



ANGELINA & NECHES RIVER AUTHORITY

February 28, 2013

Please accept, with our compliments, the 2012 Fiscal Year Annual Financial Report of the Angelina & Neches River Authority (ANRA). This report was audited by the firm of Jansen and Gregorczyk and approved by the Angelina & Neches River Authority Board of Directors on February 5, 2013.

If you have any questions regarding this report or any other issue, please contact either myself or General Manager Kelley Holcomb. The contact information is listed below for your convenience.

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Respectfully,

Dyan Stanford
Office Manager

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

***For the Years Ended
August 31, 2012 and 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 years ending August 31, 2012 and 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 audit.

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, based on our audit of the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority as of August 31, 2012 and 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 7 and 19 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.

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
January 21, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS
AUGUST 31, 2012 and 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 years ended August 31, 2012 and 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 \$2,116,425 compared to total non-operating expenses of \$303,987 and operating revenues of \$2,416,922 and non-operating revenues of \$1,107, resulting in a combined decrease in net assets of \$2,383 for the year ended August 31, 2012.
- The Authority's total cash and investments decreased \$75,575 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, 2012 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 decreased by \$2,383 in the year ended August 31, 2012. Table 1 and Table 2 below reflect the net assets and changes in net assets of the Authority.

Table 1

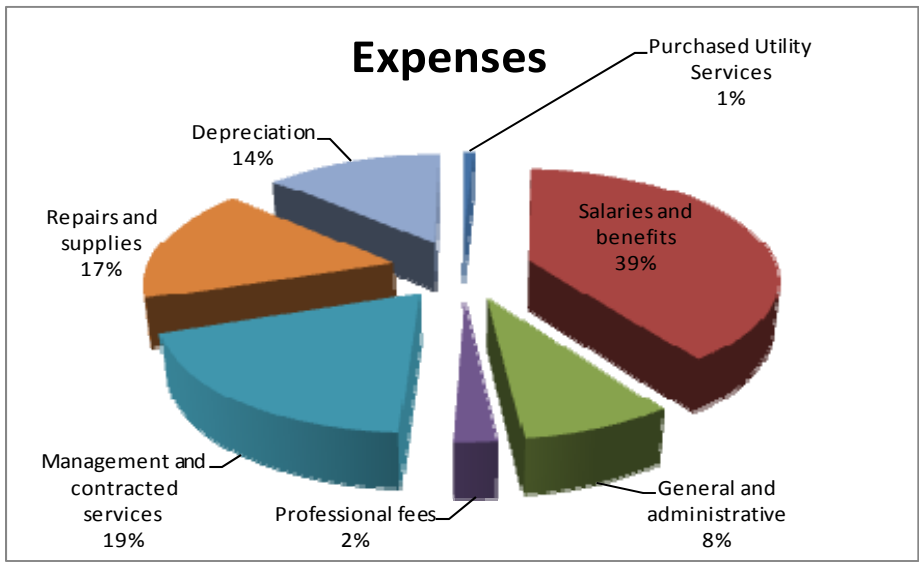
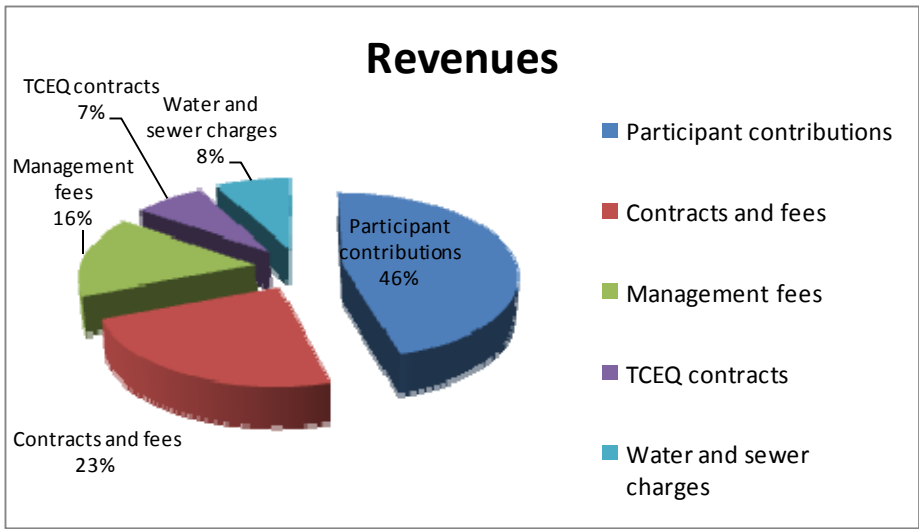
CONDENSED STATEMENT OF NET ASSETS

	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 971,763	\$ 1,054,366
Capital assets, net	<u>9,207,578</u>	<u>9,135,390</u>
Total Assets	<u>10,179,341</u>	<u>10,189,756</u>
Long-term liabilities	6,247,335	6,170,677
Other liabilities	<u>433,542</u>	<u>545,532</u>
Total Liabilities	<u>6,680,877</u>	<u>6,716,209</u>
Net assets:		
Invested in capital assets, net of related debt	3,122,106	3,029,399
Restricted	454,159	275,673
Unrestricted	<u>(105,099)</u>	<u>168,477</u>
Total Net Assets	<u>\$ 3,471,166</u>	<u>\$ 3,473,549</u>

Table 2

CONDENSED STATEMENT OF ACTIVITIES

	<u>2012</u>	<u>2011</u>
Revenues:		
Charges for services	\$ 2,416,922	\$ 2,815,563
General revenues:		
Investment income	<u>1,107</u>	<u>3,019</u>
Total Revenues	<u>2,418,029</u>	<u>2,818,582</u>
Expenses:		
General services	1,095,837	1,151,922
Holmwood Utility	197,430	191,813
Lake Columbia	106,667	111,976
North Angelina County	446,483	466,150
Neches Composting	<u>573,995</u>	<u>555,317</u>
Total Expenses	<u>2,420,412</u>	<u>2,477,178</u>
Change in Net Assets	(2,383)	341,404
Beginning net assets:	<u>3,473,549</u>	<u>3,132,145</u>
Ending Net Assets	<u>\$ 3,471,166</u>	<u>\$ 3,473,549</u>



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

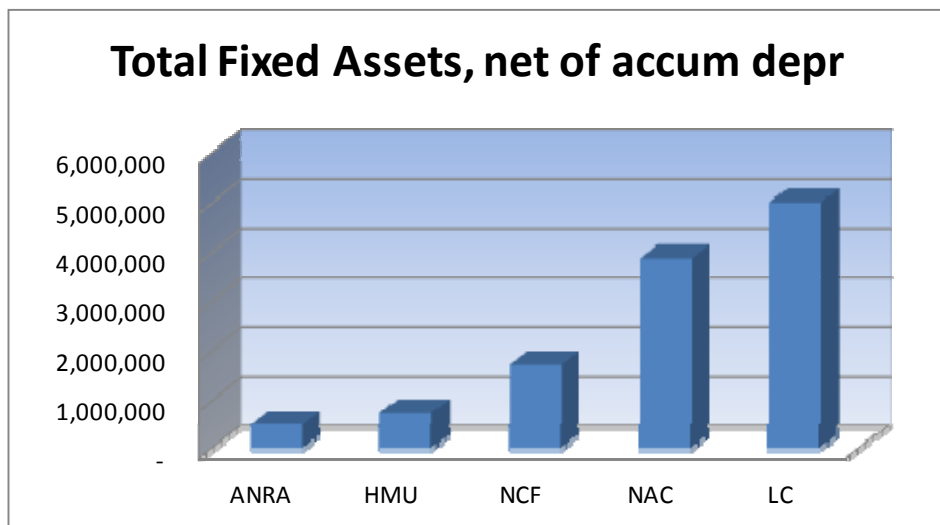
Budgetary Highlights

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, 2012, the Authority had \$11,929,720 excluding depreciation, invested in capital assets. Of this amount, \$5,709,601 represented water treatment facilities, \$1,139,243 in machinery and equipment and \$41,539 in land and \$5,039,338 in construction work in progress for Lake Columbia, Holmwood Utilities and North Angelina County Regional Wastewater Facility. There were \$357,789 in additions to capital assets during the year and retirements of \$285,602 including accumulated depreciation.



A portion of the Authority's net assets, 89.9%, 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, 2012, net of the current portion, totaled \$6,541,539 for notes payable and revenue bonds. The current portion of the long-term debt was \$288,492. Long-term debt activity for the year consisted of principal and interest payments on this note. Long term debt had a net increase of \$66,811 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, 2012 and 2011**

<u>Assets</u>	<u>2012</u>	<u>2011</u>
Current Assets		
Cash and cash equivalents	\$ 280,957	\$ 535,018
Restricted cash	454,159	275,673
Receivables, Net	236,647	243,675
Total Current Assets	<u>971,763</u>	<u>1,054,366</u>
Noncurrent Assets		
Capital assets:		
Non-depreciable	5,080,879	4,861,666
Depreciable	4,126,699	4,273,724
Total Noncurrent Assets	<u>9,207,578</u>	<u>9,135,390</u>
Total Assets	<u>\$ 10,179,341</u>	<u>\$ 10,189,756</u>
<u>Liabilities</u>		
Current Liabilities		
Accounts Payable	\$ 118,523	\$ 140,896
Accrued Interest Payable	26,527	75,881
Due less than one year	317,040	328,755
Total Current Liabilities	<u>462,090</u>	<u>545,532</u>
Noncurrent liabilities		
Deferred Interest	427,519	368,734
Compensated absences	22,836	24,707
Notes payable	292,980	363,236
Revenue bonds payable	5,504,000	5,414,000
Total Noncurrent Liabilities	<u>6,247,335</u>	<u>6,170,677</u>
Total Liabilities	<u>\$ 6,709,425</u>	<u>\$ 6,716,209</u>
<u>Net Assets</u>		
Invested in capital assets, net of related debt	\$ 3,093,558	\$ 3,029,399
Restricted	454,159	275,673
Unrestricted	(76,551)	168,477
TOTAL NET ASSETS	<u>\$ 3,471,166</u>	<u>\$ 3,473,549</u>

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, 2012 and 2011

<u>REVENUES</u>	<u>2012</u>	<u>2011</u>
Participant contributions	\$ 1,104,795	\$ 1,340,277
Contracts and fees	564,938	606,535
Management fees	376,993	470,973
TCEQ contracts	180,338	203,212
Water and sewer charges	189,858	194,564
Total Revenues	<u>2,416,922</u>	<u>2,815,561</u>
<u>EXPENDITURES</u>		
Purchased Utility Services	16,274	14,992
Salaries and benefits	835,347	820,962
General and administrative	171,155	204,588
Professional fees	48,357	47,461
Management and contracted services	408,244	426,971
Repairs and supplies	351,446	343,596
Depreciation	285,602	274,468
Total Operating Expenses	<u>\$ 2,116,425</u>	<u>2,133,038</u>
Net Operating Income	<u>\$ 300,497</u>	<u>\$ 682,523</u>
<u>Non Operating Revenues (Expenses)</u>		
Investment Income	\$ 1,107	3,019
Interest Expense	(303,987)	(344,138)
Miscellaneous Income	-	-
Net NonOperating Income (Expense)	<u>\$ (302,880)</u>	<u>\$ (341,119)</u>
Change in Net Assets	\$ (2,383)	\$ 341,404
Total Net Assets, Beginning	3,473,549	3,132,145
Total Net Assets, Ending	<u>\$ 3,471,166</u>	<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, 2012 and 2011

	2012 <u>TOTAL</u>	2011 <u>Total</u>
Cash Flows from Operating Activities		
Receipts from customers	\$ 2,348,256	\$ 2,796,383
Other Income	-	-
Payments to suppliers	(1,063,788)	(996,973)
Payments to employees	<u>(836,578)</u>	<u>(824,783)</u>
Net cash provided/(used) operating activities	447,890	974,627
Cash flows from Capital and Related Financing Activities		
Purchase of capital assets	(357,788)	(206,513)
Debt proceeds	3,421,477	-
Accounts payable effecting capital assets	41,773	
Interfund payables effecting capital assets	74,632	
Proceeds for long term assets	-	1,697
Principal on long term debt	(3,413,417)	(564,154)
Interest on long term debt	<u>(290,815)</u>	<u>(276,699)</u>
Net cash provided/(used) by Capital and Related Fin. A	(524,138)	(1,045,669)
Cash flows from Investing Activities		
Interest from investments	672	3,020
Proceeds from sale of assets	-	-
Other Income	-	-
Net cash Provided by Investing Activities	<u>672</u>	<u>3,020</u>
Net increase (decrease) in Cash and Cash Equivalents	(75,576)	(68,022)
Beginning Cash and Cash Equivalents	<u>810,691</u>	<u>878,713</u>
Ending Cash and Cash Equivalents	<u>\$ 735,115</u>	<u>\$ 810,691</u>
Reconciliations of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 297,175	680,840
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation	285,602	274,827
Changes in Assets and Liabilities:		
(Increase) decrease in:		
Accounts receivable	7,030	(2,860)
Due from other funds	(76,132)	3,098
Increase (decrease) in:		
Accounts payable	(65,612)	44,043
Accrued liabilities	(1,673)	(22,276)
Due to other funds	1,500	(2,236)
Net cash Provided by Operating Activities	<u>\$ 447,890</u>	<u>\$ 974,627</u>

ANGELINA & NECHES RIVER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
August 31, 2012

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, 2012.

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, 2012, all of the Authority's \$735,115 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, 2012, was as follows:

	Balance 8/31/2011	Additions	Retirements	Balance 8/31/2012
Capital assets not being depreciated:				
Land	\$ 41,539	\$ -	\$ -	\$ 41,539
Construction Work in Progress	4,820,125	219,213	-	5,039,338
Total capital assets not being depreciated	4,861,664	219,213	-	5,080,877
Other capital assets:				
Treatment Facilities	\$ 5,681,986	\$ 27,615		\$ 5,709,601
Machinery and equipment	1,028,282	110,961	-	1,139,243
Total other capital assets	6,710,268	138,576	-	6,848,844
Less accumulated depreciation	(2,436,542)	-	(285,602)	(2,722,144)
TOTALS	\$ 9,135,390	\$ 357,789	\$ (285,602)	\$ 9,207,576

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 \$22.836.

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, 2012.

Fund	Balance 8/31/11	Additions	Retirements	Balance 8/31/12	Due w/in 1 year	L/T Liab Balance
Notes Payable						
ANRA	\$ 82,079	\$ 41,477	\$ (34,191)	\$ 89,365	\$ 22,646	\$ 66,719
Neches Compost	349,910	-	(64,257)	285,655	30,846	254,809
	<u>431,989</u>	<u>41,477</u>	<u>(98,448)</u>	<u>375,020</u>	<u>53,492</u>	<u>321,528</u>
Revenue Bonds						
ANRA						
Holmwood	505,000	510,000	(505,000)	510,000	25,000	485,000
Lake Columbia	230,000	-	-	230,000	-	230,000
Deferred Int	52,319	-	-	65,900	-	65,900
Lake Columbia	734,000	-	-	734,000	-	734,000
Deferred Int	70,258	-	-	101,659	-	101,659
Lake Columbia	800,000	-	-	800,000	-	800,000
Deferred Int	246,160	-	-	259,960	-	259,960
No Angelina Co	2,755,000	2,870,000	(2,755,000)	2,870,000	150,000	2,720,000
Neches Compost	650,000	-	(55,000)	595,000	60,000	535,000
	<u>6,042,737</u>	<u>3,380,000</u>	<u>(3,315,000)</u>	<u>6,166,519</u>	<u>235,000</u>	<u>5,931,519</u>
Totals	<u>\$ 6,474,726</u>	<u>\$ 3,421,477</u>	<u>\$ (3,413,448)</u>	<u>\$ 6,541,539</u>	<u>\$ 288,492</u>	<u>\$ 6,253,047</u>

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

Description	Interest Rates	Balance at 8/31/2012
Refunding bonds series 2012 (Holmwood Utilities)	3.4730%	\$ 510,000
Revenue bonds series 2005 (Lake Columbia)	5.68%-5.83%	295,900
Revenue bonds series 2005 (Lake Columbia)	5.68%-5.83%	1,059,960
Revenue bonds series 2005 (Lake Columbia)TWDB	5.40%	835,659
Refunding bonds series 2012(North Angelina County)	3.3694%	2,870,000
Revenue bonds series 1998 (Neches Compost)	3.35%-4.6%	595,000
		<u>\$ 6,166,519</u>

Future payments are as follows:

Year Ending August 31	Bonds Payable			
	Principal	Interest	Deferred	Total
2013	235,000	171,965	-	406,965
2014	240,000	193,324	-	433,324
2015	260,000	184,281	-	444,281
2016	265,000	174,498	-	439,498
2017	270,000	202,639	47,812	520,451
2018-2022	1,315,000	869,439	239,060	2,423,499
2023-2027	1,590,000	461,114	47,812	2,098,926
2028-2032	320,000	204,656	-	524,656
2033-2037	410,000	103,426	-	513,426
2038-2042	100,000	5,831	-	105,831
2043-2046	734,000	711,613	731,945	2,177,558
	<u>\$ 5,739,000</u>	<u>\$ 3,282,785</u>	<u>\$ 1,066,629</u>	<u>\$ 10,088,414</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>50,100,000</u>
Total private activity bonds		<u><u>\$ 53,850,000</u></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 \$18,066 to the Plan for the year ended August 31, 2012. 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 \$6,328. 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 23.33% of sewer fees to Idlewood WC & ID, 22.43% to Department of Aging & Disability Services, 16.24% to City of Palestine and 14.51% to City of Athens.

NOTE 12 – SUBSEQUENT EVENTS

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.

The District has evaluated subsequent events as of January 21, 2013, the date the financial statements were available to be issued.

Angelina & Neches River Authority
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget vs Actual
August 31, 2012

	Budget		Variance
	Amount	Actual	Positive / (Negative)
<u>REVENUES</u>			
Investment Income	\$ 1,000	\$ 1,107	\$ 107
Grant Income	-	-	-
Miscellaneous Income	19,050	-	(19,050)
Participant contributions	247,901	1,104,795	856,894
TWDB State Participation EIS	-	-	-
Contracts and fees	358,587	564,938	206,351
Management fees	129,092	376,993	247,901
TCEQ contracts	174,582	180,338	5,756
Water and sewer charges	402,500	189,858	(212,642)
Total Revenues	<u>1,332,712</u>	<u>2,418,028</u>	<u>1,085,317</u>
<u>EXPENDITURES</u>			
Purchased Utility Services	\$ 66,000	\$ 16,274	\$ (49,726)
Salaries and benefits	810,041	835,347	25,306
General and administrative	370,564	171,155	(199,409)
Professional fees	157,620	48,357	(109,263)
Management and contracted services	519,815	408,244	(111,571)
Repairs and supplies	130,034	351,445	221,411
Debt Service:	-	-	-
Principal	304,507	358,448	53,941
Interest Expense	278,067	303,987	25,920
Total Expenditures	<u>2,636,648</u>	<u>2,493,257</u>	<u>(143,391)</u>
Revenues Over(Under) Expenditures	\$ (1,303,936)	\$ (75,229)	\$ 1,228,708
<u>Other Uses of Funds</u>			
Capital Outlay	-	357,788	357,788
Change in Fund Balance	(1,303,936)	(433,017)	870,920
Beginning Fund Balance	<u>3,473,549</u>	<u>3,473,549</u>	-
Ending Fund Balance	<u>\$ 2,169,613</u>	<u>\$ 3,040,532</u>	<u>\$ 870,920</u>
<u>Budget Basis</u>			
Depreciation		(285,602)	
Capital Outlay		357,788	
Principal Payments		<u>358,448</u>	
Changes in Net Assets - GAAP Basis		430,634	
Net Assets - GAAP Basis		<u>\$ 3,471,166</u>	

SUPPLEMENTAL SCHEDULES

ANGELINA & NECHES RIVER AUTHORITY
Statement of Net Assets (by fund)
August 31, 2012 and 2011

	ANRA Operations	Holmwood Utilities	Lake Columbia	Neches Compost Facility	North Angelina County RWF	Adjustment	Totals 2012	Totals 2011
Assets								
Current Assets								
Cash and cash equivalents	\$ 46,869	\$ 45,795	\$ 1,173	\$ 165,146	\$ 21,974	\$ -	\$ 280,957	\$ 535,018
Restricted cash	-	19,526	-	86,696	347,937	-	454,159	275,673
Receivables, Net	101,991	19,961	-	68,208	46,487	-	236,647	243,675
Receivables, Interfunds	113,000	-	-	-	-	(113,000)	-	-
Total Current Assets	<u>261,860</u>	<u>85,282</u>	<u>1,173</u>	<u>320,050</u>	<u>416,398</u>	<u>(113,000)</u>	<u>971,763</u>	<u>1,054,366</u>
Noncurrent Assets								
Capital assets:								
Non-depreciable	-	1,483	5,016,944	44,952	17,500	-	5,080,879	4,861,666
Depreciable	187,247	479,070	-	741,983	2,718,399	-	4,126,699	4,273,724
Total Noncurrent Assets	<u>187,247</u>	<u>480,553</u>	<u>5,016,944</u>	<u>786,935</u>	<u>2,735,899</u>	<u>-</u>	<u>9,207,578</u>	<u>9,135,390</u>
Total Assets	<u>\$ 449,107</u>	<u>\$ 565,835</u>	<u>\$ 5,018,117</u>	<u>\$ 1,106,985</u>	<u>\$ 3,152,297</u>	<u>\$ (113,000)</u>	<u>\$ 10,179,341</u>	<u>10,189,756</u>
Liabilities								
Current Liabilities								
Accounts Payable	\$ 25,786	\$ 12,206	\$ 53,984	\$ 2,196	\$ 24,351	\$ -	\$ 118,523	\$ 140,896
Interfund Payables	-	7,747	83,755	10,391	11,107	(113,000)	-	-
Accrued Interest Payable	-	2,312	3,532	-	20,683	-	26,527	75,881
Line of Credit	28,548	-	-	-	-	-	28,548	-
Due less than one year	22,646	25,000	-	90,846	150,000	-	288,492	328,755
Total Current Liabilities	<u>76,980</u>	<u>47,265</u>	<u>141,271</u>	<u>103,433</u>	<u>206,141</u>	<u>(113,000)</u>	<u>462,090</u>	<u>545,532</u>
Noncurrent liabilities								
Deferred Revenue	-	-	-	-	-	-	-	-
Deferred Interest	-	-	427,519	-	-	-	427,519	368,734
Compensated absences	18,828	-	-	4,008	-	-	22,836	24,707
Notes payable	38,171	-	-	254,809	-	-	292,980	363,236
Revenue bonds payable	-	485,000	1,764,000	535,000	2,720,000	-	5,504,000	5,414,000
Total Noncurrent Liabilities	<u>56,999</u>	<u>485,000</u>	<u>2,191,519</u>	<u>793,817</u>	<u>2,720,000</u>	<u>-</u>	<u>6,247,335</u>	<u>6,170,677</u>
Total Liabilities	<u>\$ 133,979</u>	<u>\$ 532,265</u>	<u>\$ 2,332,790</u>	<u>\$ 897,250</u>	<u>\$ 2,926,141</u>	<u>\$ (113,000)</u>	<u>\$ 6,709,425</u>	<u>\$ 6,716,209</u>
Net Assets								
Invested in capital assets net of related debt	126,430	(29,447)	3,252,944	(93,720)	(134,101)	-	3,093,558	3,029,399
Restricted	-	19,526	-	86,696	347,937	-	454,159	275,673
Unrestricted	189,949	63,017	(567,616)	216,758	12,319	-	(76,551)	168,477
TOTAL NET ASSETS	<u>\$ 316,379</u>	<u>\$ 33,570</u>	<u>\$ 2,685,328</u>	<u>\$ 209,734</u>	<u>\$ 226,155</u>	<u>\$ -</u>	<u>\$ 3,471,166</u>	<u>\$ 3,473,549</u>

ANGELINA & NECHES RIVER AUTHORITY
Statement of Revenues, Expenditures and Changes in Fund Balance
August 31, 2012 and 2011

<u>REVENUES</u>	<u>ANRA Operations</u>	<u>Holmwood Utilities</u>	<u>Lake Columbia</u>	<u>Neches Compost Facility</u>	<u>North Angelina County RWF</u>	<u>TOTALS 2012</u>	<u>TOTALS 2011</u>
Participant contributions	\$ -	\$ -	\$ 41,457	\$ 513,292	\$ 550,046	\$ 1,104,795	\$ 1,340,277
Contracts and fees	454,179	1,634		108,475	650	564,938	606,535
Management fees	376,993			-		376,993	470,973
TCEQ contracts	180,338			-		180,338	203,212
Water and sewer charges	-	189,858		-		189,858	194,564
Total Revenues	<u>1,011,510</u>	<u>191,492</u>	<u>41,457</u>	<u>621,767</u>	<u>550,696</u>	<u>2,416,922</u>	<u>2,815,561</u>
 <u>EXPENDITURES</u>							
Purchased Utility Services	-	16,274	-	-	-	16,274	14,992
Salaries and benefits	694,960	-	-	140,387	-	835,347	820,962
General and administrative	118,020	11,577	6,425	24,689	10,443	171,155	204,588
Professional fees	45,942	-		217	2,198	48,357	47,461
Management and contracted services	99,250	79,319		105,687	123,988	408,244	426,971
Repairs and supplies	97,262	34,740		160,915	58,529	351,446	343,596
Depreciation	35,863	29,686		90,763	129,290	285,602	274,468
Total Operating Expenses	<u>1,091,297</u>	<u>171,596</u>	<u>6,425</u>	<u>522,658</u>	<u>324,448</u>	<u>2,116,426</u>	<u>2,133,038</u>
Net Operating Income	<u>\$ (79,787)</u>	<u>\$ 19,896</u>	<u>\$ 35,032</u>	<u>\$ 99,109</u>	<u>\$ 226,248</u>	<u>\$ 300,497</u>	<u>\$ 682,523</u>
 <u>Non Operating Revenues (Expenses)</u>							
Investment Income	410	41	1	432	222	1,107	3,019
Interest Expense	(4,540)	(25,834)	(100,242)	(51,336)	(122,035)	(303,987)	(344,138)
Miscellaneous Income	-	-	-	-	-	-	-
Net NonOperating Income (Expense)	<u>\$ (4,130)</u>	<u>\$ (25,793)</u>	<u>\$ (100,241)</u>	<u>\$ (50,904)</u>	<u>\$ (121,813)</u>	<u>\$ (302,880)</u>	<u>\$ (341,119)</u>
Change in Net Assets	<u>\$ (83,917)</u>	<u>\$ (5,897)</u>	<u>\$ (65,209)</u>	<u>\$ 48,205</u>	<u>\$ 104,435</u>	<u>\$ (2,383)</u>	<u>\$ 341,404</u>
Total Net Assets, Beginning	400,296	39,467	2,750,537	161,529	121,720	3,473,549	3,132,145
Total Net Assets, Ending	<u>\$ 316,379</u>	<u>\$ 33,570</u>	<u>\$ 2,685,328</u>	<u>\$ 209,734</u>	<u>\$ 226,155</u>	<u>\$ 3,471,166</u>	<u>\$ 3,473,549</u>

ANGELINA & NECHES RIVER AUTHORITY
Statement of Cash Flows
August 31, 2012 and 2011

	ANRA Operations	Holmwood Utilities	Lake Columbia	Neches Compost Facility	North Angelina County RWF	2012 TOTAL	2011 Total
Cash Flows from Operating Activities							
Receipts from customers	\$ 958,965	\$ 192,158	\$ 41,772	\$ 607,783	\$ 547,578	\$ 2,348,256	\$ 2,796,383
Payments to suppliers	(433,114)	(142,189)	(6,425)	(305,504)	(176,556)	(1,063,788)	(996,973)
Payments to employees	(697,019)	-	-	(139,559)	-	(836,578)	(824,783)
Net cash provided/(used) operating activities	(171,168)	49,969	35,347	162,720	371,022	447,890	974,627
Cash flows from Capital and Related Financing Activities							
Purchase of capital assets	0	(27,615)	(219,213)	(1,794)	(109,166)	(357,788)	(206,513)
Debt proceeds	41,477	510,000	-	-	2,870,000	3,421,477	-
Accounts payable effecting capital assets			41,773			41,773	
Interfund payables effecting capital assets			74,632			74,632	
Proceeds for long term assets				-	-	-	1,697
Principal on long term debt	(34,191)	(505,000)	-	(119,226)	(2,755,000)	(3,413,417)	(564,154)
Interest on long term debt	(763)	(36,781)	(41,381)	(51,366)	(160,524)	(290,815)	(276,699)
Net cash provided/(used) by Capital and Related Fin. Act.	6,523	(59,396)	(144,189)	(172,386)	(154,690)	(524,138)	(1,045,669)
Cash flows from Investing Activities							
Interest from investments	409	41	-	-	222	672	3,020
Proceeds from sale of assets		-			-	-	-
Other Income	-		-	-	-	-	-
Net cash Provided by Investing Activities	409	41	-	-	222	672	3,020
Net increase (decrease) in Cash and Cash Equivalents	(164,236)	(9,386)	(108,842)	(9,666)	216,554	(75,576)	(68,022)
Beginning Cash and Cash Equivalents	211,105	74,707	110,014	261,508	153,357	810,691	878,713
Ending Cash and Cash Equivalents	\$ 46,869	\$ 65,321	\$ 1,172	\$ 251,842	\$ 369,911	\$ 735,115	\$ 810,691
Reconciliations of Operating Income to Net Cash Provided by Operating Activities							
Operating income	\$ (83,565)	\$ 19,913	\$ 35,034	\$ 99,541	\$ 226,252	\$ 297,175	680,840
Adjustments to reconcile operating income to cash provided by operating activities:							
Depreciation	35,863	29,686	-	90,763	129,290	285,602	274,827
Changes in Assets and Liabilities:							
(Increase) decrease in:							
Accounts receivable	23,589	666	313	(14,419)	(3,119)	7,030	(2,860)
Due from other funds	(76,132)					(76,132)	3,098
Increase (decrease) in:							
Accounts payable	(69,023)	(599)	-	(13,997)	18,007	(65,612)	44,043
Accrued liabilities	(1,900)	(23)	-	250	-	(1,673)	(22,276)
Due to other funds	-	326	-	582	592	1,500	(2,236)
Net cash Provided by Operating Activities	\$ (171,168)	\$ 49,969	\$ 35,347	\$ 162,720	\$ 371,022	\$ 447,890	\$ 974,627

ANRA/Holmwood Utilities

TSI-1 SERVICES AND RATES

FY 2012

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

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

2. Retail Service Providers

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 <input type="checkbox"/> No <input checked="" type="checkbox"/>
Total water and sewer charges per 10,000 gallons usage (including surcharges)					<u>\$102.61</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"	174	170	x 1.0	<u>170</u>
1"	5	5	x 2.5	<u>13</u>
1 1/2"			x 5.0	<u>_____</u>
2"			x 8.0	<u>_____</u>
4"			x 25.0	<u>_____</u>
Total water	<u>179</u>	<u>175</u>		<u>183</u>
Total wastewater	<u>166</u>	<u>166</u>	x 1.0	<u>166</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:	13,655,870	Water Accountability Ratio:
Gallons billed to customers:	12,518,000	<u>91.7%</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, 2012

Due During Fiscal Years Ending	Annual Requirements for All Series Bonds			Total Annual Requirements
	Principal Due	Interest Due	Deferred Interest	
2013	235,000	171,965		406,965
2014	240,000	193,324		433,324
2015	260,000	184,281		444,281
2016	265,000	174,498		439,498
2017	270,000	202,639	47,812	520,451
2018	280,000	192,372	47,812	520,184
2019	250,000	182,971	47,812	480,783
2020	255,000	173,947	47,812	476,759
2021	260,000	164,755	47,812	472,567
2022	270,000	155,394	47,812	473,206
2023	280,000	145,697	47,812	473,509
2024	335,000	97,454	-	432,454
2025	310,000	84,428	-	394,428
2026	325,000	72,900	-	397,900
2027	340,000	60,636	-	400,636
2028	55,000	47,864	-	102,864
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	-	-	-	-
2040	-	-	-	-
2041	-	-	-	-
2042	-	-	-	-
2043	-	-	-	-
2044	-	-	-	-
2045	734,000	711,613	731,945	2,177,558
	<u>\$ 5,739,000</u>	<u>\$ 3,282,785</u>	<u>\$ 1,066,629</u>	<u>\$ 10,088,414</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, 2012
 \$ 2,870,000

Due During Fiscal Years Ending	Principal Due 1-Apr	Interest Due April 1 and 1-Oct	Total Annual Requirements
2013	\$ 150,000	\$ 77,093	\$ 227,093
2014	155,000	91,648	246,648
2015	160,000	86,426	246,426
2016	165,000	81,034	246,034
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>\$ 2,870,000</u>	<u>\$ 814,486</u>	<u>\$ 3,684,486</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, 2012
 \$ 620,000

Due During Fiscal Years Ending	Principal Due 1-Feb	Interest Due Feb 1 and 1-Aug	Total Annual Requirements
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>\$ 265,000</u>	<u>\$ 37,743</u>	<u>\$ 302,743</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, 2012
 \$ 477,700

Due During Fiscal Years Ending	Principal Due 1-Apr	Interest Due April 1 and 1-Oct	Total Annual Requirements
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>\$ 330,000</u>	<u>\$ 122,588</u>	<u>\$ 452,588</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, 2012
 \$ 510,000

Due During Fiscal Years Ending	Principal Due 1-Apr	Interest Due April 1 and 1-Oct	Total Annual Requirements
2013	25,000	14,120	39,120
2014	25,000	16,844	41,844
2015	30,000	15,976	45,976
2016	30,000	14,934	44,934
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>\$ 510,000</u>	<u>\$ 150,088</u>	<u>\$ 660,088</u>

Angelina & Neches River Authority
 TSI-5. Long Term Debt Service Requirements
 Lake Columbia - Contract Revenue Bonds
 For the Year Ended August 31, 2012
 \$ 800,000

Due During Fiscal Years Ending	Principal Due 1-Aug	Interest Due 1-Aug	Deferred Interest 1-Aug	Total Annual Requirements
2013	-	39,100		39,100
2014	-	46,000		46,000
2015	-	46,000		46,000
2016	-	46,000		46,000
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>\$ 1,182,787</u>	<u>\$ 266,798</u>	<u>\$ 2,249,585</u>

Angelina & Neches River Authority
 TSI-5. Long Term Debt Service Requirements
 Lake Columbia - Contract Revenue Bonds
 For the Year Ended August 31, 2012
 \$ 450,000

Due During Fiscal Years Ending	Principal Due 1-Aug	Interest Due 1-Aug	Deferred Interest 1-Aug	Total Annual Requirements
2013	-	13,224		13,224
2014	-	13,224		13,224
2015	-	13,224		13,224
2016	-	13,224		13,224
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>\$ 263,480</u>	<u>\$ 67,886</u>	<u>\$ 561,366</u>

Angelina & Neches River Authority
 TSI-5. Long Term Debt Service Requirements
 Lake Columbia - Contract Revenue Bonds
 For the Year Ended August 31, 2012
 \$734,000

Due During Fiscal Years Ending	Principal Due 1-Aug	Interest Due 1-Feb	Interest Due 1-Aug	Total Annual Requirements
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	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

**Cash/Investments
on Deposit
I & S Fund Requirements (Regions Bank Bonds)
8/31/12**

	<u>8/31/12 Balance</u>
Neches Compost Facility	
Checking Account - Reserve # 71841	\$ 35,387
CD - Reserve	25,576
CD - Reserve	<u>25,733</u>
	<u>\$ 86,696</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, 2012

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)	\$ 24,332.00	\$ -
ACTUAL PRESENT BALANCE (at FY end)	\$ 86,696.00	\$ -
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: 9-5-2017

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: 9-5-2017

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

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General Manager

Terri Belschner
Accounting Manager

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Teresa Trotter Scroggins
Office Manager
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E-mail Address: ttrotter@anra.org

Angelina & Neches River Authority
Schedule of Insurance in Force
8/31/2012

Name of Company	Policy Number	Policy Period	Details of Coverage	Limits of Liability	Annual Premium
Texas Water Conservation Association	0042	7/1/12-7/1/13	Auto Liability	\$ 1,000,000	\$ 5,137
Texas Water Conservation Association	0042	7/1/12-7/1/13	General Liability	\$ 1,000,000	3,243
Texas Water Conservation Association	0042	7/1/12-7/1/13	Errors & Omissions	\$ 1,000,000	3,050
Texas Water Conservation Association	0042	7/1/12-7/1/13	Property Liability	\$ 5,998,767	13,716
Texas Water Conservation Association	0042	7/1/12-7/1/13	Auto Physical Damage	Scheduled	<u>5,972</u>
					<u><u>\$ 31,118</u></u>