

NUECES RIVER AUTHORITY

ANNUAL FINANCIAL REPORT

AUGUST 31, 2024



Table of Contents

	Page
Financial Section	
Independent Auditor’s Report.....	1
Management’s Discussion and Analysis	4
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	11
Statement of Activities.....	12
Fund Financial Statements	
Balance Sheet – Governmental Funds	13
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Funds.....	15
Statement of Net Position – Proprietary Funds.....	17
Statement of Revenues, Expenditures, and Changes in Fund Balance – Proprietary Funds.....	18
Statement of Cash Flows – Proprietary Funds.....	19
Notes to the Financial Statements.....	20
Required Supplemental Information	
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget (GAAP) and Actual – General Fund	45
Other Supplementary Information	
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget (GAAP) and Actual – Leakey Wastewater Treatment Plant Operations	46
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget (GAAP) and Actual – Outside Utilities Operations	47
Comparative Schedule of Revenues and Expenditures – General Fund.....	48


Table of Contents


	Page
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	49

Financial Section



2702 N. Loop 1604 E., Suite 202
San Antonio, TX 78232

 210-979-0055

 210-979-0058

 www.HaynieCPAs.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Nueces River Authority
Uvalde, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Nueces River Authority (the Authority) as of and for the year ended August 31, 2024, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Authority, as of August 31, 2024, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Restatement

As discussed in Note 18, management wrote off overstated receivables recorded in a prior period. Accordingly, the general fund balance has been restated as of September 1, 2023. Our opinion is not modified with respect to that matter.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 4-10 and 45, respectively, be presented to supplement the basic financial statements. Such information,

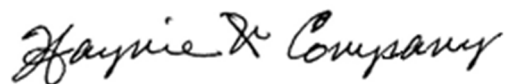
although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied 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.

Supplementary Information

The accompanying Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (GAAP) and Actual – Leakey Wastewater Treatment Plant Operations, Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (GAAP) and Actual – Outside Utilities Operations and the Comparative Schedule of Revenues and Expenditures – General Fund (the supplementary schedules), are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 4, 2025, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.



San Antonio, Texas
February 4, 2025

NUECES RIVER AUTHORITY

Management's Discussion and Analysis

August 31, 2024

This section of the Nueces River Authority's (the Authority) annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ended August 31, 2024. Please read it in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights

Government-wide highlights:

Net position: The assets of the Authority exceeded its liabilities at August 31, 2024, by \$36,932,277. Of this amount, \$1,870,068 was reported as "unrestricted." Unrestricted net position represents the amount available to be used to meet the Authority's ongoing obligations.

Changes in net position: The Authority's total net position increased by \$44,756 in fiscal year 2024. The increase is primarily attributable to grant revenues received from the USDA Phase II Project.

Fund statement highlights:

Fund balance: As of the close of fiscal year 2024, the Authority's Governmental Funds reported a combined ending fund balance of \$2,173,779, an increase of \$90,040 from last year.

Overview of the Financial Statements

This annual report consists of four parts, management's discussion and analysis (this section), the basic financial statements, required supplementary information, and other supplementary information. The basic financial statements include two kinds of statements that present different views of the Authority.

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Authority's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government and report the Authority's operations in more detail than the government-wide statements.
- The Governmental Funds statements tell how general governmental services were financed in the short term, as well as what remains for future spending.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

NUECES RIVER AUTHORITY

Management's Discussion and Analysis

August 31, 2024

Government-wide statements: The government-wide statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all governmental activities' assets and liabilities. All current-year revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The two government-wide statements report the Authority's net position and how it has changed. Net position, the difference between the Authority's assets and liabilities, is one way to measure the Authority's financial health or position.

- Over time, increases or decreases in the Authority's net position are an indicator of whether its financial health is improving or deteriorating respectively.
- To assess the overall health of the Authority, you need to consider additional nonfinancial factors such as legislative law changes.

The government-wide financial statements of the Authority include the governmental activities and business-type activities. All of the Authority's basic services are included here.

Fund financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Authority, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements provide more detailed information about the Authority's most significant funds, and not the Authority as a whole. Funds are accounting devices the Authority uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law.
- Other funds are also established to control and manage money for particular purposes or to show the Authority is properly using certain grants.

Governmental Funds: Most of the Authority's basic services are included in Governmental Funds, which focus on (1) how cash and other financial assets that can readily be converted to cash, flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the Governmental Funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Authority's programs. Because the focus of Governmental Funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for Governmental Funds with similar information presented for governmental activities in the government-wide financial statements.

NUECES RIVER AUTHORITY

Management's Discussion and Analysis

August 31, 2024

By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the Governmental Funds balance sheet and the Governmental Funds statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between Governmental Funds and the governmental activities. These reconciliations are presented on the page immediately following each Governmental Funds financial statement.

Proprietary Fund: Operating and maintenance expenses for the Leakey wastewater construction are generally reported in the proprietary fund. The proprietary fund, like the government-wide statements, provides both long-term and short-term financial information.

Notes to financial statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements.

Required supplementary Information: The basic financial statements are followed by a section of required supplementary information. This section includes a budgetary comparison schedule for the General Fund. It provides detail comparisons of expenditures. Comparisons can be made between the original budget, final budget and actual costs for the year.

Other supplementary Information: The required supplementary information section is followed by a section of other supplementary information. This section includes a budgetary comparison schedule for the Proprietary Fund and a comparative schedule of revenues and expenses for the General Fund.

Government-Wide Financial Analysis

Net position: As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Authority's combined net position totaled \$36,932,277 at the end of 2024 (see page 11).

There is \$35,062,209 of net investment in capital assets. The remaining, \$1,870,068 represents unrestricted net position, which may be used to meet the Authority's ongoing obligations. Internally imposed designations of resources are not presented as restricted net position.

NUECES RIVER AUTHORITY

Management's Discussion and Analysis

August 31, 2024

Table A-1 – Net Position Information

	Governmental Activities			Business-Type Activities		
	2024	2023	% Change	2024	2023	% Change
Current and Other Assets	\$ 3,343,601	\$ 3,806,419	-12%	\$ 132,045	\$ 36,875	258%
Capital Assets, Net	3,141,494	24,672,585	-87%	32,972,390	11,484,365	187%
Total Assets	<u>6,485,095</u>	<u>28,479,004</u>		<u>33,104,435</u>	<u>11,521,240</u>	
Current Liabilities	885,420	620,607	43%	61,261	35,618	72%
Noncurrent Liabilities	672,625	1,119,668	-40%	867,000	292,000	197%
Total Liabilities	<u>1,558,045</u>	<u>1,740,275</u>		<u>928,261</u>	<u>327,618</u>	
Deferred Inflows	<u>170,947</u>	<u>263,412</u>	-35%	-	-	
Net Position:						
Net Investment in Capital Assets	2,664,819	23,687,097	-89%	32,397,390	11,192,365	189%
Unrestricted	2,091,284	2,788,220	-25%	(221,216)	1,257	-17699%
Total Net Position	<u>\$ 4,756,103</u>	<u>\$ 26,475,317</u>		<u>\$ 32,176,174</u>	<u>\$ 11,193,622</u>	

Changes in net position: The Authority's net position increased by \$44,756 , or 1% (see page 12). The increase is related primarily to an increase in charges for services, operating grants and income received for the Green Lake project.

Table A-2 – Information About Changes in Net Position

	Governmental Activities			Business-Type Activities		
	2024	2023	% Change	2024	2023	% Change
Revenues:						
Program Revenues:						
Charges for services	\$ 2,686,983	\$ 2,830,177	-5%	\$ 1,075,792	\$ 935,182	15%
Operating grants and contributions	-	99,706	-100%	-	-	0%
Capital grants and contributions	107,726	608,645	-82%	-	-	0%
General Revenues:						
Investment income	52,943	24,492	116%	-	-	0%
Interest Income	-	-	0%	3,970	30	0%
Other income	747,308	323,737	131%	2,192	190	0%
Total Revenue	<u>3,594,960</u>	<u>3,886,757</u>		<u>1,081,954</u>	<u>935,402</u>	
Expenses	3,531,124	2,904,471	22%	1,101,034	1,214,308	-9%
Transfer of Capital Assets, Net of Related Debt	<u>21,001,632</u>	-	100%	<u>(21,001,632)</u>	-	100%
Total Expenses and transfers	<u>24,532,756</u>	<u>2,904,471</u>		<u>(19,900,598)</u>	<u>1,214,308</u>	
Change in Net Position	(20,937,796)	982,286		20,982,552	(278,906)	
Net Position - Beginning	26,475,317	25,493,031	4%	11,193,622	11,472,528	-2%
Prior Period Adjustment (see Note 19)	(781,418)	-	100%	-	-	0%
Net Position - Beginning (As Restated)	25,693,899	25,493,031	1%	11,193,622	11,472,528	-2%
Net Position - Ending	<u>\$ 4,756,103</u>	<u>\$ 26,475,317</u>	-82%	<u>\$ 32,176,174</u>	<u>\$ 11,193,622</u>	187%

NUECES RIVER AUTHORITY

Management's Discussion and Analysis

August 31, 2024

The Authority's total program revenues were \$2,794,709 , which is an decrease of \$743,819 compared to 2023. This decrease is due to a decrease in construction activity with the USDA Phase II Project. Program revenues consisted mainly of \$731,859 in intergovernmental contracted services, \$1,708,960 in contract revenue, \$107,726 in grant revenues and \$246,164 in public education programs' contracted services. Charges for service revenues were \$3,762,775, which is a decrease of \$2,584 compared to 2023. The decrease in capital grants and contributions revenues was the result of decreased construction activity related to the USDA Phase II Project, which is federally funded. Approximately 97% of the Authority's program revenues came from charges for services and remaining 3% from capital grants and contributions.

The Authority's expenses totaled \$4,632,158 , which is an increase of \$513,379 compared to 2023. The largest expense line items included salaries, in the amount of \$1,391,103; net regulatory expenses in the amount of \$818,410; and contract expenses in the amount of \$664,070.

Financial Analysis of the Authority's Individual Funds

As noted earlier, the Authority uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the Authority's Governmental Funds is to provide information on near-term inflows, outflows and balances of resources. Such information is useful in assessing the Authority's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the fiscal year, the Governmental Funds reported an ending fund balance of \$2,173,779 , an increase of \$90,040 in comparison with the prior year.

Proprietary Fund: The focus of the Proprietary fund is to provide information on the near-term inflows, outflows, and balances of resources for Leakey wastewater treatment plant operations.

As of the end of the fiscal year, the Proprietary Fund reported an ending fund balance of \$32,176,174 which is an increase of \$20,982,552 in comparison with the prior year due primarily to a transfer of capital assets, net of related debt, totaling \$21,001,632.

General Fund budgetary highlights: Over the course of the year, the Authority revised its General Fund budget. The Authority originally budgeted for a \$149,720 budget deficit, but during the year revised its budget to include a \$443,634 budget deficit. Ultimately, the Authority had a \$324,542 budget surplus.

NUECES RIVER AUTHORITY

Management's Discussion and Analysis

August 31, 2024

Proprietary Fund budgetary highlights: The Authority budgeted for a \$21,896 budget deficit, and made amendments to the proprietary fund budget. Ultimately, the Authority had a budget deficit of \$9,717. The deficit reflects fewer revenues received than anticipated during the fiscal year.

Capital Assets

As of August 31, 2024, capital assets approximated 48% of total assets in the governmental activities. The \$3,141,494 in capital assets, net of accumulated depreciation, is primarily land and furniture and fixtures.

During the year, the Authority had reclassified approximately \$21 million of construction in progress relating to the Leakey Wastewater Treatment Plant.

Economic Factors and Next Year's Budget

The Authority continues to increase the amount of assistance provided to governmental entities within the Nueces River Basin. This has resulted in an increase in revenues and expenses. We anticipate budgetary growth to continue for at least the next four to five years.

The effects of the extended drought conditions have had a negative impact on water supplies within the basin. Water purveyors have been forced to make tough decisions due to lost revenue and increased expenses providing water supplies. Some of those decisions have had a negative impact on the Authority's Leakey Regional Wastewater System and Utilities Operations Budgets. This has forced the Authority to reduce the budgeted expenses in these departments in an effort to balance the budget. Even with the negative effects of the prolonged drought in the Nueces River Basin, the Authority's revenue continues to trend upward.

During fiscal year 2024, the Authority began to implement plans to move forward with a Seawater Desalination Project. The plans for this project are planned to be implemented beginning in fiscal year 2025 with construction planned for fiscal year 2026.

NUECES RIVER AUTHORITY
Management's Discussion and Analysis
August 31, 2024

Contacting the Authority's Financial Management

The financial report is designed to provide the public with a general overview of the Authority's finances and to determine the Authority's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information, should be addressed to Ms. Robin Murray, Chief Financial Officer, Nueces River Authority, 539 S. Hwy 83, Uvalde, Texas 78801, telephone: 830-278-6810; fax: 830-278-2025; or email: rmurray@nueces-ra.org.

Financial Statements

Nueces River Authority

Statement of Net Position

August 31, 2024

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 861,265	\$ 242,179	\$ 1,103,444
Investments	549,518	-	549,518
Receivables:			
Contract and Grant	1,311,213	172,389	1,483,602
Accrued Interest	8,541	-	8,541
Internal Balances	282,523	(282,523)	-
Total Current Assets	<u>3,013,060</u>	<u>132,045</u>	<u>3,145,105</u>
Noncurrent Assets			
Right to Use Leased Asset, Net of Amortization	330,541	-	330,541
Total Non-Current Assets	<u>330,541</u>	<u>-</u>	<u>330,541</u>
Capital Assets:			
Land	2,635,551	-	2,635,551
Water Treatment Plant	-	33,964,167	33,964,167
Furniture and Equipment	411,146	93,427	504,573
Software	116,551	-	116,551
Building	313,997	-	313,997
Less Accumulated Depreciation	(335,751)	(1,085,204)	(1,420,955)
Total Capital Assets, Net of Accumulated Depreciation	<u>3,141,494</u>	<u>32,972,390</u>	<u>36,113,884</u>
Total Assets	<u>6,485,095</u>	<u>33,104,435</u>	<u>39,589,530</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	670,150	50,261	720,411
Note Payable, Short-Term Portion	28,500	11,000	39,500
Bonds Payable, Short-Term Portion	14,021	-	14,021
Leases Payable, Less Current Portion	106,171	-	106,171
Accrued Compensated Absences	66,578	-	66,578
Total Current Liabilities	<u>885,420</u>	<u>61,261</u>	<u>946,681</u>
Noncurrent Liabilities			
Line of Credit	-	292,000	292,000
Note Payable, Long-Term Portion	85,804	575,000	660,804
Bonds Payable, Long-Term Portion	348,350	-	348,350
Lease Payable, Long-Term Portion	238,471	-	238,471
Total Noncurrent Liabilities	<u>672,625</u>	<u>867,000</u>	<u>1,539,625</u>
DEFERRED INFLOWS			
Unearned Income	170,947	-	170,947
Total Deferred Inflows	<u>170,947</u>	<u>-</u>	<u>170,947</u>
NET POSITION			
Net Investment in Capital Assets	2,664,819	32,397,390	35,062,209
Unrestricted	2,091,284	(221,216)	1,870,068
Total Net Position	<u>\$ 4,756,103</u>	<u>\$ 32,176,174</u>	<u>\$ 36,932,277</u>

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

Nueces River Authority
Statement of Activities
Year Ended August 31, 2024

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
Protection and Development of Water							
Resources	\$ 3,531,124	\$ 2,686,983	\$ -	\$ 107,726	\$ (736,415)	\$ -	\$ (736,415)
Total Governmental Activities	<u>3,531,124</u>	<u>2,686,983</u>	<u>-</u>	<u>107,726</u>	<u>(736,415)</u>	<u>-</u>	<u>(736,415)</u>
Business-Type Activities							
Leakey Wastewater Treatment Plant	391,532	295,995	-	-	-	(95,537)	(95,537)
Outside Utilities Operations	709,502	779,797	-	-	-	70,295	70,295
Total Business-Type Activities	<u>1,101,034</u>	<u>1,075,792</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(25,242)</u>	<u>(25,242)</u>
Total Government	<u>\$ 4,632,158</u>	<u>\$ 3,762,775</u>	<u>\$ -</u>	<u>\$ 107,726</u>	<u>(736,415)</u>	<u>(25,242)</u>	<u>(761,657)</u>
General Revenues							
Investment Income					52,943	-	52,943
Interest Income					-	3,970	3,970
Other Income					747,308	2,192	749,500
Transfer of Capital Assets, Net of Related Debt					<u>(21,001,632)</u>	<u>21,001,632</u>	<u>-</u>
Total General Revenues					<u>(20,201,381)</u>	<u>21,007,794</u>	<u>806,413</u>
Change in Net Position					(20,937,796)	20,982,552	44,756
Net Position - Beginning					26,475,317	11,193,622	37,668,939
Prior Period Adjustment (Note 18)					<u>(781,418)</u>	<u>-</u>	<u>(781,418)</u>
Net Position - Beginning (As Restated)					25,693,899	11,193,622	36,887,521
Net Position - Ending					<u>\$ 4,756,103</u>	<u>\$ 32,176,174</u>	<u>\$ 36,932,277</u>

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

Nueces River Authority
Balance Sheet
Governmental Funds
August 31, 2024

	<u>General Fund</u>	<u>Leakey Capital Project Fund</u>	<u>Green Lake Fund</u>	<u>Total Governmental Funds</u>
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 859,962	\$ 315	\$ 988	\$ 861,265
Investments	549,518	-	-	549,518
Receivables:				
Contract and Grant	720,715	-	590,498	1,311,213
Accrued Interest	10,359	-	-	10,359
Due from Other Funds	313,724	10	-	313,734
TOTAL ASSETS	<u>\$ 2,454,278</u>	<u>\$ 325</u>	<u>\$ 591,486</u>	<u>\$ 3,046,089</u>
LIABILITIES				
Liabilities, Deferred Inflows or Resources and Fund Balances				
Current Liabilities:				
Accounts Payable	\$ 181,974	\$ -	\$ 488,178	\$ 670,152
Due to Other Funds	24,607	3,728	2,876	31,211
Total Liabilities	<u>206,581</u>	<u>3,728</u>	<u>491,054</u>	<u>701,363</u>
DEFERRED INFLOWS				
Unearned Income	168,946	724	1,277	170,947
Total Deferred Inflows	<u>168,946</u>	<u>724</u>	<u>1,277</u>	<u>170,947</u>
FUND BALANCES				
Unassigned	<u>2,078,751</u>	<u>(4,127)</u>	<u>99,155</u>	<u>2,173,779</u>
Total Fund Balances	<u>2,078,751</u>	<u>(4,127)</u>	<u>99,155</u>	<u>2,173,779</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,454,278</u>	<u>\$ 325</u>	<u>\$ 591,486</u>	<u>\$ 3,046,089</u>

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

Nueces River Authority
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of
Net Position
August 31, 2024

Total fund balances - Governmental Funds balance sheet	2,173,779
Amounts reported for governmental activities in the statement of net position are different due to:	
Some assets used in governmental activities are not financial resources and therefore are not reported in the funds:	
Capital Assets, Net of Accumulated Depreciation	3,141,494
Right to Use Leased Asset, Net of Accumulated Amortization	330,541
Accrued Interest	(1,818)
Payables for accrued compensated absences, which are not due and payable with current period resources, are not reported in the funds.	(66,578)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds and Notes Payable	(476,673)
Leases Payable	(344,642)
Net Position of Governmental Activities - Statement of Net Position	\$ <u><u>4,756,103</u></u>

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

Nueces River Authority
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended August 31, 2024

	General Fund	Leakey Capital Project Fund	Green Lake Fund	Total Governmental Funds
REVENUES				
Contracted Services:				
Intergovernmental	\$ 731,859	\$ -	\$ -	\$ 731,859
Contract Revenue	1,708,960	-	-	1,708,960
Public Education Programs	246,164	-	-	246,164
Grant Revenues	39,459	68,267	-	107,726
Investment Income	52,943	-	-	52,943
Other Income	647,353	-	99,955	747,308
Total Revenues	<u>3,426,738</u>	<u>68,267</u>	<u>99,955</u>	<u>3,594,960</u>
EXPENDITURES				
Protection and Preservation of Water Sources:				
Salaries	975,283	-	-	975,283
Payroll taxes	74,216	-	-	74,216
Employee medical insurance	129,108	-	-	129,108
Retirement	64,448	-	-	64,448
Directors' fees, travel and meetings	16,267	-	-	16,267
Travel and conferences	110,150	-	-	110,150
Professional fees	205,222	-	-	205,222
Edwards Aquifer RIP	1,000	-	-	1,000
Telephone and fax	7,315	-	-	7,315
Dues, subscriptions and publications	12,041	-	-	12,041
Insurance and bonds	15,203	-	-	15,203
Equipment and Facilities Rent	29,474	-	-	29,474
Office supplies and postage and delivery	8,927	-	-	8,927
Repairs and maintenance	56,181	-	-	56,181
Binding and printing	989	-	-	989
Miscellaneous	12,819	-	-	12,819
Public education programs	50,719	-	-	50,719
Senate Bill 1 expenses	142,550	-	-	142,550
General & Admin Expense	89,861	-	-	89,861
Regulatory Expenses, Net	818,410	-	-	818,410
Contract Expenses	587,873	72,394	-	660,267
Capital Outlay	114,304	-	-	114,304
Debt Service				
Principal	13,769	-	-	13,769
Interest	10,701	-	-	10,701
Total Expenditures	<u>3,546,830</u>	<u>72,394</u>	<u>-</u>	<u>3,619,224</u>
Excess of Revenues Over Expenditures	(120,092)	(4,127)	99,955	(24,264)
OTHER FINANCING SOURCES (USES)				
Note Proceeds	114,304	-	-	114,304
Transfers In	800	-	-	800
Transfers Out	-	-	(800)	(800)
Total Other Financing Sources and Uses	<u>115,104</u>	<u>-</u>	<u>(800)</u>	<u>114,304</u>
Net Changes in Fund Balances	(4,988)	(4,127)	99,155	90,040
Fund Balances - Beginning of Year	<u>2,865,157</u>	<u>-</u>	<u>-</u>	<u>2,865,157</u>
Prior Period Adjustment (Note 18)	(781,418)	-	-	(781,418)
Fund Balance - Beginning (As Restated)	<u>2,083,739</u>	<u>-</u>	<u>-</u>	<u>2,083,739</u>
Fund Balances - End of Year	<u>\$ 2,078,751</u>	<u>\$ (4,127)</u>	<u>\$ 99,155</u>	<u>\$ 2,173,779</u>

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

Nueces River Authority
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
Year Ended August 31, 2024

Net change in fund balances -- total Governmental Funds \$ 90,040

Amounts reported for governmental activities in the statement of activities are different due to:

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital Outlay	114,304
Depreciation Expense	(25,816)

Transfer of USDA Phase I and II loans to the Leakey Wastewater Treatment Plant Operations Fund	597,000
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Transfer of completed construction in progress to the Leakey Wastewater Treatment Plant Operations Fund	(21,598,632)
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Loan and bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of note and bond principal is an expenditure in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities.

Lease Payments	33,825
Principal Payments	13,769
Loan Proceeds	(114,304)

Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds:

Interest Expense	(5,346)
Amortization Expense	(47,496)
Accrued Compensated Absences	4,860

Change in net position of governmental activities	\$ (20,937,796)
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The accompanying notes are an integral part of the financial statements.

Nueces River Authority
Statement of Net Position
Proprietary Funds
August 31, 2024

	Leakey Wastewater Treatment Plant Operations	Outside Utilities Operations	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 99,666	\$ 142,513	\$ 242,179
Receivables:			
Contract and Grant	42,939	129,450	172,389
Internal Balances	(109,228)	(173,295)	(282,523)
Total Current Assets	<u>33,377</u>	<u>98,668</u>	<u>132,045</u>
Capital Assets:			
Water Treatment Plant	33,964,167	-	33,964,167
Furniture and Equipment	81,056	12,371	93,427
Less Accumulated Depreciation	(1,085,204)	-	(1,085,204)
Total Capital Assets, Net of Accumulated Depreciation	<u>32,960,019</u>	<u>12,371</u>	<u>32,972,390</u>
Total Assets	<u>32,993,396</u>	<u>111,039</u>	<u>33,104,435</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	9,128	41,133	50,261
Note Payable, Short-Term Portion	11,000	-	11,000
Total Current Liabilities	<u>20,128</u>	<u>41,133</u>	<u>61,261</u>
Noncurrent Liabilities			
Line of Credit	292,000	-	292,000
Note Payable, Long-Term Portion	575,000	-	575,000
Total Noncurrent Liabilities	<u>867,000</u>	<u>-</u>	<u>867,000</u>
Total Liabilities	<u>887,128</u>	<u>41,133</u>	<u>928,261</u>
NET POSITION			
Net Position, Net Investment in Capital Assets	32,397,390	-	32,397,390
Unrestricted	(291,122)	69,906	(221,216)
Total Net Position	<u>\$ 32,106,268</u>	<u>\$ 69,906</u>	<u>\$ 32,176,174</u>

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

Nueces River Authority
Statement of Revenues, Expenditures and Changes in Net Position
Proprietary Funds
Year Ended August 31, 2024

	Leakey Wastewater Treatment Plant Operations	Outside Utilities Operations	Totals
OPERATING REVENUES			
Charge for Services	\$ 295,995	\$ 662,050	\$ 958,045
Contract Revenue	-	117,747	117,747
Interest Income	1,803	2,167	3,970
Other Income	2,122	70	2,192
Total Revenues	<u>299,920</u>	<u>782,034</u>	<u>1,081,954</u>
OPERATING EXPENDITURES			
Protection and Preservation of Water Sources:			
Salaries	83,638	332,182	415,820
Payroll taxes	6,412	25,761	32,173
Employee medical insurance	15,549	61,751	77,300
Retirement	5,836	18,588	24,424
Travel and conferences	650	-	650
Professional fees	5,879	-	5,879
Telephone and fax	8,375	7,574	15,949
Insurance and bonds	13,125	8,527	21,652
Equipment and facilities rent	7,241	1,043	8,284
Office supplies and postage and delivery	2,087	1,421	3,508
Repairs and maintenance	61,619	219,503	281,122
Binding and printing	-	131	131
Miscellaneous	18,393	(684)	17,709
Contract Expenses	-	3,803	3,803
General and administrative expense	49,268	29,902	79,170
Depreciation	105,236	-	105,236
Debt Service			
Interest	8,224	-	8,224
Total Expenditures	<u>391,532</u>	<u>709,502</u>	<u>1,101,034</u>
Excess of Revenues (Under) Expenditures	(91,612)	72,532	(19,080)
OTHER FINANCING (USES)			
Transfer of Capital Assets, Net of Related Debt	21,001,632	-	21,001,632
Total Other Financing Sources and Uses	<u>21,001,632</u>	<u>-</u>	<u>21,001,632</u>
Net Changes in Net Position	20,910,020	72,532	20,982,552
Net Position - Beginning of Year	11,196,248	(2,626)	11,193,622
Net Position - End of Year	<u>\$ 32,106,268</u>	<u>\$ 69,906</u>	<u>\$ 32,176,174</u>

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

Nueces River Authority
Statement of Cash Flows
Proprietary Funds
Year Ended August 31, 2024

	Leakey Wastewater Treatment Plant Operations	Outside Utilities Operations	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Contracted Services	\$ 294,455	\$ 781,130	\$ 1,075,585
Receipts from Grants	-	-	-
Payments to Suppliers	(167,072)	(259,959)	(427,031)
Payments for Employee Benefits	(111,768)	(438,282)	(550,050)
Miscellaneous Receipts	3,925	3,535	7,460
Net Cash from Operating Activities	19,540	86,424	105,964
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Principal paid on notes payable	(11,000)	-	(11,000)
Internal Activity - Loans from Other Funds, Net	3,785	(6,609)	(2,824)
Net Cash from Noncapital Financing Activities	(7,215)	(6,609)	(13,824)
Net Increase In Cash and Cash Equivalents	12,325	79,815	92,140
Cash and Cash Equivalents - Beginning of the Year	87,341	62,698	150,039
Cash and Cash Equivalents - End of the Year	\$ 99,666	\$ 142,513	\$ 242,179
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES			
Operating Loss	\$ (91,612)	\$ 72,532	\$ (19,080)
Adjustments To Reconcile Operating Income To Net Cash			
From Operating Activities:			
Depreciation Expense	105,236	-	105,236
(Increase) Assets:			
Accounts Receivable	(1,539)	1,333	(206)
Increase /(Decrease) Liabilities:			
Accounts Payable	7,455	12,559	20,014
Net Cash From Operating Activities	\$ 19,540	\$ 86,424	\$ 105,964
NON-CASH INVESTING AND CAPITAL FINANCING ACTIVITIES			
Transfer of USDA Phase I and II loans to the Leakey Wastewater Treatment Plant Operations Fund	\$ 597,000	-	\$ 597,000
Transfer of completed construction in progress to the Leakey Wastewater Treatment Plant Operations Fund	(21,484,328)	-	(21,484,328)
Acquisition of capital assets with note payables	(114,304)	-	(114,304)
	\$ (21,001,632)	-	\$ (21,001,632)

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

Nueces River Authority

Notes to Financial Statements

August 31, 2024

1. Summary of Significant Accounting Policies

Financial Reporting Entity

Nueces River Authority (the Authority) was created in 1935 as the Nueces River Conservation and Reclamation District (the District). The District's name was changed to Nueces River Authority by the Texas Legislature in 1971. Duties and functions of the Authority are described in Article 8280-115, Texas Water Code Auxiliary Laws, as amended. The Authority has extensive powers in the control, storage, preservation and distribution of the state's water for domestic, municipal and industrial uses; irrigation; mining and recovery of minerals; stock raising; underground water recharge; electric power generation; navigation, recreation and pleasure, and other beneficial uses and purposes within the Nueces River Basin. Currently the Authority's primary function is the protection and preservation of water resources. The Authority's service area includes all or part of 21 South Texas counties, covering nearly 18,000 square miles. The Authority is governed by a board of 21 directors appointed by the Texas governor, with the consent of the state Senate. The directors serve overlapping six-year terms. Management of the Authority is vested in an executive director, who is employed by the Board of Directors (the Board).

The Authority is empowered to issue tax-exempt revenue bonds under the provision of the Clean Air Financing Act (Texas), Vernon's Texas Civil Statutes, Article 4477-52, and the regional Waste Disposal Act (Texas), Vernon's Texas Codes Annotated, Water Code, Chapter 30, for the purpose of financing the acquisition and construction of air and water pollution control facilities.

The Authority considered the guidelines specified by Governmental Accounting Standards Board's (GASB) *GASB Codification* Section 2100, Defining the Financial Reporting Entity, when determining which entities to include in the accompanying basic financial statements. Under these guidelines, the reporting entity consists of the primary government (all funds of the Authority), organizations for which the primary government is financially accountable, and any other organizations for which the nature and significance of their relationship with the primary government is such that exclusion could cause the Authority's basic financial statements to be misleading or incomplete. Entities other than the primary government which are included in the primary government's financial statements are called component units. Under the guidelines established by *GASB Codification* Section 2100, Defining the Financial Reporting Entity, no legally separate organizations met the necessary criteria for inclusion as component units in the basic financial statements.

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2024

1. Summary of Significant Accounting Policies (Continued)

Government-Wide and Proprietary Financial Statements

The statement of net position and the statement of activities display information about the Authority as a whole. These statements include all funds of the reporting entity. In government-wide statement of net position, the governmental activities column is presented on a consolidated basis and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables, as well as long-term debt and obligations.

The government-wide statement of activities presents a comparison between direct expenses and program revenues for each segment of the business-type activities of the Authority and for each governmental program. Direct expenses are those specifically associated with a program or function, and are clearly identifiable to a particular function. The Authority has certain indirect costs included in the program expenses reported for individual function and activities. Program revenues include charges paid by recipients of goods or services offered by the programs and grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues not classified as program revenues, such as investment income, are presented as general revenues.

Separate financial statements are provided for governmental funds and the proprietary fund. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All other revenues and expenses are nonoperating.

Fund financial statements

Fund financial statements of the Authority are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues and expenditures/expenses. An emphasis is placed on major funds within the Authority.

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2024

1. Summary of Significant Accounting Policies (Continued)

A fund is considered major if it is the primary operating fund of the Authority or meets the following criteria:

- Total assets, liabilities, revenues or expenditures/expenses of that individual Governmental or Enterprise Fund are at least 10 percent of the corresponding total for all funds of that category or type.
- Total assets, liabilities, revenues or expenditures/expenses of the individual Governmental and Enterprise Fund are at least 5 percent of the corresponding total for all governmental and business-type activities combined.

Governmental Funds

Governmental Funds are those through which most governmental functions of the Authority are financed. The acquisition, use and balances of the Authority's expendable financial resources and the related current liabilities (except those, if any, which should be accounted for in Proprietary Funds) are accounted for through Governmental Funds. The measurement focus is on determination of financial position and changes in financial position, rather than on net income determination.

Major Governmental Funds:

- **General Fund:** The General Fund is the general operating fund of the Authority. It is used to account for all financial resources except those required to be accounted for in another fund.
- **Leakey Capital Project Fund:** The Leakey Capital Project Fund is the capital project fund of the Authority. It is used to account for all financial resources and expenditures related to the construction of the Leakey Wastewater Facility.
- **Green Lake Fund –** The Green Lake Fund is for a grant from the Texas Water Development Board for San Patricio County Drainage District replacing Green Lake Dam.

Measurement focus and basis of accounting

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2024

1. Summary of Significant Accounting Policies (Continued)

Governmental Funds financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when they are both measurable and available. For this purpose, the Authority considers all revenues to be available if the revenues are collected within 60 days after year-end. Expenditures generally are recorded when the related fund liability is incurred, if measurable, except for debt service expenditures and compensated absences, which are recognized as expenditures only when payment is incurred.

Net position

Net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation. Net position is reported as restricted when there are limitations imposed on its use through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Unrestricted net position represents the remaining portion of net position.

Revenues

The Authority receives various grant awards for intergovernmental and public education programs. Revenues are recognized upon receipt of the award, if there are no eligibility requirements to be met. If there are eligibility requirements, revenues are not recognized until such requirements are satisfied.

Grant revenues

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as unearned revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project, grantors can require the Authority to refund all or part of the unused amount.

Capital Assets

Capital assets which include land, furniture and equipment and construction in progress are reported in the governmental activities column of the government-wide financial statements. Donated capital assets are valued at their estimated fair value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Assets acquired are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable.

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2024

1. Summary of Significant Accounting Policies (Continued)

Depreciation of capital assets is charged as an expenditure/expense against operations. Accumulated depreciation is reported on the statement of the net position. Depreciation is generally recorded on the straight-line basis over the estimated useful life of the assets. The estimated useful lives are as follows:

<u>Asset Description</u>	<u>Asset Life</u>
Furniture and equipment	5 years
Software	3 years

Budgets and budgetary accounting

The Authority maintains control over revenues and expenditures in the General Fund by establishment of an annual operating budget. The budget, as formally adopted by the board, establishes the maximum authorization for accounts of the funds. During the year ended August 31, 2023, the General Fund had a budgetary surplus of \$438,646 which was the result of additional unanticipated revenues received during the fiscal year.

Cash and cash equivalents

All short-term highly liquid investments are considered to be cash equivalents. Cash equivalents are readily convertible to known amounts of cash and, at the day of purchase, have maturity dates no longer than three months.

Investments

Investments are recorded at fair value. Fair value is determined by the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date under current market conditions. Fair value is an exit price at the measurement date from the perspective of a market participant that controls the asset.

The Authority follows the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*, which requires measurement of certain assets and liabilities at fair market value using consistent and more detailed definition of fair value and accepted valuation techniques. GASB Statement No. 72 superseded GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, paragraph 3, which discusses the fair value of certain investments.

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2024

1. Summary of Significant Accounting Policies (Continued)

Receivables

The allowance for doubtful accounts is established as losses are estimated to have occurred through a provision for bad debts charged to earnings. Losses are charged against the allowance when management believes the uncollectibility of a receivable is confirmed. Subsequent recoveries, if any, are credited to the allowance. The allowance for doubtful accounts is evaluated on a regular basis by management and is based on historical experience and specifically identified questionable receivables. The evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available. As of August 31, 2024, the allowance for contract receivables was \$0.

Unearned income

The Authority receives payments from customers in advance for reimbursable expenses. The balance in unearned income represents these advances.

Use of estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. This will affect the reported amounts of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from these estimates.

Compensated absences

The Authority allows employees to accumulate vacation leave with certain limitations. Accumulated vacation leave that is expected to be liquidated with expendable available financial resources for employees who have terminated their employment as of year-end is reported as an expenditure and a liability of the Governmental Funds that will pay the liability. Amounts of accumulated vacation leave that are not due and payable and, thus, not expected to be liquidated with current financial resources are reported in the governmental activities statement of net position.

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2024

1. Summary of Significant Accounting Policies (Continued)

Interfund transactions

Transactions, which constitute the transfer of resources from a fund receiving revenues to a fund through which the revenues are to be expended, are separately reported in the respective funds' operating statements as transfers in and transfers out.

Activity between funds that are representative of lending/borrowing arrangements at the end of the fiscal year are referred to as "due to/from other funds." These amounts are eliminated in the governmental activities column of the statement of net position.

Fund balance

The Authority adopted GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Below are the different types of Governmental Fund balances:

Nonspendable – The nonspendable fund balance category includes amounts that cannot be spent because they are not in spendable form. The "not in spendable form" criteria includes items that are not expected to be converted to cash. It also includes the long-term amount of interfund loans.

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or are imposed by law through constitutional provisions or enabling legislation. Legal enforceability means that the Authority can be compelled by an external party, such as citizens, public interest groups, or the judiciary, to use resources created by enabling legislation only for the purposes specified by the legislation.

Committed – The committed fund balance classification includes amounts that can be used only for the specific purposes imposed by formal action (resolution) of the Board. Those committed amounts cannot be used for any other purpose unless the Board removes or changes its specified use by taking the same type of action (resolution) it employed to previously commit those amounts. In contrast to the fund balance that is restricted by enabling legislation, committed fund balance classification may be redeployed for other purposes with appropriate due process. Constraints imposed on the use of committed amounts are imposed by the Board and separate from the authorization to raise the underlying revenue; therefore, compliance with these constraints is not considered to be legally enforceable. The committed fund balance also incorporates contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2024

1. Summary of Significant Accounting Policies (Continued)

Fund balance (Continued)

Assigned – Amounts in the assigned fund balance classification are intended to be used for specific purposes, but do not meet the criteria to be classified as restricted or committed. In the General Fund, assigned amounts represent intended uses established by the Board, an Authority official delegated that authority by the Board, or by resolution.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amounts not contained in the other classifications. In other Governmental Funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

For the fiscal year ended August 31, 2024, the Authority reported only unassigned fund balances.

Deferred outflows/inflows of resources

In addition to assets, Governmental Fund balance sheet will sometimes report on a separate section for deferred outflows of resources. This special financial statement element, deferred outflows of resources, represents a consumption of fund balance that applies to a future period(s) and so will be recognized as an outflow of resources (expense/expenditure) until then. The Authority did not have any items that qualified for reporting in this category at August 31, 2024.

In addition to liabilities, Governmental Fund balance sheet will sometimes report on a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority recorded \$170,947 in unearned income that qualified for reporting in this category at August 31, 2024.

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2024

2. Deposits and Investments

The monetary assets of the Authority are held in various forms and accounts. The assets are described and presented in the basic financial statements in two groups. One group is described as “cash and cash equivalents.” This group is characterized as having high liquidity with little market risk and includes cash, checking accounts, money market accounts, and highly liquid accounts held by investment brokers, and bank time deposits with an original maturity of less than three months. The second group of monetary assets is presented in the basic financial statements as “investments.”

The Authority’s funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the Authority’s agent bank approved pledged securities in an amount sufficient to protect Authority funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank’s dollar amount of Federal Deposit Insurance Corporation (FDIC) insurance.

Cash Deposits

At August 31, 2024, the carrying amount of the Authority’s deposits (cash, certificates of deposit [CD’s] and interest bearing savings accounts included in temporary investments) was \$1,103,444 , and the bank balance was \$1,099,341 . The Authority’s cash deposits as of and for the year ended August 31, 2024, were entirely covered by FDIC insurance and/or pledged collateral held by the Authority’s agent bank in the Authority’s name.

In addition, the following is disclosed regarding coverage of combined balances on the date of highest deposit:

- a. Depository; First State Bank of Uvalde; Uvalde, Texas.

Total amount of FDIC coverage at the time of the largest combined balance was \$500,000. It is the opinion of management that solvency of this financial institution is not of particular concern at this time.

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2024

2. Deposits and Investments (Continued)

Investments

The Authority is required by Government Code Chapter 2256, the Public Funds Investment Act (the Act), to adopt, implement and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities and (9) bid solicitation preferences for CDs.

The Act determines the type of investments that are allowable for the Authority. These include, with certain restrictions, (1) obligations of the United States Treasury, certain United States agencies and the state of Texas; (2) CD's; (3) certain municipal securities; (4) money market savings accounts; (5) repurchase agreements; (6) bankers acceptances; (7) mutual funds; (8) investment pools and (9) guaranteed investment contracts.

The calculation of realized gains and losses is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses on investments that had been held in more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year.

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2024

2. Deposits and Investments (Continued)

GASB Statement No. 72

The Authority follows GASB Statement No. 72, *Fair Value Measurement and Application*. GASB Statement No. 72 provides guidance for determining a fair value measurement for reporting purposes and applying fair value to certain investments and disclosures related to all fair value measurements.

The Authority categorizes its fair value measurements within the fair value hierarchy established by accounting principles generally accepted in the United States of America. The hierarchy is based on the valuation input used to measure the fair value of the asset.

- Level 1 inputs are quoted prices in active markets for identical assets
- Level 2 inputs are significant other observable inputs, which include quoted prices for similar assets in active markets; quoted prices for identical or similar assets in markets that are not active; or other observable inputs, such as interest rates and yield curves at commonly quoted intervals, implied volatilities, and credit spreads; or market-corroborated inputs.
- Level 3 inputs are significant unobservable inputs

The carrying amount of investments and fair value hierarchy of August 31, 2024, is shown below:

	Total	Level 1	Level 2	Level 3
Assets:				
Debt Securities:				
Municipal Bonds	\$ 549,518	\$ -	\$ 549,518	\$ -
Total Debt Securities	\$ 549,518	\$ -	\$ 549,518	\$ -

Debt securities classified in Level 2 of the fair value hierarchy are valued using a computerized pricing service utilizing a yield-based matrix system to arrive at an estimated market value. The Authority does not have any Level 1 or Level 3 investments.

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2024

2. Deposits and Investments (Continued)

Credit risk

Generally, credit risk is the risk that an insurer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. However, investments issued or explicitly guaranteed by the United States government and investments in mutual funds, external investment pools and other pooled investments are excluded from this requirement. The investment policy restricts investments to securities that are limited to United States Treasury securities, securities issued or guaranteed by the United States government, or general-purpose municipal securities rated “A” or better by a recognized security rating service.

The Authority’s investments are rated as follows:

Description	Investment Rating	Rating Organization	Fair Value	Percentage Invested
Municipal Bonds	AAA	Moody's	\$ 549,518	100%
			<u>\$ 549,518</u>	<u>100%</u>

Concentration of credit risk

The Authority is required to disclose investments in any one issuer that represent 5 percent or more of total investments. However, investments issued or explicitly guaranteed by the United States government and investments of mutual funds, external investment pools and other pooled investments are excluded from this requirement. The investment policy does not specifically address the concentration of credit risk. The Authority’s investments exceeding 5 percent are shown in the table above.

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2024

2. Deposits and Investments (Continued)

Interest rate risk

Changes in market interest rates may adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity its fair value is to changes in market interest rates. The Authority’s policy is to hold its investments to maturity, which mitigates the effect of interest rate risk. Information about the sensitivity of the fair values of the Authority’s investments to market interest rate fluctuations is provided by the following table, which shows the specific investments and their maturity as of August 31, 2024.

Description	Years to Maturity	Fair Value	Percentage
Municipal Bonds	2 - 3 years	\$ 549,518	100%
		\$ 549,518	100%

3. Contract Services/Grants Receivables

The Authority has entered into various contracts to provide services to other governmental entities. All contract service revenues and expenses incurred in fulfilling these contracts are reported in the General Fund. As of August 31, 2024, contract receivables for the General Fund and Leakey Capital Project Fund were \$720,715 and \$0, respectively.

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2024

4. Interfund Balances and Transfers

All due from and due to other funds balances are expected to be received/paid during the next fiscal year. A summary of the Authority's interfund balances and transfers as of August 31, 2024 are as follows:

	Due From Other Funds	Due To Other Funds
Governmental Activities		
General Fund	\$ 313,241	\$ 24,607
Leakey Capital Projects Fund	10	3,728
Green Lake Fund	-	2,393
Business-Type Activities		
Leakey Capital Operations Fund	8,173	117,401
Outside Utilities Operations	18,827	192,122
Total	\$ 340,251	\$ 340,251

	Transfers In	Transfers Out
Governmental Activities		
General Fund	\$ 800	\$ -
Green Lake Fund		800
Total	\$ 800	\$ 800

Interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

Transfers between funds represent cash transfers to provide financial support for the normal operations of the receiving funds.

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2024

5. Capital Assets

A summary of the Authority's capital assets for the year ended August 31, 2024 is shown below:

<u>Governmental Activities</u>	<u>Balance</u> <u>8/31/2024</u>
Capital Assets Not Being Depreciated	
Land	\$ 2,635,551
Capital Assets Being Depreciated	
Furniture and Equipment	411,146
Software	116,551
Building	313,997
Less Accumulated Depreciation	<u>(335,751)</u>
	<u>\$ 3,141,494</u>

<u>Business-Type Activities</u>	<u>Balance</u> <u>8/31/2024</u>
Capital Assets Being Depreciated	
Water Treatment Plant	\$ 33,964,167
Furniture and Equipment	93,427
Less Accumulated Depreciation	<u>(1,085,204)</u>
	<u>\$ 32,972,390</u>

6. Accrued Compensated Absences

The following is a summary of accrued compensated absences transactions for the year ended August 31, 2024.

	<u>Balance</u> <u>9/1/2023</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>8/31/2024</u>
Governmental Activities:				
Compensated Absences	\$ 71,438	\$ -	\$ (4,860)	\$ 66,578
Total	<u>\$ 71,438</u>	<u>\$ -</u>	<u>\$ (4,860)</u>	<u>\$ 66,578</u>

Accrued compensated absence will be liquidated primarily by the General Fund.

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2024

7. Conduit Debt

Lake Texana Pipeline Project

In 1997, the Authority entered into an agreement with the City of Corpus Christi whereby the Authority, as conduit issuer, would issue revenue bonds on behalf of the City of Corpus Christi a part of the financing for construction of a water transmission line referred to as the “Water Supply Facilities Project” or the City of Corpus Christi “Lake Texana Pipeline Project.” Thus, in 1997, the Authority issued revenue bonds (conduit debt) in the amount of \$118,195,000 for this purpose. The ultimate operation and maintenance of the Lake Texana Pipeline Project is the responsibility of the City of Corpus Christi. According to the Water Transmission Facilities contract dated November 12, 1996, upon completion of the Lake Texana Pipeline Project, the Authority was to transfer deed of ownership to the City of Corpus Christi. The Authority approved the transfer at its December 1999 meeting.

In May 2005, the Authority issued (as conduit debt on behalf of City of Corpus Christi) \$94,575,000 of Water Supply Revenue Refunding Bonds (City of Corpus Christi, Lake Texans Pipeline Project), Series 2005, to be used to refund \$92,205,000 of the outstanding Series 1997 bonds, which would have matured in 2010 through 2027. The Series 2005 mature serially through March 1, 2027, and bear interest rates from 3.00 percent to 5.25 percent. Annual principal payments range from \$100,000 to \$7,545,000 per year with interest due semiannually on January 15 and July 15. The refunding was undertaken to provide gross savings to the City of Corpus Christi in future debt service payments in the amount of \$5,263,801 and a present value savings of \$3,352,249, which results in a net present value benefit of 3.63 percent.

The City of Corpus Christi has pledged revenues from its combined waterworks system, wastewater disposal system and gas system for payments of these bonds.

In September 2015, the Authority issued (as conduit debt on behalf of City of Corpus Christi) \$62,785,000 of Water Supply Facilities Revenue Refunding Bonds (City of Corpus Christi, Lake Texana Pipeline Project), Series 2015, to be used to refund \$70,245,000 of the outstanding Series 2005 bonds, which would have matured in 2016 through 2027. The Series 2015 mature serially through March 1, 2027, and bear interest rates from 3 percent to 5 percent. Annual principal payments range from \$4,545,000 to \$6,520,000 per year with interest due semiannually on January 15 and July 15. The refunding was undertaken to provide gross savings to the City of Corpus Christi in future debt service payments in the amount of \$11,231,907 and a present value savings of \$9,597,354, which results in a net present value benefit of 13.67 percent. The City of Corpus Christi has pledged revenues from its combined waterworks system, wastewater disposal system and gas system for payment of these bonds.

Accordingly, the Authority is under no obligation to pay this debt and, therefore, it is not reflected in the financial statements. The outstanding conduit debt balance is \$18,940,000.

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2024

7. Conduit Debt (Continued)

San Patricio County Flood Control and Drainage Project

In 2021, the Authority entered into a project management agreement with the San Patricio County Drainage District (the “District”) to assist the District in implementing a drainage improvement plan to address acute flooding in the City of Gregory caused by stress on the existing Green Lake Outfall system and its inability to handle increased drainage needs of industry. The project management agreement calls for the Authority help retain contractors and engineers in the construction of the project, and to coordinate with the Texas Water Development Board (“TWDB”) on the project’s grant application/implementation, financing, project management, and inspection activities. In consideration for the services provided by the Authority, the District will pay the Authority a fee based on the fee structure outlined in the project management agreement. All project costs incurred by the Authority in construction of the project are the responsibility of the District.

In accordance with the project management agreement, the Authority sought and obtained financial assistance from TWDB totaling \$11,841,990 through TWDB’s purchase of \$9,472,000 Nueces River Authority Contract Revenue Bonds, Proposed Series 2021 (“Bonds”), and \$2,369,990 through execution of a grant agreement effective April 22, 2021 (“Grant”). The bonds, and interest thereon, are payable in annual sinking fund payments (“Payment Amount”) on April 15th of each year in amounts ranging from \$315,000 to \$316,000 from 2022 to 2051.

The Bonds are secured by a first lien on and pledge of the “Pledged Revenues” as defined in the Bond Resolution as funds received annually by the Authority from the District as the “Payment Amount” pursuant to the project funding agreement, plus the interest income from funds on deposit in the Interest and Sinking Fund. According to the Bond Resolution, in no event shall any funds paid by the District to the Authority in accordance with the project management agreement be a component of Pledged Revenues nor shall any of such funds be deposited into the Interest and Sinking Fund or otherwise used to pay debt service on the Bonds. If during any fiscal year the Authority does not receive sufficient Pledged Revenues to satisfy all requirements for disbursement as set forth in the Bond Resolution, the Authority shall promptly notify the District of such deficiency and shall require the District to promptly transfer available funds to the Authority in an amount sufficient to fully satisfy such deficiency.

Proceeds from the sale of the Bonds to TWDB are maintained in the Interest and Sinking Fund and administered by an independent paying agent/registrar who approves all payments out of escrow meeting the requirements of the escrow agreement. During the year ended August 31, 2024, construction expenses incurred by the Authority on behalf of the District and reimbursed out of escrow totaled \$4,116,062.

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2024

7. Conduit Debt (Continued)

San Patricio County Flood Control and Drainage Project

Since, under the terms of the Bond Documents, the sole source of payment is the District's Payment Amount to the Authority, it is the District (and not the Authority) that is ultimately obligated to pay the annual sinking fund payments. Since ownership of the project will transfer to the District upon completion, no construction in progress asset or loan balance is reflected in the Authority's financial statements. The outstanding conduit debt balance as of August 31, 2024 is \$8,527,000.

8. Contingencies

Certain conditions may exist as of the date the financial statements are issued, which may result in a loss to the Authority, but which will only be resolved when one or more future events occur or fail to occur. The Authority's management and its legal counsel assess such contingent liabilities, and such assessment inherently involves an exercise of judgement. In assessing loss contingencies related to legal proceedings that are pending against the Authority or unasserted claims that may result in such proceedings, the Authority's legal counsel evaluates the perceived merits of any legal proceedings or unasserted claims, as well as the perceived merits of the amount of relief sought or expected to be sought therein.

The Authority receives significant financial assistance from state agencies in the form of grants. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the agreements and is subject to audit by the grantor agencies; therefore, to the extent the Authority has not complied with rules and regulations governing the grants, if any, refunds of any money received may be required. Management believes there are no significant contingent liabilities relating to compliance with grant rules and regulations.

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2024

9. Operating Leases

The Authority entered into a lease agreement for office space. The lease qualifies as other than short-term leases under GASB 87 and, therefore have been recorded at the present value of the future minimum lease payments as of their date of inception.

The Authority presents leases at their amortized right of use asset and right of use lease liability balances. The City uses the discount rate of 1.83% to determine the appropriate interest and amortization expense amounts. The assets and liabilities are amortized each month by the difference between the lease payment and the interest amount. Interest is determined by adopting the prevailing interest rates that would be used if a loan had been obtained to acquire the assets.

The following is a schedule of the approximate future minimum lease payments required under the lease:

Years Ending August 31:	Principal Payments	Interest Payments	Total
2025	\$ 106,171	\$ 5,262	\$ 111,433
2026	55,961	3,735	59,696
2027	48,962	2,860	51,822
2028	52,723	1,929	54,652
2029	56,845	923	57,768
Thereafter	23,980	72	24,052
	<u>\$ 344,642</u>	<u>\$ 14,781</u>	<u>\$ 359,423</u>

The right of use lease asset is as follows:

	Governmental Activities
Right of Use Lease Asset	\$ 520,935
Accumulated Amortization	(190,394)
Right of Use Asset, Net	<u>\$ 330,541</u>

The lease liability is as follows:

	Governmental Activities
Lease, Current Portion	\$ 106,171
Lease, Long-Term Portion	238,471
Total	<u>\$ 344,642</u>

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2024

10. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of damage to or destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Authority purchased commercial insurance to cover risks associated with potential claims in 2024. There were no significant reductions in coverage in the past fiscal year, and there were no settlements exceeding insurance coverage during the previous three fiscal years.

11. Pension Plans

Defined contribution plan

The Authority offers employees the option to participate in a defined contribution plan, governed by section 401 (A) of the Internal Revenue Code (IRC) through Mission Square. The administrator of the plan is Mission Square.

Participant contributions are 100 percent nonforfeitable. Employer contributions are made on a pretax basis and are exempt from Social Security taxes. Employer contributions may be subject to a vesting schedule. Maximum aggregate contributions are the lesser of 25 percent of participants' gross compensation or \$30,000 per year. Mandatory contributions may or may not be required by the employer. The employer may elect a "pick up" provision, whereby mandatory contributions are made on a pretax basis. Participants may make voluntary contributions up to 10 percent of compensation, which are made on an after-tax basis. All earnings accrue on a tax-deferred basis.

With this plan, participants may also contribute to a section 457 plan.

Under this plan, each employee of the Authority determines his or her rate of contribution. The Authority makes a matching contribution of up to 7 percent of the employee's gross wages. For the year ended August 31, 2024, seventeen employees of the Authority participated in the defined contribution plan. Contribution percentages were 7 percent. Employee and employer contributions totaled \$88,872 each. A fund fee of \$1,000 was also paid to Mission Square.

Deferred compensation plan

The employer also has chosen to enroll in a nonqualified supplemental retirement plan governed by section 457(b) of the IRC. Participation is voluntary, with the employee determining the contribution amount. The maximum amount that may be contributed is the lesser of 33.33 percent of a participant's taxable income, or \$7,500. Contributions are made on a pretax basis, and all earnings accrue on a tax-deferred basis. Participants may contribute to a deferred contribution plan in addition to a defined contribution plan and/or defined benefit plan.

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2024

12. Leakey Capital Project

During fiscal year 2010, the Authority was awarded a grant from the Texas Water Development Board (the TWDB) for approximately \$2,200,000. The purpose of the grant was for land acquisition related to a wastewater treatment plant to serve the City of Leakey. During fiscal year 2010, the Authority acquired the land for \$2,304,622.

During the fiscal year ended August 31, 2012, the TWDB approved a resolution of a request from the Authority for \$11,043,460 in financial assistance, consisting of \$9,961,460 of Loan Forgiveness Funds from the Clean Water State Revolving Fund and a \$1,082,000 grant from the Economically Distressed Areas Program to finance planning, acquisition, design and construction costs for the wastewater treatment plant. Later in June 2016, the TWDB approved an additional \$16,547,000 of loan forgiveness funds from the Clean Water State Revolving Fund.

The loan forgiveness funds were deposited in an approved escrow account to be released to the Authority's Construction Fund at the direction of the Executive Administrator of the TWDB or an authorized and designated representative. In accordance with the Loan Forgiveness Agreements, the funds deposited in the escrow accounts under the contracts shall not be considered as a banking deposit by the Authority.

The construction on the Leakey Regional Wastewater Treatment and Collection System is complete. The loan and grant with the TWDB will be closed out after the purchase of equipment needed for the project has been completed. The Authority anticipates the purchase of the equipment during the fiscal year 2025 budget year. After project close out, the TWDB loan will be forgiven. At the end of fiscal year 2024, the Authority considered the project completed and transferred the construction in progress and related debt from the Leakey Capital Projects Fund to the Leakey Wastewater Treatment Plant Operations Fund.

The Authority plans to implement Phase III of the Residential Connections in fiscal year 2025. The third phase will be funded through a grant from USDA and is necessary due to higher than anticipated construction costs.

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2024

13. Construction Commitments

As of August 31, 2024, the Authority had commitments for the following:

Project Name	Contract Amount	Paid to Date	Commitment Balance Remaining
Green Lake Drainage Improvements	\$ 9,917,214	\$ 9,268,700	\$ 648,514

14. TWDB Compliance

The Authority believes it is compliant with applicable requirements of Section 16.356 of the Texas Water Development Board Code relating to transfers of funds associated with EDAP funded projects. For fiscal year 2024, the facility is still under construction and no revenues have been earned to date.

15. Line of Credit

The Authority has a line of credit with a bank providing for borrowings up to \$350,000. As of August 31, 2024, the Authority borrowed \$292,000 against the line of credit. The line bears an interest rate of 3.5% and matures in June 2026. The terms call for semiannual interest only payments with the outstanding principal due at maturity. The line of credit is collateralized by two certificates of deposit totaling \$377,277.

16. Long-Term Liabilities

Long-term liabilities activities for the year ended August 31, 2024 includes the following:

	Balance 9/1/2023	Additions	Deletions	Balance 8/31/2024	Amount Due Within One Year
Governmental Activities:					
<i>Bonds Payable</i>					
General Revenue Bonds, Series 2020	\$ 388,488	\$ -	\$ (26,117)	\$ 362,371	\$ 14,021
<i>Notes Payable</i>					
USDA Phase I Note Payable	252,000	-	(4,000)	248,000	4,000
USDA Phase II Note Payable	345,000	-	(7,000)	338,000	7,000
Ford Transit Note Payable	-	51,652	-	51,652	12,900
Ford Expedition Note Payable	-	62,652	-	62,652	15,600
Total	\$ 985,488	\$ 114,304	\$ (37,117)	\$ 1,062,675	\$ 53,521

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2024

16. Long-Term Liabilities (Continued)

Description of Debt and Maturity Schedules

General Improvement Revenue Bonds, Series 2020

Effective July 31, 2020, the Authority issued the General Improvement Revenue Bonds, Series 2020 in the amount of \$418,000. The first interest payment is due and payable beginning August 15, 2020. Principal amounts on this bond is due and payable monthly beginning September 15, 2020. The certificate bears a coupon rate ranging from 1.540% to 3.430%. This bond will be paid in full on August 15, 2044. In the event of default, the lender may initiate legal proceedings to enforce their rights under the legal agreement.

Year Ended August 31,	Principal	Interest	Total
2025	\$ 14,021	\$ 10,449	\$ 24,470
2026	14,292	10,175	24,467
2027	14,597	9,766	24,363
2028	14,927	9,543	24,470
2029	15,276	9,193	24,469
2030-2044	289,258	85,624	374,882
	<u>\$ 362,371</u>	<u>\$ 134,750</u>	<u>\$ 497,121</u>

USDA Phase I Note Payable

Effective December 26, 2019, the Authority obtained a loan from the United States Department of Agriculture to help finance Phase I of the Leakey Capital Project. The loan is scheduled for repayment over a period of 40 years. Payments due the first 2 years consist of interest-only payments. The remaining 38 payments are equal to the sum of annual principal installments and semi-annual interest payments at an interest rate of 1.75%. In the event of default, the lender may initiate legal proceedings to enforce their rights under the legal agreement.

Year Ended August 31,	Principal	Interest	Total
2025	\$ 4,000	\$ 4,381	\$ 8,381
2026	4,000	4,299	8,299
2027	5,000	4,266	9,266
2028	5,000	4,139	9,139
2029	5,000	4,057	9,057
2029-2059	225,000	74,537	299,537
	<u>\$ 248,000</u>	<u>\$ 95,679</u>	<u>\$ 343,679</u>

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2024

16. Long-Term Liabilities (Continued)

Description of Debt and Maturity Schedules (Continued)

USDA Phase II Note Payable

Effective October 27, 2020, the Authority obtained a loan from the United States Department of Agriculture to help finance Phase II of the Leakey Capital Project. The loan is scheduled for repayment over a period of 40 years. Payments due the first year consist of interest-only payments. The remaining 39 payments are equal to the sum of annual principal installments and semi-annual interest payments at an interest rate of 1.375%. In the event of default, the lender may initiate legal proceedings to enforce their rights under the legal agreement.

Year Ended August 31,	Principal	Interest	Total
2025	\$ 7,000	\$ 4,702	\$ 11,702
2026	7,000	4,593	11,593
2027	7,000	4,503	11,503
2028	8,000	4,400	12,400
2029	8,000	4,400	12,400
2029-2059	301,000	86,535	387,535
	<u>\$ 338,000</u>	<u>\$ 109,133</u>	<u>\$ 447,133</u>

Ford Transit Note Payable

On August 26, 2024, the Authority entered a finance agreement with First State Bank of Uvalde. This loan was for the purchase of 2024 Ford Transit. This loan is due and payable in 48 monthly payments of \$1,075 beginning September 25, 2024. Payments include a daily variable interest rate. This loan will be paid in full on August 25, 2028.

Ford Expedition Note Payable

On August 26, 2024, the Authority entered a finance agreement with First State Bank of Uvalde. This loan was for the purchase of 2024 Ford Expedition. This loan is due and payable in 48 monthly payments of \$1,300 beginning September 25, 2024. Payments include a daily variable interest rate. This loan will be paid in full on August 25, 2028.

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2024

17. New Accounting Pronouncement

In May 2020, GASB issued Statement No. 96 *Subscription based Information Technology Arrangements (SBITA)*. This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The standard became effective for the Organization on June 15, 2022. During 2024, the Organization had no SBITA to which the standard applied.

18. Restatement

In fiscal year 2022, there were receivables recorded in the general fund that were not reversed when the payments were received in fiscal year 2023. During fiscal year 2024, these receivables have been written off and recorded as a prior period adjustment to correct the overstatement. The effect of that adjustment on previously stated net position is shown below:

	Government-Wide Statement
	Governmental Activities
Net Position at September 1, 2023, As Previously Stated	\$ 26,475,317
Correction of Account Receivable Balance	(781,418)
Net Position at September 1, 2023, As Restated	\$ <u>25,693,899</u>

19. Subsequent Events

Subsequent events have been evaluated through February 4, 2025, which is the date these financial statements were available to be issued.

Required Supplementary Information

Nueces River Authority
Statement of Revenues, Expenditures and Changes in Fund Balances –
Budget (GAAP) and Actual
General Fund
Year Ended August 31, 2024

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Contracted Services:				
Intergovernmental	\$ 490,880	\$ 508,745	\$ 731,859	\$ 223,114
Contract Revenue	1,319,015	1,639,787	1,708,960	69,173
Public Education Programs	143,925	216,694	246,164	29,470
Grant Revenues	64,327	64,327	39,459	(24,868)
Investment Income	16,500	13,000	52,943	39,943
Other Income	486,155	542,931	647,353	104,422
Total Revenues	2,520,802	2,985,484	3,426,738	441,254
EXPENDITURES				
Protection and preservation of water sources:				
Salaries	976,342	985,630	975,283	10,347
Payroll taxes	75,501	76,624	74,216	2,408
Employee medical insurance	123,785	132,549	129,108	3,441
Retirement	68,743	69,356	64,448	4,908
Directors' fees, travel and meetings	24,000	20,000	16,267	3,733
Travel and conferences	111,780	122,509	110,150	12,359
Professional fees	80,000	187,000	205,222	(18,222)
SCRWSPG contributions	500	500	-	500
Edwards Aquifer RIP	1,000	1,000	1,000	-
Telephone and fax	12,700	13,100	7,315	5,785
Dues, subscriptions and publications	8,000	8,614	12,041	(3,427)
Insurance and bonds	13,000	13,000	15,203	(2,203)
Equipment and Facilities Rent	26,340	28,340	29,474	(1,134)
Office supplies and postage and delivery	8,460	9,000	8,927	73
Repairs and maintenance	102,000	54,300	56,181	(1,881)
Binding and printing	4,600	4,600	989	3,611
Miscellaneous	65,000	70,905	12,819	58,086
Public education programs	54,847	91,167	50,719	40,448
Senate Bill 1 expenses	125,000	125,800	142,550	(16,750)
General & Administrative Expenses	29,900	31,322	89,861	(58,539)
Contract Expenses	319,686	811,514	587,873	223,641
Regulatory Expenses, Net	414,405	548,355	818,410	(270,055)
Debt Service - Principal	14,000	14,000	13,769	231
Debt Service - Interest	10,933	10,933	10,701	232
Capital Outlay	-	-	114,304	(114,304)
Total Expenditures	2,670,522	3,430,118	3,546,830	(116,712)
Excess of Revenues Over (Under) Expenditures	(149,720)	(444,634)	(120,092)	324,542
OTHER FINANCING SOURCES (USES)				
Note Proceeds	-	-	114,304	114,304
Transfers In	-	1,000	800	(200)
Total Other Financing Sources and Uses	-	1,000	115,104	114,104
Net Changes in Fund Balance	(149,720)	(443,634)	(4,988)	438,646
Fund Balance - Beginning of Year	2,865,157	2,865,157	2,865,157	-
Prior Period Adjustment (Note 18)	(781,418)	(781,418)	(781,418)	-
Fund Balance - Beginning (As Restated)	2,083,739	2,083,739	2,083,739	-
Fund Balance - End of Year	\$ 1,934,019	\$ 1,640,105	\$ 2,078,751	\$ 438,646

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Other Supplemental Information

Nueces River Authority
Statement of Revenues, Expenditures and Changes in Fund Balances –
Budget (GAAP) and Actual
Leakey Wastewater Treatment Plant Operations Fund
Year Ended August 31, 2024

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for Services	\$ 268,409	\$ 294,000	\$ 295,995	\$ 1,995
Contract Revenues	42,500	42,500	-	(42,500)
Interest Income	-	-	1,803	1,803
Other Income	-	-	2,122	2,122
Total Revenues	<u>310,909</u>	<u>336,500</u>	<u>299,920</u>	<u>(36,580)</u>
EXPENDITURES				
Protection and preservation of water sources:				
Salaries	96,284	84,000	83,638	362
Payroll taxes	6,320	6,320	6,412	(92)
Employee medical insurance	22,800	16,000	15,549	451
Retirement	5,818	5,818	5,836	(18)
Travel and conferences	2,500	1,000	650	350
Professional fees	14,750	14,750	5,879	8,871
Telephone and fax	11,958	11,958	8,375	3,583
Insurance and bonds	7,500	7,500	13,125	(5,625)
Equipment and facilities rent	995	995	7,241	(6,246)
Office supplies and postage and delivery	600	1,600	2,087	(487)
Repairs and maintenance	74,842	76,642	61,619	15,023
Binding and printing	500	500	-	500
Miscellaneous	12,100	10,600	18,393	(7,793)
General and administrative expense	52,961	53,176	49,268	3,908
Debt Service - Principal	19,362	11,000	-	11,000
Capital Outlay	3,000	3,000	-	3,000
Total Expenditures	<u>332,805</u>	<u>313,159</u>	<u>286,296</u>	<u>26,863</u>
Excess of Revenues Over Expenditures	(21,896)	23,341	13,624	(9,717)
OTHER FINANCING (USES)				
Transfer of Capital Assets, Net of Related Debt	-	-	21,001,632	21,001,632
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>21,001,632</u>	<u>21,001,632</u>
Net Changes in Fund Balance	(21,896)	23,341	21,015,256	20,991,915
Fund Balance - Beginning of Year	11,196,248	11,196,248	11,196,248	-
Fund Balance - End of Year	<u>\$ 11,174,352</u>	<u>\$ 11,219,589</u>	<u>32,211,504</u>	<u>20,991,915</u>
RECONCILIATION TO GAAP BASIS				
Depreciation Expense			(105,236)	(105,236)
Fund Balance - End of Year per GAAP			<u>\$ 32,106,268</u>	<u>\$ 20,886,679</u>

See Independent Auditor's Report

Nueces River Authority
Statement of Revenues, Expenditures and Changes in Fund Balances –
Budget (GAAP) and Actual
Outside Utilities Operations Fund
Year Ended August 31, 2024

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for Services	\$ 700,800	\$ 653,300	\$ 662,050	\$ 8,750
Contract Revenue	125,000	125,000	117,747	(7,253)
Investment Income	-	(1,800)	2,167	3,967
Other Income	-	(100)	70	170
Total Revenues	825,800	776,400	782,034	5,634
EXPENDITURES				
Protection and preservation of water sources:				
Salaries	354,932	341,000	332,182	8,818
Payroll taxes	25,411	25,411	25,761	(350)
Employee medical insurance	66,905	66,905	61,751	5,154
Retirement	23,058	23,058	18,588	4,470
Telephone and fax	2,000	6,460	7,574	(1,114)
Insurance and bonds	3,500	5,000	8,527	(3,527)
Equipment and facilities rent	-	1,044	1,043	1
Office supplies and postage and delivery	1,200	2,200	1,421	779
Repairs and maintenance	301,470	268,980	219,503	49,477
Binding and printing	1,000	1,000	131	869
Miscellaneous	-	1,500	(684)	2,184
Contract Expenses	-	2,900	3,803	(903)
General and administrative expense	43,300	53,200	29,902	23,298
Total Expenditures	822,776	798,658	709,502	89,156
Excess of Revenues Over (Under) Expenditures	3,024	(22,258)	72,532	94,790
Fund Balances - Beginning of Year	(2,626)	(2,626)	(2,626)	-
Fund Balances - End of Year	\$ 398	\$ (24,884)	69,906	94,790

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Nueces River Authority
Comparative Schedule of Revenues and Expenditures
General Fund
Five-Years Ended August 31, 2024


	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>
REVENUES					
Contracted Services:					
Intergovernmental	\$ 731,859	\$ 2,152,475	\$ 1,771,380	\$ 1,034,411	826,139
Contract Revenue	1,708,960				
Public Education Programs	246,164	677,702	311,574	261,007	207,316
Grant Revenues	39,459	99,706	223,041	218,023	188,085
Investment Income	52,943	24,492	(17,799)	7,510	31,925
Other Income	647,353	320,251	167,317	27,700	5,734
Total Revenues	<u>3,426,738</u>	<u>3,274,626</u>	<u>2,455,513</u>	<u>1,548,651</u>	<u>1,259,199</u>
EXPENDITURES					
Protection and preservation of water sources:					
Salaries	975,283	777,444	545,212	486,015	467,596
Payroll taxes	74,216	58,933	42,959	38,058	35,967
Employee medical insurance	129,108	85,274	54,891	51,598	60,817
Retirement	64,448	49,038	37,918	34,650	32,775
Directors' fees, travel and meetings	16,267	10,517	11,722	-	3,237
Travel and conferences	110,150	61,327	45,737	26,337	12,496
Professional fees	205,222	122,389	69,988	86,179	44,954
SCRWSPG contributions	-	-	-	48	136
Edwards Aquifer RIP	1,000	1,000	1,000	1,000	1,000
Telephone and fax	7,315	10,756	12,484	14,951	10,923
Dues, subscriptions and publications	12,041	5,881	7,461	4,118	1,385
Insurance and bonds	15,203	12,261	13,754	8,171	1,816
Equipment and Facilities Rent	29,474	61,049	34,432	34,343	45,452
Office supplies and postage and delivery	8,927	12,879	4,630	5,060	4,506
Repairs and maintenance	56,181	1,437	19,258	63,819	546
Binding and printing	989	1,592	1,282	1,029	1,036
Miscellaneous	12,819	40,270	341	(8,594)	665
Clean Rivers Program expenses	-	74,538	79,709	107,831	62,745
Public education programs	50,719	255,850	233,648	222,647	119,669
Senate Bill 1 expenses	142,550	36,950	15,026	38,621	198,842
Texas State Soil and Water Conservation Board	-	-	-	-	4,763
TCEQ OSSF	-	-	85,680	67,025	72,416
Petronilla Creek	-	7,419	7,882	24,755	24,181
CBBEP	-	379,861	25,888	101	-
General & Administrative Expenses	89,861	88,450	50,723	12,363	14,954
Contract Expenses	587,873				
Special Study	-	27,300	27,300	25,568	-
Sunset Review	-	-	-	-	-
Regulatory Expenses, Net	818,410	665,418	854,763	177,232	250
Bond Issuance Costs	-	-	-	-	18,000
Capital Outlay	114,304	10,640	86,210	17,777	318,143
Debt Service					
Principal	13,769	13,538	13,320	13,112	542
Interest	10,701	10,932	11,151	11,356	477
Total Expenditures	<u>3,546,830</u>	<u>2,882,943</u>	<u>2,394,369</u>	<u>1,565,170</u>	<u>1,560,289</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (120,092)</u>	<u>\$ 391,683</u>	<u>\$ 61,144</u>	<u>\$ (16,519)</u>	<u>(301,090)</u>

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2702 N. Loop 1604 E., Suite 202
San Antonio, TX 78232

 210-979-0055

 210-979-0058

 www.HaynieCPAs.com

**INDEPENDENT AUDITOR’S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED
ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH *GOVERNMENT AUDITING STANDARDS***

To the Board of Directors
Nueces River Authority
Uvalde, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the Nueces River Authority (the Authority), as of and for the year ended August 31, 2024, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated February 4, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

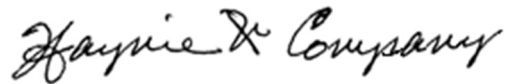
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Haynie & Company".

San Antonio, Texas
February 4, 2025