

**ANNUAL FINANCIAL REPORT
OF
ANGELINA & NECHES
RIVER AUTHORITY**

***For the Year Ended
August 31, 2011***

ANGELINA & NECHES RIVER AUTHORITY
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Independent Auditors' Report

Board of Directors
Angelina & Neches River Authority:

We have audited the accompanying basic financial statements of the Angelina & Neches River Authority (the "Authority") as of and for the year ending August 31, 2011. These financial statements are the responsibility of the Authority's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of August 31, 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary statement information on pages 3 through 7, and 19 respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary schedules listed in the table of contents are presented for purposes for additional analysis and are not a required part of the basic financial statements of the Authority. Such information, unless marked unaudited, has been subjected to the auditing procedures applied in the audit of the basic financial statements, and, in our opinion, is fairly stated in all material aspects, in relation to the financial statements taken as a whole.

Jansen and Gregorczyk
December 7, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2011

Our discussion and analysis of the Angelina & Neches River Authority (the Authority) financial performance provides an overview of the Authority's financial activities for the year ended August 31, 2011. 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 \$2,133,038 compared to total non-operating expenses of \$344,139 and operating revenues of \$2,815,561 and non-operating revenues of \$3,019, resulting in a combined increase in net assets of \$341,404 for the year ended August 31, 2011.

- The Authority's cash and investments decreased \$68,022 from the previous year.

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 Assets, the Statements of Revenue, Expenses and Changes in Net Assets, 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 Assets 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 Assets 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, 2011 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 Assets and Statement of Cash Flow by fund.

THE AUTHORITY AS A WHOLE

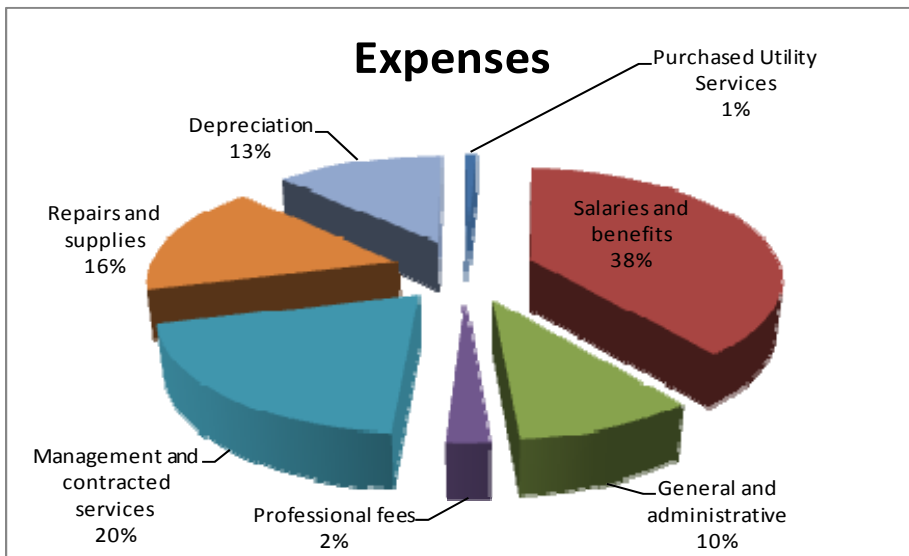
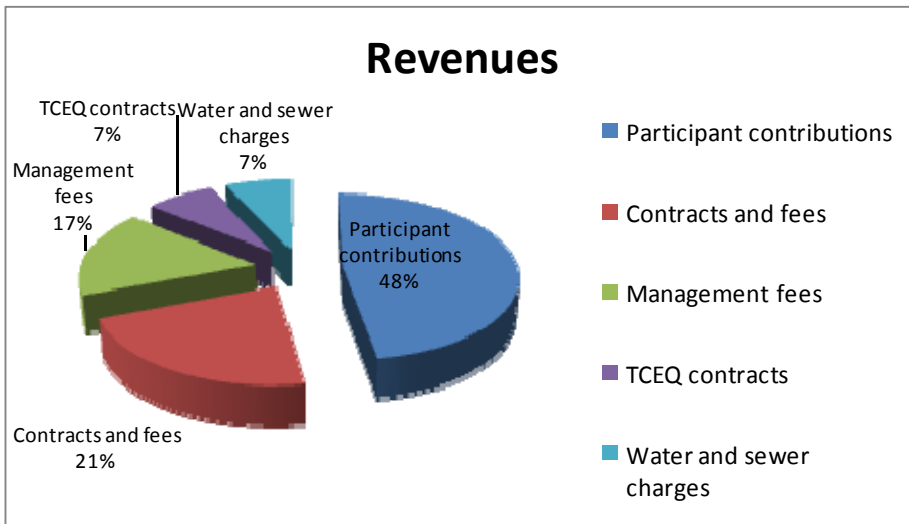
The Authority's net assets increased by \$341,404 in the year ended August 31, 2011. Table 1 and Table 2 below reflect the net assets and changes in net assets of the Authority.

Table 1 **CONDENSED STATEMENT OF NET ASSETS**

	<u>2011</u>	<u>2010</u>
Current and other assets	\$ 1,054,366	\$ 757,643
Capital assets, net	<u>9,135,390</u>	<u>8,856,086</u>
Total Assets	<u>10,189,756</u>	<u>9,613,729</u>
Long-term liabilities	6,170,677	5,948,824
Other liabilities	<u>545,532</u>	<u>451,776</u>
Total Liabilities	<u>6,716,209</u>	<u>6,400,600</u>
Net assets:		
Invested in capital assets, net of related debt	3,029,399	2,857,945
Restricted	275,673	199,851
Unrestricted	<u>168,477</u>	<u>74,349</u>
Total Net Assets	<u>\$ 3,473,549</u>	<u>\$ 3,132,145</u>

Table 2 **CONDENSED STATEMENT OF ACTIVITIES**

	<u>2011</u>	<u>2010</u>
Revenues:		
Charges for services	\$ 2,815,563	\$ 2,230,665
Operating grants	-	59,506
General revenues:		
Investment income	3,019	8,509
Other	<u>-</u>	<u>27,512</u>
Total Revenues	<u>2,818,582</u>	<u>2,326,192</u>
Expenses:		
General services	1,151,922	1,074,363
Holmwood Utility	191,813	172,685
Lake Columbia	111,976	197,340
North Angelina County	466,150	537,811
Neches Composting	<u>555,317</u>	<u>566,505</u>
Total Expenses	<u>2,477,178</u>	<u>2,548,704</u>
Change in Net Assets	341,404	(222,512)
Beginning net assets:	<u>3,132,145</u>	<u>3,354,657</u>
Ending Net Assets	<u>\$ 3,473,549</u>	<u>\$ 3,132,145</u>



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

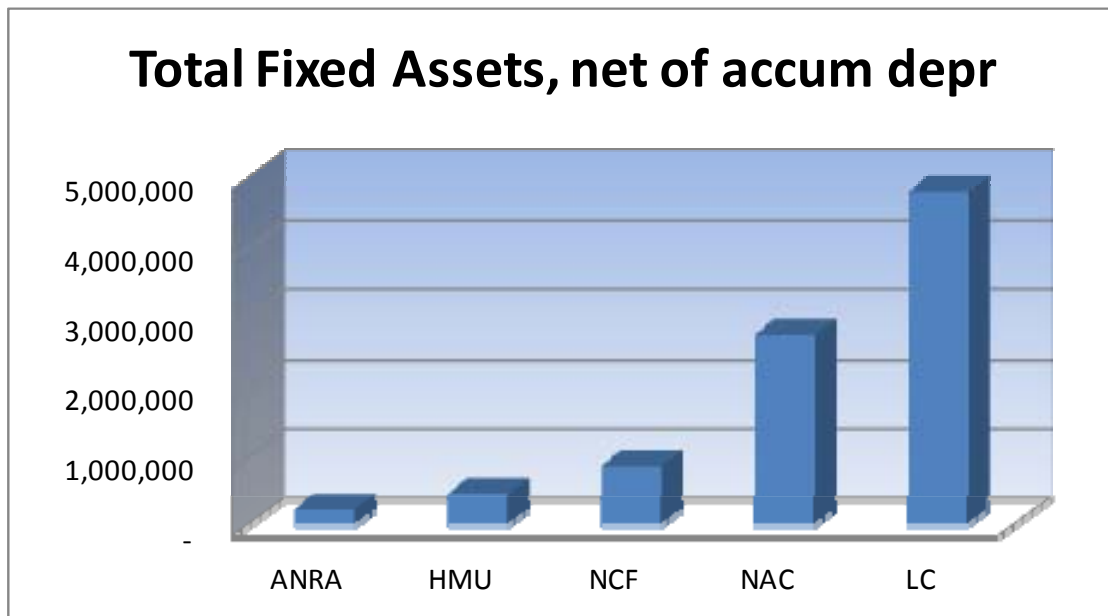
Budgetary Highlights

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

At August 31, 2011, the Authority had \$11,571,931 excluding depreciation, invested in capital assets. Of this amount, \$5,681,875 represented water treatment facilities, \$1,028,282 in machinery and equipment and \$41,539 in land and \$4,820,125 in construction work in progress for Lake Columbia, Holmwood Utilities and North Angelina County Regional Wastewater Facility. There were \$206,512 in additions to capital assets during the year and retirements of \$274,467 including accumulated depreciation.



A portion of the Authority’s net assets, 87.2%, reflects its investments in capital asset (land, water and sewer system), 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, 2011, net of the current portion, totaled \$6,145,970 for notes payable and revenue bonds. The current portion of the long-term debt was \$328,755. Long-term debt activity for the year consisted of principal and interest payments on this note. Long term debt had a net decrease of \$432,533 during the period. Detailed information is included in the Notes to the Financial Statements.

Economic Factors and Next Years 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

ANGELINA & NECHES RIVER AUTHORITY
Statement of Net Assets
August 31, 2011

<u>Assets</u>	<u>2011</u>
Current Assets	
Cash and cash equivalents	\$ 535,018
Restricted cash	275,673
Receivables, Net	243,675
Total Current Assets	1,054,366
 Noncurrent Assets	
Capital assets:	
Non-depreciable	4,861,666
Depreciable	4,273,724
Total Noncurrent Assets	9,135,390
Total Assets	\$ 10,189,756
 Liabilities	
Current Liabilities	
Accounts Payable	\$ 140,896
Accrued Interest Payable	75,881
Due less than one year	328,755
Total Current Liabilities	545,532
 Noncurrent liabilities	
Deferred Interest	368,734
Compensated absences	24,707
Notes payable	363,236
Revenue bonds payable	5,414,000
Total Noncurrent Liabilities	6,170,677
Total Liabilities	\$ 6,716,209
 Net Assets	
Invested in capital assets, net of related debt	\$ 3,029,399
Restricted	275,673
Unrestricted	168,477
TOTAL NET ASSETS	\$ 3,473,549

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

ANGELINA & NECHES RIVER AUTHORITY
Statement of Revenues, Expenditures and Changes in Fund Balance
August 31, 2011

<u>REVENUES</u>	<u>2011</u>
Participant contributions	\$ 1,340,277
Contracts and fees	606,535
Management fees	470,973
TCEQ contracts	203,212
Water and sewer charges	<u>194,564</u>
Total Revenues	<u>2,815,561</u>
<u>EXPENDITURES</u>	
Purchased Utility Services	14,992
Salaries and benefits	820,962
General and administrative	204,588
Professional fees	47,461
Management and contracted services	426,971
Repairs and supplies	343,596
Depreciation	<u>274,468</u>
Total Operating Expenses	<u>\$ 2,133,038</u>
Net Operating Income	<u>\$ 682,523</u>
<u>Non Operating Revenues (Expenses)</u>	
Investment Income	\$ 3,019
Grant Income	-
Interest Expense	(344,139)
Miscellaneous Income	<u>-</u>
Net NonOperating Income (Expense)	<u>\$ (341,120)</u>
Change in Net Assets	\$ 341,404
Total Net Assets, Beginning	3,132,145
Total Net Assets, Ending	<u>\$ 3,473,549</u>

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

ANGELINA & NECHES RIVER AUTHORITY

Statement of Cash Flows

August 31, 2011

	<u>2011</u>
Cash Flows from Operating Activities	
Receipts from customers	\$ 2,796,383
Other Income	
Payments to suppliers	(861,701)
Payments to employees	<u>(960,055)</u>
Net cash provided/(used) operating activities	974,627
 Cash flows from Capital and Related Financing Activities	
Purchase of capital assets	(206,513)
Debt proceeds	-
Proceeds for long term assets	1,697
Principal on long term debt	(564,154)
Interest on long term debt	<u>(276,699)</u>
Net cash provided/(used) by Capital and Related Financing Activities	(1,045,669)
 Cash flows from Investing Activities	
Interest from investments	3,020
Proceeds from sale of assets	-
Other Income	-
Net cash Provided by Investing Activities	<u>3,020</u>
 Net increase (decrease) in Cash and Cash Equivalents	(68,022)
 Beginning Cash and Cash Equivalents	<u>878,713</u>
 Ending Cash and Cash Equivalents	<u>\$ 810,691</u>
 Reconciliations of Operating Income to Net Cash Provided by Operating Activities	
Operating income	\$ 680,840
Adjustments to reconcile operating income to cash provided by operating activities:	
Depreciation	274,468
Changes in Assets and Liabilities:	
(Increase) decrease in:	
Accounts receivable	(2,860)
Due from other funds	3,098
Increase (decrease) in:	
Accounts payable	44,043
Accrued liabilities	(22,726)
Due to other funds	<u>(2,236)</u>
Net cash Provided by Operating Activities	<u>\$ 974,627</u>

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

ANGELINA & NECHES RIVER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
August 31, 2011

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements and accounting policies of the Authority are prepared in conformity with generally accepted accounting principles for local governmental units as prescribed by the Governmental Accounting Standards Board, which is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority's significant 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.

ANRAIDC was incorporated on August 6, 1979, under the provisions of the Development Corporation Act of 1979, Senate Bill 1275, as an instrumentality of the Angelina & Neches River Authority. ANRAIDC was organized to issue bonds on behalf of the Authority for the public purposes of promotion and development of commercial, industrial, and manufacturing enterprises and to promote and encourage employment and public welfare.

The Board of Directors of the Authority appoints the entire board of the ANRAIDC and may, for cause or at will, remove the Corporation's three-member governing board. The Board of Directors appointed by the Authority is comprised of two local IDC board members, and the General Manager of the Authority. Accordingly, the governing bodies of both entities are "substantially the same" providing the Authority sufficient representation to allow complete control of ANRAIDC. In addition, the Authority approves all specific transactions of ANRAIDC and has the authority to amend ANRAIDC's Articles of Incorporation, terminate, or dissolve the Corporation. ANRAIDC is reported as a component unit and presented as a governmental fund, since it is, in substance, the same as the primary government, despite being legally separate. ANRAIDC does not prepare separate financial statements as the only activity is conduit debt. See note 6 for additional information.

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 Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, 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 Authority 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, Liabilities and Net Assets

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. Capital assets are defined by the Authority as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such 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 governmental fund 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	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.

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.

Accounting and Financial Reporting

In February 2009, the GASB issued Statement No. 54 ("GASB 54"), *Fund Balance Reporting and Governmental Fund Type Definitions*. The objective of GASB 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. It establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. GASB 54 had no impact on the financial statements as of August 31, 2011.

Restatements

Beginning in 2005, the Texas Water Development Board has allowed ANRA to defer current year interest to future years. The unrecorded deferred interest was \$341,087 at the end of fiscal year 2010.

Budget

The Authority prepares a budget in accordance with The Water Code, Chapter 49, Subchapter G, 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

expenditures 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.

NOTE 2 – CASH AND TEMPORARY 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, 2011, all of the Authority's \$810,691 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, 2011, was as follows:

	Balance 8/31/2010	Additions	Retirements	Balance 8/31/2011
Capital assets not being depreciated:				
Land	\$ 41,539	\$ -	\$ -	\$ 41,539
Construction Work in Progress	4,669,780	150,345	-	4,820,125
Total capital assets not being depreciated	4,711,319	150,345	-	4,861,664
Other capital assets:				
Treatment Facilities	\$ 5,670,944	\$ 11,042		\$ 5,681,986
Machinery and equipment	1,003,507	45,125	(20,350)	1,028,282
Total other capital assets	6,674,451	56,167	(20,350)	6,710,268
Less accumulated depreciation	(2,182,424)	-	(254,117)	(2,436,541)
TOTALS	\$ 9,203,346	\$ 206,512	\$ (274,467)	\$ 9,135,390
Less associated debt	(6,630,497)			-
	<u>\$ 2,572,849</u>			<u>\$ 9,135,390</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 expenditure and a fund liability of each respective governmental fund. The total liability as of August 31, 2011 is \$24,707.

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, 2011.

Fund	Balance 8/31/10	Additions	Retirements	Balance 8/31/11	Due w/in 1 year	L/T Liab Balance
Notes Payable						
ANRA	102,058	-	(19,980)	82,078	21,261	60,817
Neches Compost	394,439	-	(44,529)	349,910	47,494	302,416
	496,497	-	(64,509)	431,988	68,755	363,233
Revenue Bonds						
ANRA						
Holmwood	520,000	-	(15,000)	505,000	20,000	485,000
Lake Columbia	450,000	-	(220,000)	230,000	-	230,000
Deferred Int	86,033	5,933	(39,647)	52,319	-	52,319
Lake Columbia	734,000	-	-	734,000	-	734,000
Deferred Int	29,594	40,664	-	70,258	-	70,258
Lake Columbia	800,000	-	-	800,000	-	800,000
Deferred Int	225,460	20,700	-	246,160	-	246,160
No Angelina Co	2,925,000	-	(170,000)	2,755,000	185,000	2,570,000
Neches Compost	705,000	-	(55,000)	650,000	55,000	595,000
	6,475,087	67,297	(499,647)	6,042,737	260,000	5,782,737
Totals	6,971,584	67,297	(564,156)	6,474,725	328,755	6,145,970

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

Description	Interest Rates	Balance at 8/31/2011
Revenue bonds series 2008 (Holmwood Utilities)	6.00%	\$ 505,000
Revenue bonds series 2005 (Lake Columbia)	5.68%-5.83%	1,046,160
Revenue bonds series 2005 (Lake Columbia)	5.68%-5.83%	282,316
Revenue bonds series 2005 (Lake Columbia)TWDB	5.40%	804,258
Revenue bonds series 2001 (North Angelina County)	4.15%-4.65%	2,215,000
Revenue bonds series 1998 (Neches Compost)	3.35%-4.6%	300,000
Revenue bonds series 2003 (Neches Compost)	5.25%	350,000
Revenue bonds series 2006 (North Angelina County)	6.85%	540,000
		<u>\$ 6,042,734</u>

Future payments are as follows:

Year Ending August 31	Bonds Payable			
	Principal	Interest	Deferred	Total
2012	260,000	231,990	-	491,990
2013	280,000	227,933	-	507,933
2014	290,000	223,082	-	513,082
2015	330,000	208,116	-	538,116
2016	340,000	191,630	-	531,630
2017-2021	1,775,000	709,208	239,060	2,723,268
2022-2026	640,000	410,391	95,624	1,146,015
2027-2031	445,000	229,239	-	674,239
2032-2036	385,000	125,643	-	510,643
2037-2041	195,000	17,153	-	212,153
2042-2046	734,000	-	1,429,100	2,163,100
	<u>\$ 5,674,000</u>	<u>\$ 2,574,383</u>	<u>\$ 1,763,784</u>	<u>\$ 10,012,167</u>

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.

NOTE 6 – AGREEMENTS TO ISSUE INDUSTRIAL DEVELOPMENT AND POLLUTION CONTROL BONDS

The Authority and the ANRAIDC have issued Industrial Development bonds as a conduit for other entities. In conformity with the State of Texas Auditors’ report dated October 6, 1986 industrial development bonds are not on the balance sheet of the Authority but are being disclosed in the notes. The Attorney General has ruled that the Authority is not liable for any of the following bonds:

<u>Guarantors name*</u>	<u>Issued</u>	<u>Outstanding</u>
Temple-Inland Forest Products Corporation	1998	3,750,000
Aspen Power, LLC	2006	<u>51,905,000</u>
Total private activity bonds		<u>\$ 55,655,000</u>

*as listed in original issuance documents

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 may make a contribution. The Authority contributed \$18,433 to the Plan for the year ended August 31, 2011. 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 plan’s results are included in a separate report with summary. Copies of this report can be obtained from the Authority.

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 \$9,965. Payments are made to Vantage Point Transfer Agents.

NOTE 9 – ANGELINA COUNTY FRESH WATER SUPPLY DISTRICT # 1

The Authority serves as the manager and operator for Angelina County Fresh Water Supply District #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 does not have any commitments with contractors.

NOTE 11 – CONCENTRATIONS

During the year the Authority sold 22.85% of sewer fees to Idlewood WC & ID, 21.97% to Department of Aging & Disability Services, 16.87% to City of Palestine and 15.04% to City of Athens.

NOTE 12 – OTHER MATTERS

It is contemplated that the acquisition and construction of Lake Columbia (formerly Lake Eastex) in addition to activities during the PreAgreement Period will take place in two time periods, the Preconstruction Period and the Construction Period.

The Preconstruction Period shall be considered completed upon the Authority's receipt of the last to be received of (i) the Federal Permit, (ii) the Certified Estimate, and (iii) the land acquisition program, all of which shall be the property of the Authority.

Angelina & Neches River Authority
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget vs Actual
August 31, 2011

	Budget		Variance
	Amount	Actual	Positive / (Negative)
<u>REVENUES</u>			
Investment Income	\$ 6,324	\$ 3,019	\$ (3,305)
Grant Income	36,200	-	(36,200)
Miscellaneous Income	-	-	-
Participant contributions	974,102	1,340,277	366,175
TWDB State Participation EIS	250,000	-	(250,000)
Contracts and fees	340,594	606,535	265,941
Management fees	471,072	470,973	(99)
TCEQ contracts	190,000	203,212	13,212
Water and sewer charges	414,560	194,564	(219,996)
Total Revenues	<u>2,682,852</u>	<u>2,818,580</u>	<u>135,729</u>
<u>EXPENDITURES</u>			
Purchased Utility Services	\$ 66,000	\$ 14,992	\$ 51,008
Salaries and benefits	810,041	820,962	(10,921)
General and administrative	370,564	204,588	165,976
Professional fees	157,620	47,461	110,159
Management and contracted services	519,815	426,971	92,844
Repairs and supplies	130,034	343,596	(213,562)
Debt Service:	-	-	-
Principal	304,507	564,156	(259,649)
Interest Expense	278,067	344,139	(66,072)
Total Expenditures	<u>2,636,648</u>	<u>2,766,865</u>	<u>(130,217)</u>
Revenues Over(Under) Expenditures	\$ 46,204	\$ 51,715	\$ 5,512
<u>Other Uses of Funds</u>			
Capital Outlay	-	207,173	207,173
Change in Fund Balance	46,204	(155,458)	(201,661)
Beginning Fund Balance	<u>3,132,145</u>	<u>3,132,145</u>	<u>-</u>
Ending Fund Balance	<u>\$ 3,178,349</u>	<u>\$ 2,976,687</u>	<u>\$ (201,661)</u>
<u>Budget Basis</u>			
Principal payments		564,156	
Debt Proceeds		<u>(67,294)</u>	
Changes in Net Assets - GAAP Basis		496,862	
Net Assets - GAAP Basis		<u>\$ 3,473,549</u>	

SUPPLEMENTAL SCHEDULES

ANGELINA & NECHES RIVER AUTHORITY
Statement of Net Assets (by fund)
August 31, 2011

	ANRA Operations	Holmwood Utilities	Lake Columbia	Neches Compost Facility	North Angelina County RWF	Adjustment	Totals 2011
Assets							
Current Assets							
Cash and cash equivalents	\$ 211,105	\$ 23,464	\$ 110,014	\$ 177,655	\$ 12,780		\$ 535,018
Restricted cash	-	51,243	-	83,853	140,578		275,673
Receivables, Net	125,577	20,627	314	53,788	43,369		243,675
Receivables, Interfunds	36,868	-	-	-	-	(36,868)	-
Total Current Assets	<u>373,550</u>	<u>95,335</u>	<u>110,327</u>	<u>315,296</u>	<u>196,726</u>	<u>(36,868)</u>	<u>1,054,366</u>
Noncurrent Assets							
Capital assets:							
Non-depreciable	-	1,483	4,797,731	44,952	17,500		4,861,666
Depreciable	223,111	481,141	-	830,952	2,738,520		4,273,724
Total Noncurrent Assets	<u>223,111</u>	<u>482,624</u>	<u>4,797,731</u>	<u>875,904</u>	<u>2,756,020</u>		<u>9,135,390</u>
Total Assets	<u>\$ 596,661</u>	<u>\$ 577,958</u>	<u>\$ 4,908,059</u>	<u>\$ 1,191,200</u>	<u>\$ 2,952,746</u>	<u>\$ (36,868)</u>	<u>\$ 10,189,756</u>
Liabilities							
Current Liabilities							
Accounts Payable	\$ 93,372	\$ 12,811	\$ 12,211	\$ 16,159	\$ 6,344	\$ -	\$ 140,896
Interfund Payables	-	7,421	9,122	9,809	10,516	(36,868)	-
Accrued Interest Payable	-	13,260	3,455	-	59,166	-	75,881
Due less than one year	21,261	20,000	-	102,494	185,000	-	328,755
Total Current Liabilities	<u>114,633</u>	<u>53,492</u>	<u>24,788</u>	<u>128,462</u>	<u>261,026</u>	<u>(36,868)</u>	<u>545,532</u>
Noncurrent liabilities							
Deferred Revenue	-	-	-	-	-		-
Deferred Interest	-	-	368,734	-	-	-	368,734
Compensated absences	20,915	-	-	3,792	-		24,707
Notes payable	60,818	-	-	302,418	-		363,236
Revenue bonds payable	-	485,000	1,764,000	595,000	2,570,000		5,414,000
Total Noncurrent Liabilities	<u>81,733</u>	<u>485,000</u>	<u>2,132,734</u>	<u>901,210</u>	<u>2,570,000</u>	<u>-</u>	<u>6,170,677</u>
Total Liabilities	<u>\$ 196,366</u>	<u>\$ 538,492</u>	<u>\$ 2,157,522</u>	<u>\$ 1,029,672</u>	<u>\$ 2,831,026</u>	<u>\$ (36,868)</u>	<u>\$ 6,716,209</u>
Net Assets							
Invested in capital assets							
net of related debt	141,032	(22,376)	3,033,731	(124,008)	1,020		3,029,399
Restricted	-	51,243	-	83,853	140,578		275,673
Unrestricted	259,264	61,843	(283,194)	201,684	(19,878)		168,477
TOTAL NET ASSETS	<u>\$ 400,296</u>	<u>\$ 39,467</u>	<u>\$ 2,750,537</u>	<u>\$ 161,529</u>	<u>\$ 121,720</u>	<u>\$ -</u>	<u>\$ 3,473,549</u>

ANGELINA & NECHES RIVER AUTHORITY
Statement of Revenues, Expenditures and Changes in Fund Balance
August 31, 2011

<u>REVENUES</u>	ANRA Operations	Holmwood Utilities	Lake Columbia	Neches Compost Facility	North Angelina County RWF	TOTALS 2011
Participant contributions	\$ -	\$ -	\$ 305,707	\$ 514,146	\$ 520,424	\$ 1,340,277
Contracts and fees	490,207	4,223		110,775	1,330	606,535
Management fees	470,973			-		470,973
TCEQ contracts	203,212	-		-		203,212
Water and sewer charges	-	194,564		-		194,564
Total Revenues	<u>1,164,392</u>	<u>198,787</u>	<u>305,707</u>	<u>624,921</u>	<u>521,754</u>	<u>2,815,561</u>
 <u>EXPENDITURES</u>						
Purchased Utility Services	-	14,992	-	-	-	14,992
Salaries and benefits	680,490	-	-	140,472	-	820,962
General and administrative	132,802	10,752	6,379	42,008	12,646	204,588
Professional fees	46,910	-		351	200	47,461
Management and contracted services	140,174	75,691		95,280	115,826	426,971
Repairs and supplies	114,077	30,642		128,481	70,396	343,596
Depreciation	31,646	28,036		90,404	124,382	274,468
Total Operating Expenses	<u>1,146,099</u>	<u>160,113</u>	<u>6,379</u>	<u>496,996</u>	<u>323,450</u>	<u>2,133,039</u>
Net Operating Income	<u>\$ 18,293</u>	<u>\$ 38,674</u>	<u>\$ 299,328</u>	<u>\$ 127,925</u>	<u>\$ 198,304</u>	<u>\$ 682,523</u>
 <u>Non Operating Revenues (Expenses)</u>						
Investment Income	466	73	1,476	700	304	3,019
Grant Income	-	-	-	-	-	-
Interest Expense	(5,823)	(31,700)	(105,597)	(58,319)	(142,700)	(344,139)
Miscellaneous Income	-	-	-	-	-	-
Net NonOperating Income (Expense)	<u>\$ (5,357)</u>	<u>\$ (31,627)</u>	<u>\$ (104,121)</u>	<u>\$ (57,619)</u>	<u>\$ (142,396)</u>	<u>\$ (341,120)</u>
Change in Net Assets	<u>\$ 12,936</u>	<u>\$ 7,047</u>	<u>\$ 195,207</u>	<u>\$ 70,306</u>	<u>\$ 55,908</u>	<u>\$ 341,404</u>
Total Net Assets, Beginning	387,360	32,420	2,555,330	91,223	65,812	3,132,145
Total Net Assets, Ending	<u>\$ 400,296</u>	<u>\$ 39,467</u>	<u>\$ 2,750,537</u>	<u>\$ 161,529</u>	<u>\$ 121,720</u>	<u>\$ 3,473,549</u>

ANGELINA & NECHES RIVER AUTHORITY
Statement of Cash Flows
August 31, 2011

	ANRA Operations	Holmwood Utilities	Lake Columbia	Neches Compost Facility	North Angelina County RWF	2011 TOTAL
Cash Flows from Operating Activities						
Receipts from customers	\$1,163,595	\$ 197,640	\$ 290,541	\$ 623,820	\$ 520,787	\$ 2,796,383
Other Income	-	-	-	-	-	-
Payments to suppliers	(378,398)	(131,572)	(9,391)	(141,169)	(201,171)	(861,701)
Payments to employees	(683,614)	-	-	(276,441)	-	(960,055)
Net cash provided/(used) operating activities	101,583	66,068	281,150	206,210	319,616	974,627
Cash flows from Capital and Related Financing Activities						
Purchase of capital assets	(30,225)	(11,041)	(150,347)	0	(14,900)	(206,513)
Debt proceeds	-	-	-	-	-	-
Proceeds for long term assets	-	-	-	1,697	-	1,697
Principal on long term debt	(19,979)	(15,000)	(259,647)	(99,528)	(170,000)	(564,154)
Interest on long term debt	(5,823)	(31,700)	(38,142)	(58,334)	(142,700)	(276,699)
Net cash provided/(used) by Capital and Related Fin. Act.	(56,027)	(57,741)	(448,136)	(156,165)	(327,600)	(1,045,669)
Cash flows from Investing Activities						
Interest from investments	467	73	1,476	700	304	3,020
Proceeds from sale of assets	-	-	-	-	-	-
Other Income	-	-	-	-	-	-
Net cash Provided by Investing Activities	467	73	1,476	700	304	3,020
Net increase (decrease) in Cash and Cash Equivalents	46,023	8,400	(165,510)	50,745	(7,680)	(68,022)
Beginning Cash and Cash Equivalents	165,082	66,307	275,524	210,763	161,037	878,713
Ending Cash and Cash Equivalents	\$ 211,105	\$ 74,707	\$ 110,014	\$ 261,508	\$ 153,357	\$ 810,691
Reconciliations of Operating Income to Net Cash Provided by Operating Activities						
Operating income	\$ 18,291	\$ 38,673	\$ 299,329	\$ 126,243	\$ 198,304	\$ 680,840
Adjustments to reconcile operating income to cash provided by operating activities:						
Depreciation	31,646	28,036	-	90,404	124,382	274,468
Changes in Assets and Liabilities:						
(Increase) decrease in:						
Accounts receivable	(3,895)	(1,147)	4,250	(1,101)	(967)	(2,860)
Due from other funds	3,098	-	-	-	-	3,098
Increase (decrease) in:						
Accounts payable	55,148	(841)	3,422	(10,527)	(3,159)	44,043
Accrued liabilities	(2,705)	92	(19,416)	(697)	-	(22,726)
Due to other funds	-	1,255	(6,435)	1,888	1,056	(2,236)
Net cash Provided by Operating Activities	\$ 101,583	\$ 66,068	\$ 281,150	\$ 206,210	\$ 319,616	\$ 974,627

ANRA/Holmwood Utilities

TSI-1 SERVICES AND RATES

FY 2011

1. Services provided by the District 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>

District employs winter averaging for wastewater usage? Yes No X

Total water and sewer charges per 10,000 gallons usage (including surcharges) \$102.61

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>155</u>	<u>144</u>	x 1.0	<u>144</u>
1"	<u>13</u>	<u>13</u>	x 2.5	<u>33</u>
1 1/2"			x 5.0	<u> </u>
2"			x 8.0	<u> </u>
4"			x 25.0	<u> </u>
Total water	<u>168</u>	<u>157</u>		<u>177</u>
Total wastewater	<u>162</u>	<u>162</u>	x 1.0	<u>162</u>

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

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

Gallons pumped into system:	19,083,361	Water Accountability Ratio:
Gallons billed to customers:	14,955,000	<u>78.4%</u>

4. Standby Fees:

Does the District have Debt Service standby fees? Yes No

If yes, Date of the most recent Commission Order: _____

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

If yes, Date of the most recent Commission Order: _____

5. Location of District:

County in which District is located: Jasper County

Is the District located entirely within one county? Yes No

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

City in which District is located: N/A

Is the District located within a city's extra territorial jurisdiction (ETJ)?

Entirely Partly Not at all

ETJs in which District is located: City of Jasper

Are Board members appointed by an office outside the District?

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, 2011

Due During Fiscal Years Ending	Annual Requirements for All Series Bonds			
	Principal Due	Interest Due	Deferred Interest	Total Annual Requirements
2012	260,000	231,990		491,990
2013	280,000	227,933		507,933
2014	290,000	223,082		513,082
2015	330,000	208,116		538,116
2016	340,000	191,630		531,630
2017	350,000	175,067	47,812	572,879
2018	370,000	158,282	47,812	576,094
2019	335,000	141,912	47,812	524,724
2020	355,000	125,557	47,812	528,369
2021	365,000	108,390	47,812	521,202
2022	100,000	96,642	47,812	244,454
2023	110,000	90,377	47,812	248,189
2024	160,000	83,528	-	243,528
2025	125,000	73,952	-	198,952
2026	145,000	65,892	-	210,892
2027	150,000	56,772	-	206,772
2028	100,000	49,214	-	149,214
2029	65,000	44,713	-	109,713
2030	60,000	40,989	-	100,989
2031	70,000	37,551	-	107,551
2032	70,000	33,539	-	103,539
2033	70,000	29,528	-	99,528
2034	80,000	25,483	-	105,483
2035	80,000	20,859	-	100,859
2036	85,000	16,234	-	101,234
2037	95,000	11,322	-	106,322
2038	100,000	5,831	-	105,831
2039	-	-	-	0
2040	-	-	-	0
2041	-	-	-	0
2042	-	-	-	0
2043	-	-	-	0
2044	-	-	-	0
2045	734,000	-	1,429,100	2,163,100
	<u>\$ 5,674,000</u>	<u>\$ 2,574,383</u>	<u>\$ 1,763,784</u>	<u>\$ 10,012,167</u>

Angelina & Neches River Authority
 TSI-5. Long Term Debt Service Requirements
 Series 2001 North Angelina County - Contract Revenue Bonds
 For the Year Ended August 31, 2011
 \$ 3,100,000

Due During Fiscal Years Ending	Principal Due February 1	Interest Due April 1 and October 1	Total Annual Requirements
2012	165,000	93,409	258,409
2013	180,000	85,730	265,730
2014	190,000	77,385	267,385
2015	210,000	68,263	278,263
2016	220,000	58,339	278,339
2017	230,000	48,359	278,359
2018	240,000	38,455	278,455
2019	250,000	28,103	278,103
2020	260,000	17,200	277,200
2021	270,000	5,805	275,805
	<u>\$ 2,215,000</u>	<u>\$ 521,048</u>	<u>\$ 2,736,048</u>

Angelina & Neches River Authority
 TSI-5. Long Term Debt Service Requirements
 Series 2006 North Angelina County - Contract Revenue Bonds
 For the Year Ended August 31, 2011
 \$ 600,000

Due During Fiscal Years Ending	Principal Due April 1	Interest Due April 1 and October 1	Total Annual Requirements
2012	20,000	36,305	56,305
2013	20,000	34,935	54,935
2014	20,000	33,565	53,565
2015	25,000	32,024	57,024
2016	25,000	30,311	55,311
2017	25,000	28,599	53,599
2018	30,000	26,715	56,715
2019	30,000	24,660	54,660
2020	35,000	22,433	57,433
2021	35,000	20,036	55,036
2022	40,000	17,468	57,468
2023	40,000	14,728	54,728
2024	45,000	11,816	56,816
2025	45,000	8,734	53,734
2026	50,000	5,480	55,480
2027	55,000	1,884	56,884
	<u>\$ 540,000</u>	<u>\$ 349,693</u>	<u>\$ 889,693</u>

Angelina & Neches River Authority
 TSI-5. Long Term Debt Service Requirements
 Series 1998 Neches Compost Facility - Contract Revenue Bonds
 For the Year Ended August 31, 2011
 \$ 620,000

Due During Fiscal Years Ending	Principal Due 1-Feb	Interest Due Feb 1 and 1-Aug	Total Annual Requirements
2012	35,000	12,744	47,744
2013	40,000	11,103	51,103
2014	40,000	9,333	49,333
2015	45,000	7,430	52,430
2016	45,000	5,394	50,394
2017	45,000	3,335	48,335
2018	50,000	1,150	51,150
	<u>\$ 300,000</u>	<u>\$ 50,487</u>	<u>\$ 350,487</u>

Angelina & Neches River Authority
 TSI-5. Long Term Debt Service Requirements
 Series 2003-A Neches Compost Facility - Contract Revenue Bonds
 For the Year Ended August 31, 2011
 \$ 477,700

Due During Fiscal Years Ending	Principal Due April 1	Interest Due April 1 and October 1	Total Annual Requirements
2012	20,000	18,375	38,375
2013	20,000	17,325	37,325
2014	20,000	16,275	36,275
2015	25,000	15,225	40,225
2016	25,000	13,913	38,913
2017	25,000	12,600	37,600
2018	25,000	11,288	36,288
2019	30,000	9,975	39,975
2020	30,000	8,400	38,400
2021	30,000	6,825	36,825
2022	30,000	5,250	35,250
2023	35,000	3,675	38,675
2024	35,000	1,838	36,838
	<u>\$ 350,000</u>	<u>\$ 140,963</u>	<u>\$ 490,963</u>

Angelina & Neches River Authority
 TSI-5. Long Term Debt Service Requirements
 Series 2008 Holmwood Utilities Project - Contract Revenue Bonds
 For the Year Ended August 31, 2011
 \$ 550,000

Due During Fiscal Years Ending	Principal Due April 1	Interest Due April 1 and October 1	Total Annual Requirements
2012	20,000	29,700	49,700
2013	20,000	28,500	48,500
2014	20,000	27,300	47,300
2015	25,000	25,950	50,950
2016	25,000	24,450	49,450
2017	25,000	22,950	47,950
2018	25,000	21,450	46,450
2019	25,000	19,950	44,950
2020	30,000	18,300	48,300
2021	30,000	16,500	46,500
2022	30,000	14,700	44,700
2023	35,000	12,750	47,750
2024	35,000	10,650	45,650
2025	35,000	8,550	43,550
2026	40,000	6,300	46,300
2027	40,000	3,900	43,900
2028	45,000	1,350	46,350
	<u>\$ 505,000</u>	<u>\$ 293,250</u>	<u>\$ 798,250</u>

Angelina & Neches River Authority
 TSI-5. Long Term Debt Service Requirements
 Lake Columbia - Contract Revenue Bonds
 For the Year Ended August 31, 2011
 \$ 800,000

Due During Fiscal Years Ending	Principal Due 1-Aug	Interest Due 1-Aug	Deferred Interest 1-Aug	Total Annual Requirements
2012	-	32,200		32,200
2013	-	39,100		39,100
2014	-	46,000		46,000
2015	-	46,000		46,000
2016	-	46,000		46,000
2017	-	46,000	38,114	84,114
2018	-	46,000	38,114	84,114
2019	-	46,000	38,114	84,114
2020	-	46,000	38,114	84,114
2021	-	46,000	38,114	84,114
2022	-	46,000	38,114	84,114
2023	-	46,000	38,114	84,114
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>\$ 948,189</u>	<u>\$ 266,798</u>	<u>\$ 2,014,987</u>

Angelina & Neches River Authority
 TSI-5. Long Term Debt Service Requirements
 Lake Columbia - Contract Revenue Bonds
 For the Year Ended August 31, 2011
 \$ 450,000

Due During Fiscal Years Ending	Principal Due 1-Aug	Interest Due 1-Aug	Deferred Interest 1-Aug	Total Annual Requirements
2012	-	9,257		9,257
2013	-	11,240		11,240
2014	-	13,224		13,224
2015	-	13,224		13,224
2016	-	13,224		13,224
2017	-	13,224	9,698	13,224
2018	-	13,224	9,698	13,224
2019	-	13,224	9,698	13,224
2020	-	13,224	9,698	13,224
2021	-	13,224	9,698	13,224
2022	-	13,224	9,698	13,224
2023	-	13,224	9,698	13,224
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>\$ 270,753</u>	<u>\$ 67,886</u>	<u>\$ 500,753</u>

Angelina & Neches River Authority
 TSI-5. Long Term Debt Service Requirements
 Lake Columbia - Contract Revenue Bonds
 \$ 734,000

Due During Fiscal Years Ending	Principal Due 1-Aug	Interest Due 1-Feb	Interest Due 1-Aug	Total Annual Requirements
2012	-	-		-
2013	-	-		-
2014	-	-		-
2015	-	-		-
2016	-	-		-
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	714,550	714,550	1,448,550
	<u>\$ 734,000</u>	<u>\$ 714,550</u>	<u>\$ 714,550</u>	<u>\$ 1,448,550</u>

* Interest and prin are both deferred until 2045

**Cash/Investments
on Deposit
I & S Fund Requirements (TWDB Bonds)
8/31/11**

	<u>8/31/11 Balance</u>
North Angelina County	<u>\$ 140,578.00</u>
Checking Account # 36533	
Neches Compost Facility	
Checking Account - Reserve # 71841	32,803.00
CD - Reserve	25,471.00
CD - Reserve	<u>25,579.00</u>
	83,853.00
Totals	<u>\$ 224,431.00</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/Neches Compost Facility

FISCAL YEAR ENDING: August 31, 2011

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		\$ -
REQUIRED PRESENT BALANCE (at FY end)	\$ 24,740.00	\$ -
ACTUAL PRESENT BALANCE (at FY end)	\$ 32,803.00	\$ -
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 _____
Preparer's signature Date

cc: Jansen and Gregorczyk
 Certified Public Accountant

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, 2011

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	_____	\$ _____ -
REQUIRED PRESENT BALANCE (at FY end)	\$ 132,935.00	\$ _____ -
ACTUAL PRESENT BALANCE (at FY end)	\$ 140,578.00	\$ _____ -
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 _____
Preparer's signature Date

cc: Jansen and Gregorczyk
 Certified Public Accountant

Board of Directors

Jody Anderson, President

361 Red Loving Road
Lufkin, Texas 75901
Term Ends: 9-5-2013

David King, Vice President

183 Fernwood Drive
Nacogdoches, Texas 75964
Term Ends: 9-5-2013

Louis Bronaugh, Secretary Treasurer

710 Jefferson
Lufkin, Texas 75901
Term Ends: 9-5-2011

Jim Hughes Jr., Secretary Pro Tem

837 South Wheeler Street
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

Al Chavira, Director

517 Gillespie Avenue
Jacksonville, Texas 75766
Term Ends: 9-5-2013

Patricia E. Dickey, Director

112 South 5th Street
Crockett, Texas 75835
Term Ends: 9-5-2011

Julie Dowell, Director

107 Lakeshore Drive
Bullard, Texas 75757
Term Ends: 9-5-2011

Keith Drewery, Director

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

Executive Staff

Kelley Holcomb

General Manager

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Fax (936) 632-2564

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Jon Cheatham

Planning & Operations Division Manager

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Brian Sims

Environmental Division Manager

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Accounting Manager

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E-mail Address: tbelschner@anra.org

Teresa Trotter Scroggins

Office Manager

Telephone: (936) 633-7549

Fax (936) 632-2564

E-mail Address: ttrotter@anra.org

Angelina & Neches River Authority
Schedule of Insurance in Force

Name of Company	Policy Number	Policy Period	Details of Coverage	Limits of Liability	Annual Premium
Texas Water Conservation Association	0042	7/1/11-7/1/12	Auto Liability	1,000,000	\$ 4,080
Texas Water Conservation Association	0042	7/1/11-7/1/12	General Liability	1,000,000	2,735
Texas Water Conservation Association	0042	7/1/11-7/1/12	Errors & Omissions	1,000,000	2,115
Texas Water Conservation Association	0042	7/1/11-7/1/12	Property Liability	5,887,350	14,654
Texas Water Conservation Association	0042	7/1/11-7/1/12	Auto Physical Damage	Scheduled	5,918
					<u>\$ 29,502</u>

ANGELINA AND NECHES RIVER AUTHORITY
COMMUNICATION WITH THE BOARD
AUGUST 31, 2011

December 7, 2011

To the Board of Directors
Angelina & Neches River Authority

We have audited the financial statements of the governmental unit of Angelina & Neches River Authority ("ANRA") for the year ended August 31, 2011, and have issued our report thereon dated December 7, 2011. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information related to the planned scope and timing of our audit in our engagement letter to you dated May 5, 2011. Professional standards also require that we communicate to you the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles. Our audit of the financial statements does not relieve you or management of your responsibilities. Our responsibility is to plan and perform the audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement.

As part of our audit, we considered the internal controls of the organization. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control. We are responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures specifically to identify such matters.

Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us. Additionally, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the financial statements.

Internal Control

In planning and performing our audit of the financial statements of the ANRA in accordance with auditing standards generally accepted in the United States of America, we considered the organizations' internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the ANRA's internal control. Accordingly, we do not express an opinion on the effectiveness of the ANRA's internal control.

Accounting Policies

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 the year. 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

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. ANRA did not have any items in this area. Certain financial statement disclosures are particularly sensitive because of their significance to financial statement users. The most sensitive disclosure(s) affecting the financial statements were the recording and reclassifications of deferred interest on bonds.

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 trivial, and communicate them to the appropriate level of management. The attached schedule summarizes corrected misstatements of the financial statements.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as 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 7, 2011.

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.

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.

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
December 7, 2011