



ANGELINA & NECHES RIVER AUTHORITY

December 23, 2014

Please accept, with our compliments, the Annual Financial Report for FY 2014 of the Angelina & Neches River Authority (ANRA). This Annual Financial Report was audited by the firm of Jansen and Gregorczyk and approved by the Angelina & Neches River Authority Board of Directors on December 10, 2014.

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,

A handwritten signature in black ink that reads "Dyan Stanford".

Dyan Stanford
Office Manager

ANNUAL FINANCIAL REPORT
OF
ANGELINA & NECHES
RIVER AUTHORITY

*For the Fiscal Years Ended
August 31, 2014 and 2013*

ANGELINA & NECHES RIVER AUTHORITY
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying comparative financial statements of the Angelina & Neches River Authority (the "Authority") as of and for the years ended August 31, 2014 and 2013, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Angelina & Neches River Authority as of August 31, 2014 and 2013 and the respective changes in financial position and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note 1 to the financial statements, in 2014 the Authority adopted new accounting guidance, GASB Statement No. 65, Items Previously Reported as Assets and Liabilities. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-7 and 21 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The introductory section, combining and individual fund financial statements, and supplemental section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

Kyle, Texas
November 12, 2014

MANAGEMENT'S DISCUSSION AND ANALYSIS AUGUST 31, 2014 and 2013

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, 2014 and 2013. 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 \$2,281,710 compared to total non-operating expenses of \$363,099 and operating revenues of \$2,631,079 and non-operating revenues of \$44,438, resulting in a combined increase in net position of \$30,708 for the year ended August 31, 2014.
- The Authority's total cash and investments increased by \$486,516 from the previous year.
- The Authority secured new debt in connection with projects and retired debt from prior 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 Position, the Statements of Revenue, Expenses and Changes in Net Position, and the Statements of Cash Flows that present information for the Authority as a whole and provide an indication of the Authority's financial health. The financial statements are presented as a single Enterprise Fund using the accrual basis of accounting.

The Statements of Net Position report the current and noncurrent assets and liabilities for the Authority as well as delineating the restricted assets from assets to be used for general purposes. The Statements of Revenue, Expenses and Changes in Net Position report all of the revenues and expenses during the time periods indicated. The Statements of Cash Flows report the cash provided and used by operating activities, as well as other cash sources such as investment income and cash payments for repayment of bonds and capital additions.

The Authority, as of August 31, 2014 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 supplemental schedules portion of the report includes a Statement of Net Assets, Statement of Revenue, Expenses and changes in Net Position and Statement of Cash Flow by fund.

The Authority as a Whole

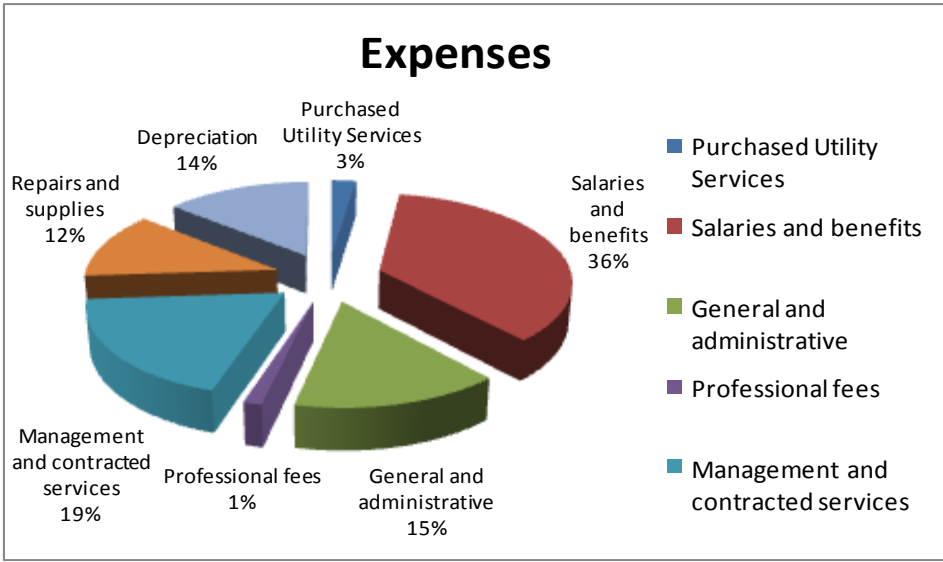
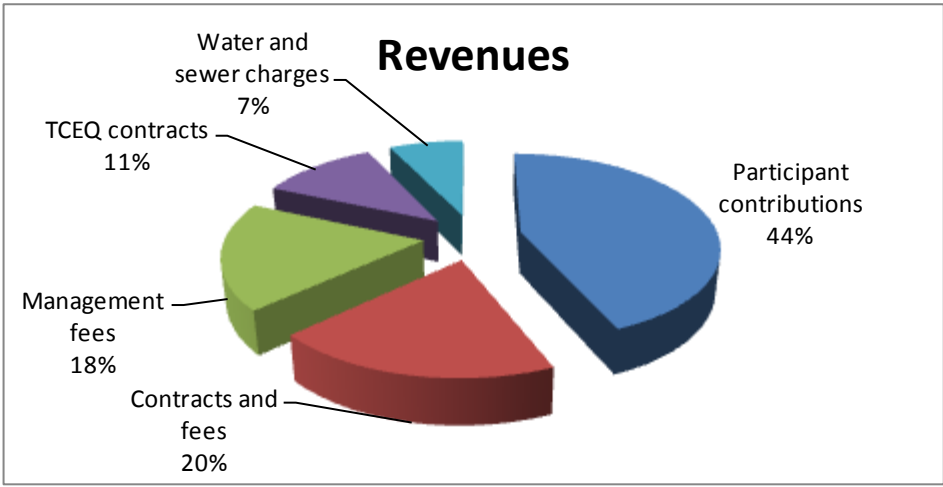
The Authority's net position increased by \$30,708 in the year ended August 31, 2014. Table 1 and Table 2 below reflect the net assets and changes in net assets of the Authority.

Table 1 **CONDENSED STATEMENT OF NET ASSETS**

	<u>2014</u>	<u>2013</u>
Current and other assets	\$ 1,401,182	\$ 886,514
Capital assets, net	<u>8,773,776</u>	<u>8,909,266</u>
Total Assets	<u>10,174,958</u>	<u>9,795,780</u>
Long-term liabilities	6,544,034	6,160,001
Other liabilities	<u>482,674</u>	<u>518,240</u>
Total Liabilities	<u>7,026,708</u>	<u>6,678,241</u>
Net assets:		
Invested in capital assets, net of related debt	1,958,798	2,956,768
Restricted	148,934	197,623
Unrestricted	<u>1,040,516</u>	<u>(36,852)</u>
Total Net Position	<u>\$ 3,148,248</u>	<u>\$ 3,117,540</u>

Table 2 **CONDENSED STATEMENT OF ACTIVITIES**

	<u>2014</u>	<u>2013</u>
Revenues:		
Charges for services	\$ 2,631,079	\$ 2,351,521
Operating grants	-	-
General revenues:		
Investment income	255	520
Other	<u>44,183</u>	<u>17,500</u>
Total Revenues	<u>2,675,517</u>	<u>2,369,541</u>
Expenses:		
General services	1,135,384	981,888
Holmwood Utility	201,912	178,828
Lake Columbia	99,936	112,024
North Angelina County	524,289	440,841
Neches Composting	<u>683,288</u>	<u>556,833</u>
Total Expenses	<u>2,644,809</u>	<u>2,270,414</u>
Change in Net Assets	30,708	99,127
Beginning net position:	<u>3,117,540</u>	<u>3,018,413</u>
Ending Net Position	<u>\$ 3,148,248</u>	<u>\$ 3,117,540</u>



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

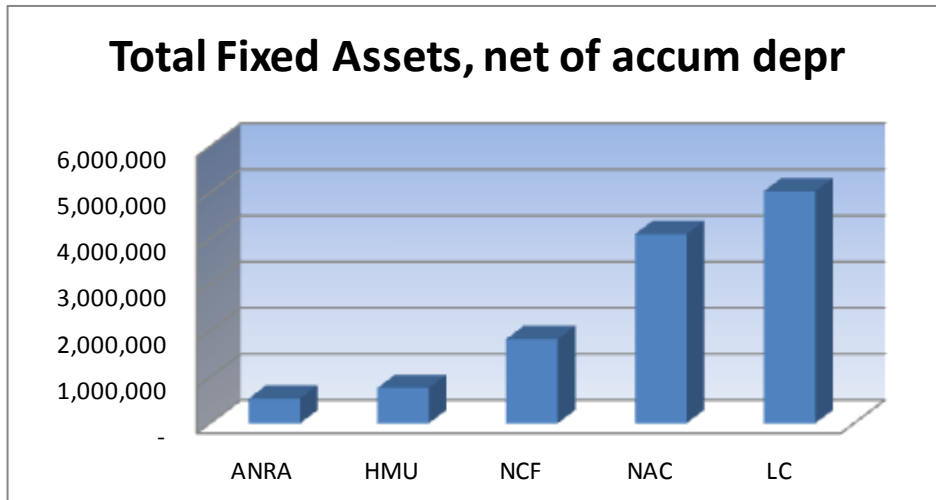
Budgetary Highlights

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

Capital Asset and Debt Administration

Capital Assets

Net capital assets decreased from \$8,909,266 to \$8,773,776, a decrease of \$135,490. The decrease is primarily the result of fewer additions and higher accumulated depreciation. Changes to fixed assets were additions to the machinery and equipment of \$163,522. There were also retirements of \$7,995. Construction work in progress related to Lake Columbia was \$4,932,452 at August 31, 2014.



A portion of the Authority's net position, 61.90%, 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, 2014, net of the current portion, totaled \$6,814,978 for leases payable and revenue bonds. The current portion of the long-term debt was \$298,731. Long-term debt activity for the year consisted of principal and interest payments on this note. Long term debt had a net increase of \$327,862 during the period. Detailed information is included in the Notes to the Financial Statements.

Economic Factors and Next Year's Budgets

The Authority continues to seek and apply for grants to assist in research, development and planning for their facilities.

Contacting the Authority's Financial Management

This financial report is designed to provide the legislators, state officials, customers, bond holders and citizens of the State of Texas and other interested parties with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Authority's Management office at:

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

FINANCIAL STATEMENTS

ANGELINA & NECHES RIVER AUTHORITY
Statement of Net Position
August 31, 2014 and 2013

<u>ASSETS</u>	2014	2013
Current Assets		
Cash and cash equivalents	\$ 1,021,194	\$ 485,989
Restricted cash and cash equivalents	148,934	197,623
Accounts receivable	231,054	202,902
Total Current Assets	1,401,182	886,514
Noncurrent Assets		
Capital assets:		
Non-depreciable	5,416,242	5,424,237
Depreciable, net	3,357,534	3,485,029
Total non-current assets	8,773,776	8,909,266
Total assets	\$ 10,174,958	\$ 9,795,780
<u>LIABILITIES</u>		
Current Liabilities		
Accounts Payable	\$ 129,053	\$ 108,004
Accrued Interest Payable	54,890	55,825
Line of credit	47,550	57,550
Bonds and leases payable	251,181	296,861
Total Current Liabilities	482,674	518,240
Noncurrent liabilities		
Deferred Interest	517,731	477,067
Compensated absences	27,787	27,296
Bonds and leases payable	5,998,516	5,655,638
Total Noncurrent Liabilities	6,544,034	6,160,001
Total Liabilities	\$ 7,026,708	\$ 6,678,241
<u>NET POSITION</u>		
Net Investment in capital assets, net of related debt	\$ 1,958,798	\$ 2,956,768
Restricted for debt service	148,934	197,623
Unrestricted	1,040,516	(36,850)
Total Net Position	\$ 3,148,248	\$ 3,117,540

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

ANGELINA & NECHES RIVER AUTHORITY
Statement of Revenues, Expenses and Changes in Net Position
For the Fiscal Years Ended August 31, 2014 and 2013

	2014	2013
<u>OPERATING REVENUES</u>		
Participant contributions	\$ 1,147,879	\$ 1,095,988
Contracts and fees	514,248	509,873
Management fees	483,457	386,733
TCEQ contracts	296,578	168,826
Water and sewer charges	188,917	190,101
Total Operating Revenues	2,631,079	2,351,521
 <u>OPERATING EXPENSES</u>		
Purchased Utility Services	54,912	59,394
Salaries and benefits	833,636	785,438
General and administrative	349,396	283,816
Professional fees	31,218	38,147
Management and contracted services	439,979	347,092
Repairs and supplies	281,552	219,413
Depreciation	291,017	260,557
Total Operating Expenses	\$ 2,281,710	1,993,857
Operating Income	\$ 349,369	\$ 357,664
 <u>NON OPERATING REVENUES (EXPENSES)</u>		
Investment Income	\$ 255	520
Grant Income	-	-
Other Expense	(98,922)	-
Interest Expense	(264,177)	(276,557)
Miscellaneous Income	44,183	17,500
Net Nonoperating Revenues (Expense)	\$ (318,661)	\$ (258,537)
CHANGE IN NET POSITION	\$ 30,708	\$ 99,127
TOTAL NET POSITION, BEGINNING	3,117,540	3,018,413
TOTAL NET POSITION, ENDING	\$ 3,148,248	\$ 3,117,540

ANGELINA & NECHES RIVER AUTHORITY
Statement of Cash Flows
For the Fiscal Years Ended August 31, 2014 and 2013

	2014	2013
Cash Flows from Operating Activities		
Receipts from customers	\$ 2,632,007	\$ 2,360,612
Other Income	-	-
Payments to suppliers	(1,185,034)	(933,690)
Payments to employees	(833,020)	(781,017)
Net cash provided(used) operating activities	613,953	645,905
Cash flows from Capital and Related Financing Activities	-	-
Purchase of capital assets	(155,526)	(413,748)
Debt proceeds	1,262,811	365,050
Accounts payable effecting capital assets	19,825	-
Other expenses	(98,922)	-
Principal on long term debt	(934,946)	(419,472)
Interest on long term debt	(265,116)	(247,258)
Net cash provided(used) by Capital and Related Fin. Act.	(171,874)	(715,428)
Cash flows from Investing Activities	-	-
Interest from investments	254	520
Proceeds from sale of assets	-	2,500
Other Income	44,183	15,000
Net cash Provided by Investing Activities	44,437	18,020
Net increase (decrease) in Cash and Cash Equivalents	486,517	(51,503)
Beginning Cash and Cash Equivalents	683,612	735,115
Ending Cash and Cash Equivalents	\$ 1,170,128	\$ 683,612
Reconciliations of Operating Income to Net Cash Provided		
by Operating Activities		
Operating income	349,372	331,547
Adjustments to reconcile operating income to cash		
provided by operating activities:		
Depreciation	291,017	286,674
Changes in Assets and Liabilities:		
(Increase) decrease in:		
Accounts receivable	(28,152)	33,742
Due from other funds	29,078	(24,651)
Increase (decrease) in:		
Accounts payable	(857)	(10,478)
Accrued liabilities	2,573	4,420
Due to other funds	(29,078)	24,651
Net cash Provided by Operating Activities	\$ 613,953	\$ 645,905

ANGELINA & NECHES RIVER AUTHORITY

NOTES TO FINANCIAL STATEMENTS As of and for the Years Ended August 31, 2014 and 2013

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Angelina & Neches River Authority (the “Authority”) have been prepared in conformity with generally accepted accounting principles (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the Authority’s accounting policies are described below.

Reporting Entity:

The Authority (formerly the Sabine-Neches Conservation District and the Neches River Conservation District) was created as a governmental agency to construct, maintain, and operate, in the valley of the Neches River and its tributaries, all works essential to the control, storage, preservation, and distribution to all useful purposes of water in the Neches River - (Article 8280-108, Vernon’s Texas Civil Statutes, amended in 1977 by an Act of the Legislature of the State of Texas). The Authority is governed by a nine-member board appointed by the Governor of Texas to six year terms. The Directors are residents of the Neches River basin and one third of the Board is appointed every two years. The board sets policy, provides oversight, and employs a General Manager.

Management has determined that there are no other entities that meet the criteria for inclusion in the Authority’s reporting entity. The Authority is a separate self-supporting governmental unit with no taxing powers covering all or a portion of the counties in the Neches Basin. The Authority is not included in any other governmental reporting entity. The Authority is in compliance with the requirements of Texas Water Codes 49.191, Duty to Audit, and 49.199, Policies and Audits of Districts.

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

Basis of Accounting

The Authority's basic financial statements are presented as a single Enterprise Fund. This Enterprise Fund accounts for the acquisition, operation and maintenance of 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, Deferred Outflows (Inflows) of Resources, Liabilities and Net Position

Cash and Cash Equivalents: Cash and cash equivalents are short-term highly liquid investments that are readily convertible to known amounts of cash and so near maturity that there is no significant risk of changes in value due to changes in interest rates. Cash equivalents include investments with original maturities of three months or less. Cash equivalents are stated at cost which approximates fair value.

Investments: Investments with quoted fair values are carried at the reported sales price on the last day of the Authority's year and are recorded at fair value in the balance sheet. Certificates of deposit are stated at cost due to their short-term maturities. All investments, financial disclosures, quarterly reporting, and annual adoption are compliant with Texas Government Code, Title 10, Chapter 2256 (the Public funds Investment Act).

Accounts Receivable: The Authority uses the direct charge off method to account for bad debts, directly expensing receivables which management deems uncollectible, or realizable at less than full value. This method provides results similar to the reserve method in all material respects. The Authority considers accounts receivable to be fully collectible; accordingly, no allowance for doubtful accounts is recorded.

Capital Assets: Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., water lines, sewer lines, and storm sewer), are reported in the financial statements. Moveable capital assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of two years are capitalized. Plant and property with a cost of greater than \$25,000 are capitalized. Donated assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects when constructed. Interest costs incurred in connection with the construction of capital assets are not capitalized when the effects of capitalization materially impact the financial statements due to the uncertainty of

the Lake Columbia project. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Property, plant, and equipment are depreciated using the straight-line method over the following estimated useful years:

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

Restricted Assets: The restricted assets consist of bond reserve funds and sinking funds on various revenue bonds and funds designated by the Board of Directors. The bond reserve and sinking funds are segregated as required by certain bond indentures.

Sick Leave and Vacation: The Authority allows employees to accumulate sick leave. Pursuant to Governmental Accounting Standards Board pronouncements, the Authority does not accrue sick leave rights since these rights are nonvesting. The Authority does accrue vacation benefits in its financial statements in accordance with generally accepted accounting principles.

Subsequent Events: The District has evaluated subsequent events as of November 12, 2014, the date the financial statements were available to be issued and have determined there are no issues material to the financial statements.

Deferred Outflows/Inflows of Resources: In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

The Authority prepares a budget in accordance with The Water Code, Chapter 49, Subchapter G, and Section 49.199 for use in planning and controlling costs. The budget and any changes are approved by the Board of Directors. The budget is adopted on a basis consistent with generally accepted accounting principles. The General Manager is authorized by the Board to transfer budgeted amounts between accounts, but any revisions that alter the total 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.

Estimates

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

NOTE 3 – DETAILED NOTES ON ALL FUNDS

Deposits and Investments

Investment Policies: Applicable state laws and regulations allow the Authority to invest its funds in direct or indirect obligations of the United States, the state, or any county, city, school district, or other political subdivision of the state. Funds may also be placed in certificates of deposit of state or national banks or savings and loan associations (depository institutions) domiciled within the state. Related state statutes and provisions included in the Authority's bond resolutions require that all funds invested in depository institutions be guaranteed by federal depository insurance and/or be secured in the manner provided by law for the security of public funds.

Custodial Credit Risk – Deposits: In the case of deposits, there is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's investment policy requires funds on deposit at the depository bank to be collateralized by securities. As of August 31, 2014, all of the Authority's \$1,170,128 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, 2014, was as follows:

	Balance 8/31/2013	Additions	Retirements	Balance 8/31/2014
Capital assets not being depreciated:				
Land	\$ 483,790	\$ -	\$ -	\$ 483,790
Construction Work in Progress	4,940,447	-	7,995	4,932,452
Total capital assets not being depreciated	5,424,237	-	7,995	5,416,242
Other capital assets:				
Treatment Facilities	4,880,854	-	-	4,880,854
Machinery and equipment	1,337,046	163,522	-	1,500,568
Total other capital assets	6,217,900	163,522	-	6,381,422
Less accumulated depreciation	(2,732,871)	(291,017)	-	(3,023,888)
TOTALS	<u>\$ 8,909,266</u>	<u>\$ (127,495)</u>	<u>\$ 7,995</u>	<u>\$ 8,773,776</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, 2014 is \$27,787.

NOTE 5 – LONG-TERM DEBT

The following is a summary of changes in the Authority’s long-term liabilities for the year ended August 31, 2014:

<u>Fund</u>	<u>Balance 8/31/13</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 8/31/14</u>	<u>Due w/in 1 year</u>	<u>L/T Liab Balance</u>
Leases Payable						
ANRA	\$ 159,278	\$ 37,690	\$ (29,969)	\$ 166,999	\$ 68,540	\$ 98,459
Neches Compost	346,771	-	(167,260)	179,511	15,981	163,530
	<u>506,049</u>	<u>37,690</u>	<u>(197,229)</u>	<u>346,510</u>	<u>84,521</u>	<u>261,989</u>
Revenue Bonds						
Holmwood	485,000	-	(25,000)	460,000	30,000	430,000
Lake Columbia	230,000	-	-	230,000	-	230,000
Deferred Int	67,884	-	-	67,884	-	67,884
Lake Columbia	734,000	-	-	734,000	-	734,000
Deferred Int	182,987	-	-	182,987	-	182,987
Lake Columbia	800,000	-	-	800,000	-	800,000
Deferred Int	266,860	-	-	266,860	-	266,860
No Angelina Co	2,720,000	-	(155,000)	2,565,000	160,000	2,405,000
No Angelina Co	-	205,000	-	205,000	-	205,000
No Angelina Co	-	469,013	(26,675)	442,337	-	442,337
Neches Compost	535,000	446,900	(535,000)	446,900	39,600	407,300
Neches Compost	-	67,500	-	67,500	5,600	61,900
	<u>6,021,731</u>	<u>1,188,413</u>	<u>(741,675)</u>	<u>6,468,468</u>	<u>235,200</u>	<u>6,233,268</u>
Totals	<u>\$ 6,527,780</u>	<u>\$ 1,226,103</u>	<u>\$ (938,904)</u>	<u>\$ 6,814,978</u>	<u>\$ 319,721</u>	<u>\$ 6,495,257</u>

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

Year Ending August 31	Bonds Payable			
	Principal	Interest	Deferred	Total
2015	\$ 255,200	\$ 180,622	\$ -	\$ 435,822
2016	261,800	172,946	-	434,746
2017	268,400	202,886	47,812	519,098
2018	275,000	194,485	47,812	517,297
2019	290,400	185,814	47,812	524,026
2020-2024	1,618,600	745,804	191,248	2,555,652
2025-2029	1,095,000	310,794	-	1,405,794
2030-2034	350,000	167,090	-	517,090
2035-2039	360,000	54,246	-	414,246
2040-2044	-	-	-	-
2045-2049	734,000	711,613	731,945	2,177,558
	<u>\$ 5,508,400</u>	<u>\$ 2,926,300</u>	<u>\$ 1,066,629</u>	<u>\$ 9,501,329</u>

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

Description	Date of Issue	Date of Maturity	Amount of Original Issue	Interest Rates	Balance at 8/31/2014
HMC Rev Bonds 2012	6/4/2012	4/1/2027	\$ 510,000	3.47%	\$ 460,000
LC Rev Bonds 2005	4/1/2005	8/1/2038	230,000	5.68%-5.83%	230,000
Deferred Interest - LC 2005	4/1/2005	8/1/2038	-	-	67,884
LC Rev Bonds 2005	4/1/2005	8/1/2038	800,000	5.68%-5.83%	800,000
Deferred Interest - LC 2005	4/1/2005	8/1/2038	-	-	266,860
LC Rev Bonds 2005-TWDB	2/1/2010	8/1/2045	734,000	5.40%	734,000
Deferred Interest - LC 2005	2/1/2010	8/1/2045	-	-	182,987
NAC Rev Bonds 2012	6/4/2012	4/1/2027	2,870,000	4.15%-4.65%	2,565,000
NAC Rev Bonds 2014	6/10/2014	10/1/2024	205,000	.0% - 2.05%	205,000
NCF Ref Bonds Tax Exempt 2014	7/29/2014	8/1/2024	446,900	3.05%	446,900
NCF Ref Bonds Taxable 2014	7/29/2014	8/1/2024	67,500	5.50%	67,500
			<u>\$ 5,863,400</u>		<u>\$ 6,026,131</u>

The Authority secured new debt from Texas Water Development Board in connection with a wastewater system improvements project. The total loan is \$674,013 from the Clean Water State Revolving Fund (CWSRF). \$469,013 is in the form of loan forgiveness and \$205,000 is in the form of revenue bonds as indicated in the above schedule.

The Authority is obligated to maintain Interest and Sinking Fund accounts for all Texas Water Development Board bonds and is in compliance with those bond covenant mandates.

Future minimum lease payments under capital leases are as follows:

Year Ending August 31,	
2015	19,683
2016	19,683
2017	19,683
2018	16,991
2019	9,526
Thereafter	<u>7,939</u>
Total minimum lease payments	93,505

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

Total minimum future lease payments	93,505
Executory costs and related profit	<u>-</u>
Minimum lease payments	93,505
Allowance for uncollectible payments	<u>-</u>
Net minimum lease payments	93,505
Estimated unguaranteed residual value of leased asset	-
Unearned income	(16,224)
Initial direct costs	<u>-</u>
Net investment in direct financing leases	<u><u>\$ 77,281</u></u>

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:

Description	Date of Issue	Date of Maturity	Interest Rate	Amount Authorized and Issued	Cumulative Amount Retired	Balance August 31, 2014
Temple-Inland Forest Products Waste Disposal Revenue Bonds, Series 1998	5/1/1998	5/1/2023	6.95%	\$ 7,200,000	\$ 7,200,000	\$ -
Aspen Power LLC Environmental Facility Revenue Bonds, Series 2007A	5/10/2007	11/1/2029	variable	45,970,000	-	45,970,000
Aspen Power LLC Environmental Facility Revenue Bonds, Taxable Series 2007B	5/10/2007	11/1/2017	variable	4,130,000	-	4,130,000
				<u>\$ 57,300,000</u>	<u>\$ 7,200,000</u>	<u>\$ 50,100,000</u>

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 is a qualified plan subject to the provisions of the Employee Retirement Income Security Act of 1974 (ERISA), Tax Equity and Fiscal Responsibility Act of 1982, Tax Reform Act of 1984, and the Retirement Equity Act of 1984; and a letter of favorable determination has been received from the Internal Revenue Service relating to its qualification.

The Plan provides that the Authority may make a contribution. The Authority contributed \$17,319 to the Plan for the year ended August 31, 2014. 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.

At August 31, 2014, there were 18 plan members consisting of 18 active employees. At August 31, 2013, there were 21 plan members consisting of 21 active employees.

	Employer Contributions Required	Employer Contributions Made	Percentage of Contributions Made
2014	17,319	17,319	100%
2013	14,802	14,802	100%
2012	18,066	18,066	100%

The total assets in the plan as of August 31, 2014 are \$152,385.

The asset allocation breakdown is as follows:

FUND	Percentage Invested	Fund Balance
Federated Government Obligations	3.74%	\$ 5,702
BMW Bank Utah CD	6.71%	10,226
Cit Bank Salt Lake City UT CD	6.57%	10,017
Discover Bank CD	3.33%	5,067
Goldman Sachs Bank CD	3.28%	5,000
Goldman Sachs BK CD	6.67%	10,170
Federal Home Loan Bank	6.56%	10,003
Dodge & Cox Income FD	3.32%	5,064
Federated GNMA Tr	2.94%	4,476
USAA Short Term Bond Fund	1.89%	2,874
Vanguard BD Index Fd Inc. Admiral	1.43%	2,185
Vanguard Inter Term	2.49%	3,797
Vanguard Short Term	0.49%	747
Vanguard Short Term Federal Fund #49	0.06%	84
Dodge & Cox Funds	0.85%	1,297
Fidelity Contrafund Inc	3.57%	5,443
Fidelity Mt Vernon Str	4.70%	7,157
Fidelity Puritan TR	4.79%	7,304
Meridian FD Inc.	1.89%	2,876
Rowe T Price Mid-Cap	2.88%	4,390
Vang World Fd Intl	1.97%	3,005
Vang Small Cap Gr	4.80%	7,312
Vang Emerging Market	1.98%	3,018
Vanguard Extended Market	6.46%	9,842
Vanguard 500 Index Fund	16.62%	25,329
TOTAL ALL FUNDS		<u>\$ 152,385</u>

Deferred Compensation Plan

The Authority maintains a deferred compensation plan, which is available to all employees. The plan complies with Section 457 of the Internal Revenue Code (Deferred Compensation Plans with Respect to Service for State and Local Governments). ICMA RC is the independent administrator of the plan. The plan consists solely of employee contributions which are tax deferred. The total contributions to the plan during the year were \$5,444. 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 has an agreement with an engineering firm to perform preliminary work on a wastewater system improvements project. The amount of the contract is not to exceed \$674,013.

NOTE 11 - CONCENTRATIONS

During the year the Authority sold 22.02% of sewer fees to Idlewood WC & ID, 21.18% to Department of Aging & Disability Services, 16.68% to City of Palestine and 14.95% to City of Athens.

NOTE 12 – RESTATEMENTS

As mentioned in Note 1 to the financial statements, the Authority implemented GASB statement No. 65, Items Previously Reported as Assets and Liabilities. The provisions of this statement require that bond issuance costs be expensed in the year they are incurred. Previously, bond issuance costs had been treated as an asset and amortized over the life of the related debt. In order to implement GASB statement No. 65, bond issuance costs previously reported as assets had to be removed from the financial statements. This resulted in a restatement of beginning equity in the amount of \$298,313. Assets of the Authority were reduced by the same amount.

Angelina & Neches River Authority
Schedule of Revenues, Expenditures and Changes
in Fund Balance - Budget vs Actual
August 31, 2014

	Budget		Variance
	Amount	Actual	Positive / (Negative)
<u>REVENUES</u>			
Investment Income	\$ -	\$ 255	\$ 255
Miscellaneous Income	-	44,183	44,183
Participant contributions	1,027,537	1,147,879	120,342
TWDB State Participation EIS	-	-	-
Contracts and fees	373,006	514,248	175,866
Management fees	393,263	483,457	90,194
TCEQ contracts	296,664	296,578	(86)
Water and sewer charges	338,382	188,917	(149,465)
Total Revenues	<u>2,428,852</u>	<u>2,675,517</u>	<u>281,289</u>
<u>EXPENDITURES</u>			
Purchased Utility Services	\$ 56,976	\$ 54,912	\$ (2,064)
Salaries and benefits	859,368	833,636	(25,732)
General and administrative	291,012	349,396	58,384
Professional fees	41,250	31,218	(10,032)
Management and contracted services	286,247	439,979	153,732
Repairs and supplies	231,793	281,550	49,757
Debt Service:	-	-	-
Principal	306,624	934,946	628,322
Interest Expense	218,222	264,177	45,955
Total Expenditures	<u>2,291,492</u>	<u>3,189,814</u>	<u>898,322</u>
Revenues Over(Under) Expenditures	\$ 137,360	\$ (514,297)	\$ (617,033)
<u>Other Uses of Funds</u>			
Capital Outlay	128,186	155,526	27,340
Change in Net Position	265,546	(669,823)	(644,373)
Beginning Net Position	<u>3,117,540</u>	<u>3,117,540</u>	<u>-</u>
Ending Net Position	<u>\$ 3,383,086</u>	<u>\$ 2,447,717</u>	<u>\$ (644,373)</u>
<u>Budget Basis</u>			
Depreciation		(291,017)	
Capital Outlay		155,526	
Debt Issuance Costs		(98,922)	
Principal Payments		934,946	
Changes in Net Position- GAAP Basis		<u>700,531</u>	
Net Position - GAAP Basis		<u>\$ 3,148,248</u>	

SUPPLEMENTAL SCHEDULES

ANGELINA & NECHES RIVER AUTHORITY
Statement of Net Position (by fund)
August 31, 2014 and 2013

	ANRA Operations	Holmwood Utilities	Lake Columbia	Neches Compost Facility	North Angelina County RWF	Adjustment	Totals 2014	Totals 2013
<u>Assets and Deferred Outflow of Resources</u>								
Current Assets								
Cash and cash equivalents	\$ 56,913	\$ 68,940	\$ 2,955	\$ 184,376	\$ 708,010		\$ 1,021,194	\$ 485,989
Restricted cash		-	-	-	148,934		148,934	197,623
Receivables, Net	95,614	19,349	-	71,244	44,847		231,054	202,902
Receivables, Interfunds	108,574	-	-	-	-	(108,574)	-	-
Total Current Assets	<u>261,101</u>	<u>88,289</u>	<u>2,955</u>	<u>255,620</u>	<u>901,791</u>	<u>(108,574)</u>	<u>1,401,182</u>	<u>886,514</u>
Noncurrent Assets								
Capital assets:								
Non-depreciable	-	1,483	4,932,452	44,952	437,355		5,416,242	5,424,237
Depreciable	286,949	380,880	-	648,701	2,041,004		3,357,534	3,485,029
Total Noncurrent Assets	<u>286,949</u>	<u>382,363</u>	<u>4,932,452</u>	<u>693,653</u>	<u>2,478,359</u>		<u>8,773,776</u>	<u>8,909,266</u>
Total Assets	<u>\$ 548,050</u>	<u>\$ 470,652</u>	<u>\$ 4,935,407</u>	<u>\$ 949,273</u>	<u>\$ 3,380,150</u>	<u>\$ (108,574)</u>	<u>\$ 10,174,958</u>	<u>9,795,780</u>
<u>Liabilities</u>								
Current Liabilities								
Accounts Payable	\$ 39,715	\$ 13,921	\$ 37,415	\$ 7,351	\$ 30,651	\$ -	\$ 129,053	\$ 108,004
Interfund Payables	-	20	105,535	1,954	1,065	(108,574)	-	-
Accrued Interest Payable	-	6,657	7,568	3,695	36,970	-	54,890	55,825
Line of Credit	47,550	-	-	-	-		47,550	57,550
Bonds and leases payable	-	30,000	-	61,181	160,000	-	251,181	296,860
Total Current Liabilities	<u>87,265</u>	<u>50,598</u>	<u>150,518</u>	<u>74,181</u>	<u>228,686</u>	<u>(108,574)</u>	<u>482,674</u>	<u>518,239</u>
Noncurrent liabilities								
Deferred Revenue	-	-	-	-	-		-	-
Deferred Interest	-	-	517,731	-	-	-	517,731	477,067
Compensated absences	24,347	-	-	3,440	-		27,787	27,296
Bonds and leases payable	119,448	430,000	1,764,000	632,730	3,052,338		5,998,516	5,655,638
Total Noncurrent Liabilities	<u>143,795</u>	<u>430,000</u>	<u>2,281,731</u>	<u>636,170</u>	<u>3,052,338</u>	<u>-</u>	<u>6,544,034</u>	<u>6,160,001</u>
Total Liabilities	<u>\$ 231,060</u>	<u>\$ 480,598</u>	<u>\$ 2,432,249</u>	<u>\$ 710,351</u>	<u>\$ 3,281,024</u>	<u>\$ (108,574)</u>	<u>\$ 7,026,708</u>	<u>\$ 6,678,240</u>
<u>Net Assets</u>								
Invested in capital assets								
net of related debt	119,951	(77,637)	2,650,721	(258)	(733,979)	-	1,958,798	2,956,768
Restricted	-	-	-	-	148,934		148,934	197,623
Unrestricted	197,039	67,691	(147,563)	239,180	684,171	-	1,040,516	(36,851)
TOTAL NET POSITION	<u>\$ 316,990</u>	<u>\$ (9,946)</u>	<u>\$ 2,503,158</u>	<u>\$ 238,922</u>	<u>\$ 99,126</u>	<u>\$ -</u>	<u>\$ 3,148,248</u>	<u>\$ 3,117,540</u>

ANGELINA & NECHES RIVER AUTHORITY
Statement of Revenues, Expenditures and Changes in Fund Balance
August 31, 2014 and 2013

<u>REVENUES</u>	ANRA Operations	Holmwood Utilities	Lake Columbia	Neches Compost Facility	North Angelina County RWF	TOTALS 2014	TOTALS 2013
Participant contributions	\$ -	\$ -	\$ 59,224	\$ 547,492	\$ 541,163	\$ 1,147,879	\$ 1,095,988
Contracts and fees	381,610	-	-	132,051	587	514,248	509,873
Management fees	483,457	-	-	-	-	483,457	386,733
TCEQ contracts	296,578	-	-	-	-	296,578	168,826
Water and sewer charges	-	188,917	-	-	-	188,917	190,101
Total Revenues	<u>1,161,645</u>	<u>188,917</u>	<u>59,224</u>	<u>679,543</u>	<u>541,750</u>	<u>2,631,079</u>	<u>2,351,521</u>
 <u>EXPENDITURES</u>							
Purchased Utility Services	10,289	18,572	-	-	26,051	54,912	59,394
Salaries and benefits	681,669	-	-	151,967	-	833,636	785,438
General and administrative	120,161	11,006	1,150	176,120	40,956	349,396	283,816
Professional fees	29,028	-	-	228	1,962	31,218	38,147
Management and contracted services	100,480	98,483	-	108,707	132,309	439,979	347,092
Repairs and supplies	139,153	30,675	-	59,297	52,427	281,552	219,413
Depreciation	46,616	26,701	-	97,323	120,377	291,017	260,557
Total Operating Expenses	<u>1,127,396</u>	<u>185,437</u>	<u>1,150</u>	<u>593,642</u>	<u>374,082</u>	<u>2,281,710</u>	<u>1,993,857</u>
Net Operating Income	<u>\$ 34,249</u>	<u>\$ 3,480</u>	<u>\$ 58,074</u>	<u>\$ 85,901</u>	<u>\$ 167,668</u>	<u>\$ 349,369</u>	<u>\$ 357,664</u>
 <u>Non Operating Revenues (Expenses)</u>							
Investment Income	102	-	-	153	-	255	520
Other Expenses	-	-	-	(39,090)	(59,832)	(98,922)	-
Interest Expense	(7,985)	(16,475)	(98,786)	(50,556)	(90,375)	(264,177)	(276,557)
Miscellaneous Income	15,008	-	2,500	-	26,675	44,183	17,500
Net NonOperating Income (Expense)	<u>\$ 7,125</u>	<u>\$ (16,475)</u>	<u>\$ (96,286)</u>	<u>\$ (89,493)</u>	<u>\$ (123,532)</u>	<u>\$ (318,661)</u>	<u>\$ (258,537)</u>
Change in Net Position	<u>\$ 41,374</u>	<u>\$ (12,995)</u>	<u>\$ (38,212)</u>	<u>\$ (3,592)</u>	<u>\$ 44,136</u>	<u>\$ 30,708</u>	<u>\$ 99,127</u>
Total Net Position, Beginning	275,616	3,049	2,541,371	242,514	54,990	3,117,540	3,018,413
Total Net Position, Ending	<u>\$ 316,990</u>	<u>\$ (9,946)</u>	<u>\$ 2,503,159</u>	<u>\$ 238,922</u>	<u>\$ 99,126</u>	<u>\$ 3,148,248</u>	<u>\$ 3,117,540</u>

ANGELINA & NECHES RIVER AUTHORITY
Statement of Cash Flows
August 31, 2014 and 2013

	ANRA Operations	Holmwood Utilities	Lake Columbia	Neches Compost Facility	North Angelina County RWF	2014 TOTAL	2013 Total
Cash Flows from Operating Activities							
Receipts from customers	\$1,176,246	\$ 188,585	\$ 59,224	\$ 667,283	\$ 540,669	\$ 2,632,007	\$2,360,612
Other Income	-	-	-	-	-	-	-
Payments to suppliers	(394,617)	(162,748)	(458)	(354,701)	(272,512)	(1,185,034)	(933,690)
Payments to employees	(680,204)	-	-	(152,816)	-	(833,020)	(781,017)
Net cash provided/(used) operating activities	<u>101,425</u>	<u>25,837</u>	<u>58,766</u>	<u>159,766</u>	<u>268,157</u>	<u>613,953</u>	<u>645,905</u>
Cash flows from Capital and Related Financing Activities							
Purchase of capital assets	(102,492)	-	-	(50,338)	(101,618)	(254,448)	(413,748)
Debt proceeds	33,734	-	40,664	514,400	674,013	1,262,811	365,050
Accounts payable effecting capital assets	-	-	-	-	19,825	19,825	-
Interfund payables effecting capital assets	-	-	-	-	-	-	-
Proceeds for long term assets	-	-	-	-	-	-	-
Principal on long term debt	(26,012)	(25,000)	-	(702,259)	(181,675)	(934,946)	(419,472)
Interest on long term debt	(7,985)	(16,837)	(99,779)	(48,921)	(91,592)	(265,116)	(247,258)
Net cash provided/(used) by Capital and Related Fin. Act.	<u>(102,755)</u>	<u>(41,837)</u>	<u>(59,115)</u>	<u>(287,118)</u>	<u>318,953</u>	<u>(171,874)</u>	<u>(715,428)</u>
Cash flows from Investing Activities							
Interest from investments	102	-	-	153	-	254	520
Proceeds from sale of assets	-	-	-	-	-	-	2,500
Other Income	15,008	-	2,500	-	26,675	44,183	15,000
Net cash Provided by Investing Activities	<u>15,110</u>	<u>-</u>	<u>2,500</u>	<u>153</u>	<u>26,675</u>	<u>44,437</u>	<u>18,020</u>
Net increase (decrease) in Cash and Cash Equivalents	13,780	(16,000)	2,151	(127,199)	613,785	486,516	(51,503)
Beginning Cash and Cash Equivalents	43,133	84,939	804	311,577	243,159	683,612	735,115
Ending Cash and Cash Equivalents	<u>\$ 56,913</u>	<u>\$ 68,939</u>	<u>\$ 2,955</u>	<u>\$ 184,378</u>	<u>\$ 856,944</u>	<u>\$ 1,170,128</u>	<u>\$ 683,612</u>
Reconciliations of Operating Income to Net Cash Provided by Operating Activities							
Operating income	\$ 34,249	\$ 3,480	\$ 58,074	\$ 85,901	\$ 167,668	\$ 349,372	331,547
Adjustments to reconcile operating income to cash provided by operating activities:							
Depreciation	46,616	26,701	-	97,323	120,377	291,017	286,674
Changes in Assets and Liabilities:							
(Increase) decrease in:							
Accounts receivable	(14,479)	(332)	-	(12,260)	(1,081)	(28,152)	33,742
Due from other funds	29,078	-	-	-	-	29,078	(24,651)
Increase (decrease) in:							
Accounts payable	2,539	3,690	692	203	(7,981)	(857)	(10,478)
Accrued liabilities	3,422	-	-	(849)	-	2,573	4,420
Due to other funds	-	(7,700)	-	(10,552)	(10,826)	(29,078)	24,651
Net cash Provided by Operating Activities	<u>\$ 101,425</u>	<u>\$ 25,839</u>	<u>\$ 58,766</u>	<u>\$ 159,766</u>	<u>\$ 268,157</u>	<u>\$ 613,953</u>	<u>\$ 645,905</u>

ANRA/Holmwood Utilities

TSI-1 SERVICES AND RATES

FY 2014

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

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

2. Retail Service Providers

a. Retail rates based on 3/4" meter

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

b. Water and Wastewater Retail Connections:

<u>Meter Size</u>	<u>Total Connections</u>	<u>Active Connections</u>	<u>ESFC Factor</u>		<u>Active ESFCs</u>
< 3/4"	<u>175</u>	<u>164</u>	<u>x 1.0</u>		<u>164</u>
1"	<u>5</u>	<u>5</u>	<u>x 2.5</u>		<u>13</u>
1 1/2"			<u>x 5.0</u>		<u> </u>
2"			<u>x 8.0</u>		<u> </u>
4"			<u>x 25.0</u>		<u> </u>
Total water	<u>180</u>	<u>169</u>			<u>177</u>
Total wastewater	<u>166</u>	<u>164</u>	<u>x 1.0</u>		<u>164</u>

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

3. Total Water Consumption During the Fiscal Year:

Gallons pumped into system:	13,396,884	Water Accountability Ratio:
Gallons flushed from system:	394,489	
Gallons billed to customers:	11,614,000	<u>89.6%</u>

4. Standby Fees:

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

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

5. Location of District:

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

Angelina & Neches River Authority
 TSI-5. Long Term Debt Service Requirements
 All Bonded Debt Series - by Years
 For the Year Ended August 31, 2014

Due During Fiscal Years Ending	Annual Requirements for All Series Bonds			Total Annual Requirements
	Principal Due	Interest Due	Deferred Interest	
2015	255,200	180,622	-	435,822
2016	261,800	172,946	-	434,746
2017	268,400	202,886	47,812	519,098
2018	275,000	194,485	47,812	517,297
2019	290,400	185,814	47,812	524,026
2020	296,800	176,549	47,812	521,161
2021	303,600	167,007	47,812	518,419
2022	315,400	157,161	47,812	520,373
2023	320,500	146,851	47,812	515,163
2024	382,300	98,236	-	480,536
2025	310,000	84,681	-	394,681
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>\$ 5,508,400</u>	<u>\$ 2,926,300</u>	<u>\$ 1,066,629</u>	<u>\$ 9,501,329</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, 2014
 \$ 2,870,000

Due During Fiscal Years Ending	Principal Due 1-Apr	Interest Due April 1 and 1-Oct	Total Annual Requirements
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>\$ 2,565,000</u>	<u>\$ 645,745</u>	<u>\$ 3,210,745</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, 2014
 \$ 510,000

Due During Fiscal Years Ending	Principal Due 1-Apr	Interest Due April 1 and 1-Oct	Total Annual Requirements
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>\$ 460,000</u>	<u>\$ 119,124</u>	<u>\$ 579,124</u>

Angelina & Neches River Authority
 TSI-5. Long Term Debt Service Requirements
 Lake Columbia - Contract Revenue Bonds
 For the Year Ended August 31, 2014
 \$ 800,000

Due During Fiscal Years Ending	Principal Due 1-Aug	Interest Due 1-Aug	Deferred Interest 1-Aug	Total Annual Requirements
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>\$ 1,097,687</u>	<u>\$ 266,798</u>	<u>\$ 2,164,485</u>

Angelina & Neches River Authority
 TSI-5. Long Term Debt Service Requirements
 Lake Columbia - Contract Revenue Bonds
 For the Year Ended August 31, 2014
 \$ 450,000

Due During Fiscal Years Ending	Principal Due 1-Aug	Interest Due 1-Aug	Deferred Interest 1-Aug	Total Annual Requirements
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>\$ 237,032</u>	<u>\$ 67,886</u>	<u>\$ 534,918</u>

Angelina & Neches River Authority
 TSI-5. Long Term Debt Service Requirements
 Lake Columbia - Contract Revenue Bonds
 For the Year Ended August 31, 2014
 \$734,000

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

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

Due During Fiscal Years Ending	Principal Due 1-Apr	Interest Due April 1 and October 1	Total Annual Requirements
2015	20,000	1,557	21,557
2016	20,000	1,927	21,927
2017	20,000	1,927	21,927
2018	20,000	1,927	21,927
2019	20,000	1,881	21,881
2020	20,000	1,773	21,773
2021	20,000	1,602	21,602
2022	20,000	1,361	21,361
2023	20,000	1,056	21,056
2024	25,000	701	25,701
2025	-	253	253
	<u>\$ 205,000</u>	<u>\$ 15,961</u>	<u>\$ 220,961</u>

Angelina & Neches River Authority
TSI-5. Long Term Debt Service Requirements
Series 2014 Contract Revenue Bonds - TWDB
For the Year Ended August 31, 2014
\$ 469,013

Loan Forgiveness Debt
No repayment schedule
Debt is reduced by amounts paid on project

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

Due During Fiscal Years Ending	Principal Due 1-Apr	Interest Due April 1 and October 1	Total Annual Requirements
2015	39,600	13,706	53,306
2016	40,900	12,423	53,323
2017	42,100	11,175	53,275
2018	43,400	9,891	53,291
2019	43,400	8,567	51,967
2020	44,700	7,244	51,944
2021	46,100	5,880	51,980
2022	47,500	4,474	51,974
2023	48,900	3,026	51,926
2024	50,300	1,534	51,834
	<u>\$ 446,900</u>	<u>\$ 77,921</u>	<u>\$ 524,821</u>

Angelina & Neches River Authority
 TSI-5. Long Term Debt Service Requirements

Series 2014- Neches Compost Facility - Contract Revenue Refunding Bonds (Taxable)

For the Year Ended August 31, 2014

\$ 67,500

Due During Fiscal Years Ending	Principal Due 1-Apr	Interest Due April 1 and October 1	Total Annual Requirements
2015	5,600	3,733	9,333
2016	5,900	3,405	9,305
2017	6,300	3,080	9,380
2018	6,600	2,734	9,334
2019	7,000	2,371	9,371
2020	7,100	1,986	9,086
2021	7,500	1,595	9,095
2022	7,900	1,183	9,083
2023	6,600	748	7,348
2024	7,000	385	7,385
	<u>\$ 67,500</u>	<u>\$ 21,218</u>	<u>\$ 88,718</u>

**Cash/Investments
on Deposit
I & S Fund Requirements (TWDB Bonds/Regions Bank)
8/31/14**

	<u>8/31/14 Balance</u>
Neches Compost Facility Checking Account	<u>\$ 19,175</u>
NAC Checking	<u>\$ 145,932</u>

If the Texas Water Development Board (TWDB) serves as **revenue** bondholder for your entity, and the information requested here is not included in your annual audit, please complete and mail this worksheet to: Audit and Funds Management Division, TWDB, P.O Box 13231, Austin, Texas 78711-3231

ISSUER'S NAME: Angelina & Neches River Authority/North Angelina County RWF

FISCAL YEAR ENDING: August 31, 2014

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)	\$ 107,974.00	\$ -
ACTUAL PRESENT BALANCE (at FY end)	\$ 145,932.00	\$ -
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

(Unaudited)

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

(Unaudited)

Kelley Holcomb

General Manager

Telephone: (936) 633-7543

Fax (936) 632-2564

Cell Phone: (936) 635-0413

E-mail Address: kholcomb@anra.org

Terri Belschner

Accounting Manager

Telephone: (936) 633-7541

Fax (936) 632-2564

E-mail Address: tbelschner@anra.org

Brian Sims

Environmental Division Manager

Telephone: (936) 633-7527

Fax (936) 632-2564

E-mail Address: bsims@anra.org

Dyan Stanford

Office Manager

Telephone: (936) 633-7549

Fax (936) 632-2564

E-mail Address: dstanford@anra.org

[Executive Staff Mailing address is P.O. Box 387,
Lufkin Texas 75902-0387](#)

Angelina & Neches River Authority
Schedule of Insurance in Force
8/31/2014

(Unaudited)

Name of Company	Policy Number	Policy Period	Details of Coverage	Limits of Liability	Annual Premium
Texas Water Conservation Association	0042	7/1/14-7/1/15	Auto Liability	\$ 1,000,000	\$ 5,309
Texas Water Conservation Association	0042	7/1/14-7/1/15	General Liability	\$ 1,000,000	2,607
Texas Water Conservation Association	0042	7/1/14-7/1/15	Errors & Omissions	\$ 1,000,000	2,319
Texas Water Conservation Association	0042	7/1/14-7/1/15	Property Liability	\$ 6,562,827	12,183
Texas Water Conservation Association	0042	7/1/14-7/1/15	Auto Physical Damage	Scheduled	7,726
					<u>\$ 30,144</u>