

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

***For the Years Ended
August 31, 2010 and August 31, 2009***

ANGELINA & NECHES RIVER AUTHORITY
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AUGUST 31, 2010

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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, 2010 and 2009. 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, 2010 and 2009, 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 20 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 5, 2010

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2010. 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 \$2,144,763 compared to total non-operating expenses of \$258,190 and operating revenues of \$2,382,722 and non-operating revenues of \$147,511, resulting in a combined increase in net assets of \$127,280 for the year ended August 31, 2010.
- The Authority's cash and investments increased \$376,335 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, 2010 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

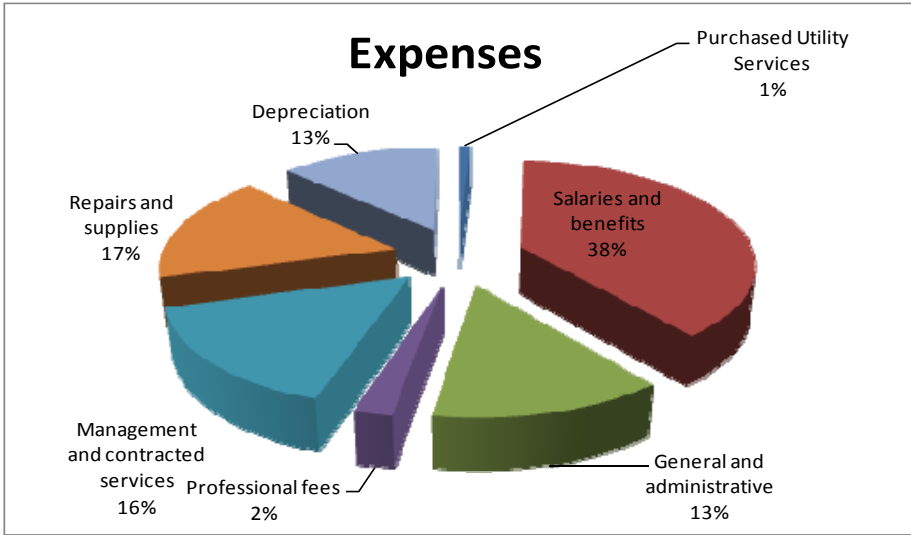
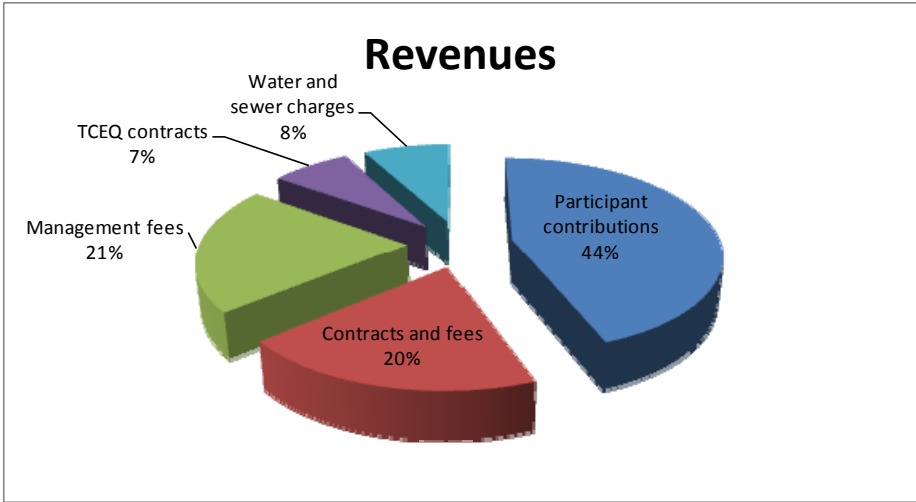
The Authority's net assets increased by \$127,280 in the year ended August 31, 2010. Table 1 and Table 2 below reflect the net assets and changes in net assets of the Authority.

Table 1 **CONDENSED STATEMENT OF NET ASSETS**

	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 1,120,390	\$ 845,654
Capital assets, net	<u>9,203,346</u>	<u>8,856,086</u>
Total Assets	<u>10,323,736</u>	<u>9,701,740</u>
Long-term liabilities	6,379,269	5,820,675
Other liabilities	<u>476,104</u>	<u>539,787</u>
Total Liabilities	<u>6,855,373</u>	<u>6,360,462</u>
Net assets:		
Invested in capital assets, net of related debt	2,572,849	2,857,945
Restricted	263,683	199,851
Unrestricted	<u>631,831</u>	<u>283,287</u>
Total Net Assets	<u>\$ 3,468,363</u>	<u>\$ 3,341,083</u>

Table 2 **CONDENSED STATEMENT OF ACTIVITIES**

	<u>2010</u>	<u>2009</u>
Revenues:		
Charges for services	\$ 2,382,722	\$ 2,230,665
Operating grants	26,546	59,506
General revenues:		
Investment income	5,699	8,509
Other	<u>115,266</u>	<u>27,512</u>
Total Revenues	<u>2,530,233</u>	<u>2,326,192</u>
Expenses:		
General services	1,074,363	1,051,797
Holmwood Utility	172,685	203,782
Lake Columbia	51,589	40,186
North Angelina County	537,811	478,491
Neches Composting	<u>566,505</u>	<u>565,510</u>
Total Expenses	<u>2,402,953</u>	<u>2,339,766</u>
Change in Net Assets	127,280	(13,574)
Beginning net assets:	<u>3,341,083</u>	<u>3,354,657</u>
Ending Net Assets	<u>\$ 3,468,363</u>	<u>\$ 3,341,083</u>



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

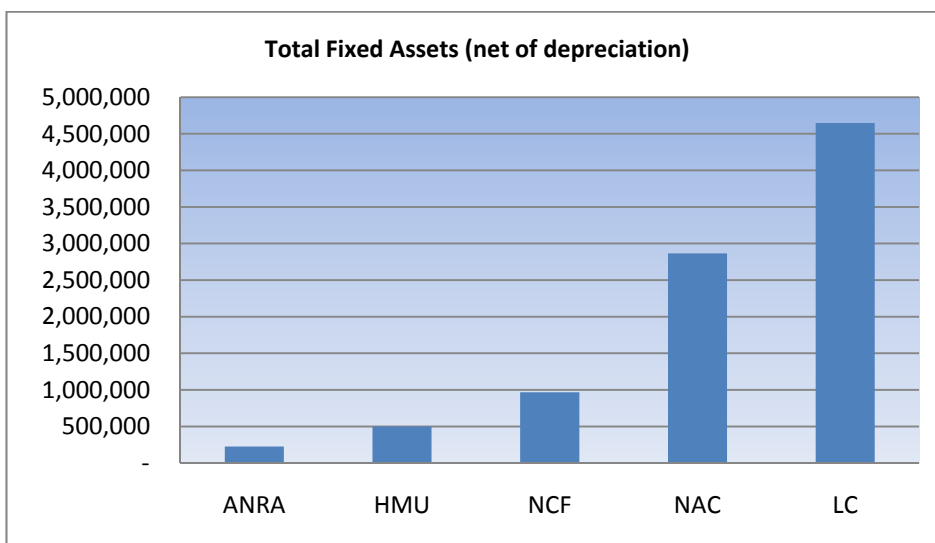
Budgetary Highlights

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, 2010, the Authority had \$11,385,770, excluding depreciation, invested in capital assets. Of this amount, \$5,654,050 represented water treatment facilities, \$1,003,507 in machinery and equipment and \$41,539 in land and \$4,686,674 in construction work in progress for Lake Columbia, Holmwood Utilities and North Angelina County Regional Wastewater Facility. There were \$920,043 in additions to capital assets during the year and retirements of \$572,783 including accumulated depreciation.



A portion of the Authority's net assets, 89.1%, 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, 2010, net of the current portion, totaled \$6,327,018 for notes payable and revenue bonds. The current portion of the long-term debt was \$303,479. Long-term debt activity for the year consisted of principal and interest payments on this note. Long term debt had a net increase of \$632,355 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. A source water assessment grant was approved by the Texas Water Development Board in the prior year and the amount received in current year was \$26,546. This grant was for a water quality monitoring project for the Lake Columbia watershed.

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, 2010 and 2009

	2010	2009
<u>Assets</u>		
Current Assets		
Cash and cash equivalents	\$ 615,029	\$ 302,526
Restricted cash	263,683	199,851
Receivables, Net	241,678	343,277
Total Current Assets	1,120,390	845,654
Noncurrent Assets		
Capital assets:		
Non-depreciable	4,711,319	4,329,108
Depreciable	4,492,027	4,526,978
Total Noncurrent Assets	9,203,346	8,856,086
Total Assets	\$ 10,323,736	\$ 9,701,740
<u>Liabilities</u>		
Current Liabilities		
Accounts Payable	\$ 97,359	\$ 214,559
Accrued Interest Payable	78,560	105,228
Due less than one year	303,479	220,000
Total Current Liabilities	479,398	539,787
Noncurrent liabilities		
Deferred Revenue	19,416	19,872
Compensated absences	29,541	22,662
Notes payable	433,018	378,141
Revenue bonds payable	5,894,000	5,400,000
Total Noncurrent Liabilities	6,375,975	5,820,675
Total Liabilities	\$ 6,855,373	\$ 6,360,462
<u>Net Assets</u>		
Invested in capital assets, net of related debt	\$ 2,572,849	\$ 2,857,945
Restricted	263,683	199,851
Unrestricted	631,831	283,287
TOTAL NET ASSETS	\$ 3,468,363	\$ 3,341,083

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, 2010 and 2009

<u>REVENUES</u>	<u>2010</u>	<u>2009</u>
Participant contributions	\$ 1,054,326	\$ 988,249
Contracts and fees	467,841	473,668
Management fees	500,603	423,467
TCEQ contracts	172,469	175,411
Water and sewer charges	<u>187,483</u>	<u>169,870</u>
Total Revenues	<u>2,382,722</u>	<u>2,230,665</u>
<u>EXPENDITURES</u>		
Purchased Utility Services	18,213	31,946
Salaries and benefits	824,102	758,146
General and administrative	286,194	200,625
Professional fees	48,129	102,434
Management and contracted services	337,880	311,770
Repairs and supplies	353,102	360,871
Depreciation	<u>277,143</u>	<u>278,581</u>
Total Operating Expenses	<u>\$ 2,144,763</u>	<u>\$ 2,044,373</u>
Net Operating Income	<u>\$ 237,959</u>	<u>\$ 186,292</u>
<u>Non Operating Revenues (Expenses)</u>		
Investment Income	\$ 5,699	\$ 8,509
Grant Income	26,546	59,506
Interest Expense	(258,190)	(295,392)
Miscellaneous Income	<u>115,266</u>	<u>27,512</u>
Net NonOperating Income (Expense)	<u>\$ (110,679)</u>	<u>\$ (199,866)</u>
Change in Net Assets	\$ 127,280	\$ (13,574)
Total Net Assets, Beginning	<u>3,341,083</u>	<u>3,354,657</u>
Total Net Assets, Ending	<u>\$ 3,468,363</u>	<u>\$ 3,341,083</u>

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

ANGELINA & NECHES RIVER AUTHORITY
Statement of Cash Flows
August 31, 2010 and 2009

	TOTALS	
	2010	2009
Cash Flows from Operating Activities		
Receipts from customers	\$ 2,445,218	\$ 2,185,524
Other Income		84,018
Payments to suppliers	(1,142,088)	(964,982)
Payments to employees	(824,070)	(754,810)
Net cash provided/(used) operating activities	479,060	549,750
Cash flows from Capital and Related Financing Activities		
Purchase of capital assets	(646,797)	(568,979)
Debt proceeds	919,774	-
Proceeds for long term assets	-	23,916
Principal on long term debt	(287,418)	(258,749)
Interest on long term debt	(258,190)	(262,201)
Net cash provided/(used) by Capital and Related Financing Activities	(272,631)	(1,066,013)
Cash flows from Investing Activities		
Interest from investments	5,699	9,195
Proceeds from sale of assets	22,396	6,333
Other Income	141,811	-
Net cash Provided by Investing Activities	169,906	15,528
Net increase (decrease) in Cash and Cash Equivalents	376,335	(500,735)
Beginning Cash and Cash Equivalents	502,377	1,003,112
Ending Cash and Cash Equivalents	\$ 878,712	\$ 502,377
Reconciliations of Operating Income to Net Cash Provided by Operating Activities		
Operating income	\$ 237,959	270,310
Adjustments to reconcile operating income to cash provided by operating activities:		
Depreciation	277,143	278,581
Changes in Assets and Liabilities:		
(Increase) decrease in:		
Accounts receivable	46,618	(10,586)
Due from other funds	15,878	(34,555)
Increase (decrease) in:		
Accounts payable	(28,309)	9,943
Accrued liabilities	(21,320)	1,502
Due to other funds	(48,909)	34,555
Net cash Provided by Operating Activities	\$ 479,060	\$ 549,750

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

ANGELINA & NECHES RIVER AUTHORITY
NOTES TO FINANCIAL STATEMENTS
August 31, 2010

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.

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 capitalized when the effects of capitalization materially impact the financial statements.

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 June 2007, the GASB issued Statement No. 51 ("GASB 51"), *Accounting and Financial Reporting for Intangible Assets*. GASB 51 established guidance on the recognition of intangible assets, and established guidance on the accounting and financial reporting of intangible assets. The Authority was required to apply the provisions of GASB 51 in its fiscal year ending August 31, 2010. The Authority did not experience any measurable impact on its financial position and results of operations.

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. The Authority will be required to apply the provisions of GASB 54 in its fiscal year ending August 31, 2011. The Authority does not anticipate any significant impact from GASB 54 in the financial statements or results of operations at this time.

In April 2009, the GASB issued Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* and No. 56 *Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards*. The objective of GASB 55 is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB's authoritative

literature. The “GAAP hierarchy” consists of the sources of accounting principles used in the preparation of financial statements of state and local governmental entities that are presented in conformity with GAAP, and the framework for selecting those principles. The objective of GASB 56 is to improve financial reporting by contributing to the GASB’s efforts to codify all sources of generally accepted accounting principles for state and local governments so that they derive from a single source; this brings the authoritative accounting and financial reporting literature together in one place, with that guidance modified as necessary to appropriately recognize the governmental environment and the needs of governmental financial statement users. These statements do not establish new accounting standards but rather incorporate the existing guidance (to the extent appropriate in a governmental environment) into the GASB standards. The statements were effective upon issuance.

In December 2009, the GASB issued Statement No. 58, *Accounting for Financial Reporting for Chapter 9 Bankruptcies*. The objective of GASB 58 is to provide accounting and reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. GASB 58 requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms a new payment plan. The statement became effective for periods beginning after June 15, 2009; however, the provisions of this statement are not applicable to the Authority as of August 31, 2010. As such, there was no measurable impact in the financial statements or results of operations.

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, 2010, all of the Authority’s \$878,712 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, 2010, was as follows:

	Balance 8/31/2009	Additions	Retirements	Balance 8/31/2010
Capital assets not being depreciated:				
Land	\$ 63,935	\$ -	\$ (22,396)	\$ 41,539
Construction Work in Progress	4,477,078	465,946	(273,244)	4,669,780
Total capital assets not being depreciated	4,541,013	465,946	(295,640)	4,711,319
Other capital assets:				
Treatment Facilities	\$ 5,446,593	\$ 224,351		\$ 5,670,944
Machinery and equipment	773,761	229,746	-	1,003,507
Total other capital assets	6,220,354	454,097	-	6,674,451
Less accumulated depreciation	(1,905,281)	-	(277,143)	(2,182,424)
TOTALS	\$ 8,856,086	\$ 920,043	\$ (572,783)	\$ 9,203,346
Less associated debt	(5,998,141)			(6,630,497)
	<u>\$ 2,857,945</u>			<u>\$ 2,572,849</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, 2010 is \$29,541. Increases (decreases) during the period were \$6,846 for ANRA Operations and \$33 for Neches Compost Facility.

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, 2010.

Fund	Balance 8/31/09	Additions	Retirements	Balance 8/31/10	Due w/in 1 year	L/T Liab Balance
Notes Payable						
ANRA	70,301	51,439	(19,682)	102,058	18,949	83,109
Neches Compost	307,841	134,335	(47,737)	394,439	44,530	349,909
	<u>378,142</u>	<u>185,774</u>	<u>(67,419)</u>	<u>496,497</u>	<u>63,479</u>	<u>433,018</u>
Revenue Bonds						
ANRA						
Holmwood	535,000	-	(15,000)	520,000	15,000	505,000
Lake Columbia	1,250,000	734,000	-	1,984,000	-	1,984,000
No Angelina Co	3,080,000	-	(155,000)	2,925,000	170,000	2,755,000
Neches Compost	755,000	-	(50,000)	705,000	55,000	650,000
	<u>5,620,000</u>	<u>734,000</u>	<u>(220,000)</u>	<u>6,134,000</u>	<u>240,000</u>	<u>5,894,000</u>
TOTAL DEBT	<u>5,998,142</u>	<u>919,774</u>	<u>(287,419)</u>	<u>6,630,497</u>	<u>303,479</u>	<u>6,327,018</u>

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

Description	Interest Rates	Balance at 8/31/2010
Revenue bonds series 2008 (Holmwood Utilities)	6.00%	\$ 520,000
Revenue bonds series 2005 (Lake Columbia)	5.68%-5.83%	1,250,000
Revenue bonds series 2005 (Lake Columbia)TWDB	5.40%	734,000
Revenue bonds series 2001 (North Angelina County)	4.15%-4.65%	2,365,000
Revenue bonds series 1998 (Neches Compost)	3.35%-4.6%	335,000
Revenue bonds series 2003 (Neches Compost)	5.25%	370,000
Revenue bonds series 2006 (North Angelina County)	6.85%	560,000
		<u>\$ 6,134,000</u>

Future Principal and Interest payments on bonds are as follows:

Year Ending August 31	Bonds Payable		
	Principal	Interest	Total
2011	240,000	241,980	481,980
2012	260,000	240,847	500,847
2013	280,000	238,689	518,689
2014	290,000	235,736	525,736
2015	330,000	220,770	550,770
2016-2020	1,750,000	1,093,938	2,843,938
2021-2025	880,000	694,256	1,574,256
2026-2030	575,000	309,464	884,464
2031-2035	455,000	179,933	634,933
2036-2039	340,000	40,353	380,353
2040-2045	734,000	1,449,431	2,183,431
	<u>\$ 6,134,000</u>	<u>\$ 4,945,394</u>	<u>\$ 11,079,394</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:

Guarantors name*	Issued	Outstanding
Champion International Corporation	1995	6,750,000
Temple-Inland Forest Products Corporation	1998	3,750,000
Aspen Power, LLC	2006	52,335,000
Total private activity bonds		<u>\$ 62,835,000</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 \$15,296 to the Plan for the year ended August 31, 2010. 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 \$7,300. 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 22.61% of sewer fees to Idlewood WC & ID, 21.74% to Lufkin State School and 17.2% to City of Palestine.

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, 2010

	Budget		Variance
	Amount	Actual	Positive / (Negative)
<u>REVENUES</u>			
Investment Income	\$ 5,496	\$ 5,699	\$ 203
Grant Income	27,700	26,546	(1,154)
Miscellaneous Income	8,897	115,266	106,369
Participant contributions	954,879	1,054,326	99,447
TWDB State Participation EIS	420,000		(420,000)
Contracts and fees	442,613	467,841	25,228
Management fees	500,603	500,603	-
TCEQ contracts	182,012	172,469	(9,543)
Water and sewer charges	305,713	187,483	(118,230)
Total Revenues	<u>2,847,913</u>	<u>2,530,233</u>	<u>(317,680)</u>
<u>EXPENDITURES</u>			
Purchased Utility Services	\$ 81,600	\$ 18,213	\$ (63,387)
Salaries and benefits	802,616	824,102	21,486
General and administrative	207,706	286,194	78,488
Professional fees	289,675	48,129	(241,546)
Management and contracted services	563,695	337,880	(225,815)
Repairs and supplies	211,177	353,102	141,925
Debt Service:	-	-	-
Principal	307,588	287,418	(20,170)
Interest Expense	280,811	258,190	(22,621)
Total Expenditures	<u>2,744,868</u>	<u>2,413,228</u>	<u>(331,640)</u>
Revenues Over(Under) Expenditures	\$ 103,045	\$ 117,005	\$ 13,960
<u>Other Uses of Funds</u>			
Capital Outlay	-	632,356	632,356
Change in Fund Balance	103,045	(515,351)	(618,396)
Beginning Fund Balance	<u>3,341,083</u>	<u>3,341,083</u>	<u>-</u>
Ending Fund Balance	<u>\$ 3,444,128</u>	<u>\$ 2,825,732</u>	<u>\$ (618,396)</u>
<u>Budget Basis</u>			
Depreciation		(277,143)	
Debt Proceeds		<u>919,774</u>	
Changes in Net Assets - GAAP Basis		127,280	
Net Assets - GAAP Basis		<u>\$ 3,468,363</u>	

SUPPLEMENTAL SCHEDULES

ANGELINA & NECHES RIVER AUTHORITY
Statement of Net Assets (by fund)
August 31, 2010 and 2009

	ANRA Operations	Holmwood Utilities	Lake Columbia	Neches Compost Facility	North Angelina County RWF	Adjustment	Totals 2010	Totals 2009
Assets								
Current Assets								
Cash and cash equivalents	\$ 165,082	\$ 25,474	\$ 275,524	\$ 127,590	\$ 21,359		\$ 615,029	\$ 302,526
Restricted cash	-	40,833	-	83,171	139,679		263,683	199,851
Receivables, Net	122,545	19,480	4,564	52,688	42,401		241,678	255,266
Receivables, Interfunds	39,102	-	-	-	-	(39,102)	-	-
Total Current Assets	<u>326,729</u>	<u>85,787</u>	<u>280,088</u>	<u>263,449</u>	<u>203,439</u>		<u>1,120,390</u>	<u>757,643</u>
Noncurrent Assets								
Capital assets:								
Non-depreciable	-	1,483	4,647,384	44,952	17,500		4,711,319	4,329,108
Depreciable	224,532	498,134	-	921,358	2,848,003		4,492,027	4,526,978
Total Noncurrent Assets	<u>224,532</u>	<u>499,617</u>	<u>4,647,384</u>	<u>966,310</u>	<u>2,865,503</u>		<u>9,203,346</u>	<u>8,856,086</u>
Total Assets	<u>\$ 551,261</u>	<u>\$ 585,404</u>	<u>\$ 4,927,472</u>	<u>\$ 1,229,759</u>	<u>\$ 3,068,942</u>		<u>\$ 10,323,736</u>	<u>9,613,729</u>
Liabilities								
Current Liabilities								
Accounts Payable	\$ 38,822	\$ 13,559	\$ 8,788	\$ 26,686	\$ 9,504		\$ 97,359	\$ 126,548
Interfund Payables	-	6,165	15,557	7,921	9,459	(39,102)	-	-
Accrued Interest Payable	-	13,260	3,294	2,840	59,166		78,560	105,228
Due less than one year	18,949	15,000	-	99,530	170,000		303,479	220,000
Total Current Liabilities	<u>57,771</u>	<u>47,984</u>	<u>27,639</u>	<u>136,977</u>	<u>248,129</u>		<u>479,398</u>	<u>451,776</u>
Noncurrent liabilities								
Deferred Revenue	-	-	19,416	-	-		19,416	19,872
Compensated absences	23,021	-	-	6,520	-		29,541	22,662
Notes payable	83,109	-	-	349,909	-		433,018	378,141
Revenue bonds payable	-	505,000	1,984,000	650,000	2,755,000		5,894,000	5,400,000
Total Noncurrent Liabilities	<u>106,130</u>	<u>505,000</u>	<u>2,003,416</u>	<u>1,006,429</u>	<u>2,755,000</u>		<u>6,375,975</u>	<u>5,820,675</u>
Total Liabilities	<u>\$ 163,901</u>	<u>\$ 552,984</u>	<u>\$ 2,031,055</u>	<u>\$ 1,143,406</u>	<u>\$ 3,003,129</u>		<u>\$ 6,855,373</u>	<u>\$ 6,272,451</u>
Net Assets								
Invested in capital assets								
net of related debt	122,474	(20,383)	2,663,384	(133,129)	(59,497)		2,572,849	2,857,945
Restricted	-	40,833	-	83,171	139,679		263,683	199,851
Unrestricted	264,886	52,803	233,033	136,311	(14,369)		631,831	283,287
TOTAL NET ASSETS	<u>\$ 387,360</u>	<u>\$ 32,420</u>	<u>\$ 2,896,417</u>	<u>\$ 86,353</u>	<u>\$ 65,813</u>		<u>\$ 3,468,363</u>	<u>\$ 3,341,083</u>

ANGELINA & NECHES RIVER AUTHORITY
Statement of Revenues, Expenditures and Changes in Fund Balance
August 31, 2010 and 2009

<u>REVENUES</u>	ANRA Operations	Holmwood Utilities	Lake Columbia	Neches Compost Facility	North Angelina County RWF	TOTALS 2010	TOTALS 2009
Participant contributions	\$ -	\$ -	\$ 28,754	\$ 516,756	\$ 508,816	\$ 1,054,326	\$ 988,249
Contracts and fees	341,610	5,600		119,581	1,050	467,841	473,668
Management fees	500,603			-		500,603	423,467
TCEQ contracts	172,469			-		172,469	175,411
Water and sewer charges	-	187,483		-		187,483	169,870
Total Revenues	<u>1,014,682</u>	<u>193,083</u>	<u>28,754</u>	<u>636,337</u>	<u>509,866</u>	<u>2,382,722</u>	<u>2,230,665</u>
 <u>EXPENDITURES</u>							
Purchased Utility Services	-	18,213	-	-	-	18,213	31,946
Salaries and benefits	687,749	-	-	136,353	-	824,102	758,146
General and administrative	88,015	15,468	19,544	112,682	50,485	286,194	200,625
Professional fees	29,617	759		8,680	9,073	48,129	102,434
Management and contracted services	80,504	62,192		90,706	104,478	337,880	311,770
Repairs and supplies	145,579	19,259		65,866	122,398	353,102	360,871
Depreciation	35,863	27,484		90,404	123,392	277,143	278,581
Total Operating Expenses	<u>1,067,327</u>	<u>143,375</u>	<u>19,544</u>	<u>504,691</u>	<u>409,826</u>	<u>2,144,764</u>	<u>2,044,374</u>
Net Operating Income	<u>\$ (52,645)</u>	<u>\$ 49,708</u>	<u>\$ 9,210</u>	<u>\$ 131,646</u>	<u>\$ 100,040</u>	<u>\$ 237,959</u>	<u>\$ 186,292</u>
 <u>Non Operating Revenues (Expenses)</u>							
Investment Income	219	62	3,990	986	442	5,699	8,509
Grant Income	26,546	-	-	-	-	26,546	59,506
Interest Expense	(7,036)	(29,310)	(32,045)	(61,814)	(127,985)	(258,190)	(295,392)
Miscellaneous Income	8,769	-	5,917	-	100,580	115,266	27,512
Net NonOperating Income (Expense)	<u>\$ 28,498</u>	<u>\$ (29,248)</u>	<u>\$ (22,138)</u>	<u>\$ (60,828)</u>	<u>\$ (26,963)</u>	<u>\$ (110,679)</u>	<u>\$ (199,866)</u>
Change in Net Assets	<u>\$ (24,147)</u>	<u>\$ 20,460</u>	<u>\$ (12,928)</u>	<u>\$ 70,818</u>	<u>\$ 73,077</u>	<u>\$ 127,280</u>	<u>\$ (13,574)</u>
Total Net Assets, Beginning	411,507	11,960	2,909,345	15,535	(7,264)	3,341,083	3,354,657
Total Net Assets, Ending	<u>\$ 387,360</u>	<u>\$ 32,420</u>	<u>\$ 2,896,417</u>	<u>\$ 86,353</u>	<u>\$ 65,813</u>	<u>\$ 3,468,363</u>	<u>\$ 3,341,083</u>

ANGELINA & NECHES RIVER AUTHORITY
Statement of Cash Flows
August 31, 2010 and 2009

	ANRA Operations	Holmwood Utilities	Lake Columbia	Neches Compost Facility	North Angelina County RWF	2010 TOTAL	2009 Total
Cash Flows from Operating Activities							
Receipts from customers	\$1,066,518	\$ 188,224	\$ 24,205	\$ 649,211	\$ 517,060	\$ 2,445,218	\$2,185,524
Other Income	-	-	-	-	-	-	84,018
Payments to suppliers	(332,846)	(142,137)	(102,696)	(261,778)	(302,631)	(1,142,088)	(964,982)
Payments to employees	(687,749)	-	-	(136,321)	-	(824,070)	(754,810)
Net cash provided/(used) operating activities	45,923	46,087	(78,491)	251,112	214,429	479,060	549,750
Cash flows from Capital and Related Financing Activities							
Purchase of capital assets	(58,237)	(4,160)	(382,210)	(171,509)	(30,681)	(646,797)	(568,979)
Debt proceeds	51,439	-	734,000	134,335	-	919,774	-
Proceeds for long term assets	-	-	-	-	-	-	23,916
Principal on long term debt	(19,681)	(15,000)	-	(97,737)	(155,000)	(287,418)	(258,749)
Interest on long term debt	(7,036)	(29,310)	(32,045)	(61,814)	(127,985)	(258,190)	(262,201)
Net cash provided/(used) by Capital and Related Fin. Act.	(33,515)	(48,470)	319,745	(196,725)	(313,666)	(272,631)	(1,066,013)
Cash flows from Investing Activities							
Interest from investments	219	62	3,990	986	442	5,699	9,195
Proceeds from sale of assets	-	22,396	-	-	-	22,396	6,333
Other Income	35,315	-	5,916	-	100,580	141,811	-
Net cash Provided by Investing Activities	35,534	22,458	9,906	986	101,022	169,906	15,528
Net increase (decrease) in Cash and Cash Equivalents	47,942	(2,321)	251,160	55,373	1,785	376,335	(500,735)
Beginning Cash and Cash Equivalents	117,140	46,232	24,364	155,388	159,253	502,377	1,003,112
Ending Cash and Cash Equivalents	<u>\$ 165,082</u>	<u>\$ 43,911</u>	<u>\$275,524</u>	<u>\$ 210,761</u>	<u>\$ 161,038</u>	<u>\$ 878,712</u>	<u>\$ 502,377</u>
Reconciliations of Operating Income to Net Cash Provided by Operating Activities							
Operating income	\$ (52,645)	\$ 49,708	\$ 9,210	\$ 131,646	\$ 100,040	\$ 237,959	270,310
Adjustments to reconcile operating income to cash provided by operating activities:							
Depreciation	35,863	27,484	-	90,404	123,392	277,143	278,581
Changes in Assets and Liabilities:							
(Increase) decrease in:							
Accounts receivable	35,958	(4,859)	(4,549)	12,874	7,194	46,618	(10,586)
Due from other funds	15,878	-	-	-	-	15,878	(34,555)
Increase (decrease) in:							
Accounts payable	5,095	(10,526)	(47,431)	16,066	8,487	(28,309)	9,943
Accrued liabilities	5,774	(2,790)	(3,078)	32	(21,258)	(21,320)	1,502
Due to other funds	-	(12,930)	(32,643)	90	(3,426)	(48,909)	34,555
Net cash Provided by Operating Activities	<u>\$ 45,923</u>	<u>\$ 46,087</u>	<u>\$ (78,491)</u>	<u>\$ 251,112</u>	<u>\$ 214,429</u>	<u>\$ 479,060</u>	<u>\$ 549,750</u>

ANRA/Holmwood Utilities

TSI-1 SERVICES AND RATES

FY 2010

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>152</u>	<u>147</u>	<u>x 1.0</u>	<u>147</u>
1"	<u>12</u>	<u>12</u>	<u>x 2.5</u>	<u>30</u>
1 1/2"			<u>x 5.0</u>	<u> </u>
2"			<u>x 8.0</u>	<u> </u>
4"			<u>x 25.0</u>	<u> </u>
Total water	<u>164</u>	<u>159</u>		<u>177</u>
Total wastewater	<u>162</u>	<u>162</u>	<u>x 1.0</u>	<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:	15,263,320	Water Accountability Ratio:
Gallons billed to customers:	12,054,000	<u>79.0%</u>

4. Standby Fees:

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

Does the District have Operation and Maintenance standby fees? Yes ___ No X
 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 X No ___
 Is the District located within a city? Entirely ___ Partly ___ Not at all X
 City in which District is located: N/A
 Is the District located within a city's extra territorial jurisdiction (ETJ)?
 Entirely X Partly ___ Not at all ___
 ETJs in which District is located: City of Jasper
 Are Board members appointed by an office outside the District?
 Yes X 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, 2010

Due During Fiscal Years Ending	Annual Requirements for All Series Bonds		
	Principal Due	Interest Due	Total Annual Requirements
2011	240,000	241,980	481,980
2012	260,000	240,847	500,847
2013	280,000	238,689	518,689
2014	290,000	235,736	525,736
2015	330,000	220,770	550,770
2016	340,000	204,284	544,284
2017	350,000	247,276	597,276
2018	370,000	230,491	600,491
2019	335,000	214,121	549,121
2020	355,000	197,766	552,766
2021	365,000	180,599	545,599
2022	100,000	168,851	268,851
2023	110,000	162,586	272,586
2024	170,000	96,182	266,182
2025	135,000	86,038	221,038
2026	155,000	77,409	232,409
2027	160,000	67,722	227,722
2028	110,000	59,596	169,596
2029	75,000	54,513	129,513
2030	75,000	50,224	125,224
2031	85,000	45,927	130,927
2032	85,000	41,055	126,055
2033	85,000	36,185	121,185
2034	100,000	31,273	131,273
2035	100,000	25,493	125,493
2036	105,000	19,712	124,712
2037	115,000	13,644	128,644
2038	120,000	6,997	126,997
2039	-	-	-
2040	-	-	-
2041	-	-	-
2042	-	-	-
2043	-	-	-
2044	-	-	-
2045	734,000	1,429,100	2,163,100
	<u>\$ 6,134,000</u>	<u>\$ 4,925,063</u>	<u>\$ 11,059,063</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, 2010
 \$ 3,100,000

Due During Fiscal Years Ending	Principal Due February 1	Interest Due April 1 and October 1	Total Annual Requirements
2011	150,000	100,348	250,348
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>\$ 2,365,000</u>	<u>\$ 621,396</u>	<u>\$ 2,986,396</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, 2010
 \$ 600,000

Due During Fiscal Years Ending	Principal Due April 1	Interest Due April 1 and October 1	Total Annual Requirements
2011	20,000	37,675	57,675
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>\$ 560,000</u>	<u>\$ 387,368</u>	<u>\$ 947,368</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, 2010
 \$ 477,700

Due During Fiscal Years Ending	Principal Due April 1	Interest Due April 1 and October 1	Total Annual Requirements
2011	20,000	19,425	39,425
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>\$ 370,000</u>	<u>\$ 160,388</u>	<u>\$ 530,388</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, 2010
 \$ 550,000

Due During Fiscal Years Ending	Principal Due April 1	Interest Due April 1 and October 1	Total Annual Requirements
2011	15,000	30,750	45,750
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>\$ 520,000</u>	<u>\$ 324,000</u>	<u>\$ 844,000</u>

Angelina & Neches River Authority
TSl-5. Long Term Debt Service Requirements
Lake Columbia - Contract Revenue Bonds
For the Year Ended August 31, 2010
\$ 800,000

Due During Fiscal Years Ending	Principal Due August 1	Interest Due 1-Aug	Total Annual Requirements
2011	-	25,300	25,300
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	-	84,114	84,114
2018	-	84,114	84,114
2019	-	84,114	84,114
2020	-	84,114	84,114
2021	-	84,114	84,114
2022	-	84,114	84,114
2023	-	84,114	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>\$ 1,240,287</u>	<u>\$ 2,040,287</u>

Angelina & Neches River Authority
 TSI-5. Long Term Debt Service Requirements
 Lake Columbia - Contract Revenue Bonds
 For the Year Ended August 31, 2010
 \$ 450,000

Due During Fiscal Years Ending	Principal Due August 1	Interest Due 1-Aug	Total Annual Requirements
2011	-	14,233	14,233
2012	-	18,114	18,114
2013	-	21,996	21,996
2014	-	25,878	25,878
2015	-	25,878	25,878
2016	-	25,878	25,878
2017	-	47,319	47,319
2018	-	47,319	47,319
2019	-	47,319	47,319
2020	-	47,319	47,319
2021	-	47,319	47,319
2022	-	47,319	47,319
2023	-	47,319	47,319
2024	20,000	25,878	45,878
2025	20,000	24,742	44,742
2026	25,000	23,605	48,605
2027	20,000	22,186	42,186
2028	25,000	21,050	46,050
2029	25,000	19,609	44,609
2030	30,000	18,185	48,185
2031	30,000	16,466	46,466
2032	30,000	14,746	44,746
2033	30,000	13,028	43,028
2034	35,000	11,294	46,294
2035	40,000	9,271	49,271
2036	35,000	6,959	41,959
2037	40,000	4,936	44,936
2038	45,000	2,624	47,624
	<u>\$ 450,000</u>	<u>\$ 697,789</u>	<u>\$ 1,147,789</u>

Angelina & Neches River Authority
 TSI-5. Long Term Debt Service Requirements
 Lake Columbia - Contract Revenue Bonds
 For the Year Ended August 31, 2010
 \$ 734,000

Due During Fiscal Years Ending	Principal Due August 1	Interest Due August 1	Total Annual Requirements	Deferred*
2011	-	-	-	-
2012	-	107,533	107,533	(107,533)
2013	-	40,664	40,664	(40,664)
2014	-	40,664	40,664	(40,664)
2015	-	40,664	40,664	(40,664)
2016	-	40,664	40,664	(40,664)
2017	-	40,664	40,664	(40,664)
2018	-	40,664	40,664	(40,664)
2019	-	40,664	40,664	(40,664)
2020	-	40,664	40,664	(40,664)
2021	-	40,664	40,664	(40,664)
2022	-	40,664	40,664	(40,664)
2023	-	40,664	40,664	(40,664)
2024	-	40,664	40,664	(40,664)
2025	-	40,664	40,664	(40,664)
2026	-	40,664	40,664	(40,664)
2027	-	40,664	40,664	(40,664)
2028	-	40,664	40,664	(40,664)
2029	-	40,664	40,664	(40,664)
2030	-	40,664	40,664	(40,664)
2031	-	40,664	40,664	(40,664)
2032	-	40,664	40,664	(40,664)
2033	-	40,664	40,664	(40,664)
2034	-	40,664	40,664	(40,664)
2035	-	40,664	40,664	(40,664)
2036	-	40,664	40,664	(40,664)
2037	-	40,664	40,664	(40,664)
2038	-	40,664	40,664	(40,664)
2039	-	40,664	40,664	(40,664)
2040	-	40,664	40,664	(40,664)
2041	-	40,664	40,664	(40,664)
2042	-	40,664	40,664	(40,664)
2043	-	40,664	40,664	(40,664)
2044	-	40,664	40,664	(40,664)
2045	734,000	20,319	754,319	-
	<u>\$ 734,000</u>	<u>\$ 1,429,100</u>	<u>\$ 2,163,100</u>	<u>-</u>

* Interest and prin are both deferred until 2045

**Cash/Investments
on Deposit
I & S Fund Requirements (TWDB Bonds)
8/31/10**

	8/31/10 Balance
North Angelina County	<u>\$ 139,678.59</u>
Checking Account # 36533	
Neches Compost Facility	
Checking Account - Reserve # 71841	32,510.42
CD - Reserve	25,312.28
CD - Reserve	<u>25,349.71</u>
	83,172.41
 Totals	 <u>\$ 222,851.00</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, 2010

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)	\$ 21,666.00	\$ _____ -
ACTUAL PRESENT BALANCE (at FY end)	\$ 32,510.00	\$ _____ -
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, 2010

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)	\$ 105,683.00	\$ -
ACTUAL PRESENT BALANCE (at FY end)	\$ 139,679.00	\$ -
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

<p>Julie Dowell, President 107 Lakeshore Drive Bullard, Texas 75757 Term Ends: 9-5-2011</p>	<p>Joseph (Jody) Anderson, Vice President 361 Red Loving Road Lufkin, Texas 75901 Term Ends: 9-5-2013</p>
<p>Louis Bronaugh, Secretary Treasurer 710 Jefferson Lufkin, Texas 75901 Term Ends: 9-5-2011</p>	<p>David M. King, Secretary Pro Tem 183 Fernwood Drive Nacogdoches, Texas 75964 Term Ends: 9-5-2013</p>
<p>Dominick B. (Nick) Bruno, Director 1133 North Bolton Jacksonville, Texas 75766 Term Ends: 9-5-2015</p>	<p>Al Chavira, Director 517 Gillespie Avenue Jacksonville, Texas 75766 Term Ends: 9-5-2013</p>
<p>Patricia E. Dickey, Director 112 South 5th Street Crockett, Texas 75835 Term Ends: 9-5-2011</p>	<p>Keith Drewery, Director 902 SE Stallings Drive Nacogdoches, Texas 75964 Term Ends: 9-5-2015</p>
<p>James E. Hughes Jr., Director 837 South Wheeler Street Jasper, Texas 75951 Term Ends: 9-5-2015</p>	

Executive Staff

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Lufkin Texas 75902-0387](#)

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	7/1/10-7/1/11	Auto Liability	1,000,000	\$ 3,555
Texas Water Conservation Association	0042	7/1/10-7/1/11	General Liability	1,000,000	2,384
Texas Water Conservation Association	0042	7/1/10-7/1/11	Errors & Omissions	1,000,000	1,740
Texas Water Conservation Association	0042	7/1/10-7/1/11	Property Liability	5,811,200	13,719
Texas Water Conservation Association	0042	7/1/10-7/1/11	Auto Physical Damage	Scheduled	5,985
					<u>\$ 27,383</u>