

AVERY RANCH ROAD DISTRICT #1

FINANCIAL REPORT

SEPTEMBER 30, 2011

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
Avery Ranch Road District #1

We have audited the accompanying financial statements of the governmental activities and each major fund of Avery Ranch Road District #1 (the District), a component unit of Williamson County, Texas, as of and for the year ended September 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these basic 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 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 opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the District as of September 30, 2011, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 1, to the financial statements, the District implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the year ended September 31, 2011.

The accompanying management's discussion and analysis on pages 2 through 5 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. 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 supplementary information and express no opinion on it.

Weaver and Tidwell, L.L.P.

WEAVER AND TIDWELL, L.L.P.

Houston, Texas
March 14, 2012

**AVERY RANCH ROAD DISTRICT #1
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011
(CONTINUED)**

Management's Discussion and Analysis

As management of the Avery Ranch Road District No. 1 (the District), we offer readers of the District's financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended September 30, 2011. We encourage readers to consider the information presented here in conjunction with the basic financial statements which follow this section.

Overview of the District:

The District is a political subdivision of the State of Texas created by order of the Williamson County Commissioners' Court on February 27, 2001, and confirmed at an election held within the District on May 5, 2001, and operated pursuant to Article III, Section 52 of the Texas Constitution, Chapter 257 of the Texas Transportation Code and Section 1471 of the Texas Government Code. The District was created for the main purpose of constructing or reimbursing the developers, Continental Homes of Texas, L.P., a Texas limited partnership, Avery Ranch, Ltd., a Texas limited partnership, and Rathgeber Investment Company, Ltd., a Texas limited partnership, for the costs of constructing, acquiring by purchase, maintaining and operating a four-lane divided road within the District, known as Avery Ranch Boulevard. The District is located in the City of Austin and in the extraterritorial jurisdiction of the City of Austin, all within Williamson County, Texas.

Financial Highlights:

- The liabilities of Avery Ranch Road District #1 exceeded its assets as of September 30, 2011, by \$11,778,210 (i.e. net deficit).
- The District's total net assets increased by \$624,779 during the year.
- Cash and investments equaled \$846,162 of which \$840,558 is held for debt service and \$5,604 in the General Fund.
- Annual expenses consist of debt service payments and related debt service fees such as paying agent/registrar fees.

Overview of the Financial Statements:

This discussion and analysis is intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements are comprised of three components: (1) Management's Discussion and Analysis (this section); (2) government-wide financial statements, which include the fund financial statements, and (3) notes to the financial statements.

**AVERY RANCH ROAD DISTRICT #1
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011
(CONTINUED)**

The financial statements include the statement of net assets and governmental funds balance sheet and statement of activities and governmental funds statement of revenues, expenditures and changes in fund balance that present information for the District as a whole and provide an indication of the District's financial health.

The statement of net assets presents information showing how the District's net assets changed during the fiscal year. All changes in net assets are reported when the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes).

In fiscal year 2011, the District's taxable assessed value totaled approximately \$931,285,896 compared to \$941,777,564 in fiscal year 2010. The tax rate is set after reviewing operating and debt service requirements. The District's primary revenue source is property taxes.

The District, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The District's funds are governmental funds and, as such, the financial statements focus on current sources and uses of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

The financial statements can be found on pages 6 through 7 of this report.

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes to the financial statements can be found on pages 8 through 17 of this report.

Financial Analysis:

As noted earlier, net assets may serve over time as a useful indicator of the District's financial position. As of September 30, 2011, the District's liabilities exceeded assets by \$11,778,210.

**AVERY RANCH ROAD DISTRICT #1
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011
(CONTINUED)**

Avery Ranch Road District Net Assets

	2011	2010
Assets	\$ 1,250,243	\$ 1,316,377
Long-term liabilities	12,953,329	13,639,429
Other liabilities	75,124	79,937
Total liabilities	13,028,453	13,719,366
Net assets:		
Restricted	780,203	789,087
Unrestricted	(12,558,413)	(13,192,076)
Total net assets (deficit)	<u>\$ (11,778,210)</u>	<u>\$ (12,402,989)</u>

Overall, the District had an increase in net assets of \$624,779. This increase is primarily related to the District paying down the principal balance of bonded debt.

Avery Ranch Road District's Change in Net Assets

	2011	2010
Revenues:		
General revenues		
Assessments	\$ 1,348,277	\$ 1,363,397
Interest	29	70
Total general revenues	1,348,306	1,363,467
Expenses:		
General government	16,982	21,755
Interest and fiscal charges	706,545	738,659
Total expenses	723,527	760,414
Change in net assets	624,779	603,053
NET ASSETS (DEFICIT), beginning	<u>(12,402,989)</u>	<u>(13,006,042)</u>
NET ASSETS (DEFICIT), ending	<u>\$ (11,778,210)</u>	<u>\$ (12,402,989)</u>

Daily operating expenses are paid out of the General Fund. The Debt Service Fund remitted bond principal payments of \$725,000 and interest and fiscal charges of \$636,195.

**AVERY RANCH ROAD DISTRICT #1
MANAGEMENT'S DISCUSSION AND ANALYSIS
SEPTEMBER 30, 2011
(CONTINUED)**

The District owes \$13,110,000 to bond holders. During the year, the principal balance was reduced by \$725,000. More detailed information about the District's long-term debt is presented in the notes to the financial statements.

Discussion of Currently Known Facts, Decision or Condition in Fiscal Year 2011:

The property tax base for fiscal year 2011, is \$931,285,896. The tax rate is \$0.144480 on each \$100 of taxable value. Approximately 100% of the property tax will be set aside for debt service.

Requests for Information:

This financial report is designed to provide our citizens with a general overview of the District's finances. If you have any questions about this report or need any additional information, please contact the Williamson County Auditor's Office at (512) 943-1500; 710 Main Street, Suite 301, Georgetown, Texas 78626.

AVERY RANCH ROAD DISTRICT #1
STATEMENT OF NET ASSETS AND GOVERNMENTAL FUNDS
BALANCE SHEET
SEPTEMBER 30, 2011

	General	Debt Service	Totals	Adjustments	Statement of Net Assets
Assets					
Cash and investments	\$ 5,604	\$ 840,558	\$ 846,162	\$ -	\$ 846,162
Property tax receivable	-	14,769	14,769	-	14,769
Deferred charges	-	-	-	389,312	389,312
Total assets	<u>\$ 5,604</u>	<u>\$ 855,327</u>	<u>\$ 860,931</u>	<u>389,312</u>	<u>1,250,243</u>
Liabilities					
Interest payable	\$ -	\$ -	\$ -	75,124	75,124
Deferred revenue	-	13,140	13,140	(13,140)	-
Non-current liabilities:					
Due within one year	-	-	-	716,100	716,100
Due in more than one year	-	-	-	12,237,229	12,237,229
Total Liabilities	<u>-</u>	<u>13,140</u>	<u>13,140</u>	<u>13,015,313</u>	<u>13,028,453</u>
Fund Balance/Net Assets					
Fund balance:					
Restricted for debt service	<u>5,604</u>	<u>842,187</u>	<u>847,791</u>	<u>(847,791)</u>	
Total fund balance	<u>5,604</u>	<u>842,187</u>	<u>847,791</u>	<u>(847,791)</u>	
Total liabilities and fund balance	<u>\$ 5,604</u>	<u>\$ 855,327</u>	<u>\$ 860,931</u>		
Net assets (deficit):					
Restricted for debt service				780,203	780,203
Unrestricted				<u>(12,558,413)</u>	<u>(12,558,413)</u>
Total net assets (deficit)				<u>\$ (11,778,210)</u>	<u>\$ (11,778,210)</u>

The Notes to Financial Statements are
an integral part of this statement.

AVERY RANCH ROAD DISTRICT #1
STATEMENT OF ACTIVITIES AND GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
YEAR ENDED SEPTEMBER 30, 2011

	General	Debt Service	Totals	Adjustments	Statement of Activities
Expenditures/expenses:					
Current:					
General government	\$ 16,982	\$ -	\$ 16,982	\$ -	\$ 16,982
Debt service:					
Principal	-	725,000	725,000	(725,000)	-
Interest and fiscal charges	-	636,195	636,195	70,350	706,545
Total expenditures/expenses	16,982	1,361,195	1,378,177	(654,650)	723,527
General revenues:					
Assessment	-	1,343,464	1,343,464	4,813	1,348,277
Interest	21	8	29	-	29
Total general revenues	21	1,343,472	1,343,493	4,813	1,348,306
Changes in fund balance/net assets	(16,961)	(17,723)	(34,684)	659,463	624,779
Fund balance/net assets (deficit)					
Beginning	22,565	859,910	882,475	(13,285,464)	(12,402,989)
Ending	\$ 5,604	\$ 842,187	\$ 847,791	\$ (12,626,001)	\$ (11,778,210)

The Notes to Financial Statements are
an integral part of this statement.

**AVERY RANCH ROAD DISTRICT #1
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Chapter 257 of the Texas Transportation Code and Chapter 1471, Texas Government Code allow a commissioners' court of a county to establish one or more road districts in the county. A road district created pursuant to the Act is a political subdivision and a body corporate of the State of Texas. The Avery Ranch Road District No. 1 (the District) was created by order of the Williamson County Commissioners' Court on February 27, 2001, in accordance with the Texas Government Code and Article III, Section 52 of the Texas Constitution.

The District is governed by the Williamson County Commissioners' Court and is a component unit of Williamson County.

On May 11, 2001, the District's voters authorized the issuance of unlimited tax bonds for the purpose of reimbursing the developer for the construction costs of developing roads within the District. The District issues unlimited tax bonds to reimburse developers after each construction project is completed. The bonds are payable from property taxes.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the activities of the District. *Governmental activities* are supported by property taxes and investment revenue.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenue. *Direct expenses* are those that are clearly identifiable with a specific function. *Program revenue* includes 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not properly included among program revenue are reported instead as *general revenue*.

The government-wide and fund financial statements are provided for the governmental funds of the District with a column for adjustments between the two statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenue is recorded when earned, and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied.

**AVERY RANCH ROAD DISTRICT #1
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Measurement Focus, Basis of Accounting and Financial Statement Presentation – Continued

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available when it is collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenue to be available if collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The District reports the following major governmental funds:

The **General Fund** is the District's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Debt Service Fund** accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Assets, Liabilities and Net Assets or Equity

Cash and Investments

Investments for the District are reported at fair value. The State Treasurer's Investment Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables

Property taxes are levied on October 1 and attach as an enforceable lien on property as of January 1. Statements are mailed on October 1, or as soon thereafter as possible, and are due upon receipt. All unpaid taxes become delinquent if not paid before February 1 of the following year. Governmental funds report deferred revenue in connection with receivables for revenue that is not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

**AVERY RANCH ROAD DISTRICT #1
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities and Net Assets or Equity – Continued

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method, which approximates the interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received are reported as debt service expenditures.

Fund Equity

The District adopted the provisions of GASB Statement No. 54, *Fund Balance Reporting and Government Fund Type Definitions* (GASB 54). The objective of the statement 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 government fund type definitions. The statement 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. Fund balance classifications, under GASB 54 are nonspendable, restricted for, committed to, assigned and unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund balance can have different levels of constraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the General Fund. The General Fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance.

**AVERY RANCH ROAD DISTRICT #1
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Assets, Liabilities and Net Assets or Equity – Continued

Fund Equity – Continued

In accordance with GASB 54, the District classifies governmental fund balances as follows:

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors, or amount restricted due to constitutional provisions or enabling legislation.

Unassigned – includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed or assigned for those specific purposes.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislations adopted by the District or through external restrictions imposed by creditors or laws or regulations of other governments.

Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual amounts could differ from those estimates.

New Accounting Pronouncements

In November 2010, the GASB issued Statement No. 61, *The Financial Reporting Entity: Omnibus an Amendment of GASB Statement No. 14 and No. 34* (GASB 61). This statement modifies certain requirements for inclusion of component units in the financial reporting entity, amends criteria for reporting component units as if they were part of the primary government and clarifies the reporting of equity interests in legally separate organizations. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2012. The District will adopt GASB 61 in the fiscal year ending September 30, 2013 and is currently evaluating the impact of this standard on its financial statements.

**AVERY RANCH ROAD DISTRICT #1
NOTES TO FINANCIAL STATEMENTS**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

New Accounting Pronouncements – Continued

In December 2010, the GASB issued Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 Financial Accounting Standards Board (FASB) and American Institute of Certified Public Accountants (AICPA) Pronouncements* (GASB 62). This statement incorporates into GASB authoritative literature, certain accounting and financial reporting guidance issued by the FASB and AICPA on or before November 30, 1989, which does not conflict or contradict GASB pronouncements. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2011. The District will adopt GASB 62 in the fiscal year ending September 30, 2013 and is currently evaluating the impact of this standard on its financial statements.

NOTE 2. STEWARDSHIP AND ACCOUNTABILITY

Budgetary Information

The District does not have a legally adopted budget.

Deficit Net Assets

A net asset deficit of \$11,778,210 exists in governmental activities as of September 30, 2011. This deficit is the result of the District issuing bonds to finance the construction of roads contributed to the City of Austin. As of September 30, 2011, the amount of bonds outstanding that were used to finance construction of assets transferred to the City of Austin was \$13,110,000.

**AVERY RANCH ROAD DISTRICT #1
NOTES TO FINANCIAL STATEMENTS**

NOTE 3. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Amounts reported for net assets of governmental activities in the statement of net assets and governmental funds balance sheet are different because:

Fund balance - governmental funds	\$ 847,791
Property taxes are not recognized until collected in the governmental funds	13,140
Accrued interest on bonds payable is not payable with current financial resources and is not reported in the funds	(75,124)
Long-term obligations are not due and payable in the current period and are not reported in the funds	(12,953,329)
Deferred charges do not provide current financial resources and are not reported in the funds	<u>389,312</u>
Net assets (deficit) of governmental activities	<u><u>\$ (11,778,210)</u></u>

Amounts reported for change in net assets of governmental activities in the statement of activities and change in fund balance of governmental funds in the statement of revenues, expenditures, and changes in fund balance are different because:

Change in fund balance - governmental funds	\$ (34,684)
Property taxes are not recognized until collected in the governmental funds	4,813
Some expenses reported in the statement of activities do not require the use of current financial resources	(70,350)
Principal payments on long-term obligations are expensed in the funds but reduce the balance of these obligations payable in the statement of net assets	<u>725,000</u>
Change in net assets of governmental activities	<u><u>\$ 624,779</u></u>

**AVERY RANCH ROAD DISTRICT #1
NOTES TO FINANCIAL STATEMENTS**

NOTE 4. INVESTMENTS

As of September 30, 2011, the District had the following investments:

<u>Investment type</u>	<u>Fair value</u>
TexPool	\$ 5,604
Dreyfus money mkt fund	<u>840,558</u>
Total fair value	<u><u>\$ 846,162</u></u>

The District has an investment in TexPool, which is a 2a7-like pool. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

TexPool was created under the Interlocal Cooperation Act, Texas Government Code Ann. Chapter 791 and the Texas Public Funds Investment Act. The Texas Treasury Safekeeping Trust Company (the Trust) is trustee of TexPool and is a limited purpose trust company authorized pursuant to Texas Government Code Ann. Section 404.103 for which the Texas State Comptroller is sole officer, director and shareholder. The advisory board of TexPool is composed of members appointed pursuant to the requirements of the Texas Public Funds Investment Act.

Interest Rate Risk

In accordance with its investment policy, the District manages its exposure to declines in fair market values by limiting the average dollar weighted maturity of its investment portfolios to a maximum of 180 days.

Credit Risk

It is the District's policy to limit its investments to investment types with an investment quality rating not less than A or its equivalent by a nationally recognized statistical rating organization. TexPool was rated AAAM by Standard & Poor's Investors Service, and the Dreyfus Fund was also rated AAAM by Standard & Poor's Investors Service.

**AVERY RANCH ROAD DISTRICT #1
NOTES TO FINANCIAL STATEMENTS**

NOTE 5. LONG-TERM OBLIGATIONS

Unlimited Tax Road and Refunding Bonds

In September of 2002, the District issued \$6,425,000 in Unlimited Tax Road Bonds. The bonds constitute direct obligations of the District, payable from ad valorem taxes levied upon all taxable property located within the Road District. Interest at rates ranging from 4.9% to 5.75% is payable at February 15 and August 15 of each year.

In August of 2003, the District issued \$4,620,000 in Unlimited Tax Road Bonds. The bonds constitute direct obligations of the District, payable from ad valorem taxes levied upon all taxable property located within the Road District. Interest at rates ranging from 3.5% to 5.0% is payable at February 15 and August 15 of each year.

In August of 2005, the District issued \$5,955,000 in Unlimited Tax Road Bonds. The bonds constituted direct obligations of the District, payable from ad valorem taxes levied upon all taxable property located within the Road District. Interest at rates ranging from 4.0% to 4.8% is payable at February 15 and August 15 of each year.

In July of 2007, the District issued \$3,535,000 in Unlimited Tax Refunding Bonds to purchase U. S. Government State and Local Government Series Securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of \$3,534,378 of general obligation bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the governmental activities column of the statement of net assets. The reacquisition price exceeded the net carrying amount of the old debt by \$352,490. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding was undertaken to decrease the total debt service payments over the next 9 years by \$157,216, and resulted in an economic gain of \$115,294. The bonds constitute direct obligations of the District, payable from ad valorem taxes levied upon all taxable property located within the Road District. Interest at rates ranging from 3.9% to 5.5% is payable at February 15 and August 15 of each year.

As of September 30, 2011, a total of \$3,125,000 of bonds considered defeased are still outstanding.

**AVERY RANCH ROAD DISTRICT #1
NOTES TO FINANCIAL STATEMENTS**

NOTE 5. LONG-TERM OBLIGATIONS – CONTINUED

Unlimited Tax Road and Refunding Bonds – Continued

Long-term liability activity for the year ended September 30, 2011, was as follow:

Governmental Activities	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Unlimited tax bonds	\$ 10,445,000	\$ -	\$ 700,000	\$ 9,745,000	\$ 730,000
Refunding bonds	3,390,000	-	25,000	3,365,000	25,000
Deferred loss on refunding bonds	(195,826)	-	(39,166)	(156,660)	(39,166)
Premium on issuance of bonds	20,753	-	1,730	19,023	1,730
Discount on issuance of bonds	<u>(20,498)</u>	<u>-</u>	<u>(1,464)</u>	<u>(19,034)</u>	<u>(1,464)</u>
Governmental activities long-term liabilities	<u>\$ 13,639,429</u>	<u>\$ -</u>	<u>\$ 686,100</u>	<u>\$ 12,953,329</u>	<u>\$ 716,100</u>

Annual debt service requirements to maturity for general obligation bonds are as follows:

Year Ending September 30,	Governmental Activities		
	Principal	Interest	Total
2012	\$ 755,000	\$ 601,013	\$ 1,356,013
2013	795,000	566,688	1,361,688
2014	830,000	530,893	1,360,893
2015	870,000	492,403	1,362,403
2016	910,000	450,923	1,360,923
2017 - 2021	5,195,000	1,596,991	6,791,991
2022 - 2026	<u>3,755,000</u>	<u>416,395</u>	<u>4,171,395</u>
Total	<u>\$ 13,110,000</u>	<u>\$ 4,655,306</u>	<u>\$ 17,765,306</u>

**AVERY RANCH ROAD DISTRICT #1
NOTES TO FINANCIAL STATEMENTS**

NOTE 6. SUBSEQUENT EVENTS

In March 2012, the District issued \$7,475,000 of Series 2012 Unlimited Tax Refunding Bonds (the refunding bonds) to advance refund certain Series 2002, 2003 and 2005 bonds outstanding. The refunding bonds constitute a direct obligation of the District payable from ad valorem taxes levied upon all taxable property within the District. The refunding bonds have interest rates ranging from 2% to 4% payable at February 15 and August 15 of each year. The refunding bonds were issued to provide the District a net present value savings of \$791,445. In addition, the refunding bonds lowered the total debt service payments \$966,820 over the next 14 years.