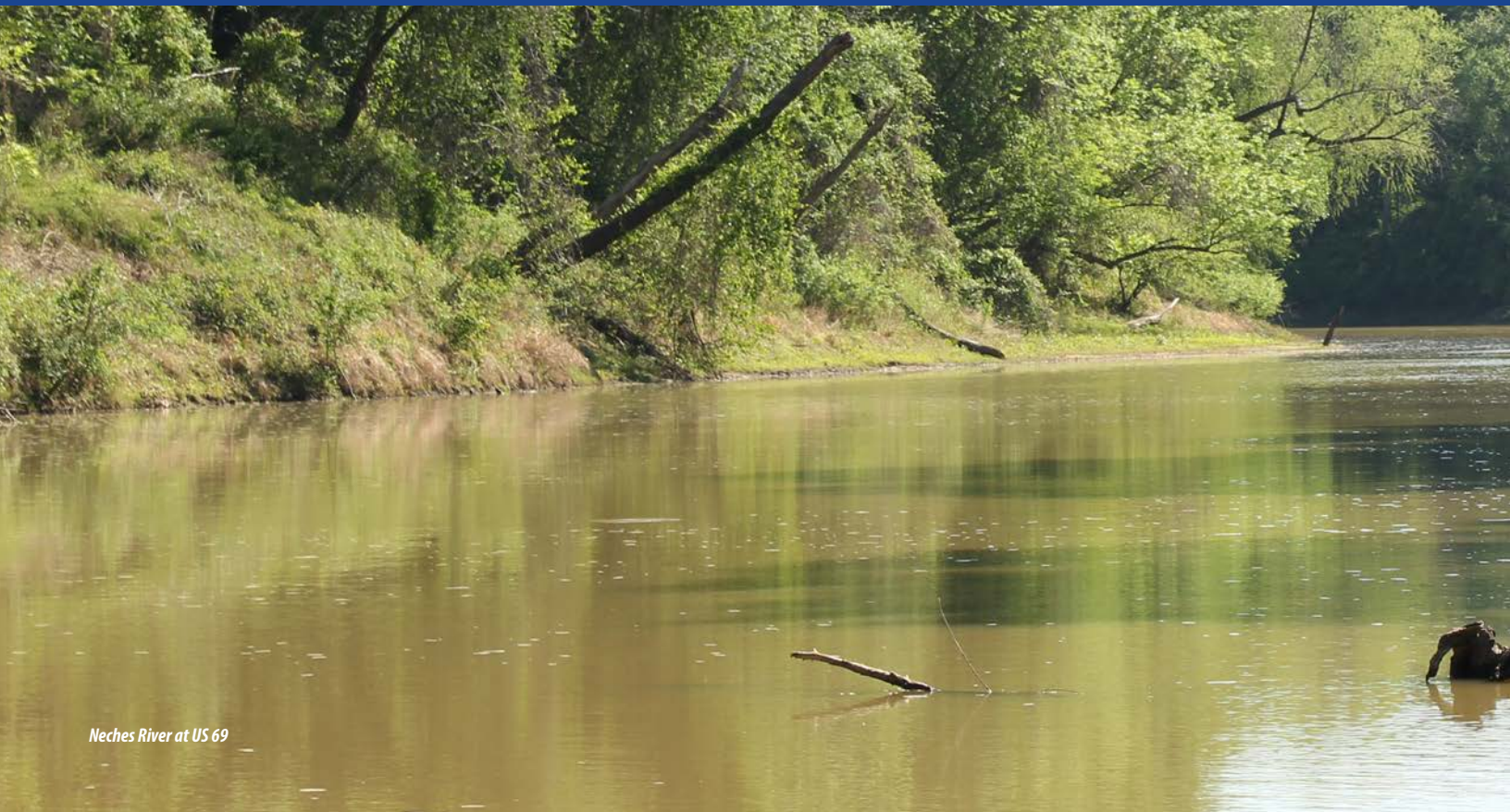
An agreement was reached between the NRCD, Lower Neches Valley Authority (LNVA) and the Texas Water Quality Board which stated that the NRCD would have planning responsibilities for the Middle and Upper Neches River Basin. This area begins at Sam Rayburn Dam in Jasper County and the county line between Angelina and Tyler Counties in the south and extends to the head waters of the Neches River and its tributaries.

NRCD began offering laboratory testing services for the analysis of drinking water and wastewater samples for regulated entities and the general public.

NRCD was officially renamed the Angelina and Neches River Authority (ANRA).

ANRA began preliminary planning for the Lake Eastex project. The reservoir project was established for the purpose of developing a new water supply to serve participants within the five county service area surrounding the project site in Cherokee County.

SIGNIFICANT MILESTONES IN ANRA'S HISTORY



Neches River at US 69

1980

Through joint agreements with member cities, ANRA began implementation of the Industrial Pretreatment Program. The program was designed to minimize the discharge of pollutants by monitoring industrial discharges to municipal wastewater treatment plants.

ANRA, in conjunction with the City of Lufkin, began implementation of the Lufkin Stream Monitoring Program.

1985

ANRA received its Water Rights Permit from the Texas Water Commission for Lake Eastex as a new water supply to meet municipal needs.

1991

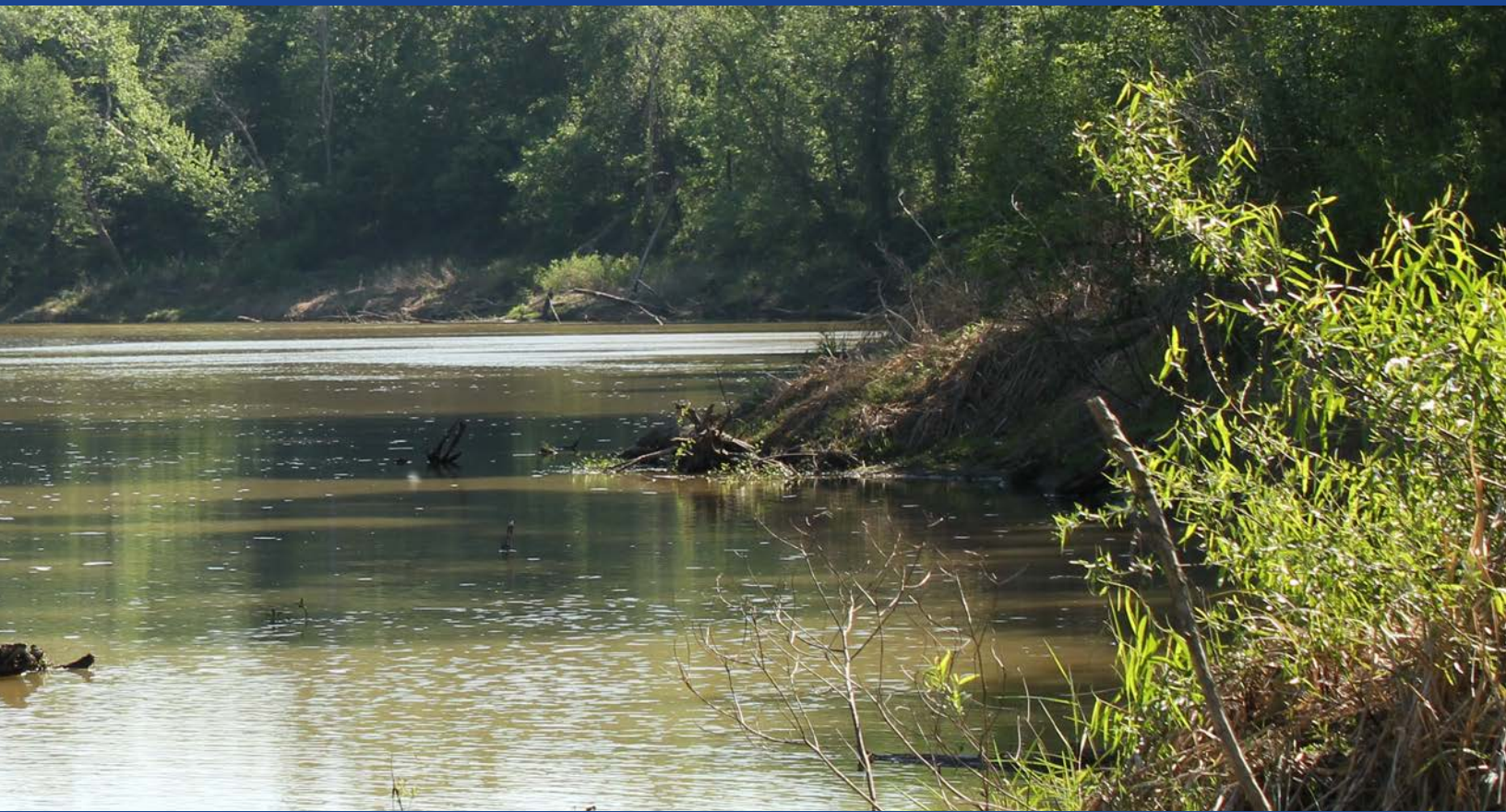
ANRA was designated as a Clean Rivers Program Partner under the newly created Clean Rivers Act. As a program partner, ANRA is responsible for the monitoring of water quality in the upper Neches Basin. Implementation of the program would begin in 1992.

1992

ANRA solicited participants in a planning study to develop a regional compost facility. The solicitation was made to 22 entities in the upper Neches Basin.

ANRA began the implementation of a Poultry Litter Study. The study was a two year monitoring program designed to monitor nonpoint source pollution from the land application of poultry litter, specifically, nitrates and phosphorus in the Attoyac watershed in Nacogdoches County.

1980's - 1990's



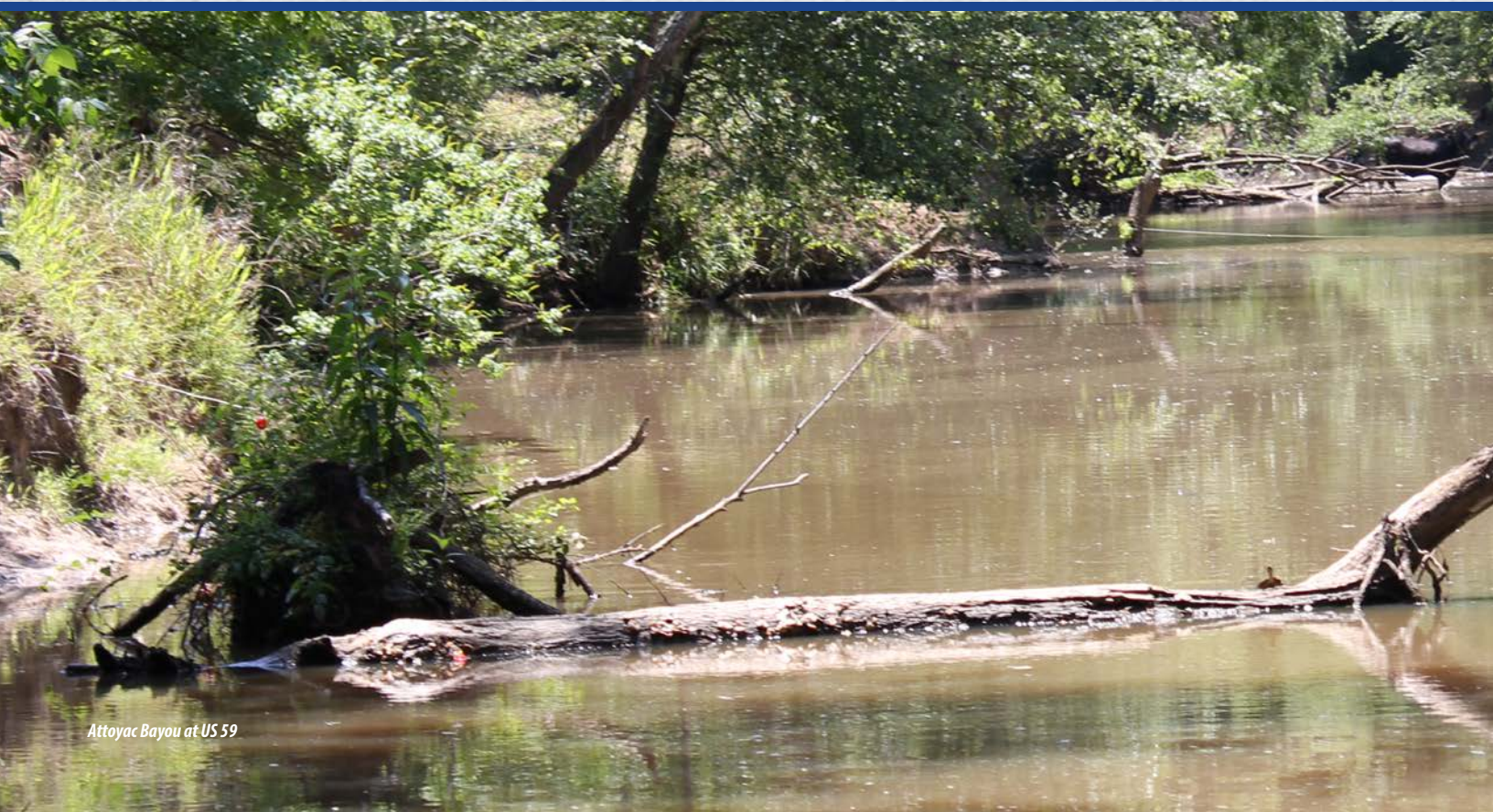
ANRA expanded its central office by moving its Environmental Laboratory into the 1st floor of the old City Hall building. Renovations and improvements to the entire building were approved by the City of Lufkin and funded in part through grants from TLL Temple Foundation and the Pineywoods Foundation. The expansion was driven by the increasing role provided by ANRA and its need for additional space to house a growing number of departments and programs.

At the request of the City of Lufkin, ANRA entered into an Interlocal Agreement with the Angelina County Fresh Water Supply District No. 1 for the management and operation of the District. ANRA and the City of Lufkin entered into a Wholesale Service Agreement for the provision of water and wastewater for the District.

ANRA completed the purchase of Holmwood Utilities. The utility is a retail public utility that provides retail water and wastewater services to a large subdivision located west of the City of Jasper.

ANRA began construction of the Neches Compost Facility, a regional compost facility aimed at reducing nonpoint source pollution from the land application of biosolids and maximizing landfill capacity resulting in the diversion of wood waste from landfills. The facility serves four cities and one industry, three of which discharge into the Angelina River watershed and subsequently into Sam Rayburn Reservoir.

SIGNIFICANT MILESTONES IN ANRA'S HISTORY



Attoyac Bayou at US 59

2000

ANRA staff was appointed to the Region I Regional Water Planning Group. This involvement directly leads to Lake Columbia being designated as a Unique Reservoir Site.

ANRA initiated a planning study to address wastewater concerns along U.S. Hwy. 69, north of the City of Lufkin.

ANRA filed an application with the U.S. Army Corps of Engineers for a permit to construct a dam and impoundment (Lake Columbia) on Mud Creek.

2002

ANRA successfully negotiated wholesale wastewater contracts for the creation of the North Angelina County Regional Wastewater Facility. This facility is ANRA's first regional wastewater facility and combines the waste streams from Central I.S.D., Lufkin State Supported Living Center and Idlewood WCID.

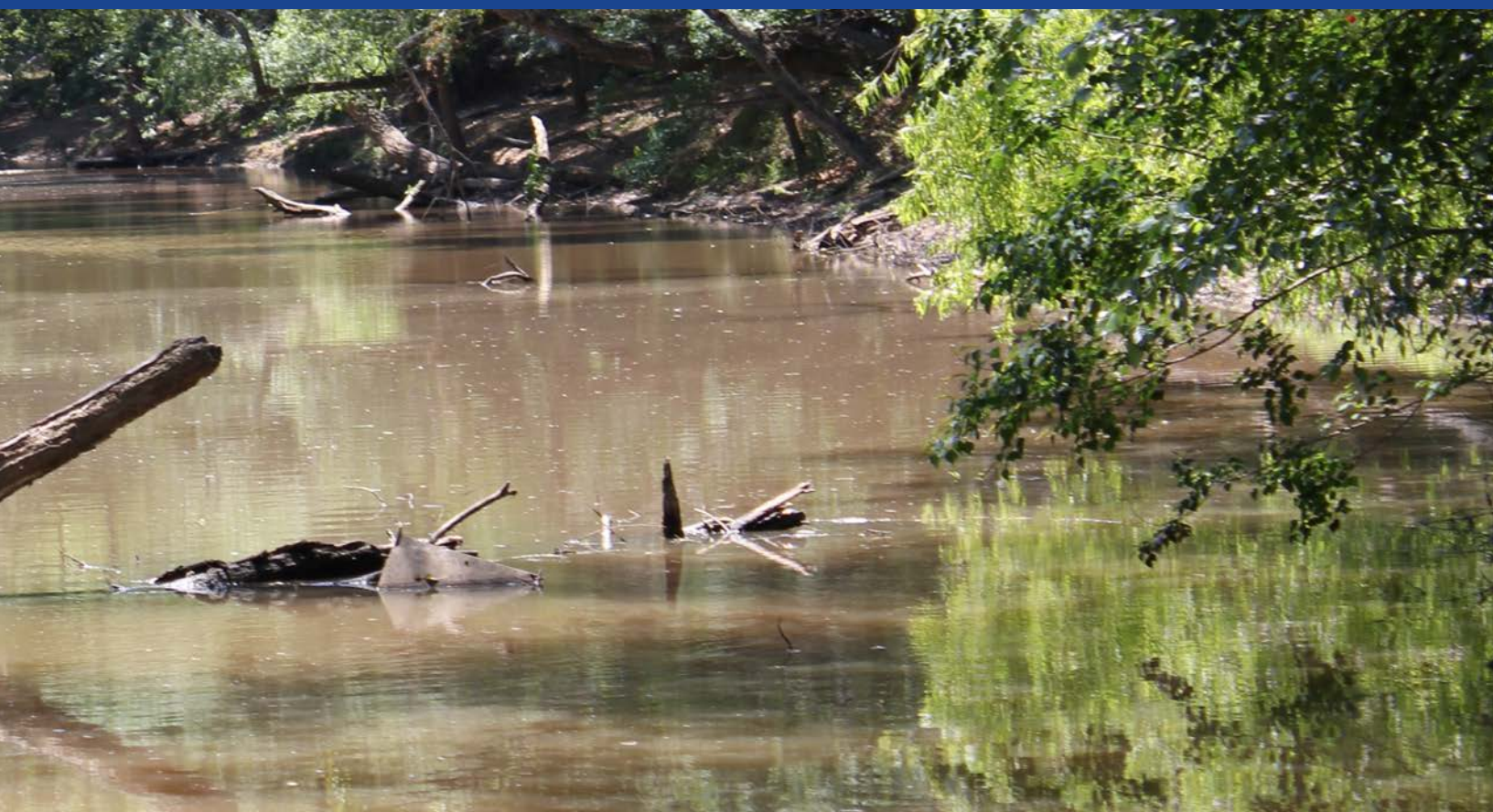
2003

The Texas Legislature under the authority of SB 1362, renamed Lake Eastex as Lake Columbia in memory of the Space Shuttle Columbia disaster. The bill also created statutory authority for ANRA to develop water quality regulations within the watershed for the reservoir.

2003

ANRA completed construction of its North Angelina County Regional Wastewater Facility. The facility combines the waste stream from three existing wastewater treatment facilities, two of which discharge into the Angelina River watershed and subsequently into Sam Rayburn Reservoir. The new facilities discharge approximately 90% less pollutants than the three previous facilities combined.

2000 - 2009



ANRA completed a planning study for a second regional biosolid compost facility. Three major potential participants were identified, including the cities of Lufkin and Nacogdoches local industries such as Georgia-Pacific Chemicals, LLC. ANRA invites the entities to participate in the regional facility, Lufkin and Nacogdoches respectfully decline.

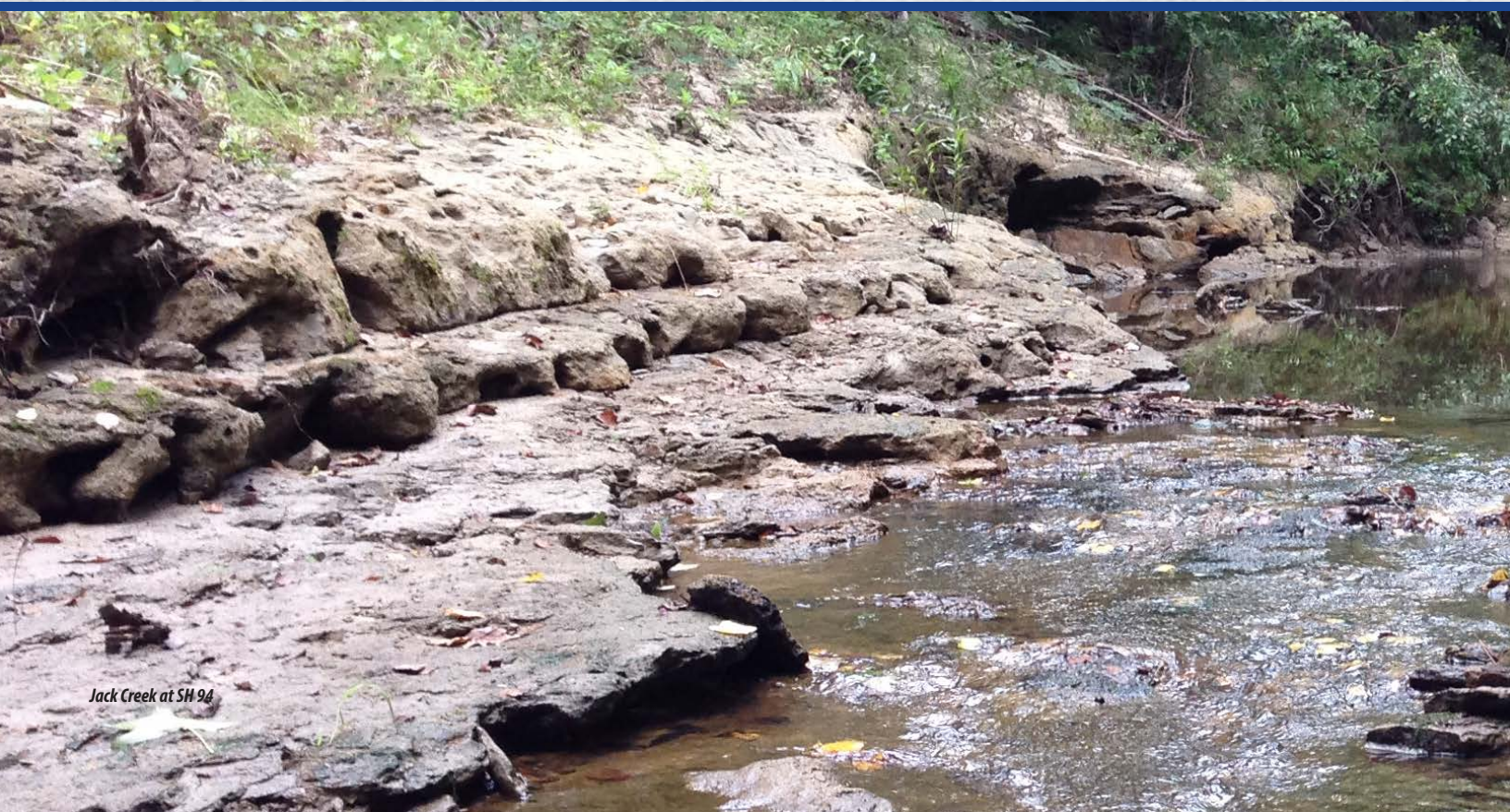
ANRA's Environmental Laboratory applied for and received accreditation under the National Environmental Laboratory Accreditation Program (NELAP). NELAP accreditation is required for any laboratory submitting data to the State of Texas for regulatory purposes (permitting, water quality standards development, etc.).

ANRA was awarded a regional facilities planning grant to research and identify regional solutions to ongoing wastewater issues in the Southeast Sam Rayburn dam area.

ANRA was awarded a source water assessment grant to obtain more detailed water quality information for the Lake Columbia watershed. The assessment specifically targeted stream segments listed on the EPA's 303 (d) list for impaired streams. The data was used to identify both point source and nonpoint source pollution as well as proposed water treatment methodologies for water supply.

ANRA's Control Zone program was expanded to include the portion of San Augustine County that lies within the Neches Basin.

SIGNIFICANT MILESTONES IN ANRA'S HISTORY



Jack Creek at SH 94

2010

The Draft Environmental Impact Statement for Lake Columbia was published in the Federal Register.

2010

ANRA participated in a Clean Water Act Section 319 grant to address bacterial impairments in the Attoyac Bayou watershed. This project, a collaboration between the Texas Water Resources Institute, Castilaw Environmental, ANRA, Stephen F. Austin State University, Texas A&M AgriLife, the Texas State Soil and Water Conservation Board, and others, resulted in the development of the Attoyac Bayou Watershed Protection Plan (WPP).

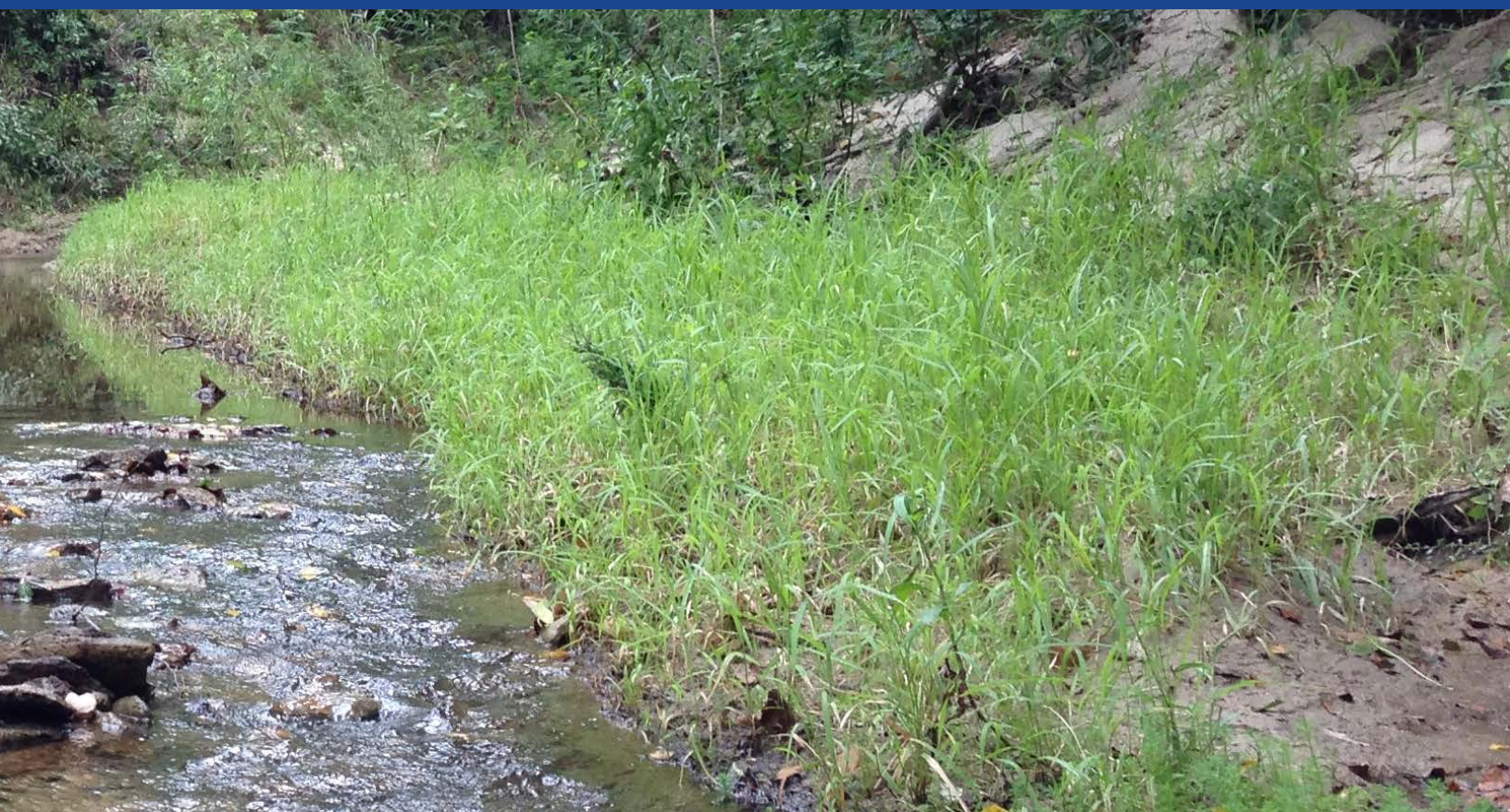
2011

ANRA submitted an application for a term water right permit for mining purposes.

2013

ANRA was awarded a Clean Water Act Section 319 grant from the TCEQ to replace failing septic systems in the Attoyac Bayou watershed. This project implemented a portion of the Attoyac Bayou WPP, which identified failing septic systems as the leading potential source of bacterial contamination.

2010 - 2015



ANRA upgraded its information systems, including servers, data storage, and mapping capabilities. As part of this upgrade, ANRA developed a database and maps of on-site sewage facilities within the Sam Rayburn Control Zone, as well as digitally scanning and storing records for all permitted on-site systems.

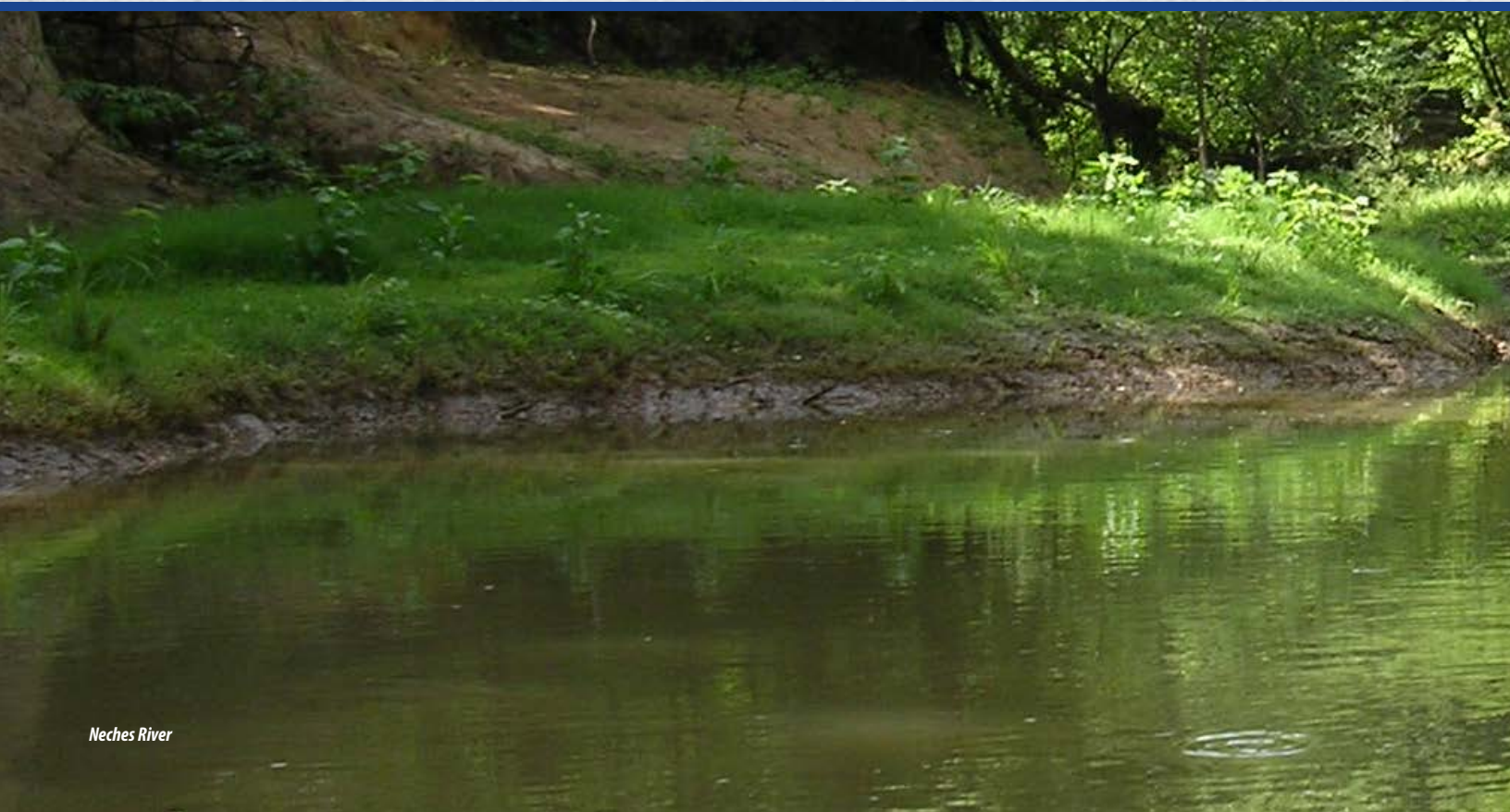
ANRA modified its agreement with the Angelina County FWSD No. 1, placing a requirement on ANRA to expand the collection system of its North Angelina County Regional Wastewater Facility by installing new sewer lines to provide first time sewer to the ACF's customers.

ANRA published its Basin Summary Report. This report, prepared every 5 years, details water quality monitoring activities, impairments, and concerns within the upper portion of the Neches Basin.

By contractual agreement with Angelina County, ANRA assumed the role as Angelina County's Designated Representative for the permitting of On-Site Sewage Facilities in the county.

The process began to have ANRA assume the role of Authorized Agent for Angelina County. This is the designation from the TCEQ that authorizes ANRA to be the permitting authority for On-Site Sewage Facilities in Angelina County.

HIGHLIGHTS OF ANRA'S FISCAL YEAR 2016 ACTIVITIES



Neches River

Sept 2015	Oct 2015	Nov 2015	Dec 2015	Jan 2016	Feb 2016
<p>ANRA completed renovations of the downstairs customer service area. As part of this redesign, ANRA also implemented a Point-Of-Sale system for water customers, laboratory customers, and OSSF customers.</p>	<p>TCEQ's Executive Director approved ANRA's revised Order for regulating On-Site Sewage Facilities. This Order expanded ANRA's jurisdiction and establish ANRA as the Authorized Agent for Angelina County.</p>	<p>A manhole collapse in the Idlewood Subdivision released approximately 300,000 gallons of sewage. NACRWF replaced the manhole and began to address root causes of the failure by implementing a corrosion study and voluntarily entered into TCEQ's Sanitary Sewer Overflow Initiative (SSOI) Program.</p>	<p>ANRA purchased property for future development of a new Central Office. ANRA's future home will be located at 2901 N. John Redditt Dr. in Lufkin.</p>	<p>ANRA closed on construction bonds for the NACRWF/ACFWSO No. 1 sewer expansion project.</p> <p>Dyan Stanford was promoted to Administration Division Manager. General Administration, Accounting, and Information Technology were consolidated under one division.</p>	<p>Chris Key, P.E., was hired as Operations Division Manager.</p>



ANRA sent out a Request for Proposals for an engineering firm to assist in preparing a Sanitary Sewer Overflow Initiative plan.

The U.S. Army Corps of Engineers (USACE) withdrew ANRA's Section 404 Permit Application for Lake Columbia.

ANRA began working with Regions Bank to implement an internet based customer payment portal.

ANRA entered into an agreement with Van Heuvelen Strategies, LLC. for assistance with efforts to reinstate the Section 404 permit for Lake Columbia.

ANRA began solicitation of a Site Development Plan for the N. John Redditt Dr. property.

Formal work began on the SSOI plan.

ANRA held a Lake Columbia Participants Meeting in Jacksonville to update participants on Lake Columbia activity, including ANRA's decision to hire a lobbying firm to assist with those activities.

ANRA held a Public Hearing to discuss proposed Rules for Enforcement of OSSF regulations.

On August 16, 2016, ANRA's Board of Directors approved Rules for Enforcement of OSSF Regulations.

On August 29, 2016, the USACE formally reinstated ANRA's Section 404 Permit Application for Lake Columbia. This reinstated the original priority date.

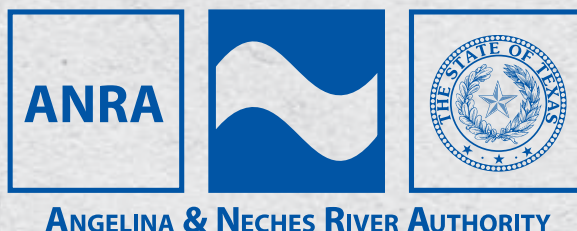


Angelina River at SH 21

A scenic view of a river flowing through a dense forest of green trees. The water is a murky brown color, and the trees are lush and green. The text is overlaid on the upper half of the image.

ANRA's ORGANIZATIONAL STRUCTURE

ANRA Organization by Department/Enterprise



Governance and Structure

The Authority is governed by a nine member Board of Directors. Appointment to the Board of Directors is made by the Governor of Texas to six year terms with generally one third of the Board being appointed every two years. Directors are generally residents of the Neches River basin and serve until reappointed or replaced. The Board sets policy, provides oversight, and employs a General Manager to ensure compliance with state and federal law and Board approved policies and directives. The Authority's central office is located in Lufkin, Texas.

The major functions of the Authority are water quality management, water resource development, and conservation of water resources. The Authority administers several water quality related environmental programs including the Upper Neches basin surface water quality monitoring programs, permit compliance monitoring programs, industrial pre-treatment program, and a water/wastewater sample collection and testing program.

For organizational purposes, ANRA is divided into three divisions. These are the Administration Division, Environmental Division, and the

Operations Division. The Administration Division includes Accounting, Information Systems, and General Administration. The Environmental Division includes the Clean Rivers Program, the On-Site Sewage Facility Program, and the Environmental Laboratory. The Operations Division includes Contract Operations, Holmwood Utilities, North Angelina County Regional Wastewater Facility, and the Neches Compost Facility.

For financial purposes, ANRA's activities are divided into two categories, governmental activities and business type activities. Governmental activities provide oversight of ANRA's activities and include General Administration, Clean Rivers Program, On-Site Sewage Facility Program, Field Operations, and the Environmental Laboratory. Business type activities are where ANRA provides water, wastewater and composting services throughout the basin and include Angelina County Fresh Water Supply District No. 1, Holmwood Utilities, Neches Compost Facility, and North Angelina County Regional Wastewater Facility. Business type activities are proprietary with each activity considered an enterprise fund. Enterprise funds are restricted to that activity and as such, accounted for on an individual basis.





ANRA Board of Directors

The Angelina & Neches River Authority is governed by a nine member Board of Directors appointed by the Governor of Texas to six year terms, with one-third of the board being appointed every two years. Directors are all residents of the Neches River Basin.

The Board of Directors sets policy, provides oversight, and employs a General Manager.

In November 2016, Governor Abbott appointed three new members to ANRA's Board of Directors to replace outgoing members whose terms had expired. Newly appointed to the Board were Mr. Dale G. Morton of Nacogdoches (replacing Mr. James E. "Jim" Hughes of Jasper), Mr. John M. "Skip" Ogle of Tyler (replacing Mr. Karl "Keith" Drewery of Nacogdoches), and Mrs. Francis G. Spruiell of Center (replacing Dominick Benedict "Nick" Bruno, II of Jacksonville).

ANRA welcomes Director Morton, Director Ogle, and Director Spruiell to the Board of Directors. ANRA would also like to thank former Directors Mr. Hughes, Mr. Drewery, and Mr. Bruno for their many years of dedicated service to ANRA and the citizens of the Neches River Basin.



President

Mr. Jody Anderson

Term Ends: 9-5-2019

Angelina County - Lufkin

Mr. Anderson, of Lufkin, is the Co-Owner of Timberland Mobile Housing. Anderson served as the Executive Director of the Texas Manufactured Housing Association in Austin. He served the Association for almost 3 years before leaving that post. In 2014, Anderson was contacted by the Secretary of Housing and Urban Development (HUD) and asked to serve on the Manufactured Housing Consensus Committee (MHCC). The MHCC is a 21 member advisory committee for H.U.D. that assists the agency in developing national policy decisions concerning the regulation of manufactured housing.

Mr. Anderson received a Bachelor of Science in Business from Stephen F. Austin State University.





Vice-President

Mr. Thomas "Tom" Murphy Term Ends: 9-5-2019
Houston County - Crockett

Mr. Murphy, of Crockett, is retired from VHSC Cement. He is on the Board of Directors for Texas Concrete Pavement Association and Military Service Academies Board, District 8. He is also a member of the American Concrete Institute and the Associated General Contractors of America.

Mr. Murphy received his Bachelor of Science in Agriculture from Stephen F. Austin State University and has additional coursework in geology, meteorology and finance from the University of Houston and Wharton School of Business.



Secretary / Treasurer

Mrs. Patricia "Pat" Dickey Term Ends: 9-5-2017
Houston County - Crockett

Mrs. Dickey, of Crockett, is the owner of Coldwell Banker, Pat Dickey Realty with offices in Crockett and Nacogdoches. Mrs. Dickey has been a realtor for over 30 years and is a real estate investor and a member of the Texas Association of Realtors. She is an active member of her church, All Saints Episcopal Church and works with the Piney Woods Fine Arts Association and the Boys and Girls Club of Crockett.

Mrs. Dickey is a graduate of Crozier Technical School.



Secretary Pro Tem

Mr. John M. "Skip" Ogle Term Ends: 9-5-2021
Smith County - Tyler

Mr. Ogle, of Tyler, is Director of Public Affairs for Suddenlink. He is a member of the Tyler Area Builders Association, The University of Texas Health Northeast Foundation Board and the East Texas State Fair Board of Directors. Additionally, he is area chairman for the Tyler Chamber of Commerce.

Mr. Ogle received a Bachelor of Science in Architecture and a Masters in City and Regional Planning from The University of Texas in Arlington.



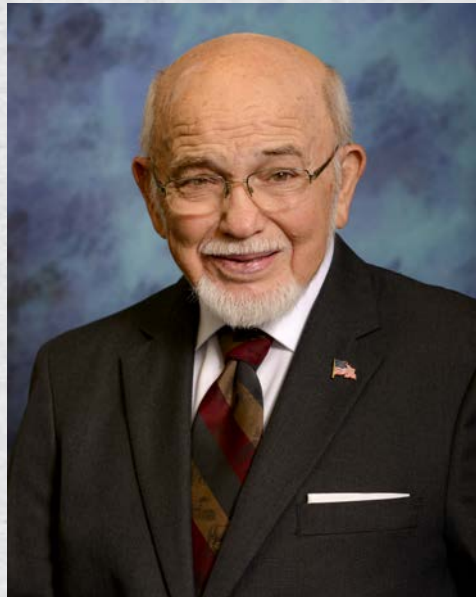


Director

Ms. Julie Dowell
Smith County - Bullard

Term Ends: 9-5-2017

Ms. Dowell, of Bullard, is retired from the U.S. Marshals Service where she served as a Special Deputy U.S. Marshal in the Northern District of Texas. Ms. Dowell is a former police officer and detective with the Colorado Springs Police Department. Ms. Dowell has served on the Board of Directors for the YMCA and coached softball, volleyball and soccer at Trinity Christian Academy. In addition, she has served on the Board of Directors of Emerald Bay Club, Inc., as well as numerous committees and associations.



Director

Mr. Louis Bronaugh
Angelina County - Lufkin

Term Ends: 9-5-2017

Mr. Bronaugh, of Lufkin, is retired and is the former Mayor of the City of Lufkin. Bronaugh owned and operated Bronaugh Independent Opticians for over 30 years in Lufkin. He currently serves on the Board of Directors of Brazos Transit District. During the course of his career, he has held offices in the Texas Municipal League's Region 16, the Deep East Texas Council of Governments, the Texas Water Advisory Board, the Angelina County Airport Board, and the Boys and Girls Club Board.

Mr. Bronaugh served in the U.S. Navy during the Korean Conflict and graduated from Texas Tech University.



Director

Mr. David King
Nacogdoches County - Nacogdoches

Term Ends: 9-5-2019

Mr. King, of Nacogdoches, is employed by Foretravel Motorcoach. Mr. King serves as a member of the Governor's EMS Star of Texas Award advisory committee and is a member of the Board of Directors for The Blood Center East Texas. Some of Mr. King's past civic service includes serving on the Board of Directors of the Nacogdoches County Chamber of Commerce, and as a member of the steering committee of the Nacogdoches County March of Dimes, among numerous others. Mr. King also served on the Nacogdoches County United Way Board, and is an honorary lifetime member Advisor of the Nacogdoches High School F.F.A.

Mr. King received a Bachelor of Science degree in Business and Economics from Stephen F. Austin State University.





Director

Mrs. Francis G. Spruiell Term Ends: 9-5-2021
Shelby County - Center

Mrs. Spruiell, of Center, is the Regional President for the Nacogdoches, Lufkin, Garrison and Timpson branches of Austin Bank Texas. She has been responsible for the Nacogdoches office since it opened in 2001, and has worked in the community banking industry for more than 30 years. She is a member of the Texas Bankers Association and the Nacogdoches Economic Development Executive Committee, President of the Rotary Club of Nacogdoches and a board member of Solid Foundation. She also served as a past Chairman for both the Nacogdoches County Chamber of Commerce and the Nacogdoches Medical Center Hospital Governing Board.

Mrs. Spruiell received an Associate of Applied Science from South Plains College, and is a graduate of the Texas Tech School of Banking and Southwestern Graduate School of Banking.



Director

Mr. Dale G. Morton Term Ends: 9-5-2021
Nacogdoches County - Nacogdoches

Mr. Morton, of Nacogdoches, is Pastor of New Life Christian Fellowship, and previously served as Superintendent of Wells Independent School District for 19 years. He is a member of the Texas Association of School Administrators and Global Network of Christian Ministries. Additionally, he is a past president of the Area IX Ag. Teachers Association.

Mr. Morton received a Bachelor of Science in agriculture and a Master of Education from Stephen F. Austin State University.





ANRA Executive Staff



General Manager

Mr. Kelley Holcomb

Kelley Holcomb has served the Authority and its customers since 1991. Holcomb began his career in the Operations Division by providing technical assistance and operating water and wastewater systems throughout East Texas. Holcomb worked his way up the ranks to become the Authority's 7th General Manager. As the Authority's chief executive officer, Holcomb's duties include ensuring ongoing compliance with the policies adopted by the Board of Directors and state and federal law. In addition, Holcomb provides leadership by establishing goals and objectives that are geared toward accomplishing the mission and purpose as outlined in the Authority's enabling statutes.

Mr. Holcomb is a native of East Texas and was born in the small town of Rusk in 1962. Having resided in Lufkin, Texas since 1968, he has dedicated his career to community service by serving on several local & state boards and advisory groups including:

- Region I, East Texas Regional Water Planning Group, Chairman
- Texas Forest Country Partnership, Past President
- Texas Water Conservation Association, Director
- Deep East Texas Self Insurance Fund, Executive Committee Member
- Pineywoods Groundwater Conservation District, Board Member
- Nacogdoches Economic Development Corporation, Member
- Environmental Flows Advisory Group, Sabine and Neches River Basin and Bay Area Stakeholders Committee, Member



Administration Division Manager

Mrs. Dyan Stanford

Dyan Stanford joined Angelina & Neches River Authority in 2013 as its Office Manager and was promoted in 2016 to the Administration Division Manager position. Dyan oversees ANRA's state reporting, financial services, accounting functions, employee relations, support services, and customer relations.

As the Administration Division Manager, Mrs. Stanford has led a complete restructuring of the administrative and financial support activities for the River Authority. This includes leading the transition to electronic capture and storage of records.

Mrs. Stanford graduated from Stephen F. Austin State University with a Bachelor of Business Administration in Accounting and a Masters of Public Administration.

She and her husband Caleb have four children: Olivia, Claire, Blaine, and Dylan.



Environmental Division Manager

Mr. Brian Sims

Brian Sims is the Environmental Division Manager for the Angelina and Neches River Authority. Mr. Sims began at ANRA in 2004 as the Laboratory Manager, and was promoted to Environmental Division Manager in 2008. As Environmental Division Manager, Mr. Sims manages the Environmental Laboratory, On-Site Sewage Facility Program, and the Clean Rivers Program, as well as state and federal grant-based projects pertaining to water quality and watershed protection.

Mr. Sims was born and raised in Louisiana, but he has strong family ties to Lufkin. His mother and maternal grandparents were born in Lufkin, and numerous members of his extended still reside here.

Mr. Sims has a Bachelor of Science degree in Biology from the University of Louisiana at Monroe and attended graduate school at the University of Texas Medical Branch in Galveston, TX. While in graduate school, Mr. Sims accepted a position as Laboratory Manager for The Aquarium at Moody Gardens in Galveston, and loved the experience so much that he rededicated his career to the field of water quality. Mr. Sims became involved with the TCEQ's Clean Rivers Program in 2001 while working for another agency, and is still involved with that program to this day as ANRA's Clean Rivers Program Project Manager.

Mr. Sims is a Board Member of Pineywoods Resource Conservation & Development.



Operations Division Manager

Mr. Chris Key, P.E.

Christopher "Chris" Key, P.E. serves as the Operations Division Manager for the Angelina & Neches River Authority. Mr. Key began this position in February 2016.

Mr. Key oversees and manages all facility operations including the North Angelina County Regional Wastewater Facility, water and sewer utilities for both Holmwood Utilities and Angelina County Fresh Water Supply District No. 1, and the Neches Compost Facility. Mr. Key also plans and implements all aspects of capital improvement projects for all ANRA owned and/or operated facilities.

Prior to joining ANRA, Mr. Key attended Texas A&M University in College Station where he graduated with a Bachelor of Science degree in Civil Engineering. Mr. Key's prior experience included working as a consulting project engineer on a variety of municipal projects, coordinating design efforts on projects consisting of roadway reconstruction, water distribution and storage, sanitary sewer collection, and site plans. Additionally, Mr. Key worked within the steel industry as a sales representative for a metal building manufacturer and a design engineer for a steel joist manufacturer.





ADMINISTRATION DIVISION

General Administration

**Accounting, Investments and
Financial Management**

**Customer Relations, Compliance Support
and Regulatory Reporting**

Information Technology

ANRA General Administration

General Administration (GA) is the central department that houses ANRA's administrative personnel, which includes the General Manager, Administration Division Manager, Accounting, and other administrative staff members.


In January 2016, General Administration underwent a major restructuring. This restructuring moved General Administration, Accounting, and Information Technology under the newly created Administration Division. Dyan Stanford, the Office Manager at the time, was promoted to Administration Division Manager to oversee the activities of those departments.

Board of Director Meetings

One of the major functions of GA is to schedule meetings of the Board of Directors, including posting public notices and agendas, creation and distribution of Board packets, recording of meeting minutes, and the retention of records. Because ANRA operates Angelina County Freshwater Supply District No. 1 (ACF), ANRA GA personnel also perform these same functions for ACF. ANRA also coordinates the general election for directors of ACF.




ANGELINA & NECHES RIVER AUTHORITY

Regular Meeting of the Board of Directors
May 3, 2016 9:00am



Hurricane Creek upstream of Loop 287
Photo taken July 2015

Angelina & Neches River Authority
P.O. Box 387 • Lufkin, TX 75902
936-632-7795 • 800-282-5634
www.anra.org • info@anra.org



Personnel and Benefits

All aspects of Human Resources are coordinated through General Administration. ANRA currently has 22 employees, which includes personnel at both ANRA's Central Office in Lufkin and the Neches Compost Facility in Jacksonville.

Benefits offered to employees by ANRA include health insurance through Blue Cross/Blue Shield. ANRA has traditionally paid 100% of the base plan premiums for each employee, and hopes to continue to do so in the future. Upgraded insurance plans are also available. ANRA also offers Life and Accidental Death & Dismemberment insurance to employees, and bears 100% of the premium cost. In FY 2017, ANRA made available dental, vision, accident, and cancer insurance policies by pre-tax payroll deductions,

As part of ANRA's retirement program, ANRA contributes 3% of each employee's salary after one year of service. ANRA also sponsors a 457 Deferred Compensation program for employees.

Records Management

ANRA Administrative personnel are responsible for maintaining all of the records and documents for each fiscal year for all ANRA departments and enterprises as well as historical archives. GA also maintains employee personnel records, vehicle and equipment documentation, contracts, and Board Meeting records. In recent years, there has been a push to convert to electronic storage of all records. GA personnel scan all documents for storage on ANRA's servers. Important documents for employees (such as the personnel policy, time sheets, leave request forms, etc.) are maintained and available to employees through ANRA's Intranet portal.

Accounting, Investments and Financial Management

ANRA's Accounting department is responsible for numerous activities, including (but not limited to):

- Accounts Payable
- Accounts Receivable
- Payroll
- Bond Covenant Compliance
- Utility Billing
- Budget
- Financial Audits

Accounts Payable

All invoices received by ANRA are reviewed and approved by the Division Manager and the General Manager. When checks are processed for payment, they must be signed by two authorized signers.

Accounts Receivable

ANRA does not receive tax revenues and does not receive an appropriation from the state. All of ANRA's revenues are derived solely from services it provides.

ANRA customers are billed at the beginning of each month for the prior

month of service. ANRA bills for laboratory services and utility service (water and sewer). Fees for On-Site Sewage Facility permits are due at the time of application. Per contract, North Angelina County Regional Wastewater Facility and Neches Compost Facility participants are billed for the current month of service. For contract programs such as the Clean Rivers Program, reimbursement requests are submitted quarterly for payment.

Payroll

ANRA's payroll is direct deposited on a biweekly schedule, with 26 pay periods per year.

Bond Covenant Compliance

ANRA's Accounting department ensures that proper fund balances are maintained as required under each bond covenant. Deposits are made into dedicated Interest & Sinking accounts on a monthly basis. Principal and Interest payments are made to each respective bond holder on an annual and semi-annual basis per bond requirements.

Utility Billing

ANRA performs residential utility billing for Holmwood Utilities (HMU) and Angelina County Freshwater Supply District No. 1. (ACF). ANRA Field Operations personnel read water meters on or about the 20th of each month, with bills being mailed out by the end of the month and due by the 15th of the following month. Each month, ANRA bills more than 400 customers for retail water and/or sewer service.

In FY 2016, ANRA began working with Regions Bank to implement their Biller Xchange program. This internet based customer payment portal should be online in FY 2017, providing ANRA's customers with greater flexibility in payment options. This portal will allow customers to save payment information, review payment history, and establish recurring payments.

Also in FY 2016, ANRA began the process of procuring and implementing a new utility billing software. The new utility billing software offers great improvements over the previous program, including the ability to digitally record water meter readings in the field for increased efficiency and accuracy. The software is also easier to utilize, provides an excellent customer service history, and allows for added notifications to customers at decreased costs for the utility. This software should be fully implemented for both HMU and ACF by FY 2017 end.

Budget

In April/May of each year, ANRA begins the process of budget preparation for the next fiscal year. Over the past several years, steps have been put in place to streamline and centralize the budget process. In years past, the budget process had been a bottom-up approach led by the individual departments and consolidated by Accounting. By switching to a top-down model a few years ago, where information is controlled

by Accounting and pushed down to departments, ANRA has been able to drastically improve the budgetary process.

Financial Audit

ANRA's fiscal year runs from September 1st to August 31st of each year. ANRA has a financial audit performed each year by an independent firm. For FY 2016, a Single Source audit was also performed, as ANRA exceeded the threshold for federal funds received during a fiscal year for the first time in its history.

Per bond requirements, ANRA's audit is required to be completed within 120 calendar days following the fiscal year end.

ANRA's Financial Audit is presented in this report.

ANRA is also responsible for the annual financial audit of Angelina County Freshwater Supply District No. 1. That audit is separate from ANRA's financial audit.

Customer Relations, Compliance Support and Regulatory Reporting

Other major functions of the Administration Division relate to customer interactions. This includes receipt of laboratory samples, laboratory report generation, handling of customer inquiries, customer complaints, and processing of payments (laboratory testing, water/sewer bills, and OSSF permits).

Data Entry

For the Environmental Laboratory, administrative staff receive water and wastewater samples, enter data for those samples into the Laboratory Information Management System (LIMS), and generate laboratory analysis reports. All laboratory records are scanned and stored on ANRA's servers for ease of retrieval.

For the On-Site Sewage Facilities Program, administrative staff receive and process permit applications for new systems or system transfers, enter property and homeowner information into ANRA's OSSF Database, generate licenses for approval by a Designated Representative, and track maintenance reports. All permit files, including applications, designs, licenses, etc., are stored electronically on ANRA's servers and linked to ANRA's OSSF Database for ease of retrieval.

For the Clean Rivers Program, administrative personnel enter data from the Surface Water Quality Monitoring Field Sheets into the CRP Database. This data is then submitted to TCEQ several times per year for inclusion in their water quality database.

For the Field Operations Division, operations checklists for ACF, HMU,

NACRWF, and Contract Operations are entered into various computer systems. This data is used to prepare operational reports, regulatory compliance reports, and invoices.

Self Reporting

For ANRA's North Angelina County Regional Wastewater Facility, administrative staff prepare Monthly Operator Reports, Monthly Discharge Monitoring Reports, and Annual Sludge Discharge Reports. This data is reported to TCEQ for regulatory compliance purposes. Monthly, Annual, and Point-Of-Entry (if applicable) reports are also prepared for participants in the facility.

For wastewater treatment plants operated by contract, Process Control Reports and Operator Reports are generated weekly. The customer utilizes those reports in preparing their own Discharge Monitoring Report for submittal to TCEQ.

For Angelina County Freshwater Supply District No. 1, a Monthly Water and Wastewater Report and a Quarterly Disinfectant Report is prepared and submitted to TCEQ.

For Holmwood Utilities, a Monthly Water Report and a Quarterly Disinfectant Report is prepared. A report is also prepared quarterly for the Southeast Texas Groundwater Conservation District.

For the Neches Compost Facility, weekly trucking manifest documents

are provided to participants. Monthly and Annual Sludge Disposal Reports are prepared for both participants and non-participants. On an annual basis, the facility submits to TCEQ a Benchmark Monitoring Yearly Report (as part of the NCF's Stormwater Pollution Prevention Plan), and an Annual Summary Report of Sludge Transported.

Program Reporting

In addition to Self Reporting that is required for regulatory compliance, several departments also have program-specific reporting requirements that are processed by Administration.

For the Environmental Laboratory, an electronic submission of all monthly drinking water sample results is made to TCEQ. This data is queried from the LIMS, converted to the proper format for upload into TCEQ's database, and submitted.

For the OSSF Program, a monthly report is submitted to TCEQ containing the number of applications received to install a new OSSF.

For the Clean Rivers Program, field and laboratory data from ANRA's monitoring activities are submitted to TCEQ's Surface Water Quality Monitoring Information System several times per year.

NAC Operators Report from: 6/1/2016 to 6/30/2016

Report Generated 7/6/2016 at 9:54:10 AM

Date	Day of Week	Totalizer Reading	Treated Flow (MGD)	Inst. Flow (MGD)	CBOD (mg/l)	CBOD (lbs/day)	TSS (mg/l)	TSS (lbs/day)	Ammonia (mg/l)	Ammonia (lbs/day)	pH (Std Units)	DO (mg/l)	Cl2 Res. (mg/l)	Rainfall (inches)	E. coli	Entry Set ID
6/1/2016	Wednesday	13638700	0.277900	0.190000	2.060	3.264	2.50	3.962	0.110	0.174	7.32	6.51	1.60	0.1		2375
6/2/2016	Thursday	13916600	0.368400								7.36	6.31	1.80	0.7	2	2375
6/3/2016	Friday	14285000	0.216000								7.40	6.41	1.80	0.8		2375
6/4/2016	Saturday		0.216000													
6/5/2016	Sunday		0.216000													
6/6/2016	Monday	14933000	0.172400								7.34	6.69	1.70	0.7		2376
6/7/2016	Tuesday	15105400	0.130300								7.32	6.67	1.50	0.0		2376
6/8/2016	Wednesday	15235700	0.155700	0.280000	2.060	4.811	2.80	6.539	0.150	0.350	7.37	6.56	1.70	0.0		2376
6/9/2016	Thursday	15391400	0.142200								7.34	6.37	2.40	0.0		2376
6/10/2016	Friday	15533600	0.166733								7.47	6.92	1.40	0.0		2376
6/11/2016	Saturday		0.166733													
6/12/2016	Sunday		0.166733													
6/13/2016	Monday	16033800	0.183400								7.71	6.30	1.50	1.1		2377
6/14/2016	Tuesday	16217200	0.151000								7.46	6.76	2.90	0.0		2377
6/15/2016	Wednesday	16368200	0.175500	0.140000	2.060	2.405	2.50	2.919	0.100	0.117	7.38	6.41	2.10	0.0		2377
6/16/2016	Thursday	16543700	0.144600								7.59	7.78	1.50	0.0		2377
6/17/2016	Friday	16688300	0.134533								7.63	7.77	1.00	0.0		2377
6/18/2016	Saturday		0.134533													
6/19/2016	Sunday		0.134533													
6/20/2016	Monday	17091900	0.139400								7.47	6.76	3.60	0.2		2378
6/21/2016	Tuesday	17231300	0.145600								7.35	6.45	3.50	0.0		2378
6/22/2016	Wednesday	17376900	0.140200	0.130000	2.060	2.233	2.50	2.711	0.110	0.119	7.39	6.21	3.70	0.0		2378
6/23/2016	Thursday	17517100	0.132900								7.41	6.28	2.60	0.0		2378
6/24/2016	Friday	17650000	0.137333								7.43	6.21	2.10	0.0		2378
6/25/2016	Saturday		0.137333													
6/26/2016	Sunday		0.137333													
6/27/2016	Monday	18062000	0.151000								7.51	6.55	3.30	0.0		2379
6/28/2016	Tuesday	18213000	0.137600								7.49	6.41	2.30	0.2		2379
6/29/2016	Wednesday	18350600	0.125900	0.250000	2.060	4.295	2.50	5.213	0.200	0.417	7.53	6.21	1.80	0.2		2379
6/30/2016	Thursday	18476500	0.142900								7.44	6.38	2.20	0.0		2379
Minimum		Total	4.980700											3.8		
Maximum		Average	0.166023	0.198000	2.060	3.402	2.56	4.268	0.134	0.236	7.44	6.59	2.18	0.2	2	
>75% flow		Min	0.125900	0.130000	2.060	2.233	2.50	2.711	0.100	0.117	7.32	6.21	1.00	0.0	2	
Excursion		Max	0.368400	0.280000	2.060	4.811	2.80	6.539	0.200	0.417	7.71	7.78	3.70	1.1	2	

Requirements:

DO: >=4
pH: 6-9
TSS Loading Avg: <=46

TSS Concentration Avg: <=15

TSS: <=60
NH3 Loading Avg: <=9.2
NH3 Concentration Avg: <=3

NH3: <=15

Treated Flow Avg: <=0.37
Cl2 Residual: 1-4
CBOD Loading Avg: <=31

CBOD Concentration Avg: <=10

CBOD: <=35

Information Technology

Information Technology (IT) improves the day-to-day operations of the River Authority and enables things that would have been difficult or impossible only a few years ago.

Data is stored in databases and on file servers rather than on paper to improve the searchability of the data, as well as enabling data mining and trend analysis.

Storing data electronically also allows backups, revision tracking, and options for disaster recovery that are not easily accomplished with paper copies.

The IT department works to automate routine and mundane tasks that can be done without human intervention so that our staff can devote their time to more important tasks that need a human touch or intuition.

ANRA is actively working towards paperless for maps, work orders, daily checklists, etc. This allows improved access to data, easier collaboration, reduced manual data entry, instant quality control, reduction of labor, and reduction of waste.

Information Technology supports virtually every aspect of ANRA's day-to-day operations. The IT department works to make sure that ANRA's information is secure and accessible in useful formats to ANRA staff and the public. This involves making sure that servers, networks, computers, printers, scanners, copiers, phones, and mobile devices are all up to date, and working optimally, and that automated processes are in place where appropriate.

On any given day, the River Authority has over 30 computers in use, as well as 4 physical servers with a combined storage availability of 27.2 Terabytes, 10 virtual servers, 2 copier/scanners, 16 desktop printers, 1 scanner, 20 pieces of networking gear, 13 uninterruptible power supplies, and 8 mobile devices. We have 10+ databases, and 15+ software applications in daily use. Several software applications, such as our Point-Of-Sale system and our OSSF Database, were developed in-house by ANRA's IT personnel.

ANRA works diligently to keep up with best practices for security, backups and staff education.

As ANRA updates hardware, we donate our used equipment to charities that help veterans and disabled persons.



ANRA's server



Ion Chromatograph for analysis of chemical parameters



ENVIRONMENTAL DIVISION

Clean Rivers Program

On-Site Sewage Facilities Program

Environmental Laboratory

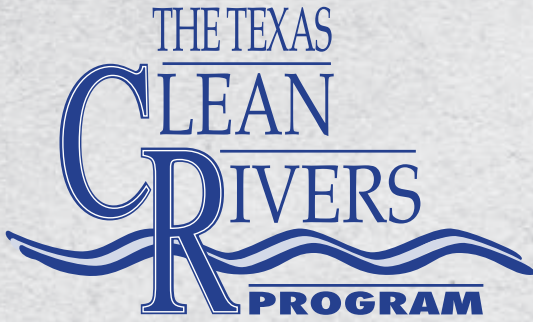
Special Projects



*Angelina River at SH 204
Monitoring Station 10633*

A photograph of a river flowing through a dense forest. The water is brownish and reflects the surrounding trees. The banks are lined with large, mature trees and green foliage. The text "CLEAN RIVERS PROGRAM" is overlaid in the upper left quadrant.

CLEAN RIVERS PROGRAM



The Texas Clean Rivers Act, enacted in 1991 by the Texas legislature, requires that each Texas River Basin conduct ongoing water quality assessments, integrating water quality issues using a watershed management approach. The Clean Rivers Program (CRP) implements the Clean Rivers Act through water quality monitoring, assessment, and public outreach. Currently, monitoring in the state of Texas includes over 1800 sites and regional water quality assessments within the 23 major river and coastal basins and their sub-watersheds.

The mission of the CRP is to maintain and improve the quality of water within each river basin in Texas through an ongoing partnership involving the Texas Commission on Environmental Quality (TCEQ), river authorities, other agencies, regional entities, local governments, industry, and citizens. The program's watershed management approach is designed to identify and evaluate water quality issues, establish priorities for corrective action, work to implement those actions, and adapt to changing priorities.

As a department within ANRA's Environmental Division, the Clean Rivers Program staff conduct water quality monitoring activities within the basin. The staff also evaluates water quality data and prepares assessment reports related to the water quality in the Neches Basin. ANRA actively coordinates with other entities within the basin to ensure that monitoring activities are spatially represented throughout the basin and that important water quality concerns are addressed.

In FY 2016, ANRA conducted routine water quality monitoring at 40 monitoring stations on a quarterly basis. All data collected by ANRA was reported to TCEQ for use in water quality assessments, wastewater permitting decisions, and development of water quality standards and nutrient criteria.



Field measurements at Angelina River at SH 21

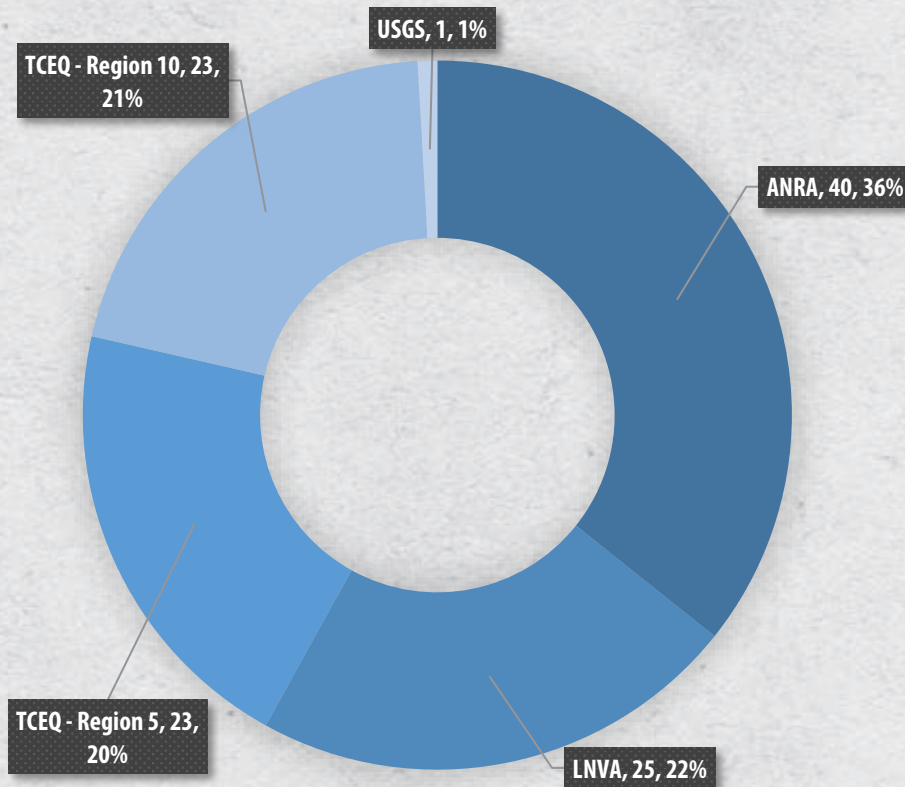




CLEAN RIVERS PROGRAM By the Numbers

As part of the Clean Rivers Program, ANRA performs routine water quality monitoring at **40 monitoring stations per quarter**. Routine water quality monitoring includes analysis of conventional parameters (ammonia, nitrate, nitrite, phosphorus, chloride, sulfate, chlorophyll, and suspended solids), bacteria (*E. coli*), and field parameters (instream flow, specific conductance, pH, dissolved oxygen, and temperature).

Routine Monitoring Stations in the Neches Basin



ANRA performs monitoring on **4 classified segments**:

- Neches River Below Lake Palestine (Segment 0604)*
- Sam Rayburn Reservoir (Segment 0610)*
- Angelina River Above Sam Rayburn Reservoir (Segment 0611)*
- Attoyac Bayou (Segment 0612)*

ANRA also monitors water quality on **17 unclassified segments**, including:

- Cedar Creek, Hurricane Creek, Jack Creek, Piney Creek, Biloxi Creek, Buck Creek, Lake Ratcliff, Ayish Bayou, Bayou Carrizo, La Nana Bayou, Mud Creek, Lake Nacogdoches, Lake Striker, Bowles Creek, Johnson Creek, West Creek, and Lake Naconiche*

Clean Rivers Program Steering Committee

Through the Clean Rivers Program, ANRA has established a Steering Committee of stakeholders to guide us in our monitoring activities. The Steering Committee's role is advisory in nature and involves assistance with the review of local issues and creation of priorities for the Upper Neches river basin. Committee members assist with the review and development of work plans, reports, basin monitoring plans, allocation of resources, and basin action plans. CRP Steering Committee meetings are held annually, typically in the spring. The committee is made up from a diverse group of stakeholders, including:

- Private citizens
- Fee-payers (identified in Texas Water Code TWC 26.0135(h))
- Political subdivisions (including local, regional, and state officials)
- Texas State Soil and Water Conservation Board
- Other appropriate state agencies

including: Texas Parks and Wildlife Department, Texas Water Development Board, Texas General Land Office, Texas Department of State Health Services, Texas Department of Agriculture, Texas Railroad Commission, and Texas Department of Transportation.

- Other entities interested in water quality matters including: Texas Commission on Environmental Quality regional staff, business and industry, agriculture, environmental and other public interest groups.

One of the objectives of the CRP Long-Term Plan is to engage and inform stakeholders. The Steering Committee process gives stakeholders an opportunity to contribute their ideas and concerns through Steering Committee meetings, public meetings, and other forums. The process also allows for the communication of issues related to water quality so that priorities may be set which consider local, regional, state, and federal needs. The Steering Committee aids in increasing opportunities

for citizens to identify pressing issues and concerns, contribute ideas to the CRP process, and functions to expand the public's role in water quality management issues.

ANRA's Clean Rivers Program Steering Committee met on May 23, 2016 at ANRA's Central Office in Lufkin. The meeting had an excellent turnout, and was attended by representatives of ANRA, TCEQ, TPWD, the Texas Railroad Commission, the Texas Water Resources Institute, Castilaw Environmental, Stephen F. Austin State University, Nacogdoches County Environmental Health and Safety, Pineywoods Resource Conservation & Development, the Sentinels, and private individuals.

Presentations at the meeting included a discussion on ANRA's water quality monitoring activities, an update on the Attoyac Bayou watershed (including current and future projects to address nonpoint source pollution in the watershed), and an update on the current status of the development of the latest Integrated Report.



2016 Neches River Basin Steering Committee Meeting

Contact Information

For more information on ANRA's Clean Rivers Program, including how to participate in the Steering Committee process, please contact:

Brian Sims
Environmental Division Manager
Angelina & Neches River Authority
210 E. Lufkin Ave
Lufkin, TX 75901
Phone: 936-633-7527
Fax: 936-632-2564
Email: bsims@anra.org

Hannah Lucia
Quality Assurance Officer
Angelina & Neches River Authority
210 E. Lufkin Ave
Lufkin, TX 75901
Phone: 936-633-0063
Fax: 936-632-2564
Email: hlucia@anra.org

Reports on Water Quality in the Neches Basin

Every year, as part of the Clean Rivers Program, ANRA prepares a Basin Highlights Report that provides ongoing updates on Clean Rivers Program activities. This report is prepared in coordination with the Texas Commission on Environmental Quality and ANRA's Clean Rivers Program Steering Committee. This report is distributed to steering committee members, as well as other interested parties in either print or electronic versions.

Every fifth year, ANRA prepares a Basin Summary Report, which provides an assessment of the Neches River Basin. The summary report identifies concerns related to the watershed, including an identification of water bodies with impaired or potentially impaired uses. The report also discusses the cause(s) and possible source(s) of use impairment, and recommends actions that may be used to address those concerns. The summary report also discusses the public benefits of the

water quality monitoring and assessment program, including efforts to increase public input in activities related to water quality.

The most recent Basin Summary Report was prepared in 2015. Much like the Basin Highlights Report, this report is prepared in conjunction with the Texas Commission on Environmental Quality and ANRA's Clean Rivers Program Steering Committee. This report is distributed to steering committee members, as well as other interested parties in either print or electronic versions. Current and historical reports are available on ANRA's website at www.anra.org.

As required by Section 26.0135 of the Texas Water Code, this report is provided to the Governor, Lieutenant Governor, Speaker of the House, and the Executive Directors of the Texas State Soil and Water Conservation Board and of Texas Parks and Wildlife Department.

*For the 2015 Basin Summary Report, ANRA evaluated **165,112 data points** from **111 monitoring stations**, representing **34 stream segments**.*

*This data covered the period from **January 1, 2000** to **October 23, 2014***

ANGELINA & NECHES RIVER AUTHORITY



Angelina & Neches River Authority
P.O. Box 387 • Lufkin, TX 75902
936-632-7795 • 800-282-5634
www.anra.org • info@anra.org



Panoramic Photographs of Water Quality Monitoring Stations

Introduction

Beginning in the 2nd Quarter of FY 2011, ANRA Clean Rivers Program personnel began taking panoramic photographs of our monitoring stations. These images offer the viewer a full 360° view of the monitoring stations, allowing for an enhanced viewing experience as compared to traditional photographs.

Benefits and Potential Uses

There are numerous reasons for incorporating panoramic photographs into water quality monitoring programs. Some of the reasons are as follows:

- Panoramic photography allows for a 360° interactive presentation of environmental conditions associated with monitoring events.
- The photographs allow for the capture of upstream, downstream, left bank, right bank, canopy, and substrate views in one panoramic image.
- The interactive nature of the panoramas allows for rotating and zooming in order to better observe such things as weather/cloud coverage, pool reach, drought effects, pollution sources or illegal dumping, signs of contact recreation, etc.
- If each panorama is created in conjunction with a monitoring event, the panoramas can be used to demonstrate representativeness of monitoring conditions.
- If panoramas are captured from the same location, monitoring site conditions are easily compared over time.
- Integrated maps that indicate viewing direction and location can provide improved spatial awareness.

Where to View the Panoramas

All panoramas are available on ANRA's website at http://www.anra.org/divisions/water_quality/crp/monitoring_sites/.

Panoramas for different monitoring stations can be selected from either a list or a map. The panoramas for each monitoring station can be selected by date from a pull-down menu in the image viewer.

ANRA **ANGELINA & NECHES RIVER AUTHORITY**

Home - Divisions - Water Quality - Clean Rivers Program - Water Quality Monitoring Sites - Mud Creek at US 84

Mud Creek at US 84 - TCEQ ID: 10532

Site Description
Mud Creek at US 84: 9.87 km Southwest of Rusk

Segment Description
Segment 0611C - Mud Creek (unclassified water body). Mud Creek is a 46-mile length freshwater stream extending from the confluence of the Angelina River east of Rusk in Cherokee County to the upstream perennial portion of the stream west of Trout in Smith County. It is designated for aquatic life, general, and recreational use.

Monitoring Performed Quarterly

Field Parameters	Conventional Parameters	Bacterial Parameters
Dissolved Oxygen	Ammonia-N	E. coli
Days Since Last Significant Rainfall	Chloride	
Flow Severity	Chlorophyll a	
Instantaneous Stream Flow	Phosphorus	
pH	Sulfate	
Present Weather	Total Dissolved Solids (TDS)	
Secchi Transparency	Total Nitrate-Nitrite	
Specific Conductance	Total Phosphorus	
Total Water Depth	Total Suspended Solids (TSS)	
Water Temperature		

Photos

Downstream April
Facing southeast, looking downstream. Photo taken 2010-04-14

360 Degree View - click here to open in a new window

Map

ANRA website, www.anra.org



Neches River at US 69



*Installation of an aerobic on-site
sewage facility*



ON-SITE SEWAGE FACILITY PROGRAM

About the On-Site Sewage Facility Program

History of the OSSF Program

The On-Site Sewage Facility (OSSF) Program was originally developed in 1972 to provide for the licensing of OSSFs around Sam Rayburn Reservoir. Since that time, the program has been expanded to include Angelina County and the portion of San Augustine County within the Neches Basin. This program's mission has changed very little since its inception.

OSSF Jurisdiction

ANRA is the Authorized Agent for the TCEQ to regulate On-site Sewage Facilities (OSSF) in Angelina County, San Augustine County, and in the area around Sam Rayburn Reservoir designated as the Control Zone Rayburn (CZR). The CZR begins at the U. S. Army Corp of Engineers take line (171 ft contour) and extends 2000 feet outward. If any part of a subdivision lies within the regulated zone, then the entire subdivision will be in ANRA's jurisdiction.

For property owners within ANRA's jurisdiction, ANRA is responsible for permitting and licensing of all new septic systems, license transfers, and timely response to sewer nuisance complaints.

Rules Related to OSSFs

As the Authorized Agent, ANRA has the duty and responsibility to implement the rules in the Texas Administrative Code and the Texas Health and Safety Code as they relate to OSSFs. These rules are:

- Title 30, Texas Administrative Code, Chapter 285 (30 TAC §285)
On-Site Sewage Facilities
- Texas Health & Safety Code, Chapter 366 (THSC §366)
On-Site Sewage Disposal Systems
- Texas Health & Safety Code, Chapter 341 (THSC §341)
Minimum Standards of Sanitation and Health Protection Measures

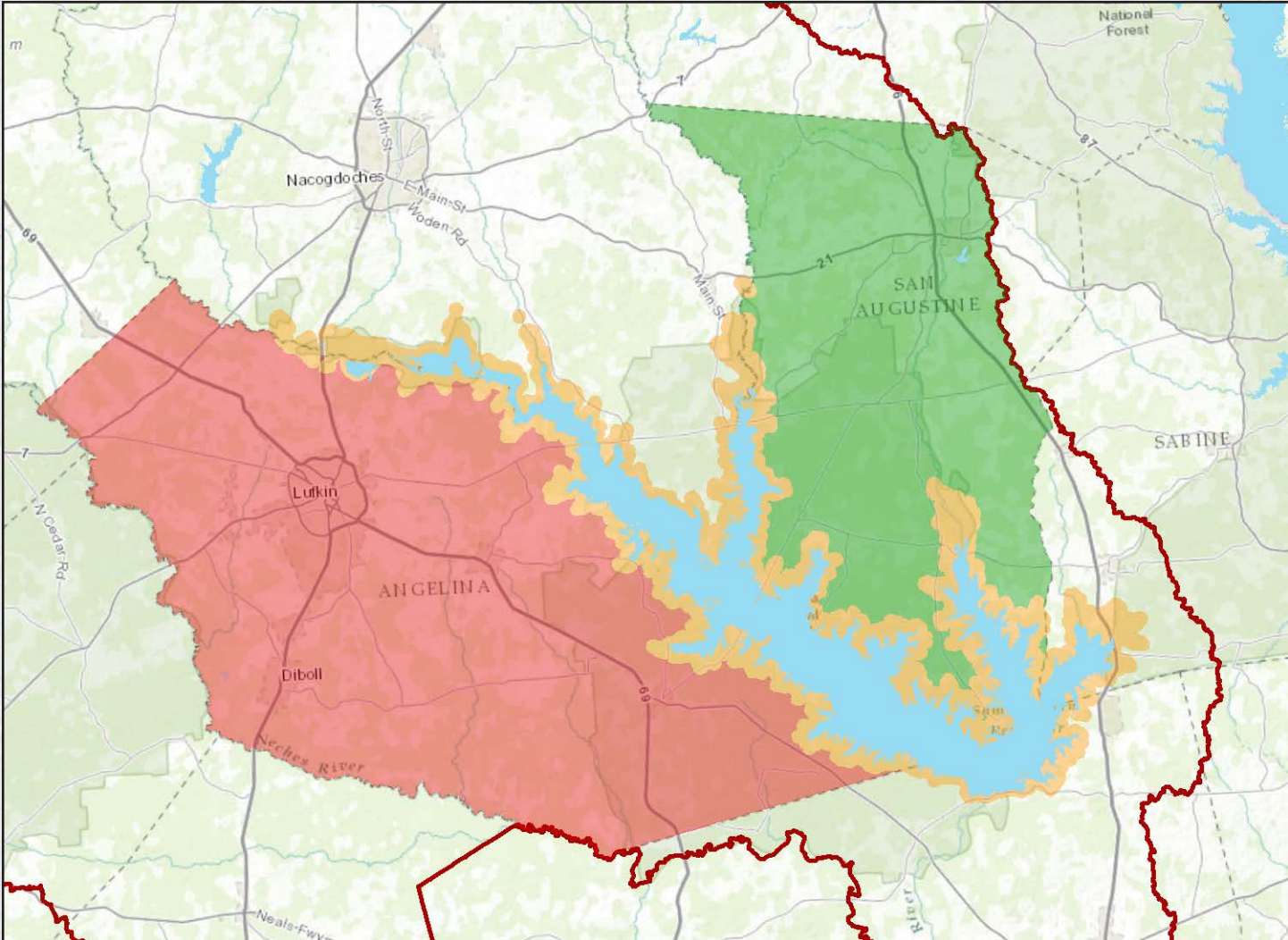
Rules for Enforcement

ANRA has established rules that outline the policy and procedures that ANRA will follow for investigation and enforcement of complaints related to On-Site Sewage Facilities (OSSF). These Rules provide a guideline for universal enforcement throughout ANRA's OSSF jurisdictional zone. These rules:

- Create ANRA's standard operating procedures to provide consistent enforcement against violations of the state's OSSF regulations;
- Define what enforcement actions ANRA may take to enforce the state's OSSF regulations, and
- Establish a formal appeals process.

OSSF New Construction Permitting and Licensing





ANRA's On-Site Sewage Facility Jurisdiction

OSSF Complaint Investigations





A photograph of a laboratory setting. In the foreground, a glass Erlenmeyer flask containing a yellow liquid sits on a white paper towel. A pipette is inserted into the flask. In the background, a microscope is visible, slightly out of focus. The overall scene is brightly lit, typical of a laboratory environment.

ENVIRONMENTAL LABORATORY

About the ANRA Environmental Laboratory

ANRA's Environmental Laboratory comprises the first floor of ANRA's Central Office, located at 210 E. Lufkin Avenue in downtown Lufkin. The Environmental Laboratory operations include the chemical and microbiological analyses of drinking water, wastewater, and ambient surface water. This includes analysis of municipal and industrial wastewater, lake and stream water quality, and public and private drinking water samples.

ANRA's Environmental Laboratory provides environmental testing services to numerous clients throughout the East Texas area. These clients include municipalities (such as the City of Lufkin), industrial facilities, government agencies, water supply corporations, and private individuals. The Environmental Laboratory also provides analytical services and project support for other ANRA programs and contract utilities, such as the Clean Rivers Program, On-Site Sewage Facilities Program, North Angelina County Regional Wastewater Facility, Holmwood Utilities, Angelina County Freshwater Supply District No. 1, and the Neches Compost Facility.

ANRA's Environmental Laboratory is accredited by the National Environmental Laboratory Accreditation Program (NELAP) in the State of Texas through the Texas Commission on Environmental Quality. The laboratory is NELAP-accredited for the chemical and microbiological analysis of surface water, wastewater, and drinking water.

It is the mission of the ANRA Environmental Laboratory to produce scientifically valid and defensible data for its clients in a timely and efficient manner. The laboratory operates under a NELAP-approved Quality System to maintain the highest level of data integrity.

The Environmental Laboratory staff consists of:

- Brian Sims, B.S., Biology, ULM - Environmental Division Manager
- Trey Reeves, B.S., Biology, SFASU - Laboratory Manager
- Hannah Lucia, B.S., Env Science, Lamar - Quality Assurance Officer
- Sheri Smith - Laboratory Technician

The laboratory staff has a combined 46+ years of experience with the analysis of environmental samples. ANRA's Environmental Laboratory staff is available to consult on sampling procedures, analytical methodology, quality control procedures, regulatory requirements, well disinfection, and other needs of our clients.





Texas Commission on Environmental Quality

NELAP-Recognized Laboratory Accreditation is hereby awarded to



Angelina and Neches River Authority Environmental Laboratory

210 Lufkin Avenue
Lufkin, TX 75901-0310

in accordance with Texas Water Code Chapter 5, Subchapter R, Title 30 Texas Administrative Code Chapter 25, and the National Environmental Laboratory Accreditation Program.

The laboratory's scope of accreditation includes the fields of accreditation that accompany this certificate. Continued accreditation depends upon successful ongoing participation in the program. The Texas Commission on Environmental Quality urges customers to verify the laboratory's current location(s) and accreditation status for particular methods and analyses (www.tceq.texas.gov/goto/lab). Accreditation does not imply that a product, process, system or person is approved by the Texas Commission on Environmental Quality.

Executive Director Texas Commission on Environmental Quality

Certificate Number: T104704292-16-13

Effective Date: 11/1/2016

Expiration Date: 10/31/2017

ANRA Environmental Laboratory NELAP-Accredited Parameters


Matrix	Parameter
Drinking Water	Total Coliforms / E. coli (Presence/Absence) Total Coliforms / E. coli (Enumeration)
Non-Potable Water	Ammonia-Nitrogen Nitrate-Nitrogen Nitrite-Nitrogen Nitrate+Nitrite-Nitrogen Orthophosphorus Total Phosphorus Chloride Sulfate Biochemical Oxygen Demand Carbonaceous Biochemical Oxygen Demand Chemical Oxygen Demand Total Solids Total Dissolved Solids Total Suspended Solids Volatile Suspended Solids pH Dissolved Oxygen E. coli Fecal Coliforms
Solids	Paint Filter Liquids Test Total Solids
Additional	<i>For parameters for which ANRA is not NELAP-accredited, samples are subcontracted to an accredited laboratory.</i>

For more information regarding laboratory analysis services provided by the Angelina & Neches River Authority Environmental Laboratory, please contact:

Trey Reeves
Laboratory Manager
(936) 633-7542
treeves@anra.org

Hannah Lucia
Quality Assurance Officer
(936) 633-0063
hlucia@anra.org

Brian Sims
Environmental Division Manager
(936) 633-7527
bsims@anra.org



During the period of **September 1, 2015** to **August 31, 2016**, the Angelina & Neches River Authority analyzed:

3,663 samples for Drinking Water Total Coliform Presence/Absence

702 samples for *E. coli* bacteria in non-potable water

679 samples for Total Suspended Solids (TSS)

399 samples for Ammonia-Nitrogen (NH₃-N)

216 samples for Anions by Ion Chromatography

203 samples for Total Phosphorus (TP)

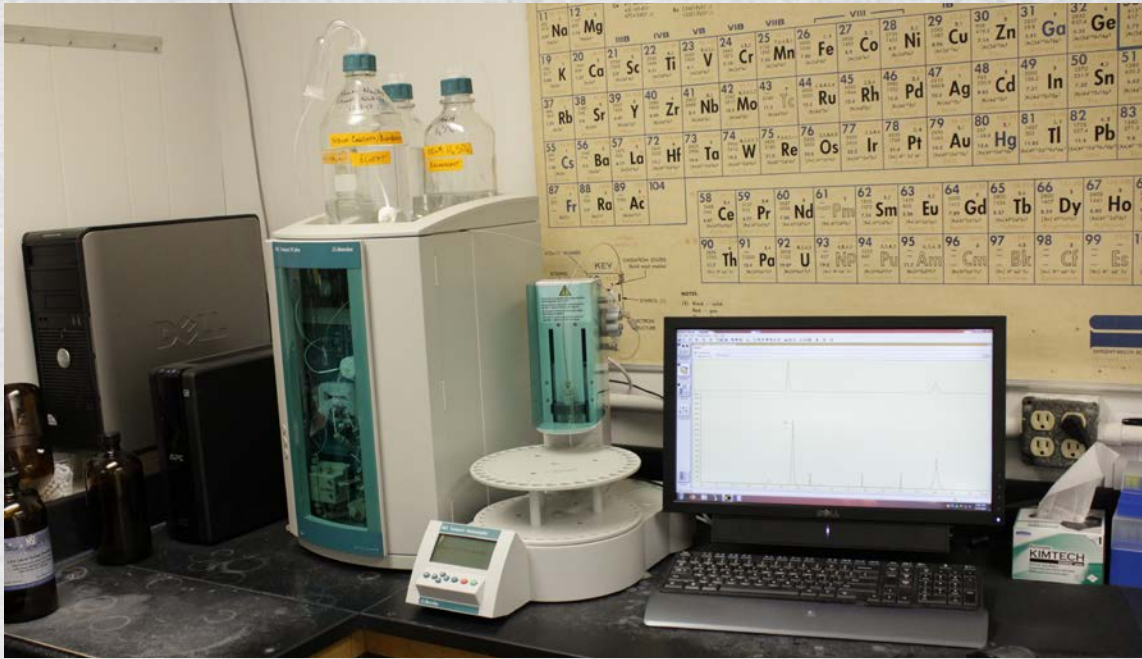
254 samples for Biochemical Oxygen Demand (BOD)

295 samples for Carbonaceous Biochemical Oxygen Demand (CBOD)

282 samples for Chemical Oxygen Demand (COD)

190 samples for Percent Solids/Density

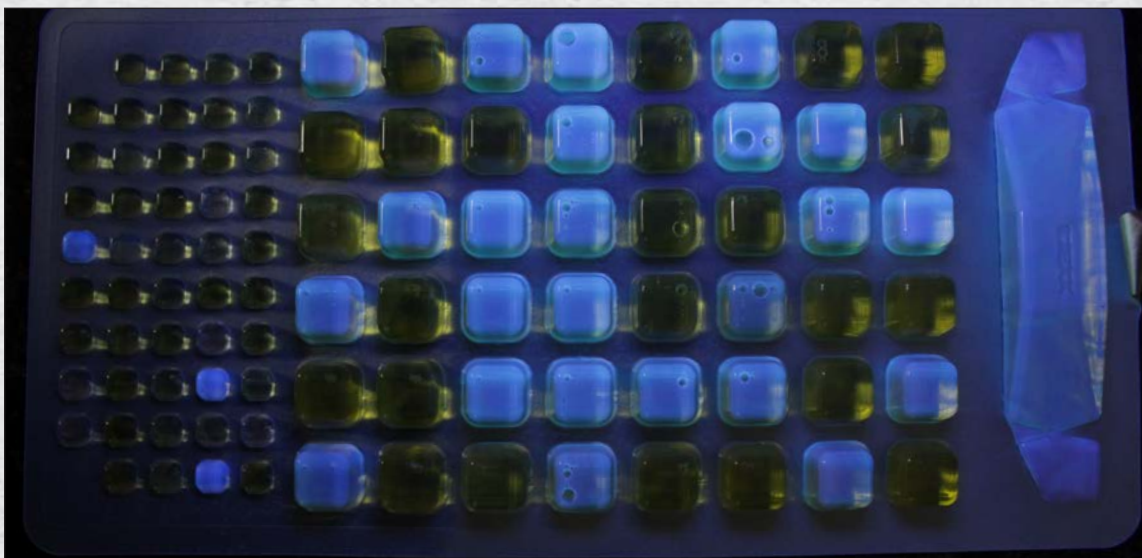
The laboratory utilizes state-of-the-art instrumentation, including an ion chromatograph and a flow-injection analyzer for automated analysis and lower detection limits.



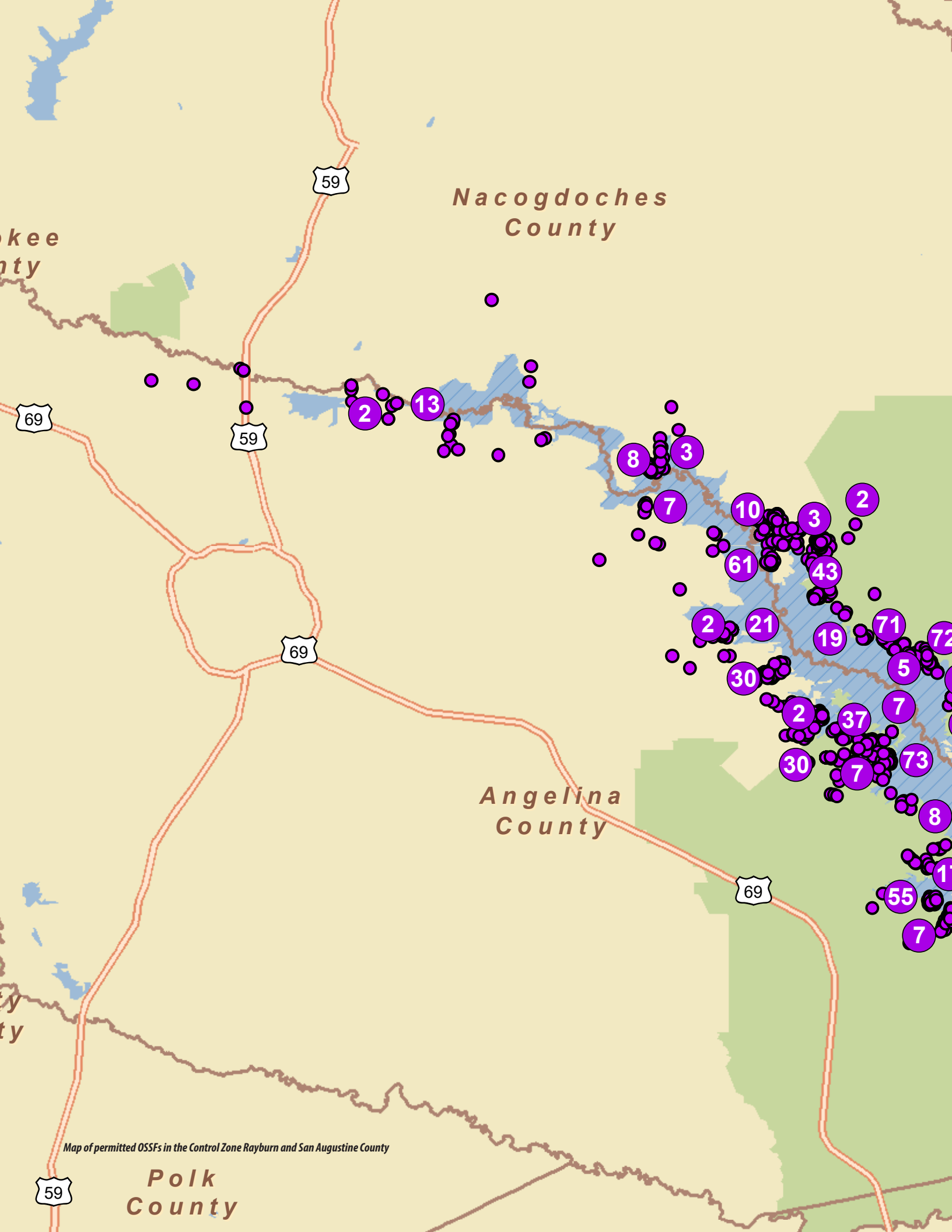
Metrohm Ion Chromatograph for Anion analysis. This equipment allows for the simultaneous analysis of Nitrate-N, Nitrite-N, Chloride, Sulfate, and Orthophosphorus.



SEAL AutoAnalyzer 3 for nutrient analysis. This equipment has an autosampler for automated analysis, and is capable of detecting analytes at much lower levels than classical wet chemistry techniques.



Enumeration of E. coli bacteria using IDEXX Colilert-18. This Enzyme-Substrate method uses a fluorogenic compound that fluoresces under UV light in order to detect the presence of E. coli bacteria.



Nacogdoches
County

Angelina
County

Polk
County

Map of permitted OSSFs in the Control Zone Rayburn and San Augustine County

59

59

69

69

69

59

2

13

8

3

7

10

3

2

61

43

2

21

19

71

72

30

2

37

7

30

7

73

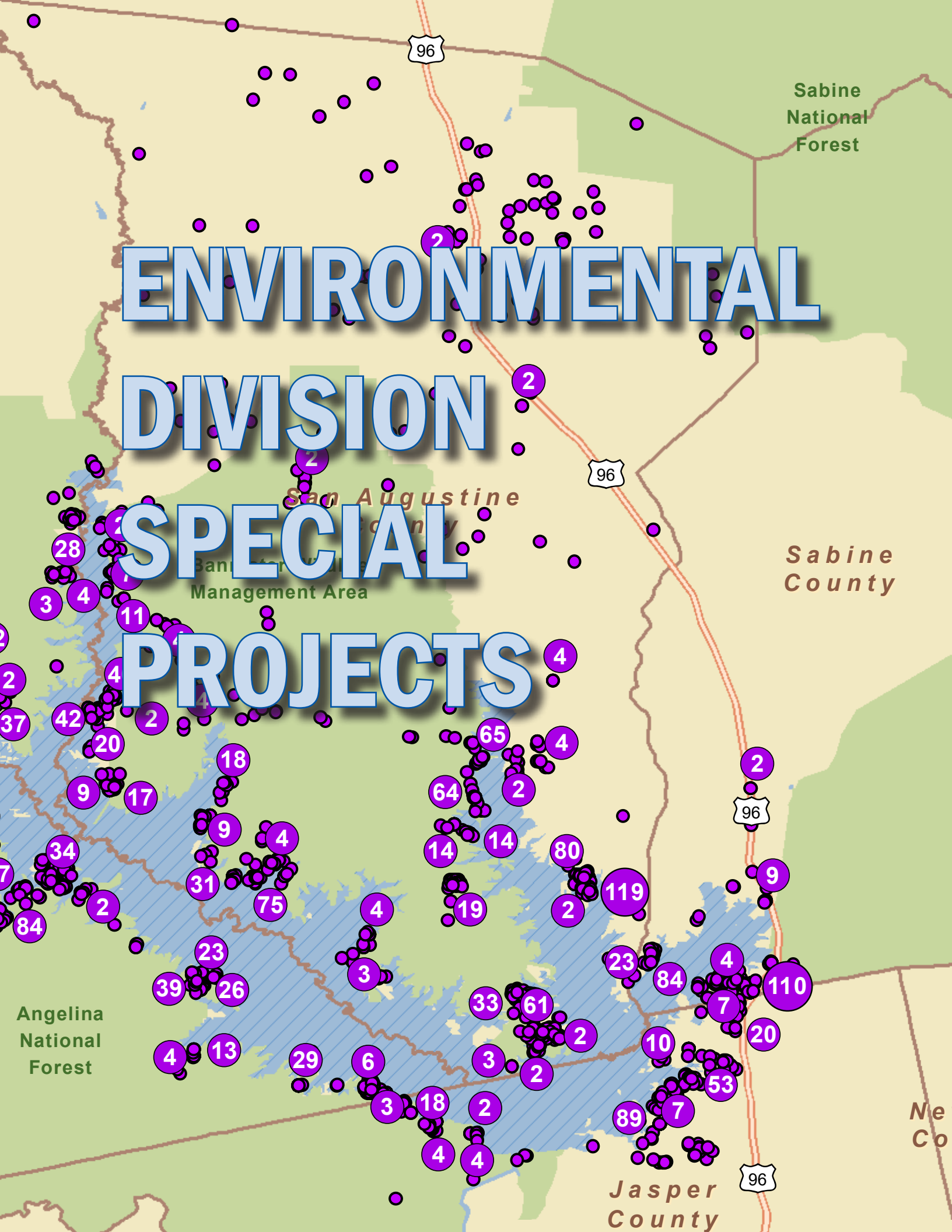
8

55

7

1

ENVIRONMENTAL DIVISION SPECIAL PROJECTS



Beginning in FY 2013, and continuing through the end of FY 2016, ANRA received funding through a Clean Water Act Section 319(h) grant to address and remediate water quality issues within the Attoyac Bayou Watershed.

ANRA's project, entitled *Lake Sam Rayburn On-Site Sewage Facility (OSSF) Program Support and Attoyac Bayou OSSF Remediation*, addressed bacterial contamination in the Attoyac Bayou watershed due to failing or non-existent on-site sewage facilities.

Through this project, ANRA was able to replace 23 failing aerobic OSSFs in the watershed, removing sources of sewage entering the waterbodies.

Additionally, ANRA was able to electronically store all OSSF permit files for the Sam Rayburn Control Zone and generate maps of those systems.

Finally, ANRA was able to conduct 18 months of water quality monitoring on the Attoyac Bayou and its tributaries to assess water quality concerns.

The final report's Executive Summary follows. The full report is available on ANRA's website at www.anra.org.



ANGELINA & NECHES RIVER AUTHORITY



Lake Sam Rayburn On-Site Sewage Facility (OSSF) Program Support and Attoyac Bayou OSSF Remediation

FINAL REPORT

Angelina & Neches River Authority

P.O. Box 387 • Lufkin, TX 75902 • 800-282-5634 • www.anra.org

EXECUTIVE SUMMARY

Project Background

The purpose of the Lake Sam Rayburn On-Site Sewage Facility (OSSF) Program Support and Attoyac Bayou OSSF Remediation project is to identify and address non-point sources of bacteria and nutrients in the Attoyac Bayou watershed. Attoyac Bayou (Segment 0612) is listed as impaired for bacteria for failing to meet its designated use of Primary Contact Recreation. In the Attoyac Bayou Watershed Protection Plan (WPP), failed, improperly functioning, or non-existent OSSFs were identified in the WPP as the largest single contributor to bacterial loading in the watershed.

Through the Lake Sam Rayburn OSSF Program Support and Attoyac Bayou OSSF Remediation project, the Angelina & Neches River Authority (ANRA) began implementing management recommendations listed in the Attoyac Bayou WPP. One of the WPP recommendations is the identification and replacement of failed OSSFs within the watershed. The project also begins the development of an OSSF database for the Sam Rayburn Control Zone, which can be expanded in the future to include the Attoyac Bayou watershed. The development of a watershed-wide OSSF database was also included as a management recommendation in the Attoyac Bayou WPP.

Project Goals

In order to address water quality concerns within the Attoyac Bayou watershed, this project was designed to meet several goals. The goals of the Lake Sam Rayburn OSSF Program Support and Attoyac Bayou OSSF Remediation were:

- Development of a database for storage and retrieval of OSSF information for permitted systems in counties in the Control Zone Rayburn (CZR), the 2000-ft buffer zone around Sam Rayburn Reservoir, as well as the unincorporated portion of San Augustine County (including the portion within the Attoyac Bayou watershed);
- Electronic capture of all documents related to permitted systems in the CZR and the unincorporated portion of San Augustine County (including the portion within the Attoyac Bayou watershed);
- Field collection of Geographic Information Systems (GIS) data for OSSFs in the CZR and the unincorporated portion of San Augustine County (including the portion within the Attoyac Bayou watershed);
- Mapping of OSSFs in the CZR and the unincorporated portion of San Augustine County (including the portion within the Attoyac Bayou watershed);
- Identification and replacement of failing or non-existent OSSFs in the Attoyac Bayou watershed (located in Rusk, Shelby, San Augustine, and Nacogdoches counties). Provide educational materials to the public;
- Water Quality Monitoring in the Attoyac Bayou watershed to determine effectiveness of Best Management Practices (BMPs) to be implemented in the Attoyac Bayou Watershed Protection Plan.

Project Funding

Funding support for this project was provided in part through a Clean Water Act §319(h) Non Point Source Grant from the Texas Commission on Environmental Quality (TCEQ) and the U.S. Environmental Protection Agency (EPA).

Lake Sam Rayburn OSSF Program Support and Attoyac Bayou OSSF Remediation

Project Title	Lake Sam Rayburn On-Site Sewage Facility (OSSF) Program Support and Attoyac Bayou OSSF Remediation
Contractor	Angelina & Neches River Authority (ANRA)
Federal ID#	99614618
Contract #	582-14-40162
Project Start Date	September 1, 2013
Project End Date	August 31, 2016
Total Budget	\$699,425
Federal Funds (60%)	\$419,655
Match Funds (40%)	\$279,770

Summary of Accomplishments

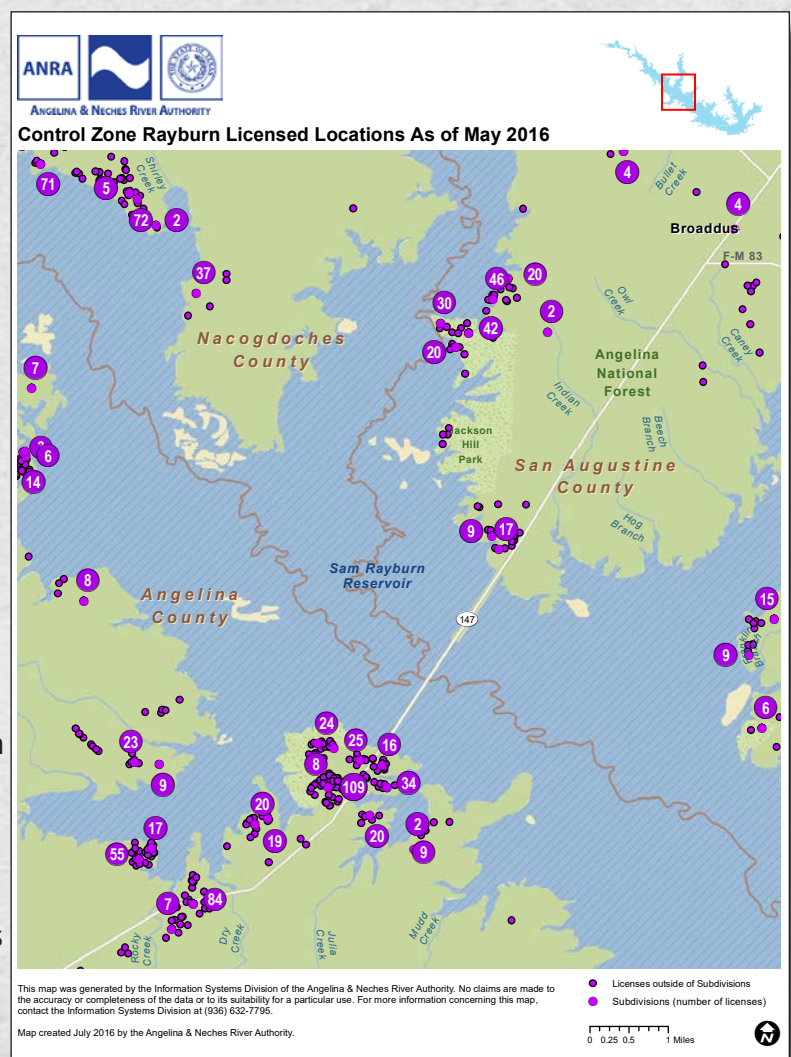
OSSF Database Development

As a task of this project, ANRA developed a database for storage and retrieval of OSSF information for permitted systems in counties in the Control Zone Rayburn (CZR), the 2000-ft buffer zone around Sam Rayburn Reservoir, as well as the unincorporated portion of San Augustine County (including the portion within the Attoyac Bayou watershed).

The database allows for the storage of all data related to a system, including the property owner, maintenance records, inspections, and complaints/violations. The ability to query this information makes operation of ANRA's OSSF program much more efficient in its day-to-day operations. Additionally, the ability to map complaints/violations may be useful to address water quality issues in the future.

Electronic Document Capture

ANRA has a repository of OSSF records for the Sam Rayburn Reservoir Control Zone dating back to 1972. During the period from December 2013 to February 2015, ANRA converted 4,904 OSSF records from paper to electronic storage as Adobe PDF documents. Those 4,904 records were comprised of a total of 62,184 pages of documents. Data from these records were incorporated into ANRA's OSSF database. Scanned electronic versions of the OSSF documents are linked and accessible from within the ANRA OSSF database.



Collection of GPS Data and Mapping

ANRA conducted a desk review of existing data and the field collection of Geographic Information Systems (GIS) data for OSSFs in the project area. Due to a lack of data on historically licensed OSSFs, ANRA was unable to pinpoint exact locations to all OSSFs within the project area. However, in the cases where we were unable to assign an exact address, we were able to assign the systems on a subdivision level so that we had a general location of the OSSFs in the project area. Mapping of OSSFs in the project area was performed based upon the GPS data that was collected.

Identification and Replacement of Failing or Non-Existent OSSFs

The primary goal of the Lake Sam Rayburn On-Site Sewage Facility (OSSF) Program Support and Attoyac Bayou OSSF Remediation project was the identification and replacement of failing or non-existent OSSFs in the Attoyac Bayou watershed (located in Rusk, Shelby, San Augustine, and Nacogdoches counties). Funds were available to install twenty-three (23) aerobic OSSFs. Although ANRA experienced some delays in the project, we were able to successfully install all of the available systems within the watershed.

Taking into consideration the state of some of the systems being replaced (and the fact that several of the properties had no sewage treatment system at all), this project should result in a significant decrease in the amount of bacterial loading entering the Attoyac Bayou.

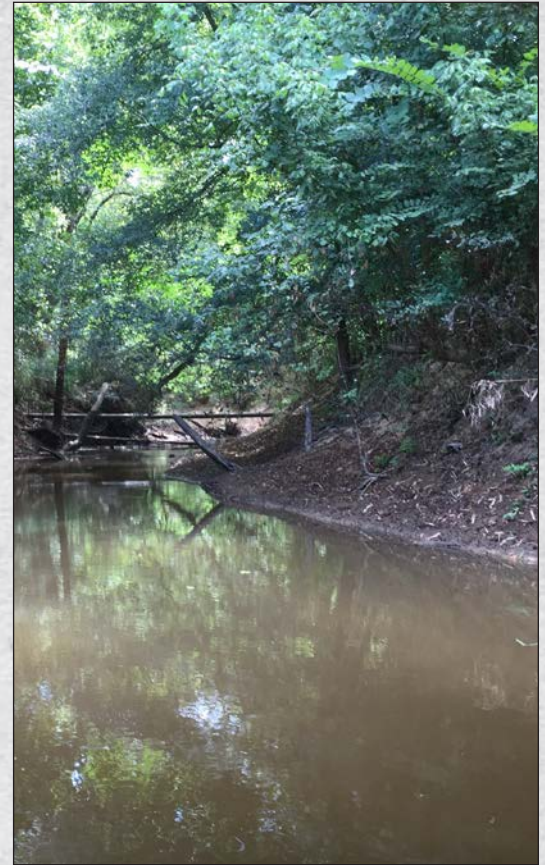
Data Collection and Analysis - Surface Water Quality

Monitoring

Surface water quality monitoring was a component of this project, with the goal of determining the effectiveness of Best Management Practices (BMPs) to be implemented in the Attoyac Bayou WPP, such as the identification and replacement of failed OSSFs in the watershed.

Surface water quality monitoring was performed at five monitoring stations on a monthly basis for twenty-one (21) months over the period of October 2014 through May 2016. The monitoring stations chosen represent sites on both the main stem of the Attoyac Bayou as well as tributaries and had been monitored previously as part of the project that developed the Attoyac Bayou WPP.

Because of delays related to the time-frame of installing the OSSFs, the majority of the OSSFs were installed after the water quality monitoring component of the project had ended. Although the data could not be used to demonstrate BMP effectiveness, the results did verify data from previous monitoring activities. These stations will continue to be monitored in future projects.





Automated bar screen at the Lufkin State School Influent Point-Of-Entry

OPERATIONS DIVISION

The background image shows an outdoor utility facility. In the foreground, there are silver metal railings. Behind them, a control panel with various buttons and lights is visible. The facility is surrounded by a chain-link fence and lush green trees in the background.

**Angelina County Fresh Water Supply
District No. 1**

Holmwood Utilities

**North Angelina County Regional
Wastewater Facility**

Neches Compost Facility

ANGELINA C

FRESH WATER SUPPLY

NO. 1

MAILING ADDRESS:

P.O. BOX 821
LUFKIN, TX 75902-0821

PHONE: 639-

FAX: 639-3

E-MAIL: angcofresh@co

NORMAL BUSINESS

3:00 PM - 6:00

MONDAY - FR

1st THRU 15th EAC

EMERGENCY C

877-H2O-W

(877-420-9

COUNTY

PLY DISTRICT

PHYSICAL ADDRESS:

RT. 7, BOX 120
LUFKIN, TEXAS 75905

3255
255

x-international

SS HOURS
00 PM
RIDAY
CH MONTH

CONTACT
ORK
(075)

ANGELINA

COUNTY

FRESH WATER

SUPPLY

DISTRICT NO. 1



Angelina County Fresh Water Supply District No.1

Angelina County Fresh Water Supply District No. 1 (“The District” or ACF) is a political subdivision of local government and was established on June 21, 1966 by an act of the Angelina County Commissioners Court as the result of a petition from local landowners. The District was created under the authority of Article 16, Section 59 of the Texas Constitution as a “conservation and reclamation” district. The District boundaries encompass 1,495 acres of land in the Cedar Grove community and are described by a metes and bounds description.

In 1971, the District issued \$120,000 in revenue bonds for the construction of water and sewer lines in the “new addition”. These bonds were purchased from the US Department of Housing and Urban Development and had a 20 year repayment term. The new constructed system served approximately 80 water and sewer customers.

Over the years, the District has slowly grown and extended water lines to service other portions of the District. The Sewer collection system was upgraded in 1998 and provided first time service to approximately 25 residences. Since that time, no major improvements to either the water or sewer system have been made.

In 1997, the District initiated and executed a management agreement with the Angelina & Neches River Authority. The agreement requires

ANRA to manage the affairs of the District, maintain compliance with regulatory and environmental requirements, and provide services necessary to repair and maintain the District’s water and sewer systems.

In 2009, the residents of Redland Estates Subdivision petitioned the District to annex their subdivision and failing sewer system. As part of the annexation, the residents of Redland Estates Subdivision agreed to take on the Districts ad valorem tax rate, all loans and debts, and sewer rates.

On May 12, 2012, the District held a confirmation election to put the annexation measure in front of the District’s voters. The measure passed by a wide margin. Since the May confirmation election, the Board of Supervisors have been working to secure grant funding to construct the necessary improvements to provide sewer services to the subdivision as well as provide first time sewer service to approximately 100 water customers who do not have sewer service.

An expansion project is underway that will connect the expand the District’s sewer system and connect it to the North Angelina County Regional Wastewater Facility.

About the Angelina County Fresh Water Supply District No. 1

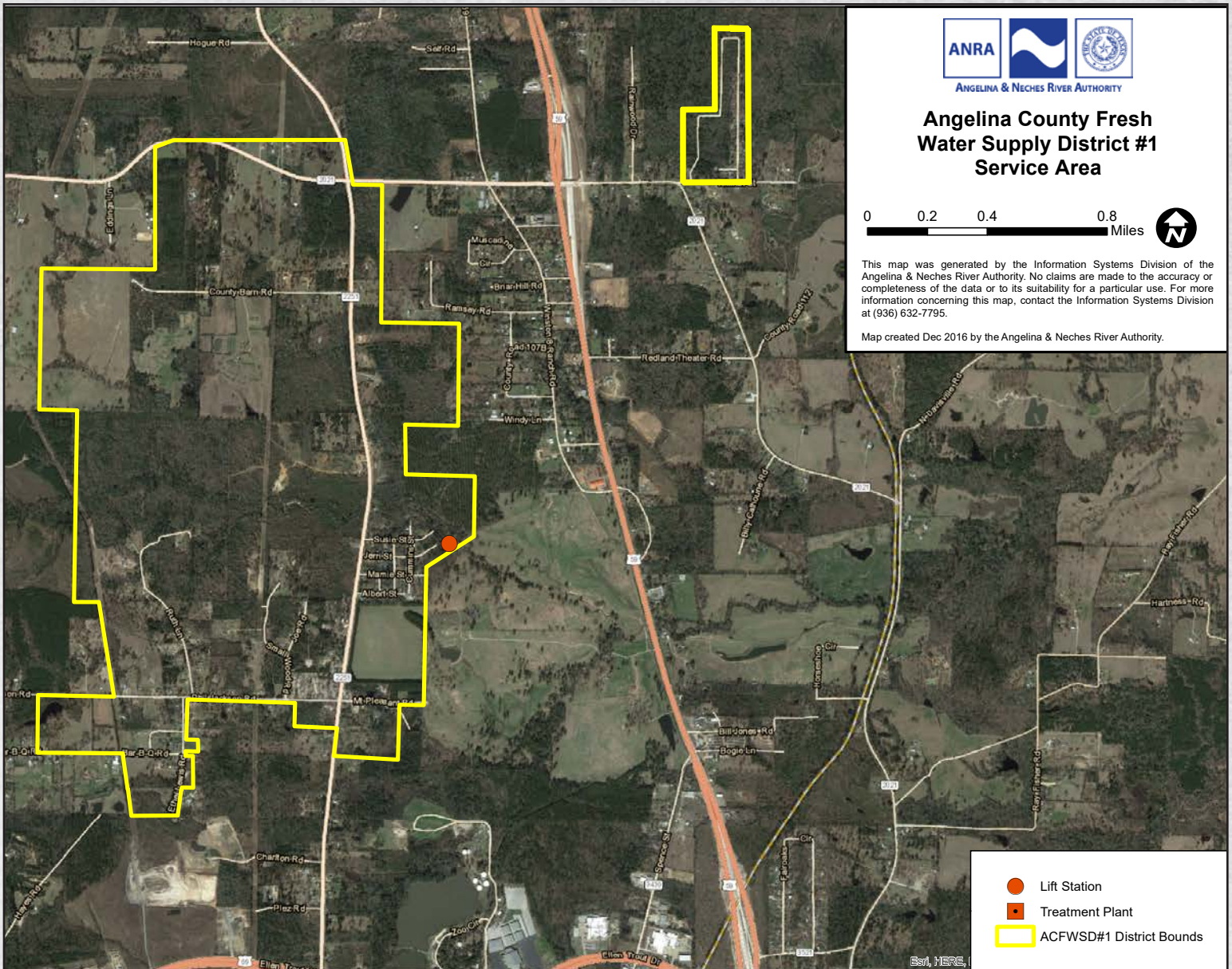
Water System

The District purchases all of its water directly from the City of Lufkin. Water is taken under direct pressure and is already treated to meet regulatory guidelines. The District distributes water through a series of 2 inch, 4 inch and 6 inch PVC lines. The distribution system generally runs along FM 2251 beginning at the District office and extends all the way to County Barn Rd serving water customer along the route. It also extends down Jackson Road to service customers on Smallwood Road, Ruth Lane, Ethel Lewis Road, Bar-B-Q Road and Garner Loop.

Sewer System

The District’s collection system was originally installed in the early 1970’s and made of clay tile pipe and PVC pipe. The system currently serves a limited number of customers and begins on FM 2251 near I.D. Henderson Road and extends north up to County Barn Road. Currently, only about 80 customers have sewer service along the route.

A sanitary sewer collection system extension construction project will connect sewer from the Redland Estates Subdivision and The District to the North Angelina County Regional Wastewater Facility and provide first-time sewer service to additional residents within the area.







HOLMWOOD UTILITIES



Holmwood Utilities Well #3

History of Holmwood Utilities

Holmwood Utilities Water System

Holmwood Utilities was originally built in the early 1960's, as an Individually Owned Utility (IOU) serving about a dozen homes. Over the years, the subdivision continued to grow and expand adding new residential connections at a rate of about 5 homes per year. During the early 90's, as regulatory requirements increased, the original owner began searching for an entity to assume control of the Utility.

Coping with failing facilities, regulatory pressure, and deteriorating health, the owner eventually worked out an agreement with ANRA to purchase the Utility and all of its assets. In October of 1996, ANRA closed on the sale of Holmwood Utilities. At the time of closing, ANRA also closed on a loan for funds to purchase and construct water and wastewater facilities.

In May of 1998, Holmwood Utilities completed construction of its Well #3. This production facility was capable of supplying enough water for 100 homes, while Well #2 supplied the additional capacity. Since that time, Holmwood Utilities has expanded the Well #3 production facility as a stand alone facility which has a supply of water for up to 250 homes, while the Well #2 has been shut down.

Holmwood Utilities Wastewater System

Since the early days of Holmwood Utilities existence, the wastewater treatment system consisted of five ponds that treated wastewater and discharged into a drainage ditch beside the facility. The wastewater treatment system operated without a surface water discharge permit

since its creation back in the mid 1960's until the time of purchase by ANRA in 1996.

The Utility was placed under formal Enforcement Proceedings by the TCEQ because it could not meet the standard discharge limits and the treatment system was never permitted. The original owner of the subdivision and water/wastewater system, under pressure from the community and facing increased regulatory action, began to market the Utility for sale to the highest bidder.

After a number of years, ANRA was approached by the owner offering to sell the utility for a small portion of the value of the water and sewer facilities. ANRA began to appraise the Utility and to negotiate a contract for the purchase of the facilities which included existing inventories, utility easements, and facilities.

During the 1996 purchase by ANRA, an agreement was made with the TCEQ to suspend enforcement action pending construction of a new wastewater treatment system. In the interim, local residents helped secure an agreement with the City of Jasper for wholesale wastewater treatment services.

After contract negotiations, in March of 2000, Holmwood Utilities and the City of Jasper completed construction of a lift station and forcemain from the Holmwood subdivision to the City of Jasper. Since that time, ANRA has provided retail sewer services while wholesale treatment services are provided by the City of Jasper.

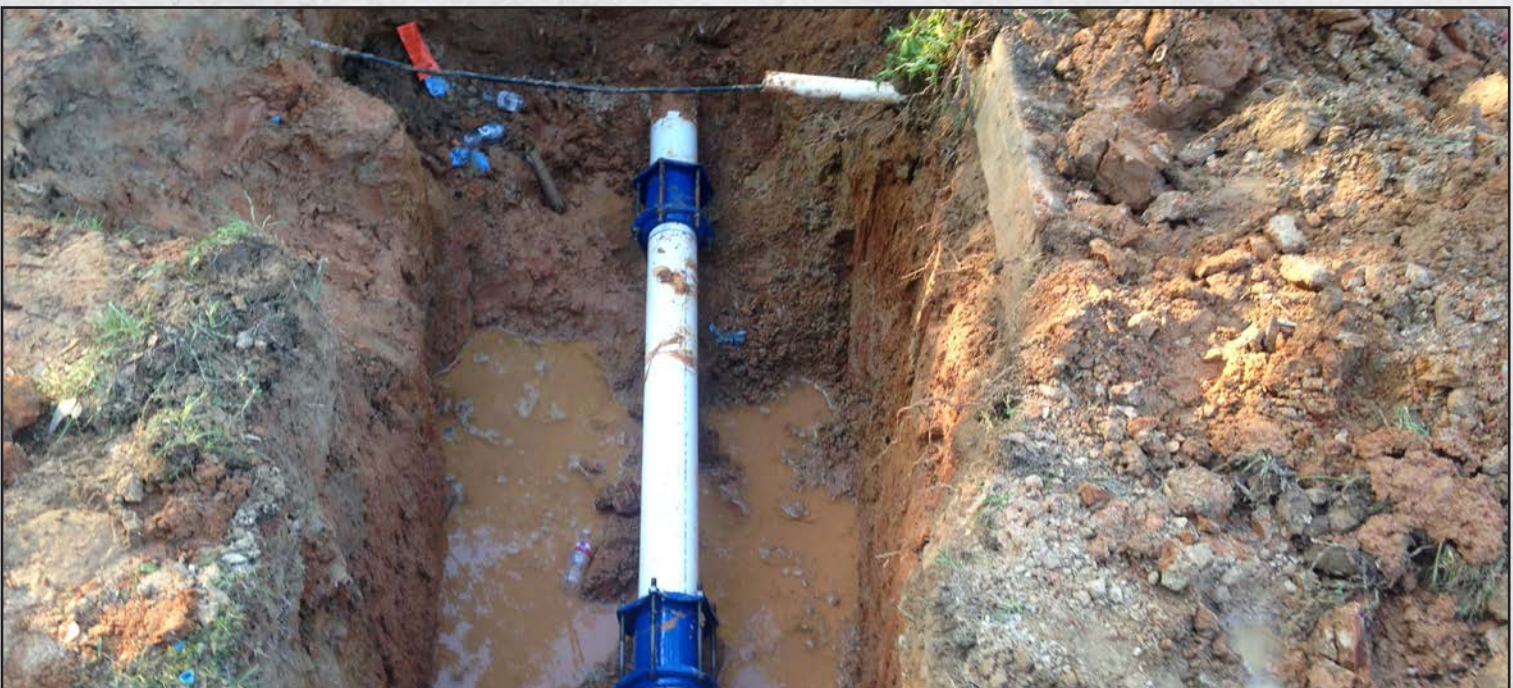
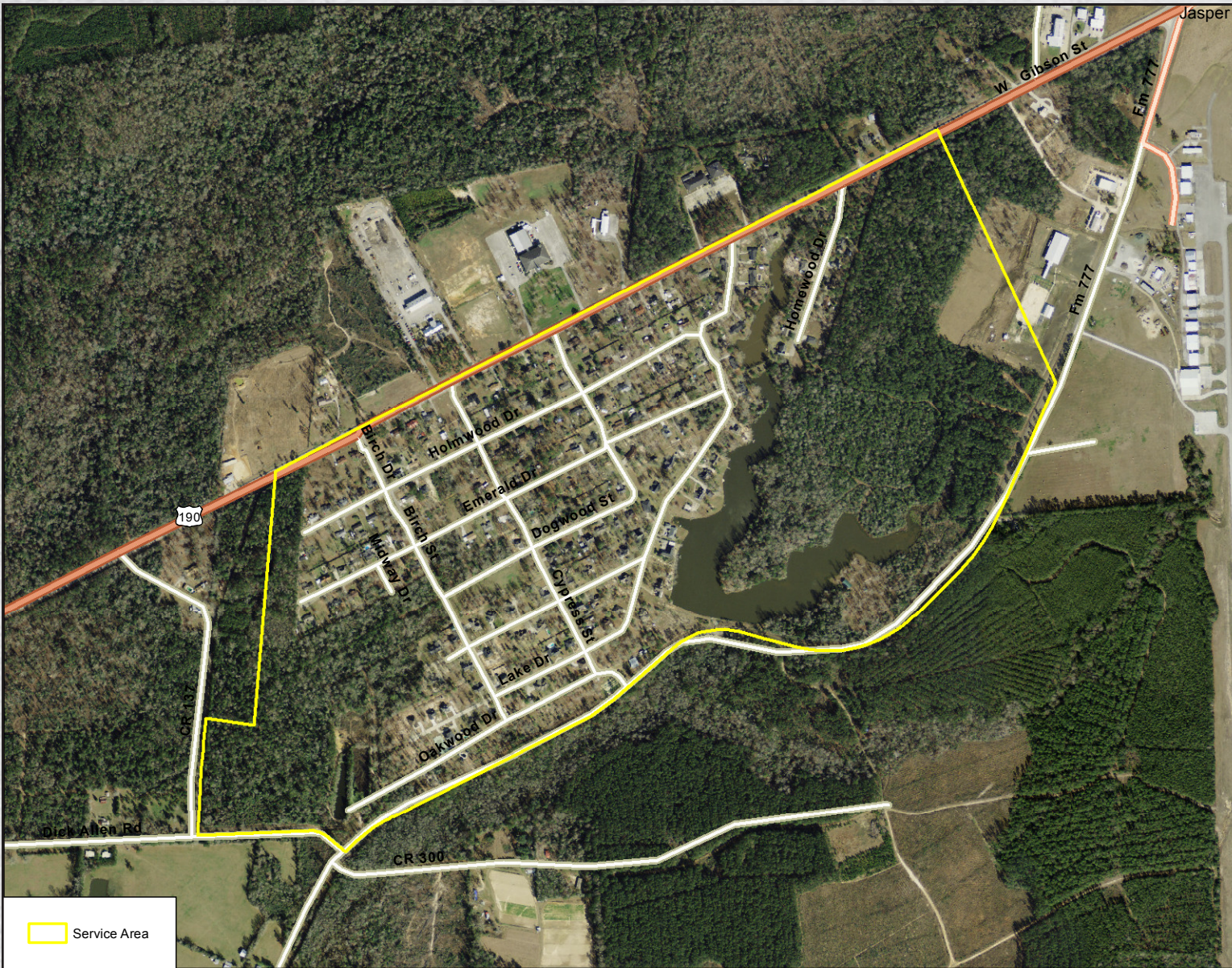
About Holmwood Utilities

Holmwood Utilities is a water and sewer utility owned and operated by ANRA. The Utility is located 3.0 miles west of the City of Jasper on Hwy 190. ANRA purchased the Utility from an individual in October 1996. The Utility was initially created in the mid 1960's. ANRA manages all aspects of the water and sewer related finances, administration, physical management, and operation of the water distribution and sewer collection systems.

The Utility produces, treats, and distributes water from one water well. The wastewater from the subdivision is collected by the Utility, then

transmitted and treated by the City of Jasper under the terms of an Interlocal Agreement. The Utility employs a remote monitoring system which monitors system pressure, ground storage tank levels, and electrical power.

The Utility currently has 176 water and sewer customers. Operations are currently conducted on a two day-per-week basis by ANRA personnel from ANRA's central office in Lufkin.



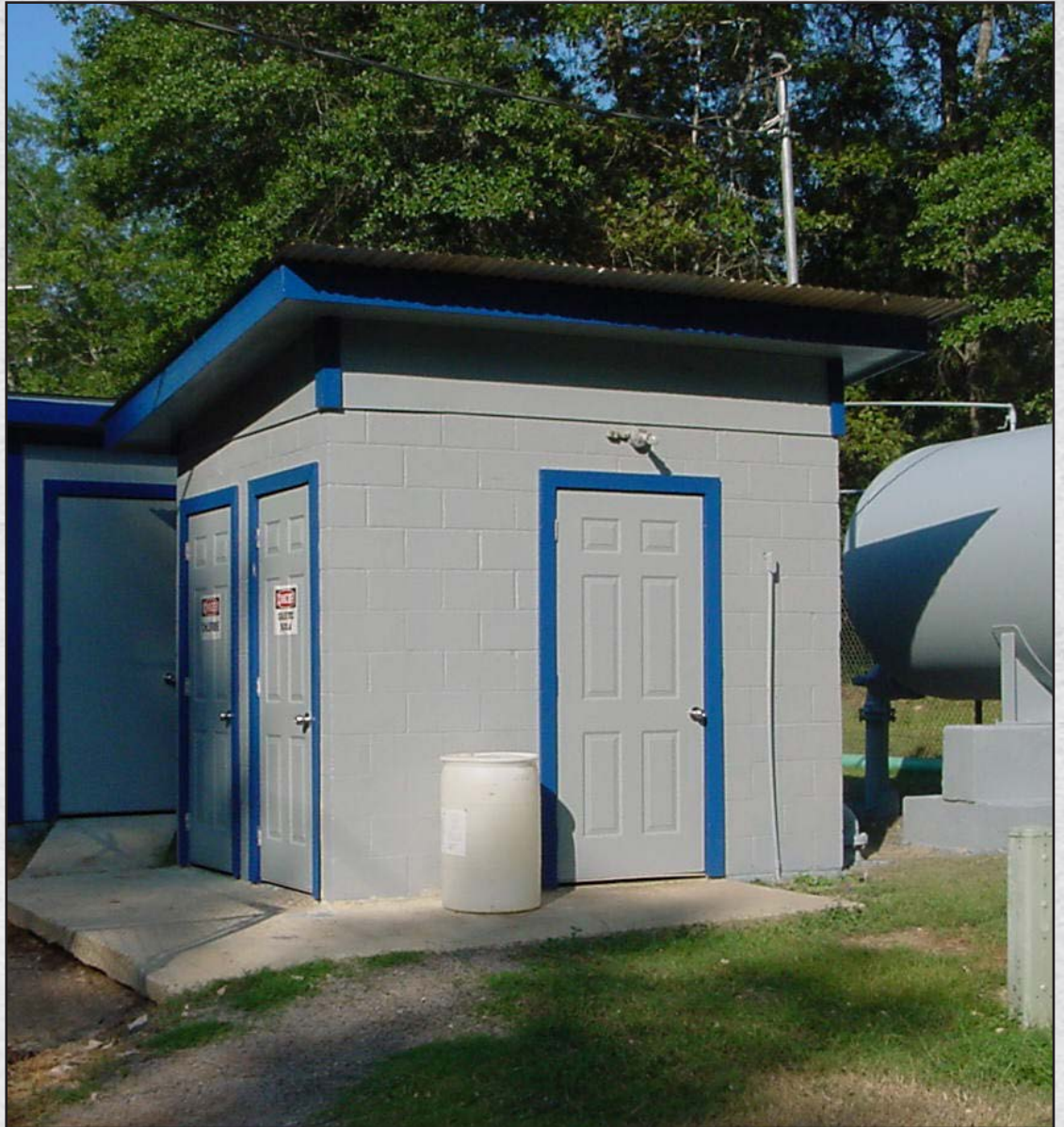


ANGELINA & NECHES RIVER AUTHORITY
Holmwood Utilities
Service Area



This map was generated by the Information Systems Division of the Angelina & Neches River Authority. No claims are made to the accuracy or completeness of the data or to its suitability for a particular use. For more information concerning this map, contact the Information Systems Division at (936) 632-7795.

Map created July 2013 by the Angelina & Neches River Authority.





CREATE NON-POTABLE WATER SYSTEM
 INSTALL SUBMERSIBLE PUMP TO FILL TANK
 INSTALL GROUND STORAGE TANK
 INSTALL PUMP MANIFOLD FOR (3) PUMPS
 1-60 GPM @ 90 PSI
 1-40 GPM @ 60 PSI
 1-8 GPM @ 40 PSI
 SEE PAGES 16 & 17 FOR DETAILS

NORTH ANGELINA COUNTY REGIONAL WASTEWATER FACILITY

RECONSTRUCT CLARIFIER
 USE ALL BRICK
 RECONSTRUCT
 SEE PAGE 14 & 15 FOR DETAILS

SLUDGE PROCESSING IMP
 1/2" DRY LINE
 INSTALL BELT DRIVE SYSTEM
 OF RECONSTRUCT
 SEE PAGE 14 & 15 FOR DETAILS

CONSTRUCT METAL BUILDING OVER
 EXISTING CONCRETE SLAB
 SEE PAGE 18 FOR DETAILS

CLARIFIER - PLAN
 SCALE: 1/4" = 1'-0"

CLARIFIER - ELEVATION
 SCALE: 1/4" = 1'-0"

NOTE:
 SOME ITEMS ARE ROTATED FOR CLARITY

History of the North Angelina County Regional Wastewater Facility

The North Angelina County Regional Wastewater Facility (NACRWF) represents ANRA's initial step toward providing wholesale regional services for both water and wastewater in the Angelina & Neches River Basin. The NACRWF was originally conceived in the early 1990's in an effort to address water quality issues in the Angelina River. Originally, the concept was to combine wastewater discharges from Central ISD and Idlewood Subdivision. The concept was shelved because of a lack of economies of scale and its effect on rates as well as other local factors.

In 1995, Central ISD was cited by the TCEQ for higher than normal wastewater flows as a result of a sharp increase in student population. The School District began work on upgrades to satisfy TCEQ. In the fall of 1998, the School District initiated a study to identify alternatives for wastewater treatment. The study identified three alternatives; upgrade of the existing wastewater facility, construct a new wastewater facility, or participate in a Regional Wastewater System.

At the request of Central ISD, ANRA revised its original plan and began to develop the project as a regional system. In December of 2000, Central ISD, Idlewood WCID and Lufkin State Supported Living Center were

invited to participate in the North Angelina County Regional Wastewater Facility. The meeting eventually led to contract development and subsequently an agreement for cost effective wholesale wastewater service signed by all three participants.

In October 2001, the ANRA Board of Directors approved a \$3,100,000 bond issue with the Texas Water Development Board for the purchase and upgrade of the newly constructed Idlewood WCID treatment plant and installation of a transmission line linking Central ISD and the Lufkin State Supported Living Center back to the treatment facility located behind the Idlewood Subdivision. Both Central ISD and MHMR have been able to close down their older and less effective treatment facilities. NACRWF combined the effluent discharges from the three existing facilities into one discharge with significantly higher water quality.

NACRWF completed construction of transmission lines and a treatment plant upgrade in 2003 as part of the original creation of the system.

About the North Angelina County Regional Wastewater Facility

The North Angelina County Regional Wastewater Facility (NACRWF, or NAC) was officially created in November 2001 and is located 1.0 mile north of the City of Lufkin on Hwy 69. ANRA purchased the existing, newly constructed treatment plant from the Idlewood WCID. ANRA entered into long term contracts with Central ISD, Idlewood WCID, and Lufkin State Supported Living Center for the provision of wholesale wastewater services. This facility has incorporated three existing individual wastewater discharges into a centralized regional system with higher quality effluent discharge.

ANRA owns the treatment facility, transmission lines, and primary trunk lines within the service area. Each participants' wastewater stream is metered at a point of entry owned and maintained by ANRA. Each participant makes monthly payments for operations & maintenance and debt service based on their pro-rata share of wastewater contributed. Idlewood WCID retains the responsibility for retail service to all non-participant sewer service connections within their existing subdivision as well as the entire service area.

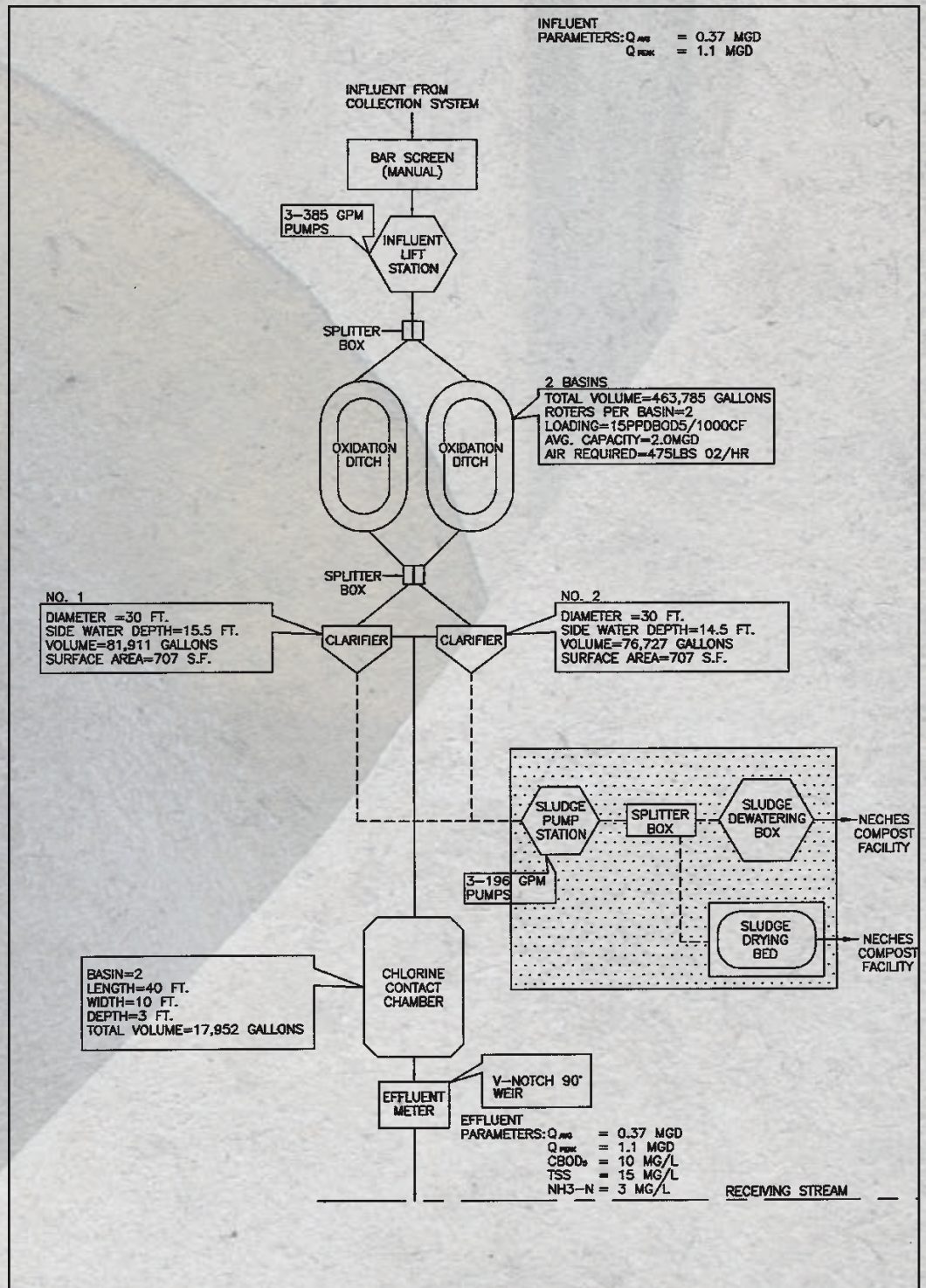
Technical Details of the North Angelina County Regional Wastewater Facility

The facility lies in the middle of a 14 acre site which includes a 150' buffer zone, and an access road from the subdivision. This treatment plant consists of two oxidation ditches, two clarifiers, one triplex variable speed RAS station, one twin basin chlorine contact chamber, two drying beds, and a housed 1.5 meter belt press.

Untreated sewer is collected and transmitted to the facility via a series of gravity flow transmission lines and lift stations. In total there are over 5 miles of sewer lines collecting wastewater from each participant's points of entry.

The Wastewater Facility is currently permitted to discharge 370,000 gallons per day, with effluent limits for Carbonaceous Biochemical Oxygen Demand (CBOD) at 10 mg/L, Total Suspended Solids (TSS) at 15 mg/L, and Ammonia Nitrogen at 3.0 mg/L. The discharge from this facility is consistently less than 5.0 mg/L, 5.0 mg/L, and 1.0 mg/L respectively.

The facility treats wastewater for an estimated 3,000 people on a full time basis, and 5,000 on a part time basis. The community served by the facility is primarily residential with light commercial establishments scattered throughout Idlewood WCID's service area. ANRA estimates having to implement phase III upgrades within 5 to 10 years.



Flow diagram of the North Angelina County Regional Wastewater Facility

North Angelina County Regional Wastewater Facility Participants

Central ISD

The District traces its origins to five small schools in the Pollok-Central area. A new building housing the five schools forming the Central Consolidated School District was opened in 1929. Additional schools merged with Central Consolidated in 1939-1940. In 1955, Central converted from a common to an Independent School District.

Central ISD, the geographic summit of Angelina County, is a school that envisions educational excellence for East Texas. It strives to prepare productive citizens who can think critically, have the marketable skills necessary to function successfully and have a strong sense of self-worth by providing a comprehensive, quality curriculum in an environment conducive to learning, delivered by caring, competent, dedicated, professional staff.

Providing a strong educational foundation and extra curricular activities for students in the Northwestern part of Angelina County, Central ISD has played a significant role in the County's educational history.

Idlewood Water Control & Improvement District

Idlewood Subdivision was created by a local developer in the early 1970's as a residential development with 500 lots. The subdivision was served by a small package sewer plant initially capable of serving approximately 200 homes. The Idlewood Property Owners Association (the Association) was created in 1980, in an effort to protect and maintain the characteristics on the subdivision.

In the early 1990's, the developer was under pressure by the then Texas Water Commission to make upgrades to the treatment plant because of operational deficiencies associated with the wastewater treatment plant. In the mid 1990's, the Association began negotiation with the developer to purchase the antiquated wastewater system. In 1992, the Association purchased the system for \$150,000.00. Plans to upgrade the facility began immediately.

The Association was instrumental in the creation of Idlewood Water Control & Improvement District (the District). The District's service area included the Idlewood and Briar Village subdivisions. The District sought to

borrow, and did obtain, a loan from the Texas Water Development Board in the amount of \$1.6 million dollars. The proceeds from the loan were used to construct a new wastewater facility and to perform collection system improvements, both of which were completed in 1998.

Lufkin State Supported Living Center

Established in 1962, Lufkin State Supported Living Center is a 24-hour residential facility for approximately 430 people who have mental retardation with varying degrees of abilities and disabilities. Approximately one-half of the consumers require mobility assistance. Some consumers require 24-hour nursing care due to medical conditions, while others require intensive intervention to address behavioral challenges. Many live semi-independently by working on-campus or in the local community, and by enjoying quality of life activities of their choice.

Sanitary Sewer Collection System Expansion and Headworks Improvements

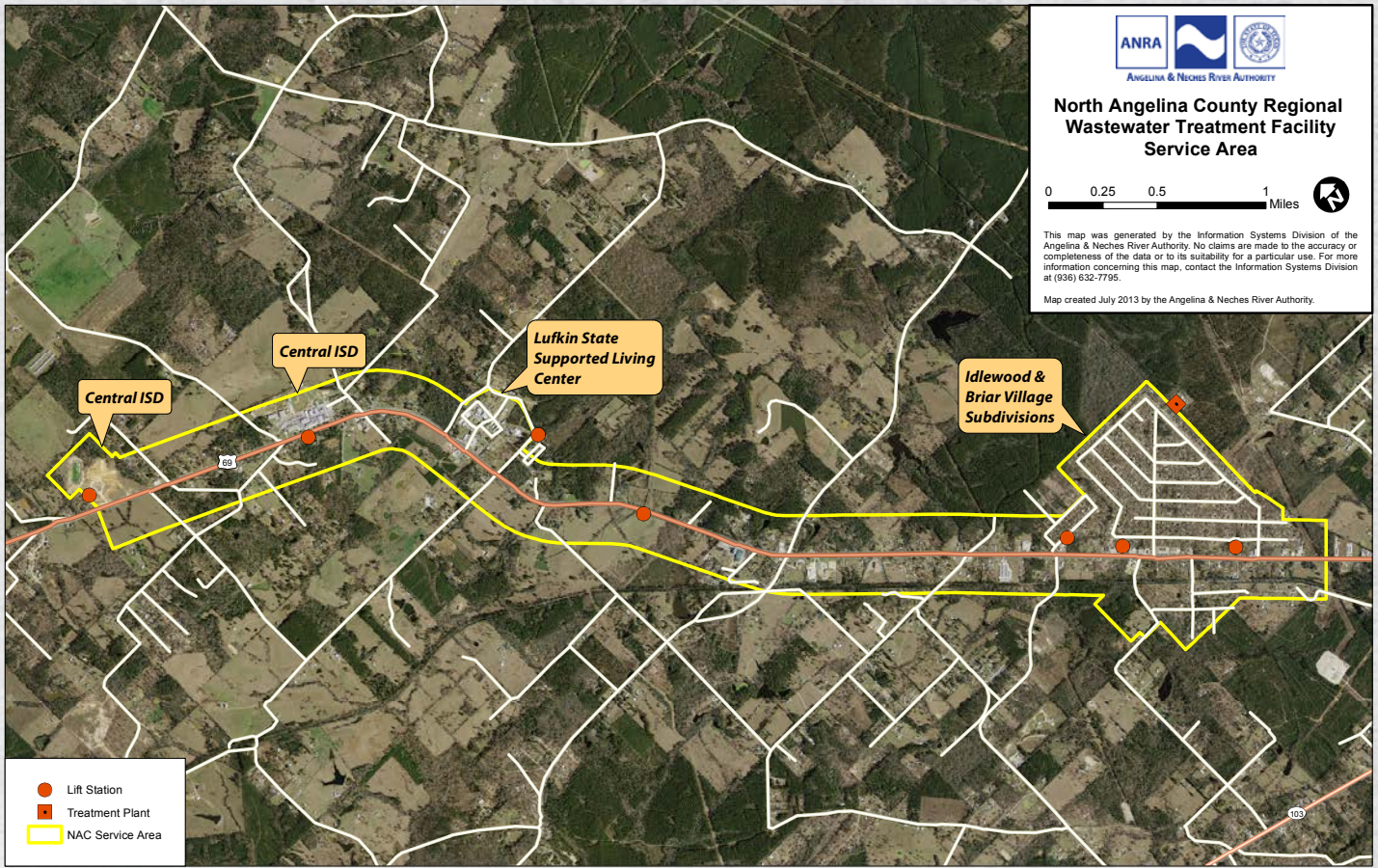
In 2009, the Angelina & Neches River Authority (ANRA) was approached by the Redland Estates Subdivision with a petition that requested help to provide proper and environmentally safe sewer service for their community. Although the Redland Estates Subdivision already had an existing public sewer system, their system had not been properly maintained and operated since the 1980's. This also began discussions with the Angelina County Fresh Water Supply District No. 1 (the District) for a much needed public sewer system to serve their community as well. Public sewer service was not available to most of the Dis-

trict's customers and they primarily relied on on-site sewage facilities to serve their sewer needs, many of which were out of compliance and needed replacement. After eight years of planning and hard work, ANRA was finally able to turn a dream into reality. As of July 1, 2016, a new sewer service expansion project was fully designed and funded through the Texas Water Development Board Clean Water State Revolving Fund to serve the Redland Estates Subdivision and the community that the District serves.

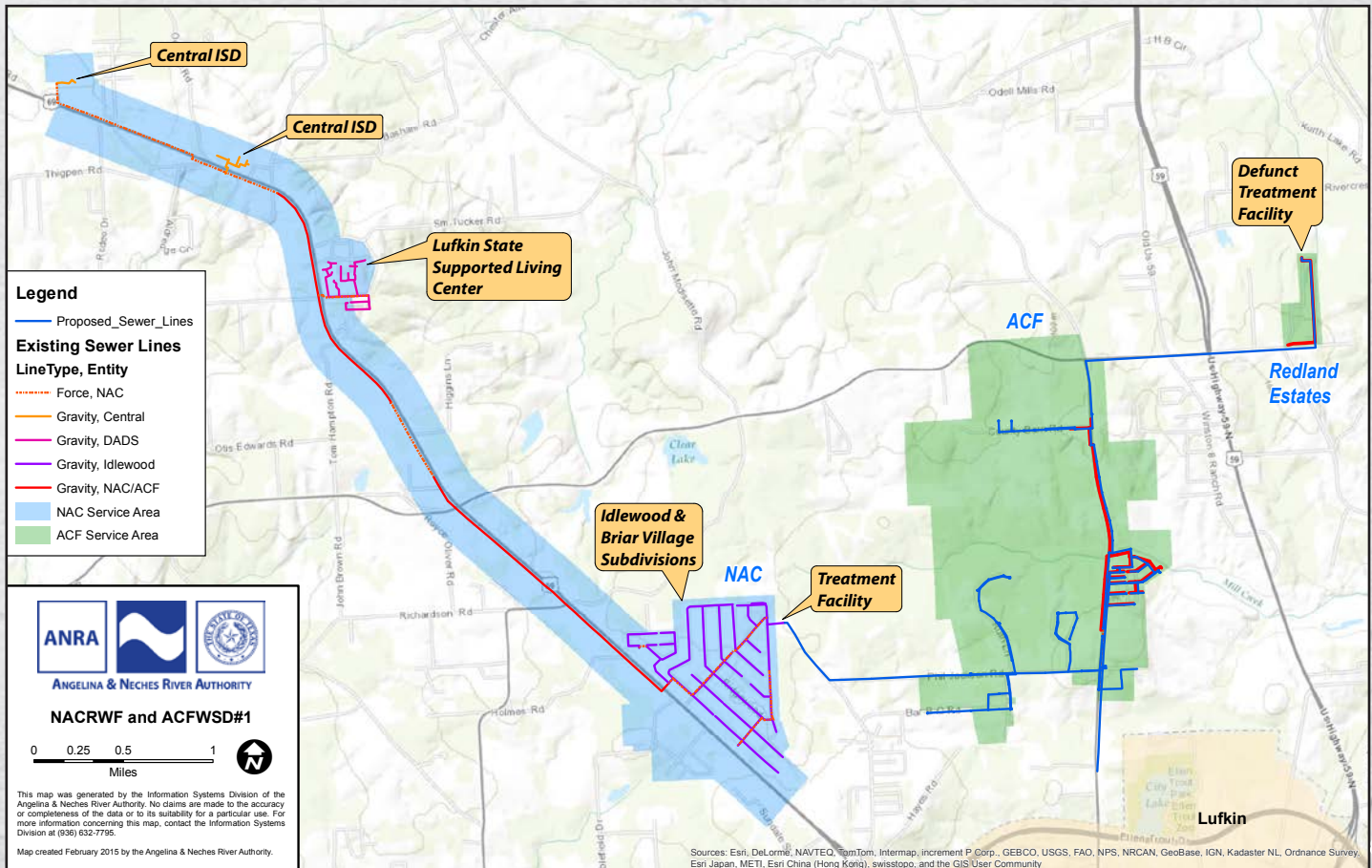
The final design of the project (prepared by

KSA Engineers) consists of approximately 55,000 linear feet of sewage collection lines (gravity and force main), 10 sewer lift stations, approximately 1,580 linear feet of gravel access road to the NACRWF Treatment Plant, a new mechanical bar screen structure, a new influent lift station, and all associated appurtenances. ANRA will advertise to solicit for sealed construction bids and expects them to be publicly opened in October 2016 with an award and construction start date being in December of 2016. The project is anticipated to be completed by December 2017.

North Angelina County Regional Wastewater Facility Service Area



Sanitary Sewer Collection System Expansion Project Area Map



North Angelina County Regional Wastewater Facility Special Projects

Sanitary Sewer Overflow Initiative (SSOI) Program

The NACRWF transports and treats wastewater from three regional participants, Central Independent School District, the Lufkin State Supporting Living Center campus of the Texas Department of Aging and Disability Services (DADS), and Idlewood Water Control and Improvement District (WCID). In November 2015, a manhole at the intersection of Chimney Rock Road and Edgewood Circle collapsed, causing a sanitary sewer overflow (SSO). ANRA coordinated and communicated with the Texas Commission on Environmental Quality (TCEQ) during the response to the SSO. Subsequently, TCEQ staff recommended that ANRA consider participating in the Sanitary Sewer Overflow Initiative, a voluntary program that encourages corrective action before there is harm to human health and safety or the environment. ANRA agreed that participation in the SSO Initiative would be in the best interest of the system and its participants and voluntarily sent a Notice of Intent to Participate to the TCEQ Region 10 office in Beaumont, TX on February 9, 2016. ANRA received a letter from the TCEQ dated February 26, 2016 indicating that ANRA's request was approved.

ANRA entered into an engineering services agreement with Alan Plummer Associates, Inc. to develop the SSO Plan to improve the overall performance of the NACRWF, reduce or eliminate sanitary sewer overflows, enhance ANRA's ongoing sewer system management, operations, and maintenance program, and reduce the number of SSOs in the system. A final draft was completed and submitted to TCEQ on August 17, 2016. Once approved by the TCEQ, this plan will serve as the basis for an SSO Agreement, a formal agreement between ANRA and the TCEQ regarding how ANRA will correct the problems that have caused SSOs.

Angelina & Neches River Authority

Sanitary Sewer Overflow Plan

August 2016



Brian K. McDonald
8/15/2016



Preston C. Dillard
8/15/2016



ANGELINA & NECHES RIVER AUTHORITY



TBPE Registration No. 13



Collapsed manhole due to sewer collection system corrosion

Collection System Assessment and Corrosion Study

Although much of the collection system in NACRWF's service area was installed in 2003, the SSO event that occurred in November 2015 revealed severe corrosion problems within the collection system. Therefore, ANRA executed an additional engineering services agreement with Alan Plummer Associates, Inc. to perform a Corrosion Assessment Study of the NACRWF collection system. This pro-active effort will begin the implementation process of a portion of the future SSO Plan.

An initial project coordination meeting will be held in early September 2016 with an estimated completion date of February 2017. The Corrosion Assessment Study will consist of a review of the existing collection system, continuous hydrogen sulfide monitoring at various key points of the collection system, confined space entry observations of various key manholes and lift station wet wells for existing conditional assessments, owner provided monitoring data of various wastewater parameters, and a technical memorandum that summarizes the collected data, offers an opinion of probable cause, and recommends remedial action for correcting deficiencies.

ANGELINA AND NECHES RIVER AUTHORITY WASTEWATER COLLECTION SYSTEM CONDITION ASSESSMENT REPORT



Prepared for: Alan Plummer Associates Inc.

Date: November 2016

Prepared by:



V&A Consulting Engineers, Inc.
Texas Board of Professional Engineers
Firm Registration No. 9154

V&A Project No. 16-0098

This document is released for interim review and is not intended for construction, bidding, or permit purposes.

Christopher D. Hunniford, P.E.
TBPE No. 107411
11/15/16
V&A Consulting Engineers, Inc.
Texas Registered Engineering
Firm F-9154

Manhole corrosion in the collection system



NORTH ANGELINA COUNTY REGIONAL WASTEWATER FACILITY

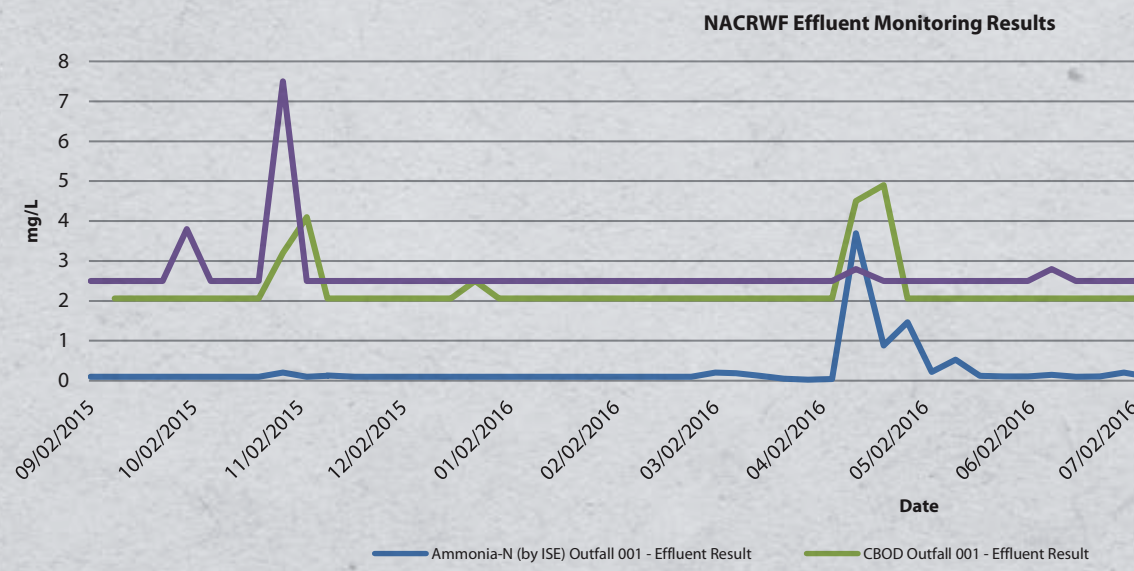
By the Numbers

In FY 2016, the North Angelina County Regional Wastewater Facility received and treated **60 million** gallons of wastewater.

The treatment plant received an average of **40.57** lbs/day of Ammonia-Nitrogen and discharged **0.405** lbs/day of Ammonia-Nitrogen. This represents a **99.2%** reduction in Ammonia-Nitrogen Loading.

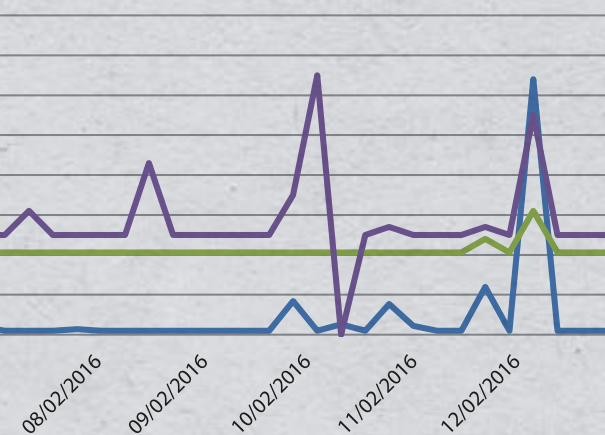
NACRWF received an average of **145.4** lbs/day of Total Suspended Solids (TSS) in its wastewater influent. The effluent discharge from the plant had an average TSS loading of **3.89** lbs/day. This is a reduction of **97.3%**.

Influent loading for Carbonaceous Biochemical Oxygen Demand (CBOD) averaged **236.01** lbs/day. The CBOD loading in the effluent discharge was **3.26** lbs/day, representing a reduction of **98.6%**.



The North Angelina County Regional Wastewater Facility sanitary sewer collection system (including subscriber systems) currently contains approximately **16 miles (84,500 feet)** of sewer lines. The expansion project will add **29,300 feet** of existing sewer lines from Angelina County Fresh Water Supply District No. 1, as well as **52,800 feet** of newly constructed sewer lines, after which the system will include **31.5 miles (166,600 feet)** of sewer lines.

Including subscriber systems, there are **113** manholes in the system and **8** lift stations. The expansion project will add **47** existing manholes, **102** new manholes, **1** existing lift station, and **11** new lift stations, for a total of **262** manholes and **20** lift-stations.



TSS Outfall 001 - Effluent Result

NAC Before Expansion

Approximate linear feet of gravity sewer:	17,000
Approximate linear feet of force main sewer:	19,100
Number of manholes:	46
Number of lift stations:	8

NAC Subscriber Systems

Approximate linear feet of gravity sewer:	48,400
Approximate Number of manholes:	67

ACFWSD No. 1 Before Expansion

Approximate linear feet of gravity sewer:	19,600
Approximate linear feet of force main sewer:	9,700
Number of manholes:	47
Number of lift stations:	1

Expansion Project

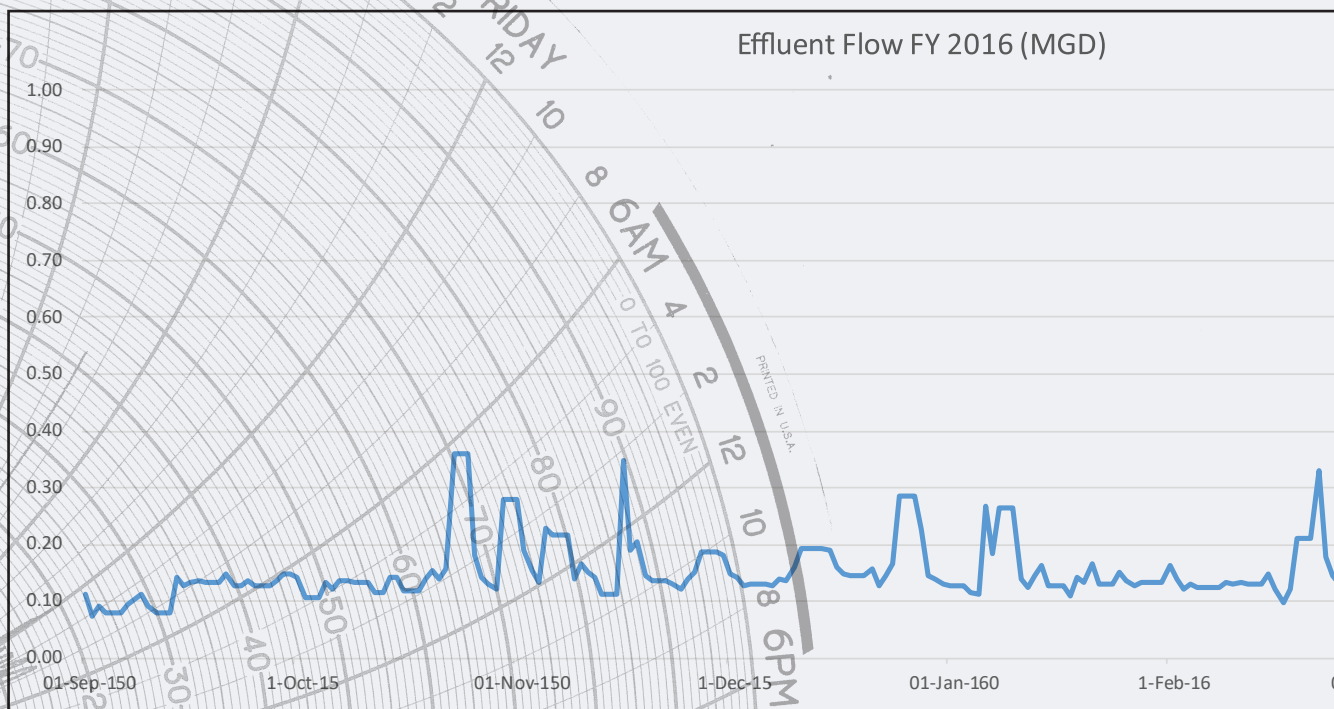
Approximate linear feet of gravity sewer:	22,200
Approximate linear feet of force main sewer:	30,600
Number of manholes:	102
Number of lift stations:	11

Total system after Expansion Project

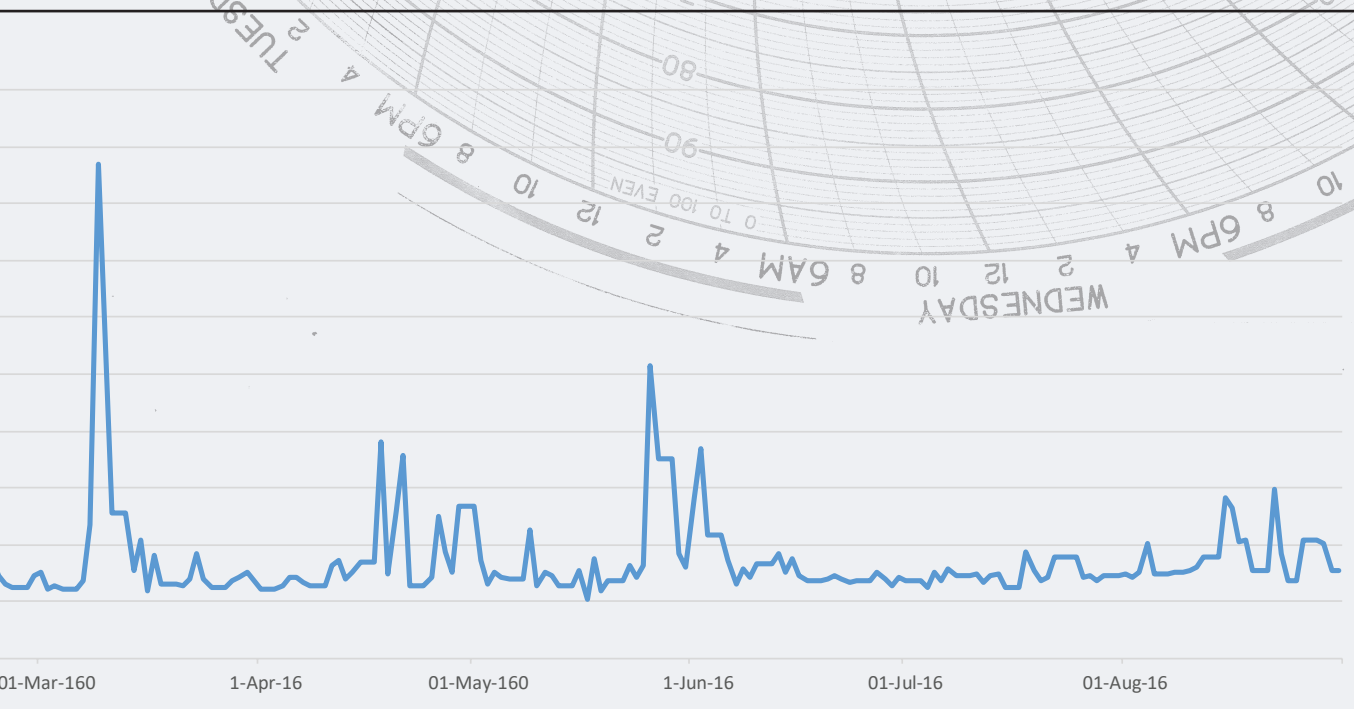
Approximate linear feet of gravity sewer:	107,200
Approximate linear feet of force main sewer:	59,400
Number of manholes:	262
Number of lift stations:	20

NACRWF Effluent Monitoring Results for Fiscal Year 2016

	Flow		pH		Dissolved Oxygen (DO)	Chlorine	
	Daily Average (MGD)	Daily Max (MGD)	Minimum (S.U.)	Maximum (S.U.)	Minimum (mg/L)	Minimum (mg/L)	Maximum (mg/L)
Permit Limits	0.370000	Report	6.0	9.0	4.0	1.0	4.0
Actual Discharges							
September 2015	0.114587	0.147800	7.38	7.58	5.96	1.40	3.60
October 2015	0.163017	0.359133	7.31	7.80	5.21	1.30	3.60
November 2015	0.171962	0.346900	7.23	7.55	5.36	1.40	3.60
December 2015	0.166542	0.286000	7.21	7.65	6.21	1.30	3.70
January 2016	0.150965	0.266200	7.25	7.56	7.51	1.70	3.50
February 2016	0.146528	0.329600	7.30	7.75	6.84	1.10	3.70
March 2016	0.190606	0.869000	7.28	7.51	5.37	1.30	3.70
April 2016	0.173947	0.380400	7.34	7.69	4.88	1.10	3.70
May 2016	0.181794	0.513800	7.05	7.53	6.15	1.30	3.60
June 2016	0.166023	0.368400	7.32	7.71	6.21	1.00	3.70
July 2016	0.146316	0.185600	7.32	7.78	5.87	1.60	3.10
August 2016	0.178613	0.296400	7.30	7.58	5.07	1.30	3.60



<i>E. coli</i>		Carbonaceous Biochemical Oxygen Demand (CBOD)		Total Suspended Solids (TSS)		Ammonia-Nitrogen	
Daily Average (MPN/100 mL)	Daily Maximum (MPN/100 mL)	Concentration Daily Average (mg/L)	Loading Daily Average (lbs/day)	Concentration Daily Average (mg/L)	Loading Daily Average (lbs/day)	Concentration Daily Average (mg/L)	Loading Daily Average (lbs/day)
126	394	10	31	15	46	3	9.2
1	1	2.06	3.05	2.76	3.583	0.1	0.125
1	1	2.345	2.68	3.75	4.535	0.125	0.146
1.7321	3	2.57	3.803	2.50	3.805	0.108	0.160
1	1	2.148	3.05	2.50	3.586	0.1	0.143
1	1	2.06	2.448	2.38	2.783	0.1	0.119
1	1	2.06	2.921	2.50	3.545	0.1	0.142
1	1	2.06	2.783	2.50	3.378	0.127	0.167
1	1	3.38	6.785	2.58	6.036	1.518	3.287
1	1	2.06	2.749	2.50	3.336	0.245	0.342
2	2	2.06	3.402	2.56	4.268	0.134	0.236
1	1	2.06	2.491	2.65	3.248	0.11	0.135
13.389	2400	2.06	3.299	2.86	4.694	0.1	0.160





Windrow turner at Neches Compost Facility

NECHES COMPOST FACILITY



About the Neches Compost Facility

The Neches Compost Facility (NCF) was first conceived in February of 1992 as a means to help preserve landfill capacity, preserve water quality, and to beneficially reuse wastewater treatment plant sludge through the composting process. Initially, over 20 entities participated in a planning study to determine the viability of constructing a Regional Composting Process.

In November of 1996, the facility became a reality when six participants signed long term agreements for operations & maintenance and debt service. In August of 1997, the Angelina & Neches River Authority in conjunction with the City of Athens, City of Bullard, Georgia-Pacific Chemicals, LLC., City of New London, City of Palestine, and the City of Whitehouse filed an application with the Texas Water Development Board, Texas Natural Resource Conservation Commission, and East Texas Council of Governments for funding of the project.

In the Spring of 1998, the River Authority began construction of the compost facility, located near the Neches River on Hwy 79

East of Jacksonville. The facility construction was certified complete by ANRA's Consulting Engineers, the Board of Directors, and officially opened in August of 2000. Though the facility was officially opened in August of 2000, NCF began receiving wastewater biosolids during the spring of that year and began the composting process.

The facility was originally designed to receive and compost an annual total of 1.3 million dry pounds or 2,600 cubic yards of biosolid sludge from its participant cities, which consumed nearly 5,000 cubic yards of tree trimmings and wood material. The facility produced between 5,000 and 7,000 cubic yards of finished compost on an annual basis.

In January of 2003, NCF began a capitol improvement project to expand and enhance the operation of the composting process. The facility covered the existing windrow processing area with concrete for additional ground water protection and a metal roof to allow compost operations to continue 12 months a year. These improvements included approxi-

mately 50,000 square feet of concrete surface area and 45,000 square feet of metal roof.

These improvements were estimated to increase the volume of biosolids treated to approximately 3,000,000 dry pounds or 5,500 cubic yards and consume nearly 11,000 cubic yards of tree trimmings and wood waste. This capitol improvement project effectively doubled the production volume from the facility.

These improvements give the facility the flexibility to produce compost a full 12 months a year, rain or shine, as well as providing a stable environment in which to meet end product quality assurance guidelines and to expand the facility's product lines.

The facility markets its product under the trade name Soil Therapy Compost™. For more information about Soil Therapy Compost™ visit our retail website at www.soiltherapy.org.

For additional information, call 903-584-3415 or send us your questions via e-mail at info@soiltherapy.org.



Neches Compost Facility Participants

Current active participants in the Neches Compost Facility are the City of Athens, City of Bullard, Georgia-Pacific Chemicals, LLC., City of Palestine, and the City of Whitehouse. The Neches Compost Facility offers numerous benefits to its participants. These benefits include guaranteed sludge disposal, potential for wood waste disposal, allows the partici-

pants to meet all current regulatory requirements for municipal sewer sludge disposal (and avoid future regulatory burdens), offers a level of cost control, revenue from non-participant disposal, and rebates from compost sales revenue.

NCF Participant Allocations

Participant	FY 2016 Pro Rata Share	
	Percentage	Dry Pounds of Biosolids
City of Athens	31.83%	723,700
City of Bullard	3.30%	75,000
Georgia-Pacific Chemicals, LLC.	17.59%	400,000
City of Palestine	32.98%	749,826
City of Whitehouse	14.29%	325,00
TOTAL	100.00%	2,273,526



NECHES COMPOST FACILITY By the Numbers

Biosolids Feed Stocks Since Inception (Through December 2016)

Participant	Number of Loads	Cubic Yards	Dry Pounds
City of Athens	397	8,852	11,033,620
City of Bullard	135	2,096	581,939
Georgia-Pacific Chemicals, LLC.	331	7,248	3,257,624
City of Palestine	1,474	32,224	12,167,808
City of Whitehouse	442	9,667	2,989,812
Subtotal	2,779	60,087	30,030,803

Non-Participant	Number of Loads	Cubic Yards	Dry Pounds
East Cedar Creek FWSD	334	4,919	3,098,882
City of Fairfield	10	200	170,460
City of Madisonville	85	1,700	1,147,657
North Angelina County RWF	179	4,316	1,115,556
West Cedar Creek MUD	26	370	454,296
Subtotal	634	11,505	5,986,851

The Neches Compost Facility recycled **30,030,803** dry pounds of wastewater treatment plant biosolids from participants and **5,986,851** dry pounds from non-participants, for a total of **36,017,654** dry pounds. Without the Neches Compost Facility, these biosolids would have been disposed of in landfills or by land application.

Wood Waste Recycling (Through December 2016)

As part of the composting process, wastewater biosolids are combined with wood waste in order to generate compost. Through this process, the Neches Compost Facility is able to recycle a significant amount of wood waste. The Neches Compost Facility implemented a Wood Waste Program in 2006 to accept wood waste from the public. Through the Wood Waste Program, NCF has recycled **67,750** cubic yards of wood waste (through December 2016). Since the facility's startup in August 2000, the NCF has recycled approximately **130,989** cubic yards of wood waste.

Wood Waste Type	Quantity (Cubic Yards)
Limbs	42,164
Tree Trunks	13,503
Wood Grindings	7,004
Wood Chips	3,034
Sawdust	1,194
Leaves & Grass	851
Total Since 2006	67,750

NECHES COMPOST FACILITY YARD WASTE RECYCLING CHECKLIST

HOURS OF OPERATIONS...

- TUESDAYS AND THURSDAYS
- 8:00 AM THRU 5:00 PM (OFF DURING LUNCH)
- YOU **MUST** REPORT TO THE YARD ATTENDANT

WE ACCEPT...

- BRUSH
- LIMBS
- BAGGED YARD CLIPPINGS AND LEAVES
(ALL PLASTIC BAGS MUST BE REMOVED FOR INSPECTION)
- WOOD MATERIAL LESS THAN 18" IN DIAMETER AND 4' LONG

WE DON'T ACCEPT...

- STUMPS, PALLETS, TREATED WOOD, PAINTED WOOD, TELEPHONE POLES, RAILROAD TIES, OR DEMOLITION DEBRIS
- PAPER, GARBAGE, VEGETATIVE WASTE, FOOD WASTE, OR HAZARDOUS WASTE
- RUBBER, PLASTIC, METAL, OR CONCRETE
- ANY MATERIAL THAT HAS ANY COMBINATION OF THESE ITEMS

PENALTIES FOR VIOLATION OF THESE RULES MAY BE ASSESSED



SOIL THERAPY COMPOST™

SOIL THERAPY COMPOST™

products are biosolid compost made from wastewater biosolids and wood products and yard trimmings. STC products provide enormous benefits to the soil including:

- Adds organic matter to the existing soil
- Adds beneficial microorganisms
- Adds micronutrients and macronutrients
- Improves the soil's ability to retain moisture in low density soils
- Helps break up and aerate high density soils
- Improves the overall health of the soil for strong root growth

LAWN AND LANDSCAPE BLEND
EXCELLENT SOIL CONDITIONER FOR GRASS, TREES & SHRUBS

SOIL THERAPY COMPOST™
FOR HAPPY LAWNS AND LANDSCAPES

SOIL THERAPY: A HEALING ART WHICH USES SOIL AMENDMENTS AND CONDITIONERS TO PROMOTE HEALTHY LAWNS AND LANDSCAPES.

LOOK FOR EXPERT PLANTING TIPS ON BACK.

APPROXIMATELY 40LBS

SOIL THERAPY COMPOST™
REJUVENATE YOUR SOIL
for happy lawns and landscapes

INCORPORATING SOIL THERAPY BIO-SOLID COMPOST™ INTO YOUR LAWN AND LANDSCAPE IMPROVES IT'S OVERALL HEALTH, WELL BEING, AND BEAUTY.

SOIL THERAPY COMPOST™ IS A SPECIALLY BLENDED PRODUCT OF ANGELINA & NECHES RIVER AUTHORITY.

LAWN AND LANDSCAPE BLEND
EXCELLENT SOIL CONDITIONER FOR GRASS, TREES & SHRUBS

SOIL THERAPY COMPOST™

Planting Tips

How to Build a New Lawn

Step 1 Prepare the area to receive Soil Therapy Compost™ by removing the excess debris, limbs and roots. With a rake or shovel, level any high or low spots, filling in ruts or wash outs with Soil Therapy Compost™ if necessary.

Step 2 Lay out and empty the contents of Soil Therapy Compost™ approximately 3 feet to 4 feet apart in a checkered pattern over the entire lawn.

Step 3 Spread Soil Therapy Compost™ using a rake or shovel. Using a rake, till the compost into the native soil to a depth of 4 to 6 inches. Be sure to thoroughly mix Soil Therapy Compost™ into the native soil. This may take two to three passes with the rake.

Step 4 Using a broadcast spreader, apply the seed of your choice to the new topsoil and rake in. For sod grasses, lay out squares of sod so that each end meets or overlaps, and generous amounts of water and watch it grow.

How to Enhance an Existing Lawn

Step 1 Using a walk behind spreader, evenly apply Soil Therapy Compost™ in uniform narrow making sure to cover the entire lawn.

Step 2 Using Soil Therapy Compost™ fill in any bald spots, low spots, ruts or thinning areas. Apply gently and rake as needed.

Step 3 Water in Soil Therapy Compost™ thoroughly several days before your next mowing cycle.

How to Build a Flower Bed or Garden

Step 1 For new beds and gardens, prepare the area by removing as much soil, grass, and roots as possible. For existing beds and gardens, remove the old bark chips or wood chips as well as any fabric barrier that may exist.

Step 2 Apply an even layer of Soil Therapy Compost™ to the entire bed and incorporate into existing soil. Make sure the finished bed height is higher than the surrounding soil to accommodate adequate drainage.

Step 3 Lay out plants according to size and color preference. With a spade, dig a hole deep and wide enough to receive the root ball of that particular plant, making sure to leave the root flare of the plant exposed.

Step 4 Once all of the plants have been planted, backfill any low spots and apply Soil Therapy Compost™ to achieve an even, slightly mounded surface. Install any edging that you prefer and water thoroughly.

How Many Bags

Lawn Area (sq. ft.)	NUMBER OF BAGS REQUIRED		
	1/2" depth	3/4" depth	1" depth
50 sq. ft.	2	3	4
100 sq. ft.	4	6	8
250 sq. ft.	10	16	21
500 sq. ft.	21	31	42

Bed/Garden Area (sq. ft.)	NUMBER OF BAGS REQUIRED		
	1" depth	2" depth	4" depth
25 sq. ft.	2	4	8
50 sq. ft.	4	8	17
100 sq. ft.	6	17	33
250 sq. ft.	21	42	83

SAFETY TIPS

- Make sure you wear the location of all underground utilities. When in doubt, call your utility provider before you dig!
- Wear comfortable and appropriate clothing for the project.
- Hoses should be closed properly after use to avoid tripping.
- Lay rakes with the tines down.
- Store all gardening supplies and tools in a locked, ventilated area that is out of a child's reach.
- Take frequent stretch breaks, stay hydrated. Make sure you drink plenty of fluids.
- Keep a first aid kit in your home and emergency medical numbers posted near your phone.

MOWING TIPS

- Prepare lawns for mowing by removing sticks, bricks, rocks or other flying debris and debris, etc.
- Start and end lawn mowing sessions, not in a garage or shed. Mower should be refueled ONLY with the motor turned off and cool.
- Make sure other people, especially children, are out of the area and remain out of the area.
- Never leave a running mower unattended.
- Remember, riding mowers aren't built for fun.

Contains rich organic materials for healthy plants and lawns.

ANRA, ISO 9001, ISO 14001, ISO 22716, ISO 22717, ISO 22718, ISO 22719, ISO 22720, ISO 22721, ISO 22722, ISO 22723, ISO 22724, ISO 22725, ISO 22726, ISO 22727, ISO 22728, ISO 22729, ISO 22730, ISO 22731, ISO 22732, ISO 22733, ISO 22734, ISO 22735, ISO 22736, ISO 22737, ISO 22738, ISO 22739, ISO 22740, ISO 22741, ISO 22742, ISO 22743, ISO 22744, ISO 22745, ISO 22746, ISO 22747, ISO 22748, ISO 22749, ISO 22750, ISO 22751, ISO 22752, ISO 22753, ISO 22754, ISO 22755, ISO 22756, ISO 22757, ISO 22758, ISO 22759, ISO 22760, ISO 22761, ISO 22762, ISO 22763, ISO 22764, ISO 22765, ISO 22766, ISO 22767, ISO 22768, ISO 22769, ISO 22770, ISO 22771, ISO 22772, ISO 22773, ISO 22774, ISO 22775, ISO 22776, ISO 22777, ISO 22778, ISO 22779, ISO 22780, ISO 22781, ISO 22782, ISO 22783, ISO 22784, ISO 22785, ISO 22786, ISO 22787, ISO 22788, ISO 22789, ISO 22790, ISO 22791, ISO 22792, ISO 22793, ISO 22794, ISO 22795, ISO 22796, ISO 22797, ISO 22798, ISO 22799, ISO 22800, ISO 22801, ISO 22802, ISO 22803, ISO 22804, ISO 22805, ISO 22806, ISO 22807, ISO 22808, ISO 22809, ISO 22810, ISO 22811, ISO 22812, ISO 22813, ISO 22814, ISO 22815, ISO 22816, ISO 22817, ISO 22818, ISO 22819, ISO 22820, ISO 22821, ISO 22822, ISO 22823, ISO 22824, ISO 22825, ISO 22826, ISO 22827, ISO 22828, ISO 22829, ISO 22830, ISO 22831, ISO 22832, ISO 22833, ISO 22834, ISO 22835, ISO 22836, ISO 22837, ISO 22838, ISO 22839, ISO 22840, ISO 22841, ISO 22842, ISO 22843, ISO 22844, ISO 22845, ISO 22846, ISO 22847, ISO 22848, ISO 22849, ISO 22850, ISO 22851, ISO 22852, ISO 22853, ISO 22854, ISO 22855, ISO 22856, ISO 22857, ISO 22858, ISO 22859, ISO 22860, ISO 22861, ISO 22862, ISO 22863, ISO 22864, ISO 22865, ISO 22866, ISO 22867, ISO 22868, ISO 22869, ISO 22870, ISO 22871, ISO 22872, ISO 22873, ISO 22874, ISO 22875, ISO 22876, ISO 22877, ISO 22878, ISO 22879, ISO 22880, ISO 22881, ISO 22882, ISO 22883, ISO 22884, ISO 22885, ISO 22886, ISO 22887, ISO 22888, ISO 22889, ISO 22890, ISO 22891, ISO 22892, ISO 22893, ISO 22894, ISO 22895, ISO 22896, ISO 22897, ISO 22898, ISO 22899, ISO 22900, ISO 22901, ISO 22902, ISO 22903, ISO 22904, ISO 22905, ISO 22906, ISO 22907, ISO 22908, ISO 22909, ISO 22910, ISO 22911, ISO 22912, ISO 22913, ISO 22914, ISO 22915, ISO 22916, ISO 22917, ISO 22918, ISO 22919, ISO 22920, ISO 22921, ISO 22922, ISO 22923, ISO 22924, ISO 22925, ISO 22926, ISO 22927, ISO 22928, ISO 22929, ISO 22930, ISO 22931, ISO 22932, ISO 22933, ISO 22934, ISO 22935, ISO 22936, ISO 22937, ISO 22938, ISO 22939, ISO 22940, ISO 22941, ISO 22942, ISO 22943, ISO 22944, ISO 22945, ISO 22946, ISO 22947, ISO 22948, ISO 22949, ISO 22950, ISO 22951, ISO 22952, ISO 22953, ISO 22954, ISO 22955, ISO 22956, ISO 22957, ISO 22958, ISO 22959, ISO 22960, ISO 22961, ISO 22962, ISO 22963, ISO 22964, ISO 22965, ISO 22966, ISO 22967, ISO 22968, ISO 22969, ISO 22970, ISO 22971, ISO 22972, ISO 22973, ISO 22974, ISO 22975, ISO 22976, ISO 22977, ISO 22978, ISO 22979, ISO 22980, ISO 22981, ISO 22982, ISO 22983, ISO 22984, ISO 22985, ISO 22986, ISO 22987, ISO 22988, ISO 22989, ISO 22990, ISO 22991, ISO 22992, ISO 22993, ISO 22994, ISO 22995, ISO 22996, ISO 22997, ISO 22998, ISO 22999, ISO 23000.

VISIT OUR WEB SITE www.soiltherapy.org

Ingredients: Soil Therapy Bio-Solid Compost™ is a special blend of processed biosolids, organic materials including recycled forest products and yard trimmings. Soil Therapy Bio-Solid Compost™ contains no herbicides, pesticides, or any toxic substances that are harmful to the environment or your plants.

Disclaimers: Soil Therapy Bio-Solid Compost™ is produced by the Angelina & Neches River Authority at its Neches Compost Facility located in Cherokee County. Soil Therapy Bio-Solid Compost™ is a biosolid compost produced within strict guidelines regulated by the Texas Commission on Environmental Quality and the United States Environmental Protection Agency. Soil Therapy Bio-Solid Compost™ consistently exceeds these quality standards.

Contact Info: If you have questions or comments regarding this product, please send them to: Soil Therapy Compost, c/o ANRA, P.O. Box 387, Lufkin, Texas 75902-0387. You may contact us at 409-283-2634 or visit us at our website: <http://www.soiltherapy.org>

SOIL THERAPY COMPOST™

Copyright 2005, Angelina & Neches River Authority, 210 Lufkin Avenue, Lufkin, Texas 75902

Compost Treatment Process

The treatment process used at the Neches Compost Facility is an approved EPA and TCEQ Process to Further Reduce Pathogens (PFRP):

- Utilizes a windrow style composting process (mixing and aeration)
- 15 consecutive days at or above 131° F
- Minimum of 5 turnings within the 15 day treatment window
- Must meet regulatory maximum contaminant limits for fecal coliform bacteria

The finished product is screened to size then stored in 500 yd³ stockpiles for curing

Every stockpile is tested for quality assurance prior to sales to the public

SOIL
THERAPY COMPOST™
REJUVENATE YOUR SOIL



NOW
YOU CAN HAVE
AN EXCELLENT
BIO-SOLID
COMPOST™
FOR GROWING
LUSH LAWNS AND
HEALTHY SHRUBS.

Please visit
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ANGELINA & NECHES RIVER AUTHORITY.



Mud Creek at US 84

LAKE COLUMBIA



An Update on Lake Columbia Activities

Marketing Efforts

Over the past year, ANRA continued to market unallocated water supply to several different industry sectors. They include municipal water providers, electric generation and refining sectors. The Lake Columbia project is a legislatively designated reservoir site and is in the Region I and State Water Plans as a new water supply project.

Regulatory Hurdles

Purpose and Need, as currently defined by the U.S. Army Corps of Engineers (USACE), continues to be the single most significant hurdle to overcome. In addition, there is a growing sentiment that the federal regulatory requirements for an Environmental Impact Statement (EIS) are constantly changing and thereby nearly impossible to achieve satisfactory results, poorly outlined in guidance documents, and extremely burdensome.

Participant Meetings

- On December 17, 2015 ANRA hosted a Lake Columbia participants meeting in Jacksonville to update participants on the ongoing marketing activities in the metroplex.
- On June 13, 2016, ANRA held a participants meeting to advise participants on the ongoing activities related to the permit application re-instatement activities. Topics included the potential impact of application withdrawal, action plan for the appeals process and cost estimates for completion of appeals process.

USACE Permit Application Appeal

- On April 14, 2016 ANRA receives USACE withdrawal letter. The letter Withdraws or “sends back” to ANRA its application for a Clean Water Act Section 404 permit and officially terminates the new EIS process that was started in June of 2010.
- On April 28, 2016, ANRA met with USACE, Fort Worth District to discuss the permit application withdrawal. Col. Hudson was emphatic that the decision to withdraw the application was final.
- On July 11, 2016, a contingent of ANRA’s Board of Directors flew to Washington to solicit the help of Senator Cornyn, Senator Cruz, Representative Hensarling and Representative Gohmert and Headquarters for the USACE.
- On August 2, 2016, a contingent of ANRA’s Board of Directors met with USACE, Fort Worth District Commander, Col. Calvin Hudson, and regulatory staff to discuss aspects of the permit reinstatement. Discussions centered around Purpose and Need for the project and the overall timeline in which to accomplish the tasks necessary to re-initiate a new Environmental Impact Statement.
- On August 29, 2016, ANRA received the long awaited permit application reinstatement. The reinstatement places a five year timeline in which to accomplish eight criteria associated with specific aspects of the Environmental Impact Statement.



Mud Creek at SH 204

USACE Criteria

The following criteria associated with the Environmental Impact Statement are as follows:

- Adequate documentation of participant involvement and commitment to supporting the full need of the proposed action. The formal agreements must include who the entity is, how much water they are requesting (which is adequately supported by a participant-specific needs analysis), when the water is required over the study period of the project, where the water is to be delivered, and if it is to be raw or treated when delivered from Angelina and Neches River Authority.
- Demonstrating the willingness and ability to execute a contract with a new 3rd party contractor for the Environmental Impact Statement process through permit decision.
- Draft Request for Proposals (RFP) and proposed release/advertising process to solicit a new 3rd party contractor.
- Proposed schedule to get a new 3rd party contractor on board (e.g. when Draft Request for Proposals will be ready for review, length of period to review proposals, interviews, selection, and kick off meeting).
- A revised project description including all associated actions to allow development of the project including road relocations, pipeline alignments, pump stations, intakes, treatment facilities, terminal storage sites, etc.
- A draft reservoir operations plan outline that includes projected withdrawals by participant based on projected demands, releases downstream, etc.
- Initial alternatives analysis that is formulated in relation to the size of the proposed project which is supported by the need in item a above.
- A conceptual mitigation plan.

Based on these criteria, ANRA is moving forward with the Lake Columbia Regional Water Supply Reservoir Project.



DEPARTMENT OF THE ARMY
FORT WORTH DISTRICT, CORPS OF ENGINEERS
P. O. BOX 17300
FORT WORTH, TEXAS 76102-0300

AUG 29 2016

Regulatory Division

SUBJECT: Project Number SWF-1987-00524 Lake Columbia

Mr. Kelley Holcomb, General Manager
Angelina & Neches River Authority
P.O. Box 387
210 Lufkin Avenue
Lufkin, Texas 75902

Dear Mr. Holcomb:

This letter is to inform you that the U.S. Army Corps of Engineers, Fort Worth District, is officially reinstating your Section 404 Clean Water Act permit application for the Lake Columbia Regional Water Supply Reservoir Project. Furthermore, I have decided to allow Angelina and Neches River Authority 5 years from the date of this letter to provide information required to restart the permit process. However, please be aware that the development of the Environmental Impact Statement (EIS) was officially terminated and development of a new Environmental Impact Statement will eventually be required for a permit decision concerning the proposed project.

As part of our 2 August 2016 discussions, a list of the specific information that is required to re-initiate the evaluation process was provided and you indicated you understood the expectations regarding each item. It was also noted that the topics contained in the Fort Worth District 14 April 2016 correspondence were still relevant associated with the development of any future Environmental Impact Statements for the project but are not necessary to re-initiate the permit evaluation. The specific information that is required includes:

a. Adequate documentation of participant involvement and commitment to supporting the full need of the proposed action. The formal agreements must include who the entity is, how much water they are requesting (which is adequately supported by a participant-specific needs analysis), when the water is required over the study period of the project, where the water is to be delivered, and if it is to be raw or treated when delivered from Angelina and Neches River Authority.

b. Demonstrating the willingness and ability to execute a contract with a new 3rd party contractor for the Environmental Impact Statement process through permit decision.

-2-

c. Draft Request for Proposals (RFP) and proposed release/advertising process to solicit a new 3rd party contractor.

d. Proposed schedule to get a new 3rd party contractor on board (e.g. when Draft Request for Proposals will be ready for review, length of period to review proposals, interviews, selection, and kick off meeting).

e. A revised project description including all associated actions to allow development of the project including road relocations, pipeline alignments, pump stations, intakes, treatment facilities, terminal storage sites, etc.

f. A draft reservoir operations plan outline that includes projected withdrawals by participant based on projected demands, releases downstream, etc.

g. Initial alternatives analysis that is formulated in relation to the size of the proposed project which is supported by the need in item a above.

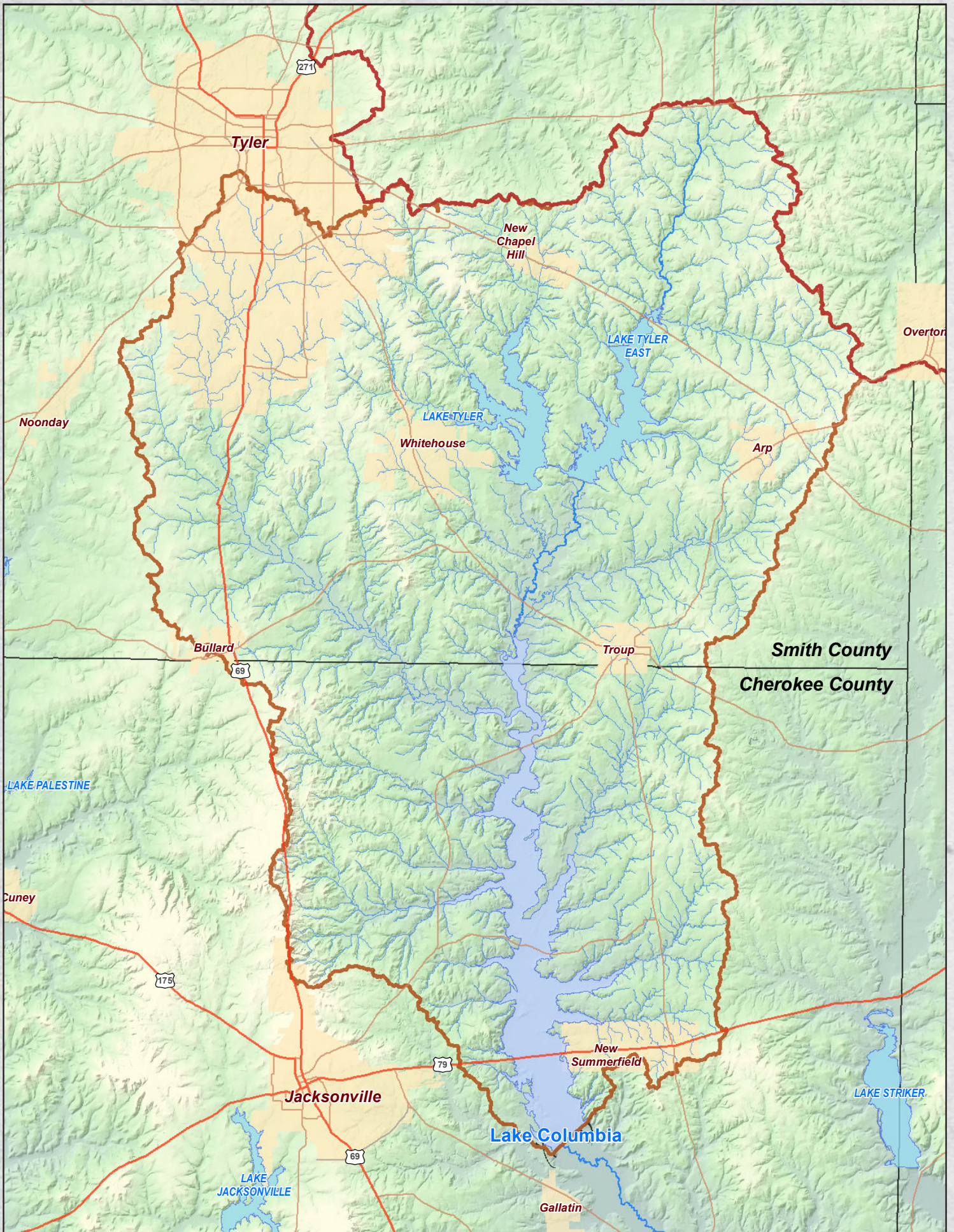
h. A conceptual mitigation plan.

It is expected that your agency will provide routine electronic updates to my Regulatory Division informing us of your progress toward obtaining all of this required information. It was noted that meetings would not be required with my Regulatory Division while development of additional information occurred.

If you have any questions concerning this matter, please contact Mr. Chandler Peter at (817) 886-1736, or email: chandler.j.peter@usace.army.mil.

Sincerely,

CALVIN C. HUDSON II
Colonel, EN
Commanding



Key Physical Information for Lake Columbia

Normal Pool Elevation	315 ft NGVD (10,133 acres)
Fee simple purchase	318 ft NGVD (11,500 acres)
Emergency spillway elevation	324 ft NGVD
2 year flood elevation	317.12 ft NGVD
5 year flood elevation	318.57 ft NGVD
10 year flood elevation	319.69 ft NGVD
25 year flood elevation	320.77 ft NGVD
50 year flood elevation	321.72 ft NGVD
100 year flood elevation	322.59 ft NGVD
500 year flood elevation	326.65 ft NGVD
Probable maximum flood elevation (Equals 41" of rain in 72 hours)	334.08 ft NGVD
Top of dam	336 ft NGVD
Dam length	6,800 feet
Dam height (from stream bed)	67 feet
Dam footprint	164 acres
Total volume of above-grade fill in dam	3.6 million cubic yards
Reservoir volume at 315 NGVD	195,500 acre feet
Emergency spillway width	1,100 feet
Shoreline length	94.5 miles
Drainage Area	384 square miles



**ANGELINA AND NECHES
RIVER AUTHORITY**

Fiscal Year 2016

September 1, 2015 - August 31, 2016

A close-up photograph of purple flowers on green stems. The flowers are arranged in a vertical cluster, and the background is a soft-focus green field. The text 'FINANCIAL SECTION' is overlaid in the upper left quadrant.

FINANCIAL SECTION

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JANSEN AND GREGORCZYK

Telephone
(512) 268-2749

Certified Public Accountants
P.O. Box 1778
Kyle, TX 78640

Fax
(512) 268-5057

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,



Jansen 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
			<u>40,664.00</u>	<u>40,664.00</u>
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
			<u>59,224.00</u>	<u>59,224.00</u>
	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
			<u>11,667.00</u>	<u>11,667.00</u>
TOTAL			<u><u>111,555.00</u></u>	<u><u>111,555.00</u></u>

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>

ANNUAL FINANCIAL REPORT
OF
ANGELINA & NECHES
RIVER AUTHORITY

*For the Fiscal Years Ended
August 31, 2016 and 2015*

ANGELINA & NECHES RIVER AUTHORITY
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AUGUST 31, 2016

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
City of Lufkin, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the Angelina & Neches River Authority (the "Authority") of Lufkin, Texas as of and for the years ended August 31, 2016 and 2015, and the related notes to the financial statements, which collectively comprise the Angelina & Neches River Authority of Lufkin, Texas basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 of Lufkin, Texas, as of August 31, 2016 and 2015, and the respective 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 and budgetary comparison information on pages 4-7 and 41 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 Angelina & Neches River Authority's basic financial statements. The introductory section, combining 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* (CFR) 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 financial statements 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 financial statements 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 introductory and statistical sections 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2016, on our consideration of the Angelina & Neches River 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 Angelina & Neches River Authority's internal control over financial reporting and compliance.



Kyle, Texas
December 1, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS AUGUST 31, 2016 and 2015

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 years ended August 31, 2016 and 2015. 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) budget comparison and (5) supplemental schedules. Please read it in conjunction with the Authority's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- During the year, the Authority had operating expenses of \$2,816,752 compared to total non-operating expenses of \$280,821 and operating revenues of \$3,087,512 and non-operating revenues of \$671,652, resulting in a combined increase in net assets of \$661,594 for the year ended August 31, 2016.
- The Authority's total cash and investments increased \$4,444,481 from the previous year largely due to the Clean Water State Revolving Funds (federal funds) received in connection with the construction project for North Angelina County RWF.
- The Authority's fixed assets (net of accumulated depreciation) increased \$1,003,932.

Explanation 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 Revenue, Expenses 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, Expenses 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, 2016 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 supplement schedules portion of the report includes a Statement of Net Assets, Statement of Revenue, Expenses and changes in Net Position and Statement of Cash Flow by fund.

The Authority as a Whole

The Authority's net assets increased by \$961,594 in the year ended August 31, 2016. Table 1 and Table 2 below reflect the net assets and changes in net assets of the Authority.

Table 1

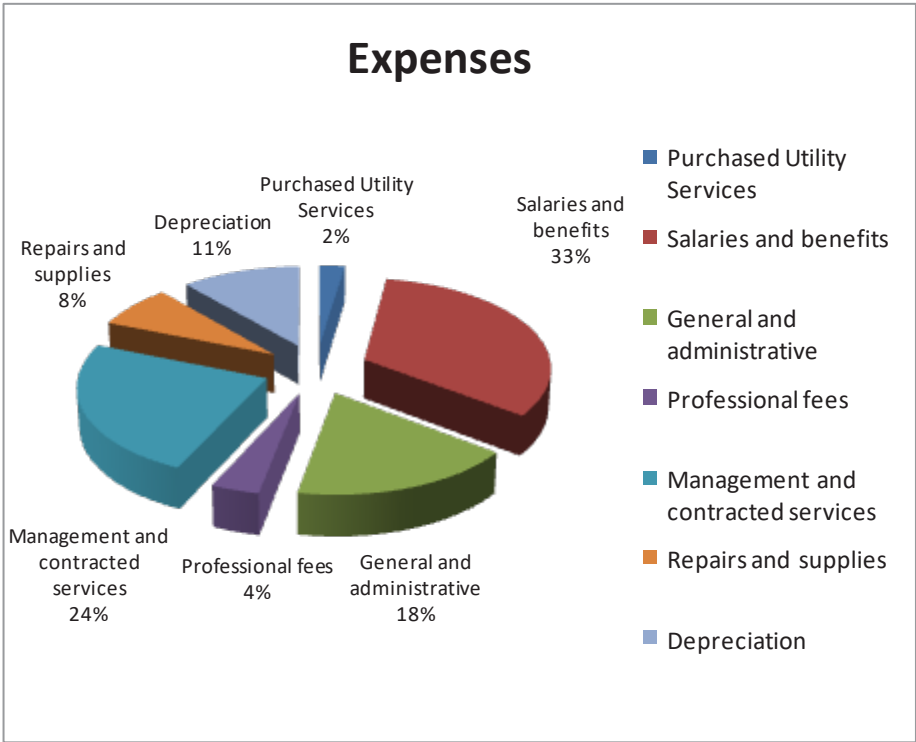
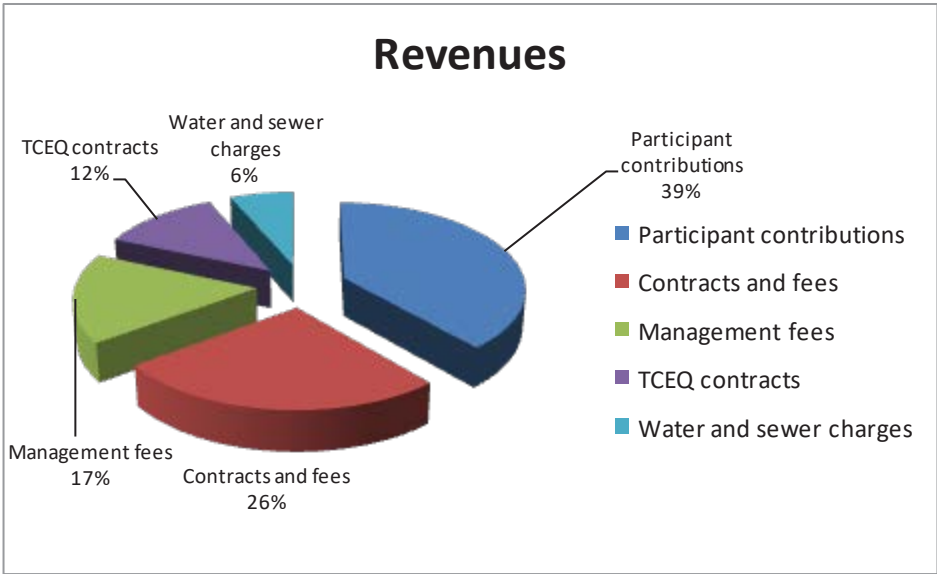
CONDENSED STATEMENT OF NET ASSETS

	2016	2015	2014
Current and other assets	\$ 5,621,238	\$ 1,450,861	\$ 1,401,182
Capital assets, net	9,792,598	8,788,666	8,773,776
Total Assets	<u>15,413,836</u>	<u>\$ 10,239,527</u>	<u>10,174,958</u>
Long-term liabilities	7,978,753	6,219,774	6,544,034
Other liabilities	446,514	569,625	482,674
Total Liabilities	<u>8,425,267</u>	<u>6,789,399</u>	<u>7,026,708</u>
Net assets:			
Invested in capital assets, net of related debt	1,761,971	2,843,795	2,469,189
Restricted	4,758,169	164,954	148,934
Unrestricted	(2,412,251)	437,546	530,125
Total Net Assets	<u>\$ 4,107,889</u>	<u>\$ 3,446,295</u>	<u>\$ 3,148,248</u>

Table 2

CONDENSED STATEMENT OF ACTIVITIES

	2016	2015	2014
Revenues:			
Charges for services	\$ 3,087,512	\$ 2,694,461	\$ 2,631,079
Operating grants			-
General revenues:			
Investment income	15,819	57	255
Other	655,833	82,813	44,183
Total Revenues	<u>3,759,164</u>	<u>2,777,331</u>	<u>2,675,517</u>
Expenses:			
General services	1,505,175	1,126,605	1,135,384
Holmwood Utility	201,549	190,959	201,912
Lake Columbia	153,209	104,553	99,936
North Angelina County	610,371	451,005	524,289
Neches Composting	627,266	606,162	683,288
Total Expenses	<u>3,097,570</u>	<u>2,479,284</u>	<u>2,644,809</u>
Change in Net Assets	661,594	298,047	30,708
Beginning net assets:	3,446,295	3,148,248	3,117,540
Ending Net Assets	<u>\$ 4,107,889</u>	<u>\$ 3,446,295</u>	<u>\$ 3,148,248</u>



The Authority has sufficient revenues to pay expenses of the Authority.

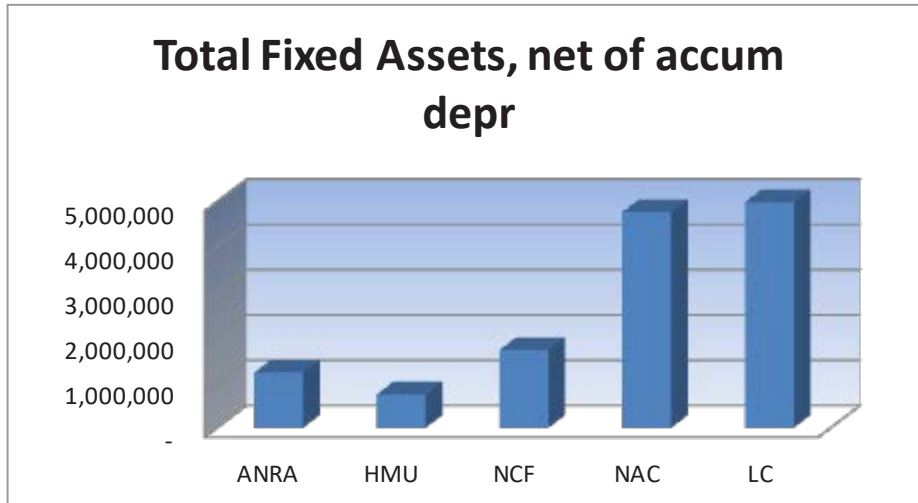
Budgetary Highlights

The Board of Directors did make changes to the budget during the year. The analysis of the budget is reflected on the Budgetary Comparison Schedule following the Notes to the Financial Statements.

Capital Asset and Debt Administration

Capital Assets

Net capital assets increased from \$8,788,666 to \$9,492,598 an increase of \$703,932. The increase is primarily the result of additions to Construction Work in Progress and the purchase of land and higher accumulated depreciation. Changes to fixed assets were additions to the treatment facilities of \$358,248 and machinery and equipment of \$10,000. Construction work in progress was \$5,191,878 at August 31, 2016.



A portion of the Authority's net assets, 47%, reflects its investments in capital asset (land, water and sewer systems), 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, 2016, net of the current portion, totaled \$8,240,542 for leases payable and revenue bonds. The current portion of the long-term debt was \$314,892. Long-term debt activity for the year consisted of principal and interest payments on this note. Long term debt had a net increase of \$1,754,537 during the period. Detailed information is included in the Notes to the Financial Statements.

Economic Factors and Next Year's Budgets

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 the legislators, state officials, customers, bond holders and citizens of the State of Texas and other interested parties with a general overview of the Authority's finances and to 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 Management office at:

Mr. Kelley Holcomb, General Manager (936) 633-7543

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ANGELINA & NECHES RIVER AUTHORITY
Statement of Net Position
August 31, 2016 and 2015

	2016	2015
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 898,498	\$ 1,047,232
Restricted cash and cash equivalents	4,758,169	164,954
Accounts receivable	264,571	238,675
Total Current Assets	5,921,238	1,450,861
Noncurrent Assets		
Capital assets:		
Non-depreciable	5,573,670	5,474,434
Depreciable, net	3,918,928	3,314,232
Total non-current assets	9,492,598	8,788,666
Total assets	15,413,836	10,239,527
LIABILITIES		
Current Liabilities		
Accounts Payable	65,794	213,238
Accrued Interest Payable	89,144	49,994
Line of credit	-	47,550
Bonds and leases payable	314,892	258,843
Total Current Liabilities	469,830	569,625
Noncurrent liabilities		
Deferred Interest	599,059	558,395
Compensated absences	29,787	25,345
Bonds and leases payable	7,326,591	5,275,771
Total Noncurrent Liabilities	7,955,437	5,859,511
Total Liabilities	8,425,267	6,429,136
DEFERRED INFLOWS OF RESOURCES		
Loan Forgiveness - TWDB	2,880,680	360,263
Total Deferred Inflows of Resources	2,880,680	360,263
NET POSITION		
Net Investment in capital assets, net of related debt	1,761,971	2,843,795
Restricted for debt service	4,758,169	164,954
Unrestricted	(2,412,251)	437,546
Total Net Position	\$ 4,107,889	\$ 3,446,295

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

ANGELINA & NECHES RIVER AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended August 31, 2016 and 2015

	2016	2015
<u>OPERATING REVENUES</u>		
Participant contributions	\$ 1,193,425	\$ 1,174,867
Contracts and fees	810,223	543,492
Management fees	512,463	527,098
TCEQ contracts	372,214	260,301
Water and sewer charges	199,187	188,703
Total Operating Revenues	3,087,512	2,694,461
 <u>OPERATING EXPENSES</u>		
Purchased Utility Services	67,384	64,578
Salaries and benefits	929,264	831,751
General and administrative	497,093	275,672
Professional fees	106,623	69,730
Management and contracted services	684,066	529,616
Repairs and supplies	213,417	185,702
Depreciation	318,905	283,420
Total Operating Expenses	\$ 2,816,752	2,240,469
Operating Income	\$ 270,760	\$ 453,992
 <u>Non Operating Revenues (Expenses)</u>		
Investment Income	\$ 15,819	57
Interest Expense	(280,821)	(238,818)
Miscellaneous Income	655,833	82,813
Net Nonoperating Revenues (Expense)	\$ 390,831	\$ (155,948)
Change in Net Position	\$ 661,594	\$ 298,047
Total Net Position, Beginning	3,446,295	3,148,248
Total Net Position, Ending	\$ 4,107,889	\$ 3,446,295

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

ANGELINA & NECHES RIVER AUTHORITY
Statement of Cash Flows
For the Fiscal Years Ended August 31, 2016 and 2015

	2016	2015
Cash Flows from Operating Activities		
Receipts from customers	\$ 2,930,956	\$ 2,644,000
Other Income	-	-
Payments to suppliers	(1,592,357)	(1,110,378)
Payments to employees	(917,829)	(833,753)
Net cash provided/(used) operating activities	420,770	699,869
Cash flows from Capital and Related Financing Activities	-	-
Purchase of capital assets	(1,022,837)	(298,310)
Debt proceeds	5,326,914	40,664
Accounts payable effecting capital assets	-	111,993
Principal on long term debt	(350,681)	(272,746)
Reduction to Loan Forgiveness	(355,833)	
Interest on long term debt	(245,504)	(239,881)
Net cash provided/(used) by Capital and Related Fin. Act.	3,352,059	(658,281)
Cash flows from Investing Activities		
Interest from investments	15,819	57
Other Income	655,833	412
Net cash Provided by Investing Activities	671,652	469
Net increase (decrease) in Cash and Cash Equivalents	4,444,481	42,057
Beginning Cash and Cash Equivalents	1,212,186	1,170,129
Ending Cash and Cash Equivalents	\$ 5,656,667	\$ 1,212,186
Reconciliations of Operating Income to Net Cash Provided by Operating Activities		
Operating income	270,763	453,994
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation	318,905	283,420
Changes in Assets and Liabilities:		
(Increase) decrease in:		
Accounts receivable	(33,908)	(7,978)
Due from other funds	(122,627)	(42,493)
Increase (decrease) in:		
Accounts payable	(53,101)	13,483
Accrued liabilities	8,383	(718)
Due to other funds	32,355	161
Net cash Provided by Operating Activities	\$ 420,770	\$ 699,869

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

ANGELINA & NECHES RIVER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
As of and for the Years Ended August 31, 2016 and 2015

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 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, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows.

Basis of Accounting

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.

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.

Assets, Deferred Outflows (Inflows) of Resources, Liabilities and Net Position

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.

Capital 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:

<u>Asset Description</u>	<u>Estimated Useful Life – Years</u>
Vehicles	5 years
Equipment	10- 20 years
Utility Plant	20-30 years

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.

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 December 1, 2016 the date the financial statements were available to be issued.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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.

Estimates

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

NOTE 3 – DETAILED NOTES ON ALL FUNDS

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.

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, 2016, all of the Authority’s \$5,656,667 deposit balance was collateralized with securities held by the pledging financial institution.

NOTE 3 – CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2016, was as follows:

	Balance 8/31/2015	Additions	Retirements	Balance 8/31/2016
Capital assets not being depreciated:				
Land	\$ 541,982	\$ 603,226	\$ -	\$ 1,145,208
Construction Work in Progress	5,140,515	51,363	-	5,191,878
Total capital assets not being depreciated	5,682,497	654,589	-	6,337,086
Other capital assets:				
Treatment Facilities	4,941,985	358,248	-	5,300,233
Machinery and equipment	1,463,727	10,000	-	1,473,727
Improvements	7,767	-	-	7,767
Total other capital assets	6,413,479	368,248	-	6,781,727
Less accumulated depreciation	(3,307,310)	(318,905)	-	(3,626,215)
TOTALS	<u>\$ 8,788,666</u>	<u>\$ 703,932</u>	<u>\$ -</u>	<u>\$ 9,492,598</u>

NOTE 4 – COMPENSATED EMPLOYEE ABSENCES

It is the Authority’s policy to permit employees to accumulate earned but unused vacation and sick pay benefits. Employees with more than fifteen years of employment with ANRA are allowed to receive payment for sick leave benefits at a rate of ½ half of the accrued value upon retirement. Accumulations of sick pay benefits are not paid to employees after termination of employment. Only amounts of vacation accumulated may be paid to employees upon termination of employment or during employment in accordance with the Authority’s personnel policy. The estimated amount of compensation for accrued unused vacation leave benefits that is expected to be liquidated with expendable available financial resources is reported as an expense. The total liability as of August 31, 2016 is \$29,787.

NOTE 5 – LONG-TERM DEBT

The following is a summary of changes in the Authority’s long-term liabilities for the year ended August 31, 2016:

<u>Fund</u>	<u>Issue Date</u>	<u>Original Amount</u>	<u>Balance 8/31/15</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 8/31/16</u>	<u>Due w/in 1 year</u>
Leases Payable							
ANRA	2013	\$ 142,027	\$ 145,434	\$ -	\$ (71,081)	\$ 74,353	\$ 23,316
Neches Compost	2008	260,000	163,530	-	(17,800)	145,730	18,176
		<u>402,027</u>	<u>308,964</u>	<u>-</u>	<u>(88,881)</u>	<u>220,083</u>	<u>41,492</u>
Revenue Bonds							
ANRA OPS	10/27/15	590,000	-	590,000	-	590,000	5,000
Holmwood	6/14/12	510,000	430,000	-	(30,000)	400,000	30,000
Lake Columbia	4/1/05	230,000	230,000	-	-	230,000	-
Deferred Int	4/1/05	67,884	67,884	-	-	67,884	-
Lake Columbia	12/9/09	734,000	734,000	-	-	734,000	-
Deferred Int	4/1/05	1,429,100	223,651	40,664	-	264,315	-
Lake Columbia	4/1/05	800,000	800,000	-	-	800,000	-
Deferred Int	4/1/05	266,800	266,860	-	-	266,860	-
No Angelina Co	6/14/12	2,240,000	2,405,000	-	(165,000)	2,240,000	170,000
No Angelina Co	6/10/14	205,000	205,000	-	(20,000)	185,000	20,000
No Angelina Co	1/29/16	1,820,000	-	1,820,000	-	1,820,000	-
Neches Compost	7/29/14	446,900	407,300	-	(40,900)	366,400	42,100
Neches Compost	7/29/14	67,500	61,900	-	(5,900)	56,000	6,300
		<u>9,407,184</u>	<u>5,831,595</u>	<u>2,450,664</u>	<u>(261,800)</u>	<u>8,020,459</u>	<u>273,400</u>
Totals		<u>\$ 9,809,211</u>	<u>\$ 6,140,559</u>	<u>\$ 2,450,664</u>	<u>\$ (350,681)</u>	<u>\$ 8,240,542</u>	<u>\$ 314,892</u>

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

Year Ending August 31	Bonds Payable			
	Principal	Interest	Deferred	Total
2017	273,400	267,620	47,812	588,832
2018	285,000	375,569	47,812	708,381
2019	300,400	243,719	47,812	591,931
2020	310,800	234,195	47,812	592,807
2021	318,600	224,295		542,895
2022-2026	2,008,200	827,285	-	2,835,485
2027-2031	1,281,000	425,382	-	1,706,382
2032-2036	810,000	234,618	-	1,044,618
2037-2041	670,000	104,397	-	774,397
2042-2046	1,164,000	741,699	-	1,905,699
	<u>\$ 7,421,400</u>	<u>\$ 3,678,779</u>	<u>\$ 191,248</u>	<u>\$ 11,291,427</u>

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

Description	Interest Rates	Balance at 8/31/2016
General Improvement Project Revenue bonds series 2015 (ANRA)	3.517%	\$ 590,000
Revenue bonds series 2012 (Holmwood Utilities)	3.47%	400,000
Revenue bonds series 2005 (Lake Columbia)	5.68%-5.83%	297,884
Revenue bonds series 2005 (Lake Columbia)	5.68%-5.83%	1,066,860
Revenue bonds series 2005 (Lake Columbia)TWDB	5.40%	998,315
Revenue bonds series 2001 (North Angelina County)	4.15%-4.65%	2,240,000
Revenue bonds series 2014 (North Angelina County)	.0% - 2.05%	185,000
Revenue bonds series 2016 (North Angelina County)	.0% - 2.36%	1,820,000
Revenue refunding bonds series 2014 (Neches Compost - Tax Exempt)	3.05%	366,400
Revenue refunding bonds series 2014 (Neches Compost - Taxable)	5.50%	56,000
		<u>\$ 8,020,459</u>

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.

Future minimum lease payments under operating leases are as follows:

Year Ending August 31,	
2017	19,683
2018	16,991
2019	9,526
Thereafter	<u>7,939</u>
Total minimum lease payments	54,139

The Authority's net investment in direct financing leases consists of the following:

Total minimum future lease payments	54,139
Executory costs and related profit	<u>-</u>
Minimum lease payments	54,139
Allowance for uncollectible payments	<u>-</u>
Net minimum lease payments	54,139
Estimated unguaranteed residual value of leased asset	-
Unearned income	(16,224)
Initial direct costs	<u>-</u>
Net investment in direct financing leases	<u><u>\$ 37,915</u></u>

NOTE 6 – AGREEMENTS TO ISSUE INDUSTRIAL DEVELOPMENT AND POLLUTION BONDS

The Authority is not liable for any of the debt that was associated with this sale. In previous years, the Authority included a debt schedule in the notes, however subsequent to year end, Aspen Power Biomass Plant was sold at auction for approximately \$5,000,000 in an Angelina County court-ordered auction. At 8/31/16 no current information was available.

NOTE 7 – 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 8 – DEFINED CONTRIBUTION PLAN

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 \$20,050 to the Plan for the year ended August 31, 2016. 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.

The total assets in the plan as of August 31, 2016 are \$202,140.

The asset allocation breakdown is as follows:

FUND	Percentage Invested	Fund Balance
Federated Government Obligations	3.21%	\$ 6,493
BMW Bank Utah CD	4.96%	10,036
Capital One Bank CD	2.56%	5,184
Cit Bank Salt Lake City UT CD	5.23%	10,577
Discover Bank CD	2.57%	5,193
FirstBank Sancture CD	4.96%	10,018
Goldman Sachs Bank CD	4.99%	10,088
Goldman Sachs BK USA NY NY	2.48%	5,020
Goldman Sachs BK CD	2.54%	5,127
Federal Home Loan Bank	6.45%	13,029
Dodge & Cox Income FD	2.50%	5,053
Federated Government Income	2.22%	4,485
USAA Short Term Bond Fund	1.42%	2,861
Vanguard BD Index Fd Inc. Admiral	1.10%	2,229
Vanguard Inter Term	1.90%	3,847
Vanguard Short Term	0.37%	749
Vanguard Short Term Federal Fund #49	0.04%	85
Dodge & Cox Funds	1.34%	2,712
Fidelity Contrafund Inc	3.22%	6,514
Fidelity Mt Vernon Str	4.25%	8,595
Fidelity Puritan TR	4.37%	8,832
Meridian FD Inc.	1.30%	2,621
Rowe T Price Mid-Cap	3.29%	6,646
Vang World Fd Intl	2.16%	4,357
Vang Small Cap Gr	5.54%	11,208
Vang Emerging Market	1.81%	3,655
Vanguard Extended Market	5.72%	11,560
Vanguard 500 Index Fund	17.50%	35,366
TOTAL ALL FUNDS		\$ 202,140

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 year were \$5,045. Payments are made to Vantage Point Transfer Agents.

NOTE 9 – 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 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. During the term of the contract, the Authority has the sole and exclusive use, possession and control of the water and sewer system, and has the ability to use all revenues (except for taxes) arising from these systems.

NOTE 10 – 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 11 – CONCENTRATIONS

During the year the Authority sold 22.3% of sewer fees to Idlewood WC & ID, 21.3% to Department of Aging & Disability Services, 15.7% to City of Palestine and 15.1% to City of Athens.

NOTE 11 – LOAN FORGIVENESS

Fund	Balance 8/31/15	Additions	Retirements	Balance 8/31/16
TWDB 2014	\$ 360,263	\$ -	\$ (355,833)	\$ 4,430
TWDB 2015	-	3,176,250	(300,000)	2,876,250
	<u>\$ 360,263</u>	<u>\$ 3,176,250</u>	<u>\$ (655,833)</u>	<u>\$ 2,880,680</u>

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 Statement of Net Position	\$ 1,820,000
Loan Forgiveness - reflected as Deferred Inflows of Resources on the Statement of Net Position	<u>\$ 3,176,250</u>
	<u>\$ 4,996,250</u>

SUPPLEMENTAL SCHEDULES

ANGELINA & NECHES RIVER AUTHORITY
Statement of Net Position (by fund)
August 31, 2016 and 2015

Assets	North				Totals		
	ANRA Operations	Holmwood Utilities	Lake Columbia	Compost Facility	Angellina County RWF	Adjustment	Totals 2015
Current Assets							
Cash and cash equivalents	\$ 102,867	\$ 20,366	\$ 1,140	\$ 360,204	\$ 413,921	\$	\$ 898,498
Restricted cash		18,788	-	-	4,739,381		4,758,169
Receivables, Net	173,449	25,200	-	45,351	20,571		264,571
Receivables, Interfunds	282,087	-	-	-	-	(282,087)	-
Total Current Assets	558,403	64,354	1,140	405,555	5,173,873	(282,087)	5,921,238
Noncurrent Assets							
Capital assets:							
Non-depreciable	-	1,483	4,983,503	44,952	543,732		5,573,670
Depreciable	774,425	356,087	-	454,054	2,634,362	(300,000)	3,918,928
Total Noncurrent Assets	774,425	357,570	4,983,503	499,006	3,178,094		9,492,598
Total Assets	\$ 1,332,828	\$ 421,924	\$ 4,984,643	\$ 904,561	\$ 8,351,967	\$ (282,087)	\$ 15,413,836
Liabilities							
Current Liabilities							
Accounts Payable	\$ 24,302	\$ 20,442	\$ 25	\$ 3,476	\$ 17,549	\$ -	\$ 65,794
Interfund Payables	-	8,292	238,260	22,819	12,716	(282,087)	-
Accrued Interest Payable	-	7,756	18,955	4,911	57,522	-	89,144
Line of Credit	-	-	-	-	-	-	-
Bonds and leases payable	28,316	30,000	-	66,576	190,000	-	314,892
Total Current Liabilities	52,618	66,490	257,240	97,782	277,787	(282,087)	469,830
Noncurrent liabilities							
Deferred Revenue	-	-	-	-	-	-	-
Deferred Interest	-	-	599,059	-	-	-	599,059
Compensated absences	26,208	-	-	3,579	-	-	29,787
Deferred Inflows of Resources	-	-	-	-	2,880,680	-	2,880,680
Bonds and leases payable	636,037	370,000	1,764,000	501,554	4,055,000	-	7,326,591
Total Noncurrent Liabilities	662,245	370,000	2,363,059	505,133	6,935,680	-	10,836,117
Total Liabilities	\$ 714,863	\$ 436,490	\$ 2,620,299	\$ 602,915	\$ 7,213,467	\$ -	\$ 11,305,947
Net Assets							
Invested in capital assets	110,072	(50,186)	3,200,548	(74,035)	(1,124,428)	(300,000)	1,761,971
net of related debt	-	18,788	-	-	4,739,381		4,758,169
Restricted	507,893	16,832	(836,204)	375,681	(2,476,453)		(2,412,251)
Unrestricted	\$ 617,965	\$ (14,566)	\$ 2,364,344	\$ 301,646	\$ 1,138,500	\$ (300,000)	\$ 4,107,889
TOTAL NET POSITION	\$ 617,965	\$ (14,566)	\$ 2,364,344	\$ 301,646	\$ 1,138,500	\$ (300,000)	\$ 3,446,295

ANGELINA & NECHES RIVER AUTHORITY
Statement of Revenues, Expenditures and Changes in Fund Balance
August 31, 2016 and 2015

REVENUES	ANRA Operations	Holmwood Utilities	Lake Columbia	Compost Facility	North		Totals 2016	Totals 2015
					Angelina County RWF	Adjustments		
Participant contributions	\$ -	\$ -	\$ 59,334	\$ 549,375	\$ 584,716	\$ -	\$ 1,193,425	\$ 1,174,867
Contracts and fees	505,169	-	-	109,164	195,890	-	810,223	543,492
Management fees	512,463	-	-	-	-	-	512,463	527,098
TCEQ contracts	372,214	-	-	-	-	-	372,214	260,301
Water and sewer charges	-	199,187	-	-	-	-	199,187	188,703
Total Revenues	1,389,846	199,187	59,334	658,539	780,606	-	3,087,512	2,694,461
EXPENDITURES								
Purchased Utility Services	10,391	31,459	-	-	25,534	-	67,384	64,578
Salaries and benefits	780,729	-	-	148,535	-	-	929,264	831,751
General and administrative	171,872	19,483	6,790	151,134	147,811	-	497,093	275,672
Professional fees	71,599	-	34,864	-	160	-	106,623	69,730
Management and contracted serv	264,560	98,942	-	182,644	137,920	-	684,066	529,616
Repairs and supplies	137,708	9,566	-	21,295	44,848	-	213,417	185,702
Depreciation	46,013	27,687	-	97,323	147,882	-	318,905	283,420
Total Operating Expenses	1,482,872	187,137	41,654	600,931	504,155	-	2,816,752	2,240,469
Net Operating Income	\$ (93,026)	\$ 12,050	\$ 17,680	\$ 57,608	\$ 276,451	-	\$ 270,760	\$ 453,992
Non Operating Revenues (Expenses)								
Investment Income	47	-	-	-	15,772	-	15,819	57
Interest Expense	(22,304)	(14,413)	(111,555)	(26,334)	(106,215)	-	(280,821)	(238,818)
Miscellaneous Income	300,000	-	-	-	655,833	(300,000)	655,833	82,813
Net NonOperating Income (Expens	\$ 277,743	\$ (14,413)	\$ (111,555)	\$ (26,334)	\$ 565,390	(300,000)	\$ 390,831	\$ (155,948)
Change in Net Position	\$ 184,717	\$ (2,363)	\$ (93,875)	\$ 31,274	\$ 841,841	-	\$ 661,594	\$ 298,047
Total Net Position, Beginning	433,248	(12,203)	2,458,219	270,372	296,659	-	3,446,295	3,148,248
Total Net Position, Ending	\$ 617,965	\$ (14,566)	\$ 2,364,344	\$ 301,646	\$ 1,138,500	(300,000)	\$ 4,107,889	\$ 3,446,295

ANGELINA & NECHES RIVER AUTHORITY
Statement of Cash Flows
August 31, 2016 and 2015

	ANRA Operations	Holmwood Utilities	Lake Columbia	Neches Compost Facility	North Angelina County RWF	Adjustments	2016		2015	
							TOTAL		TOTAL	Total
Cash Flows from Operating Activities										
Receipts from customers	\$ 1,206,423	\$ 192,010	\$ 65,039	\$ 661,774	\$ 805,710		\$ 2,930,956	\$ 2,644,000		
Other Income	-	-	-	-	-		-	-		
Payments to suppliers	(683,666)	(142,443)	45,031	(336,354)	(474,925)		(1,592,357)	(1,110,378)		
Payments to employees	(769,294)	-	-	(148,535)	-		(917,829)	(948,364)		
Net cash provided/(used) operating activities	(246,537)	49,567	110,070	176,885	330,785		420,770	585,258		
Cash flows from Capital and Related Financing Activities										
Purchase of capital assets	(565,040)	(10,995)	(51,051)	-	(695,751)	300,000	(1,022,837)	(298,310)		
Debt proceeds (includes loan forgiveness)	590,000	-	40,664	-	4,696,250		5,326,914	40,664		
Accounts payable effecting capital assets	-	-	-	-	-		-	111,993		
Interfund payables effecting capital assets	-	-	-	(64,600)	(540,833)		(350,681)	(272,746)		
Principal on long term debt	(71,081)	(30,000)	-	-	-		(355,833)	-		
Reduction to Loan Forgiveness	(22,304)	(14,934)	(99,888)	(25,118)	(83,260)		(245,504)	(261,491)		
Interest on long term debt	(68,425)	(55,929)	(110,275)	(89,718)	3,376,406	300,000	3,352,059	(679,890)		
Net cash provided/(used) by Capital and Related Fin. Ac										
Cash flows from Investing Activities										
Interest from investments	47	-	-	-	15,772		15,819	15,819		
Proceeds from sale of assets	-	-	-	-	-		-	-		
Other Income	300,000	-	-	-	655,833	(300,000)	655,833	300,390		
Net cash Provided by Investing Activities	300,047	-	-	-	671,605		971,652	316,209		
Net increase (decrease) in Cash and Cash Equivalents	(14,915)	(6,362)	(205)	87,167	4,378,796		4,444,481	221,577		
Beginning Cash and Cash Equivalents	117,782	45,516	1,345	273,037	774,506		1,212,186	1,170,129		
Ending Cash and Cash Equivalents	\$ 102,867	\$ 39,154	\$ 1,140	\$ 360,204	\$ 5,153,302	\$ -	\$ 5,656,667	\$ 1,391,706		
Reconciliations of Operating Income to Net Cash Provided by Operating Activities										
Operating income	\$ (93,026)	\$ 12,050	\$ 17,680	\$ 57,608	\$ 276,451		\$ 270,763	270,763		
Adjustments to reconcile operating income to cash provided by operating activities:										
Depreciation	46,013	27,687	-	97,323	147,882		318,905	318,905		
Changes in Assets and Liabilities: (Increase)/Decrease in:										
Accounts receivable	(60,775)	(7,177)	5,705	3,235	25,104		(33,908)	(50,310)		
Due from other funds	(122,627)	-	-	-	-		(122,627)	(161)		
Increase (decrease) in:										
Accounts payable	(24,680)	17,007	86,685	(1,810)	(130,303)		(53,101)	13,483		
Accrued liabilities	8,558	-	-	(175)	-		8,383	(718)		
Due to other funds	-	-	-	20,704	11,651		32,355	161		
Net cash Provided by Operating Activities	\$ (246,537)	\$ 49,567	\$ 110,070	\$ 176,885	\$ 330,785	\$ -	\$ 420,770	\$ 552,123		

ANRA/Holmwood Utilities

TSI-1 SERVICES AND RATES

FY 2016

Unaudited

1. Services provided by the Utility during the Fiscal Year:

<u>X</u>	Retail Water	<u> </u>	Wholesale Water	<u> </u>	Drainage
<u>X</u>	Retail Wastewater	<u> </u>	Wholesale Wastewater	<u> </u>	Irrigation
<u> </u>	Parks/Recreation	<u> </u>	Fire Protection	<u> </u>	Security
<u> </u>	Solid Waste/Garbage	<u> </u>	Flood Control	<u> </u>	Roads
<u> </u>	Participates in joint venture, regional system and/or wastewater service (other than emergency interconnect)				
<u> </u>	Other (specify): _____				

2. Retail Service Providers

a. Retail rates based on 3/4" meter

	<u>Minimum Charge</u>	<u>Minimum Usage</u>	<u>Flat Rate Y/N</u>	<u>Rate per 1,000 Gallons Over Minimum</u>	<u>Usage Levels</u>
Water	<u>\$42.81</u>	<u>3,000</u>	<u>N</u>	<u>\$1.92</u>	<u>3,001 to 10,000</u>
				<u>\$2.50</u>	<u>10,001 and up</u>
				<u>\$ -</u>	<u> </u>
				<u>\$ -</u>	<u> </u>
Waste Basic Service Fee	<u>\$43.52</u>	<u>3,000</u>	<u>N</u>	<u>\$3.44</u>	<u>3,001 to 7,000</u>
Utility employs winter averaging for wastewater usage?					Yes <u> </u> No <u>X</u>
Total water and sewer charges per 10,000 gallons usage (including surcharges)					<u>\$113.53</u>

b. Water and Wastewater Retail Connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>	<u>Active ESFCs</u>
< 3/4"	<u>179</u>	<u>168</u>	<u>x 1.0</u>	<u>168</u>
1"	<u>5</u>	<u>5</u>	<u>x 2.5</u>	<u>13</u>
1 1/2"			<u>x 5.0</u>	<u> </u>
2"			<u>x 8.0</u>	<u> </u>
4"			<u>x 25.0</u>	<u> </u>
Total water	<u>184</u>	<u>173</u>		<u>181</u>
Total wastewater	<u>166</u>	<u>164</u>	<u>x 1.0</u>	<u>164</u>

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

3. Total Water Consumption During the Fiscal Year:

Gallons pumped into system:	12,629,098	Water Accountability Ratio:
Gallons flushed from system:	126,957	
Gallons billed to customers:	11,488,778	<u>92.0%</u>

4. Standby Fees:

Does the Utility have Debt Service standby fees? Yes No
 If yes, Date of the most recent Commission Order: _____

Does the Utility have Operation and Maintenance standby fees? Yes No
 If yes, Date of the most recent Commission Order: _____

5. Location of District:

County in which Utility is located: Jasper County
 Is the Utility located entirely within one county? Yes No
 Is the Utility located within a city? Entirely Partly Not at all
 City in which Utility is located: N/A
 Is the Utility located within a city's extra territorial jurisdiction (ETJ)?
 Entirely Partly Not at all
 ETJs in which Utility is located: City of Jasper
 Are Board members appointed by an office outside the Utility?
 Yes No
 If yes, by whom? Governor

Angelina & Neches River Authority
 TSI-5. Long Term Debt Service Requirements
 All Bonded Debt Series - by Years
 For the Year Ended August 31, 2016

Due During Fiscal Years Ending	Annual Requirements for All Series Bonds			
	Principal Due	Interest Due	Deferred Interest	Total Annual Requirements
2017	273,400	267,620	47,812	588,832
2018	285,000	375,569	47,812	708,381
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	356,500	202,724	47,812	607,036
2024	453,300	152,409	-	605,709
2025	433,000	136,376	-	569,376
2026	425,000	121,889	-	546,889
2027	488,000	106,663	-	594,663
2028	205,000	90,444	-	295,444
2029	218,000	83,490	-	301,490
2030	220,000	75,526	-	295,526
2031	150,000	69,259	-	219,259
2032	150,000	65,247	-	215,247
2033	155,000	58,148	-	213,148
2034	165,000	25,483	-	190,483
2035	165,000	46,077	-	211,077
2036	175,000	39,663	-	214,663
2037	185,000	32,869	-	217,869
2038	195,000	25,407	-	220,407
2039	95,000	17,518	-	112,518
2040	95,000	15,380	-	110,380
2041	100,000	13,223	-	113,223
2042	100,000	10,990	-	110,990
2043	105,000	8,680	-	113,680
2044	105,000	6,292	-	111,292
2045	854,000	715,737	731,945	2,301,682
	<u>\$ 7,421,400</u>	<u>\$ 3,678,779</u>	<u>\$ 1,066,629</u>	<u>\$ 12,166,808</u>

Angelina & Neches River Authority
 TSI-5 Long Term Debt Service Requirements
 TSI-5 Long Term Debt Service Requirements
 \$ 590,000

Due During Fiscal Years Ending	Principal Due 1-Apr	Interest Due 1-Feb 1-Aug	Total Annual Requirements
2017	\$ 5,000	\$ 20,666	\$ 25,666
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
	<u>\$ 590,000</u>	<u>\$ 204,015</u>	<u>\$ 794,015</u>

Angelina & Neches River Authority
 TSI-5. Long Term Debt Service Requirements
 Series 2016 North Angelina County - Contract Revenue Bonds
 For the Year Ended August 31, 2016
 \$ 1,820,000

Due During Fiscal Years Ending	Principal Due 1-Apr	Interest Due 1-Apr 1-Oct	Total Annual Requirements
2017	\$ -	\$ 44,068	\$ 44,068
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>\$ 805,327</u>	<u>\$ 2,625,327</u>

Angelina & Neches River Authority
 TSI-5. Long Term Debt Service Requirements
 Series 2012 North Angelina County - Contract Revenue Refunding Bonds
 For the Year Ended August 31, 2016
 \$ 2,870,000

Due During Fiscal Years Ending	Principal Due 1-Apr	Interest Due 1-Apr 1-Oct	Total Annual Requirements
2017	170,000	75,474	245,474
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
	<u>\$ 2,240,000</u>	<u>\$ 478,285</u>	<u>\$ 2,718,285</u>

Angelina & Neches River Authority
 TSI-5. Long Term Debt Service Requirements
 Series 2014 Contract Revenue Bonds - TWDB
 For the Year Ended August 31, 2016
 \$ 205,000

Due During Fiscal Years Ending	Principal Due 1-Apr	Interest Due April 1 and October 1	Total Annual Requirements
2017	20,000	1,927	21,927
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
	<u>\$ 185,000</u>	<u>\$ 12,477</u>	<u>\$ 197,477</u>

Angelina & Neches River Authority
 TSI-5. Long Term Debt Service Requirements
 Series 2014- Neches Compost Facility - Contract Revenue Refunding Bonds (Taxable)
 For the Year Ended August 31, 2016
 \$ 67,500

Due During Fiscal Years Ending	Principal Due 1-Apr	Interest Due 1-Apr 1-Oct	Total Annual Requirements
2017	6,300	3,080	9,380
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
	<u>\$ 56,000</u>	<u>\$ 14,080</u>	<u>\$ 70,080</u>

Angelina & Neches River Authority
 TSI-5. Long Term Debt Service Requirements
 Lake Columbia - Contract Revenue Bonds
 For the Year Ended August 31, 2016
 \$ 800,000

Due During Fiscal Years Ending	Principal Due 1-Aug	Interest Due 1-Aug	Deferred Interest 1-Aug	Total Annual Requirements
2017	-	84,114	38,114	122,228
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	38,114	122,228
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
	<u>\$ 800,000</u>	<u>\$ 1,005,687</u>	<u>\$ 266,798</u>	<u>\$ 2,072,485</u>

Angelina & Neches River Authority
 TSI-5. Long Term Debt Service Requirements
 Lake Columbia - Contract Revenue Bonds
 For the Year Ended August 31, 2016
 \$ 450,000

Due During Fiscal Years Ending	Principal Due 1-Aug	Interest Due 1-Aug	Deferred Interest 1-Aug	Total Annual Requirements
2017	-	13,224	9,698	22,922
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	9,698	22,922
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
	<u>\$ 230,000</u>	<u>\$ 210,584</u>	<u>\$ 67,886</u>	<u>\$ 508,470</u>

Angelina & Neches River Authority
 TSI-5. Long Term Debt Service Requirements
 Lake Columbia - Contract Revenue Bonds
 For the Year Ended August 31, 2016
 \$734,000

Due During Fiscal Years Ending	Principal Due 1-Aug	Interest Due 1-Feb	Interest Due 1-Aug	Total Annual Requirements
2017	-	-	-	-
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	731,945	1,445,613
	<u>\$ 734,000</u>	<u>\$ 711,613</u>	<u>\$ 731,945</u>	<u>\$ 1,445,613</u>

* Interest and principal are both deferred until 2045

Angelina & Neches River Authority
 TSI-5. Long Term Debt Service Requirements
 Series 2014- Neches Compost Facility - Contract Revenue Refunding Bonds(Tax Exempt)
 For the Year Ended August 31, 2016
 \$ 446,900

Due During Fiscal Years Ending	Principal Due 1-Apr	Interest Due April 1 and October 1	Total Annual Requirements
2017	42,100	11,175	53,275
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
	<u>\$ 366,400</u>	<u>\$ 51,792</u>	<u>\$ 418,192</u>

Angelina & Neches River Authority
 TSI-5. Long Term Debt Service Requirements
 Series 2012 Holmwood Water and Sewer System Revenue Refunding Bond
 For the Year Ended August 31, 2016
 \$ 510,000

Due During Fiscal Years Ending	Principal Due 1-Apr	Interest Due April 1 and October 1	Total Annual Requirements
2017	30,000	13,892	43,892
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
	<u>\$ 400,000</u>	<u>\$ 88,214</u>	<u>\$ 488,214</u>

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

FISCAL YEAR ENDING: August 31, 2016

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.

	INTEREST AND SINKING FUNDS	RESERVE FUNDS
FIRST LIEN BONDS		
REQUIRED ULTIMATE BALANCE	\$ 102,281.00	\$ -
REQUIRED PRESENT BALANCE (at FY end)	\$ 102,281.00	\$ -
ACTUAL PRESENT BALANCE (at FY end)	\$ 121,917.00	\$ -
JUNIOR LIEN BONDS		
REQUIRED ULTIMATE BALANCE	_____	_____
REQUIRED PRESENT BALANCE (at FY end)	_____	_____
ACTUAL PRESENT BALANCE (at FY end)	_____	_____

The above is true and correct to the best of my knowledge Jansen and Gregorczyk 12/1/2016
 Preparer's signature Date

cc: Jansen and Gregorczyk
 Certified Public Accountant

Angelina & Neches River Authority
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget vs Actual
August 31, 2016

	Budget		Variance
	Amount	Actual	Positive / (Negative)
<u>REVENUES</u>			
Investment Income	\$ 60	\$ 15,819	\$ 15,759
Miscellaneous Income	19,855	655,833	635,978
Participant contributions	1,208,103	1,193,425	(14,678)
Contracts and fees	441,948	810,223	368,275
Management fees	20,000	512,463	492,463
TCEQ contracts	164,883	372,214	207,331
Water and sewer charges	408,450	199,187	(209,263)
Total Revenues	2,263,299	3,759,164	1,495,865
<u>EXPENDITURES</u>			
Purchased Utility Services	\$ 113,106	\$ 67,384	\$ 45,722
Salaries and benefits	918,664	929,264	(10,600)
General and administrative	176,210	497,093	(320,883)
Professional fees	53,083	106,623	(53,540)
Management and contracted services	168,405	684,066	(515,661)
Repairs and supplies	322,629	213,417	109,212
Debt Service:	-	-	-
Principal	301,264	350,681	(49,417)
Interest Expense	217,015	280,818	(63,803)
Total Expenditures	2,270,376	3,129,346	(858,970)
Revenues Over(Under) Expenditures	\$ (7,077)	\$ 629,818	\$ 636,895
<u>Other Uses of Funds</u>			
Capital Outlay	-	1,322,837	(1,322,837)
Change in Net Position	(7,077)	(693,019)	(685,942)
Beginning Net Position	3,446,295	3,446,295	-
Ending Net Position	\$ 3,439,218	\$ 2,753,276	\$ (685,942)
<u>Budget Basis</u>			
Depreciation		(318,905)	
Capital Outlay		1,322,837	
Principal Payments		350,681	
Changes in Net Position- GAAP Basis		1,354,613	
Net Assets - GAAP Basis		\$ 4,107,889	

Board of Directors

(Unaudited)

Jody Anderson, President

361 Red Loving Road
Lufkin, Texas 75901
Term Ends: 9-5-2019

David King, Director

183 Fernwood Drive
Nacogdoches, Texas 75964
Term Ends: 9-5-2019

Louis Bronaugh, Director

710 Jefferson
Lufkin, Texas 75901
Term Ends: 9-5-2017

Jim Hughes Jr., Vice-President

150 W. Gibson
Jasper, Texas 75951
Term Ends: 9-5-2015

Dominick B. (Nick) Bruno, Director

10280 FM 786 North
Jacksonville, Texas 75766
Term Ends: 9-5-2015

**Thomas R. "Tom" Murphy, Secretary Pro
Tem**

908 E. Mimosa Lane
Crockett, TX 75835
Term Ends: 9-5-2019

Patricia E. Dickey, Secretary Treasurer

112 South 5th Street
Crockett, Texas 75835
Term Ends: 9-5-2017

Julie Dowell, Director

107 Lakeshore Drive
Bullard, Texas 75757
Term Ends: 9-5-2017

Keith Drewery, Director

902 SE Stallings Drive
Nacogdoches, Texas 75964
Term Ends: 9-5-2015

Executive Staff

(Unaudited)

Kelley Holcomb

General Manager

Telephone: (936) 633-7543

Fax (936) 632-2564

Cell Phone: (936) 635-0413

E-mail Address: kholcomb@anra.org

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Operations Division Manager

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Cell Phone: (936) 240-5589

E-mail Address: ckey@anra.org

Brian Sims

Environmental Division Manager

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E-mail Address: bsims@anra.org

Dyan Stanford

Administration Division Manager

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Fax (936) 632-2564

Cell Phone (936) 635-6004

E-mail Address: 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
8/31/2016

(Unaudited)

Name of Company	Policy Number	Policy Period	Details of Coverage	Limits of Liability	Annual Premium
Texas Water Conservation Association	0042	7/1/16-7/1/17	Auto Liability	\$ 1,000,000	\$ 5,268
Texas Water Conservation Association	0042	7/1/16-7/1/17	General Liability	\$ 1,000,000	1,126
Texas Water Conservation Association	0042	7/1/16-7/1/17	Errors & Omissions	\$ 1,000,000	2,590
Texas Water Conservation Association	0042	7/1/16-7/1/17	Property Liability	\$ 7,239,451	9,404
Texas Water Conservation Association	0042	7/1/16-7/1/17	Auto Physical Damage	Scheduled	7,229
Texas Water Conservation Association	0042	7/1/16-7/1/17	Crime	\$10,000/\$25,000	454
					<u>\$ 26,071</u>

ANGELINA & NECHES RIVER AUTHORITY
REPORT ON INTERNAL CONTROLS
AUGUST 31, 2016

JANSEN AND GREGORCZYK

Telephone
(512) 268-2749

Certified Public Accountants
P.O. Box 1778
Kyle, TX 78640

Fax
(512) 268-5057

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*

To the Board of Directors of 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 governmental activities of the Angelina & Neches River Authority, of Lufkin, Texas, as of and for the year ended August 31, 2016, and the related notes to the financial statements, which collectively comprise the Angelina & Neches River Authority's basic financial statements, and have issued our report thereon dated December 1, 2016.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Angelina & Neches River 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 Angelina & Neches River Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Angelina & Neches River 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Angelina & Neches River 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*.

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.



Jansen and Gregorczyk

Kyle, Texas
December 1, 2016

JANSEN AND GREGORCZYK

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(512) 268-2749

Certified Public Accountants
P.O. Box 1778
Kyle, TX 78640

Fax
(512) 268-5057

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

To the Board of Directors of Angelina & Neches River Authority
Lufkin, Texas

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, 2016. 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 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, 2016.

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.

A handwritten signature in black ink that reads "Janner and Wojczyk". The signature is written in a cursive, flowing style.

Kyle, Texas
December 1, 2016

Angelina & Neches River Authority
Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2016

<u>Federal Grantor/Pass-through Grantor/Program or Cluster Title</u>	<u>Federal CDFA Number</u>	<u>Pass-through Entity Identifying Number</u>	<u>Total Federal Expenditures</u>	<u>Expenditures to Subrecipients</u>
Texas Commission on Environmental Quality (TCEQ) Clean Water Act 319(H), Lake Sam Rayburn OSSF Program Support and Attoyac Bayor Remediation	66.460	582-14-40162	\$ 199,647	\$ -
Texas Water Development Board (TWDB) Loan Forgiveness Clean Water State Revolving Fund Project 73677	66.458	LF1000258	355,833	-
Texas Water Development Board (TWDB) Loan Forgiveness Clean Water State Revolving Fund Project 73677	66.458	LF1000397	300,000	-
			<u>\$ 855,480</u>	<u>\$ -</u>

See accompanying notes to schedule of expenditures of federal awards

Angelina & Neches River Authority
Notes to Schedule of Expenditures of Federal Awards
For the Year Ended August 31, 2016

NOTE A – BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal award (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, 2016. 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

Fund	Balance 8/31/15	Additions	Retirements	Balance 8/31/16
TWDB 2014	\$ 360,263	\$ -	\$ (355,833)	\$ 4,430
TWDB 2015	-	3,176,250	(300,000)	2,876,250
	<u>\$ 360,263</u>	<u>\$ 3,176,250</u>	<u>\$ (655,833)</u>	<u>\$ 2,880,680</u>

Additions represent interest earned on the restricted cash which the entity is allowed to use for project costs.

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 Statement of Net Position	\$ 1,820,000
Loan Forgiveness - reflected as Deferred Inflows of Resources on the Statement of Net Position	<u>\$ 3,176,250</u>
	<u>\$ 4,996,250</u>

NOTE D – SUBRECIPIENTS

No amounts were provided to subrecipients.

Angelina & Neches River Authority
 Schedule of Findings and Questioned Costs
 For the year ended August 31, 2016

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's opinion issued: Unmodified

Internal control over financial reporting:
 Material weakness(es) identified? yes X no
 Significant deficiency(ies) indentified? yes X none reported

Noncompliance material to financial statements noted: yes X no

Federal Awards

Identification of major federal program and type of auditors' report issued on compliance for major federal program:

CFDA Number	Name of Federal Program	Opinion Type
66.460	Clean Water Act 319(H)	Unmodified
66.458	Capitalization Grants for Clean Water State Revolving Fund	

Internal control over major programs:
 Material weakness(es) identified: yes X no
 Significant deficiency(ies) indentified? yes X none reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)? yes X no

Dollar threshold used to distinguish between Type A and Type B \$ 750,000

Auditee qualified as low risk: X yes no

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Angelina & Neches River Authority
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