

NUECES RIVER AUTHORITY

ANNUAL FINANCIAL REPORT

AUGUST 31, 2021



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Financial Section

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Nueces River Authority
Uvalde, Texas

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, 2021, 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, 2021, 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.

Auditor's Responsibility

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.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America, 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 43, 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

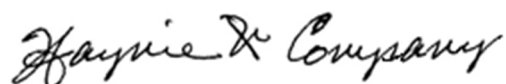
auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge 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 and Comparative Schedule of Revenues and Expenditures – General Fund and the schedule of expenditures of federal awards, as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (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 January 6, 2022, 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
January 6, 2022

NUECES RIVER AUTHORITY

Management's Discussion and Analysis

August 31, 2021

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, 2021. 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, 2021, by \$34,235,414. Of this amount, \$2,119,074 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 \$5,953,156 in fiscal year 2021. The increase is primarily attributable to grant revenues received from the Leakey Capital Project Fund.

Fund statement highlights:

Fund balance: As of the close of fiscal year 2021, the Authority's Governmental Funds reported a combined ending fund balance of \$2,110,997, an increase of \$625,114 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, 2021

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, 2021

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, a comparative schedule of revenues and expenses for the General Fund, and a schedule of unaudited insurance coverage.

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 \$34,235,414 at the end of 2021 (see Table A-1).

There is \$21,442,701 of net investment in capital assets. Further, \$2,119,074 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, 2021

Table A-1 – Net Position Information

	Governmental Activities			Business-Type Activities		
	2021	2020	% Change	2021	2020	% Change
Current and Other Assets	\$ 3,325,543	\$ 2,315,563	44%	\$ 49,773	\$ 53,931	-8%
Capital Assets, Net	21,442,701	15,379,224	39%	11,988,985	12,239,957	-2%
Total Assets	<u>24,768,244</u>	<u>17,694,787</u>		<u>12,038,758</u>	<u>12,293,888</u>	
Current Liabilities	1,067,630	759,473	41%	6,259	-	100%
Noncurrent Liabilities	999,026	664,346	0%	292,000	168,000	74%
Total Liabilities	<u>2,066,656</u>	<u>1,423,819</u>		<u>298,259</u>	<u>168,000</u>	
Deferred Inflows	<u>206,673</u>	<u>114,599</u>	0%	<u>-</u>	<u>-</u>	
Net Position:						
Net Investment in Capital Assets	20,419,355	14,701,766	39%	11,696,985	12,071,957	-3%
Unrestricted	2,075,560	1,454,603	43%	43,514	53,931	-19%
Total Net Position	<u>\$ 22,494,915</u>	<u>\$ 16,156,369</u>		<u>\$ 11,740,499</u>	<u>\$ 12,125,888</u>	

Changes in net position: The Authority's net position increased by \$5,953,156 , or 21% (see Table A-2). 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		
	2021	2020	% Change	2021	2020	% Change
Revenues:						
Program Revenues:						
Charges for services	\$ 1,295,418	\$ 1,033,455	25%	\$ 137,585	\$ 21,238	548%
Operating grants and contributions	218,023	188,085	16%	-	-	0%
Capital grants and contributions	6,344,428	8,590,347	-26%	-	-	0%
General Revenues:						
Investment income	7,510	31,925	-76%	-	-	0%
Other income	278,668	5,734	4760%	96	242	0%
Total Revenue	<u>8,144,047</u>	<u>9,849,546</u>		<u>137,681</u>	<u>21,480</u>	
Expenses and transfers	<u>1,805,501</u>	<u>13,662,396</u>	-87%	<u>523,071</u>	<u>(12,111,895)</u>	100%
Change in Net Position	6,338,546	(3,812,850)		(385,390)	12,133,375	
Net Position - Beginning	16,156,369	19,969,219	-19%	12,125,889	(7,487)	0%
Net Position - Ending	<u>\$ 22,494,915</u>	<u>\$ 16,156,369</u>	39%	<u>\$ 11,740,499</u>	<u>\$ 12,125,888</u>	-100%

NUECES RIVER AUTHORITY

Management's Discussion and Analysis

August 31, 2021

The Authority's total program revenues were \$7,857,869 , which is an decrease of \$1,954,018 compared to 2020. This decrease is due to a decrease in construction activity at the Leakey Wastewater Facility. Program revenues consisted mainly of \$1,034,411 in intergovernmental contracted services, \$6,562,451 in grant revenues and \$261,007 in public education programs' contracted services. Charges for service revenues were \$1,295,418 , which is an increase of \$261,963 compared to 2020. The decrease in capital grants and contributions revenues was the result of decreased construction activity related to the Leakey Project, which is federally funded. Approximately 16% of the Authority's program revenues came from charges for services with 3% from operating grants and contributions, and the remaining 81% from capital grants and contributions.

The Authority's expenses totaled \$2,328,572 , which is an increase of \$778,071 compared to 2020. The largest expense line items included salaries, in the amount of \$486,015 ; public education programs fees in the amount of \$222,647 ; Professional Fees in the amount of \$86,179 ; and Clean Rivers Program expenses, in the amount of \$107,831 .

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 \$2,110,997 , an increase of \$625,114 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 \$11,740,499 which is a decrease of \$385,389 in comparison with the prior year.

General Fund budgetary highlights: Over the course of the year, the Authority revised its General Fund budget. The Authority originally budgeted for a \$95,796 budget surplus, but during the year revised its budget to include a \$90,312 budget surplus. Ultimately, the Authority added \$625,016 to the General Fund balance.

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Management's Discussion and Analysis

August 31, 2021

Proprietary Fund budgetary highlights: Over the course of the year, the Authority revised its Proprietary Fund budget. The Authority originally budgeted for a \$18,187 budgetary surplus, and made no additional amendments to the proprietary fund budget total. Ultimately, the Authority had a budgetary deficit of \$82,475. The decrease reflects fewer revenues collected than anticipated during the fiscal year.

Capital Assets

As of August 31, 2021, capital assets approximated 87% of total assets in the governmental activities. The \$21,442,701 in capital assets, net of accumulated depreciation, is primarily land and construction in progress.

During the year, the Authority had additions to capital assets of \$6,079,670 relating to the construction in progress and equipment on the Leakey Wastewater Treatment Plant.

Economic Factors and Next Year's Budget

During the fiscal year ended August 31, 2016, the Authority received a \$16,547,000 Economically Distressed Areas Program (EDAP) grant from Texas Water Development Board (TWDB Commitment No. G1000461) to fund engineering, construction, and inspections related to its Leakey Regional Wastewater Project. The funds were deposited in an approved escrow account to be released to the Authority at the direction of TWDB's Executive Administrator or an authorized and designated representative. In accordance with Exhibit E of the Escrow Agreement, the deposited funds shall not be considered as a banking deposit by the Authority.

Accordingly, these funds have not been recorded in the financial statements of the Authority.

In fiscal year 2019, the Authority received a grant and loan from the U.S. Department of Agriculture-Rural Development (USDA-RD) to fund Phase I of the hookups of residential properties to its Leakey Regional Wastewater Project. USDA-RD. USDA-RD provided a grant of \$2,072,000 and a loan of \$260,000 on December 13, 2019. The loan will be payable over 40 years at an expected 1.75% interest rate. Payments during the first two years will be interest only. As of August 30, 2020, phase I was approximately 29.2% complete.

On September 24, 2020, the Authority closed on funding provided by USDA for Phase II of the Residential Hookup Project. USDA provided a grant of \$3,449,300 and a loan of \$359,000. The loan will be payable over 40 years at an expected 1.125% interest rate. The construction began on the Phase II project in September 2020.

During fiscal year 2021, the Authority created a Utility Operations Division. This division generated \$37,448 and continues to realize steady revenue growth. The Authority was selected by the Texas Water Development Board to serve as the sponsor for the Nueces Region Flood Planning Group. The Authority will also continue to work as Project Administrator for the Green Lake Outfall System and

NUECES RIVER AUTHORITY

Management's Discussion and Analysis

August 31, 2021

Gregory Diversion Ditch. The Authority anticipates the revenue received from these efforts will produce a positive impact on the Authority's overall cash position during the 2022 fiscal year.

Other than the activities described, above, and their associated expenses, there are no other known or anticipated economic factors affecting next year's budget. It is anticipated that revenues and expenses relating to the Authority's Clean Rivers Program and Education and Resource Protection Program will be similar to that experienced in fiscal year 2021.

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. Frankie Kruckemeyer, Director of Finance and Staff Services, Nueces River Authority, P. O. Box 349, Uvalde, Texas 78802-0349, telephone: 830-278-6810; fax: 830-278-2025; or email: fkruckemeyer@nueces-ra.org.

Financial Statements

Nueces River Authority

Statement of Net Position

August 31, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 1,035,230	\$ 35,700	\$ 1,070,930
Investments	521,309	-	521,309
Receivables:			
Contract and Grant	1,746,649	24,334	1,770,983
Accrued Interest	12,094	-	12,094
Internal Balances	10,261	(10,261)	-
Total Current Assets	<u>3,325,543</u>	<u>49,773</u>	<u>3,375,316</u>
Capital Assets:			
Land	2,635,551	-	2,635,551
Construction in Progress	18,421,789	-	18,421,789
Water Treatment Plant	-	12,365,535	12,365,535
Furniture and Equipment	218,639	57,955	276,594
Software	116,551	-	116,551
Building	313,997	-	313,997
Less Accumulated Depreciation	<u>(263,826)</u>	<u>(434,505)</u>	<u>(698,331)</u>
Total Capital Assets, Net of Accumulated Depreciation	<u>21,442,701</u>	<u>11,988,985</u>	<u>33,431,686</u>
Total Assets	<u>24,768,244</u>	<u>12,038,758</u>	<u>36,807,002</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	1,007,871	6,259	1,014,130
Note Payable, Short-Term Portion	11,000	-	11,000
Bonds Payable, Short-Term Portion	13,320	-	13,320
Accrued Compensated Absences	35,439	-	35,439
Total Current Liabilities	<u>1,067,630</u>	<u>6,259</u>	<u>1,073,889</u>
Noncurrent Liabilities			
Line of Credit	-	292,000	292,000
Note Payable, Long-Term Portion	608,000	-	608,000
Bonds Payable, Long-Term Portion	391,026	-	391,026
Total Noncurrent Liabilities	<u>999,026</u>	<u>292,000</u>	<u>1,291,026</u>
DEFERRED INFLOWS			
Unearned Income	206,673	-	206,673
Total Deferred Inflows	<u>206,673</u>	<u>-</u>	<u>206,673</u>
NET POSITION			
Net Investment in Capital Assets	20,419,355	11,696,985	32,116,340
Unrestricted	<u>2,075,560</u>	<u>43,514</u>	<u>2,119,074</u>
Total Net Position	<u>\$ 22,494,915</u>	<u>\$ 11,740,499</u>	<u>\$ 34,235,414</u>

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

Nueces River Authority
Statement of Activities
August 31, 2021

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Governmental Activities							
Protection and Development of Water Resources	\$ 1,805,501	\$ 1,295,418	\$ 218,023	\$ 6,344,428	\$ 6,052,368	\$ -	\$ 6,052,368
Interest on Long-Term Debt							
Total Governmental Activities	<u>\$ 1,805,501</u>	<u>\$ 1,295,418</u>	<u>\$ 218,023</u>	<u>\$ 6,344,428</u>	<u>\$ 6,052,368</u>	<u>\$ -</u>	<u>\$ 6,052,368</u>
Business-Type Activities							
Leakey Wastewater Treatment Plant	481,954	100,137	-	-	-	381,817	381,817
Outside Utilities Operations	41,117	37,448	-	-	-	3,669	3,669
Total Business-Type Activities	<u>523,071</u>	<u>137,585</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>385,486</u>	<u>385,486</u>
Total Government	<u>\$ 2,328,572</u>	<u>\$ 1,433,003</u>	<u>\$ 218,023</u>	<u>\$ 6,344,428</u>	<u>6,052,368</u>	<u>385,486</u>	<u>5,666,882</u>
General Revenues							
Investment Income					7,510	-	7,510
Other Income					278,668	96	278,764
Total General Revenues					<u>286,178</u>	<u>96</u>	<u>286,274</u>
Change in Net Position					6,338,546	(385,390)	5,953,156
Net Position - Beginning					16,156,369	12,125,889	28,282,258
Net Position - Ending					<u>\$ 22,494,915</u>	<u>\$ 11,740,499</u>	<u>\$ 34,235,414</u>

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

Nueces River Authority

Balance Sheet

Governmental Funds

August 31, 2021

	General Fund	Leakey Capital Project Fund	Green Lake Fund	Total Governmental Funds
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 922,837	\$ 112,293	\$ 100	\$ 1,035,230
Investments	521,309	-	-	521,309
Receivables:				
Contract and Grant	240,047	1,506,600	-	1,746,647
Accrued Interest	12,094	-	-	12,094
Due from Other Funds	908,877	10	-	908,887
Total Current Assets	<u>\$ 2,605,164</u>	<u>\$ 1,618,903</u>	<u>\$ 100</u>	<u>\$ 4,224,167</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	\$ 282,688	\$ 725,183	\$ -	\$ 1,007,871
Due to Other Funds	5,519	893,107	-	898,626
Total Liabilities	<u>288,207</u>	<u>1,618,290</u>	<u>-</u>	<u>1,906,497</u>
DEFERRED INFLOWS				
Unearned Income	206,060	613	-	206,673
Total Deferred Inflows	<u>206,060</u>	<u>613</u>	<u>-</u>	<u>206,673</u>
FUND BALANCES				
Unassigned	2,110,897	-	100	2,110,997
Total Fund Balances	<u>2,110,897</u>	<u>-</u>	<u>100</u>	<u>2,110,997</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 2,605,164</u></u>	<u><u>\$ 1,618,903</u></u>	<u><u>\$ 100</u></u>	<u><u>\$ 4,224,167</u></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, 2021

Total fund balances - Governmental Funds balance sheet	2,110,997
Amounts reported for governmental activities in the statement of net position are different due to:	
Capital assets, net of accumulated depreciation, are used in government activities, but are not reported in the funds	21,442,701
Payables for accrued compensated absences, which are not due and payable with current period resources, are not reported in the funds.	(35,439)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds:	
Bonds and Notes Payable	(1,023,344)
Net Position of Governmental Activities - Statement of Net Position	\$ <u>22,494,915</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
August 31, 2021

	General Fund	Leakey Capital Project Fund	Green Lake Fund	Total Governmental Funds
REVENUES				
Contracted Services:				
Intergovernmental	\$ 1,034,411	\$ -	\$ -	\$ 1,034,411
Public Education Programs	261,007	-	-	261,007
Grant Revenues	218,023	6,344,428	-	6,562,451
Investment Income	7,510	-	-	7,510
Other Income	27,700	-	250,968	278,668
Total Revenues	<u>1,548,651</u>	<u>6,344,428</u>	<u>250,968</u>	<u>8,144,047</u>
EXPENDITURES				
Protection and Preservation of Water Sources:				
Salaries	486,015	-	-	486,015
Payroll taxes	38,058	-	-	38,058
Employee medical insurance	51,598	-	-	51,598
Retirement	34,650	-	-	34,650
Travel and conferences	26,337	-	-	26,337
Professional fees	86,179	-	-	86,179
SCRWSPG contributions	48	-	-	48
Edwards Aquifer RIP	1,000	-	-	1,000
Telephone and fax	14,951	-	-	14,951
Dues, subscriptions and publications	4,118	-	-	4,118
Insurance and bonds	8,171	-	-	8,171
Equipment and Facilities Rent	34,343	-	-	34,343
Office supplies and postage and delivery	5,060	-	-	5,060
Repairs and maintenance	63,819	-	-	63,819
Binding and printing	1,029	-	-	1,029
Miscellaneous	(8,594)	-	-	(8,594)
Clean Rivers Program expenses	107,831	-	-	107,831
Public education programs	222,647	-	-	222,647
Senate Bill 1 expenses	38,621	-	-	38,621
TCEQ OSSF	67,025	-	-	67,025
Petronilla Creek	24,755	-	-	24,755
CBBEP	101	-	-	101
General & Admin Expense	12,363	-	239,096	251,459
Regulatory Expenses, Net	177,232	-	-	177,232
Special Study	25,568	-	-	25,568
Bond Issuance Costs	-	-	11,772	11,772
Capital Outlay	17,777	6,061,893	-	6,079,670
Debt Service				
Principal	13,112	-	-	13,112
Interest	11,356	-	-	11,356
Total Expenditures	<u>1,565,170</u>	<u>6,061,893</u>	<u>250,868</u>	<u>7,877,931</u>
Excess of Revenues Over (Under) Expenditures	(16,519)	282,535	100	266,116
OTHER FINANCING SOURCES (USES)				
Loan Proceeds	-	359,000	-	359,000
Transfers In	641,535	-	-	641,535
Transfers Out	-	(641,535)	-	(641,535)
Total Other Financing Sources and Uses	<u>641,535</u>	<u>(282,535)</u>	<u>-</u>	<u>359,000</u>
Net Changes in Fund Balances	625,016	-	100	625,116
Fund Balances - Beginning of Year	1,485,881	-	-	1,485,881
Fund Balances - End of Year	<u>\$ 2,110,897</u>	<u>\$ -</u>	<u>\$ 100</u>	<u>\$ 2,110,997</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

August 31, 2021

Net change in fund balances -- total Governmental Funds	\$ 625,116
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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	6,079,670
Depreciation Expense	(16,193)

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 issuance costs, premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities.

Loan Proceeds	(359,000)
Principal Payments	13,112

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:

Accrued Compensated Absences	(4,159)
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Change in net position of governmental activities	\$ <u><u>6,338,546</u></u>
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The accompanying notes are an integral part of the financial statements.

Nueces River Authority
Statement of Net Position
Proprietary Fund
August 31, 2021

	Leakey Wastewater Treatment Plant Operations	Outside Utilities Operations	Totals
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 29,039	\$ 6,661	\$ 35,700
Receivables:			
Contract and Grant	12,887	11,447	24,334
Internal Balances	11,312	(21,573)	(10,261)
Total Current Assets	<u>53,238</u>	<u>(3,465)</u>	<u>49,773</u>
Capital Assets:			
Water Treatment Plant	12,365,535	-	12,365,535
Furniture and Equipment	57,955	-	57,955
Less Accumulated Depreciation	(434,505)	-	(434,505)
Total Capital Assets, Net of Accumulated Depreciation	<u>11,988,985</u>	<u>-</u>	<u>11,988,985</u>
Total Assets	<u>12,042,223</u>	<u>(3,465)</u>	<u>12,038,758</u>
LIABILITIES			
Noncurrent Liabilities			
Accounts Payable	6,055	204	6,259
Notes Payable	292,000	-	292,000
Total Noncurrent Liabilities	<u>298,055</u>	<u>204</u>	<u>298,259</u>
Total Liabilities	<u>298,055</u>	<u>204</u>	<u>298,259</u>
NET POSITION			
Net Position, Net Investment in Capital Assets	11,696,985	-	11,696,985
Unrestricted	47,183	(3,669)	43,514
Total Net Position	<u>\$ 11,744,168</u>	<u>\$ (3,669)</u>	<u>\$ 11,740,499</u>

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

Nueces River Authority

Statement of Revenues, Expenditures and Changes in Fund Balance

Proprietary Fund

August 31, 2021

	Leakey Wastewater Treatment Plant Operations	Outside Utilities Operations	Totals
REVENUES			
Charge for Services	\$ 100,137	\$ 37,448	\$ 137,585
Other Income	96	-	96
Total Revenues	<u>100,233</u>	<u>37,448</u>	<u>137,681</u>
EXPENDITURES			
Protection and Preservation of Water Sources:			
Salaries	51,391	22,225	73,616
Payroll taxes	5,792	1,923	7,715
Employee medical insurance	12,292	4,239	16,531
Retirement	4,864	1,359	6,223
Travel and conferences	2,263	-	2,263
Professional fees	6,500	-	6,500
Telephone and fax	12,349	-	12,349
Dues, subscriptions and publications	456	-	456
Insurance and bonds	9,052	-	9,052
Equipment and facilities rent	14,859	-	14,859
Office supplies and postage and delivery	2,022	56	2,078
Repairs and maintenance	35,411	5,240	40,651
Miscellaneous	5,615	10	5,625
General and administrative expense	19,842	6,065	25,907
Depreciation	299,246	-	299,246
Total Expenditures	<u>481,954</u>	<u>41,117</u>	<u>523,071</u>
Net Changes in Fund Balances	(381,721)	(3,669)	(385,390)
Fund Balances - Beginning of Year	<u>12,125,889</u>	<u>-</u>	<u>12,125,889</u>
Fund Balances - End of Year	<u>\$ 11,744,168</u>	<u>\$ (3,669)</u>	<u>\$ 11,740,499</u>

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

Nueces River Authority

Statement of Cash Flows

Proprietary Fund

August 31, 2021

	Leakey Wastewater Treatment Plant Operations	Outside Utilities Operations	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Contracted Services	\$ 90,263	\$ 26,001	\$ 116,264
Payments to Suppliers	(101,480)	(11,054)	(112,534)
Payments for Employee Benefits	(75,172)	(29,859)	(105,031)
Miscellaneous Receipts	96	-	96
Net Cash from Operating Activities	<u>(86,293)</u>	<u>(14,912)</u>	<u>(101,205)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Proceeds from note payable	124,000	-	124,000
Internal Activity - Loans from Other Funds, Net	33,796	21,573	55,369
Net Cash from Noncapital Financing Activities	<u>157,796</u>	<u>21,573</u>	<u>179,369</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES			
Purchases of Capital Assets and Construction in Progress	(48,274)	-	(48,274)
Net Cash from Noncapital Financing Activities	<u>(48,274)</u>	<u>-</u>	<u>(48,274)</u>
Net Increase In Cash and Cash Equivalents	23,229	6,661	29,890
Cash and Cash Equivalents - Beginning of the Year	5,810	-	5,810
Cash and Cash Equivalents - End of the Year	<u>\$ 29,039</u>	<u>\$ 6,661</u>	<u>\$ 35,700</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES			
Operating Loss	\$ (381,721)	\$ (3,669)	\$ (385,390)
Adjustments To Reconcile Operating Income To Net Cash			
From Operating Activities:			
Depreciation Expense	299,246	-	299,246
(Increase) Assets:			
Accounts Receivable	(9,874)	(11,447)	(21,321)
Increase Liabilities:			
Accounts Payable	6,056	204	6,260
Net Cash From Operating Activities	<u>\$ (86,293)</u>	<u>\$ (14,912)</u>	<u>\$ (101,205)</u>

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

Nueces River Authority

Notes to Financial Statements

August 31, 2021

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 22 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, 2021

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, 2021

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, 2021

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, 2021

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 General Fund. The executive director may not over expend a budget function by more than 25 percent and may not exceed total budgeted expenditures without approval of the Board. The executive director is allowed to exceed any expenditure in the Authority's budget, other than salaries, if the exceeded amount is reimbursable under approved contracts. Appropriations lapse at the end of the fiscal year. During the year ended August 31, 2021, expenditures from the General Fund exceeded budget General Fund expenditures by \$257,980. This budget variance occurred as a result additional unanticipated costs associated with the Clean Rivers Program, Public education, and Regulatory expenses.

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, 2021

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, 2021, 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, 2021

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, 2021

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, 2021, 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, 2021.

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 \$206,673 in unearned income that qualified for reporting in this category at August 31, 2021.

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2021

1. Summary of Significant Accounting Policies (Continued)

COVID-19 Impact

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 10, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The coronavirus and actions taken to mitigate it have had and are expected to continue to have an adverse impact on the economies and financial markets of many countries, including the geographical area in which the Authority operates. While it is unknown how long these conditions will last and what the complete financial effect will be to the Authority, to date, the Authority is currently evaluating the effect they expect to experience. Additionally, it is reasonably possible that estimates made in the financial statements have been, or will be, materially and adversely impacted in the near term as a result of these conditions.

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.

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2021

2. Deposits and Investments (Continued)

Cash Deposits

At August 31, 2021, the carrying amount of the Authority's deposits (cash, certificates of deposit [CD's] and interest bearing savings accounts included in temporary investments) was \$1,070,930 , and the bank balance was \$737,233 . The Authority's cash deposits as of and for the year ended August 31, 2021, 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.
- b. 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.

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, 2021

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, 2021, is shown below:

	Total	Level 1	Level 2	Level 3
Assets:				
Debt Securities:				
Federal Home Loan Bank	\$ 101,965	\$ -	\$ 101,965	\$ -
Municipal Bonds	401,384	-	401,384	-
Government National Mortgage Association	17,960	-	17,960	-
Total Debt Securities	<u>\$ 521,309</u>	<u>\$ -</u>	<u>\$ 521,309</u>	<u>\$ -</u>

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, 2021

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.

Description	Investment Rating	Rating Organization	Fair Value	Percentage Invested
Federal Home Loan Bank	AAA	Moody's	\$ 101,965	20%
Municipal Bonds	AAA	Moody's	401,384	77%
Government National Mortgage Association	N/A	N/A	17,960	2%
			<u>\$ 521,309</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, 2021

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, 2021.

Description	Years to Maturity	Fair Value	Percentage
Federal Home Loan Bank	1 - 5 years	\$ 101,965	20%
Municipal Bonds	2 - 3 years	401,384	77%
Government National Mortgage Association	More than 4 years	17,960	3%
		<u>\$ 521,309</u>	<u>100%</u>

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, 2021, contract receivables for the General Fund and Leakey Capital Project Fund were \$240,047 and \$1,506,600 , respectively.

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2021

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, 2021 are as follows:

	Due From Other Funds	Due To Other Funds
Governmental Activities		
General Fund	\$ 908,877	\$ 5,519
Leakey Capital Projects Fund	10	893,107
Business-Type Activities		
Leakey Capital Operations Fund	11,322	10
Outside Utilities Operations	-	21,573
Total	<u>\$ 920,209</u>	<u>\$ 920,209</u>

	Transfers In	Transfers Out
Governmental Activities		
General Fund	\$ 641,535	\$ -
Leakey Capital Projects Fund	-	641,535
Total	<u>\$ 641,535</u>	<u>\$ 641,535</u>

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, 2021

5. Changes in Capital Assets

A summary of the changes in the Authority's capital assets for the year ended August 31, 2021 is shown below:

	Balance 9/1/2020	Additions	Transfers	Balance 8/31/2021
<u>Governmental Activities</u>				
Capital Assets Not Being Depreciated				
Land	\$ 2,635,551	\$ -	\$ -	\$ 2,635,551
Construction in Progress	12,359,896	6,061,893	-	18,421,789
Furniture and Equipment	200,862	17,777	-	218,639
Software	116,551	-	-	116,551
Building	313,997	-	-	313,997
Less Accumulated Depreciation	(247,633)	(16,193)	-	(263,826)
	<u>\$ 15,379,224</u>	<u>\$ 6,063,477</u>	<u>\$ -</u>	<u>\$ 21,442,701</u>
<u>Business-Type Activities</u>				
Capital Assets Not Being Depreciated				
Water Treatment Plant	\$ 12,365,535	\$ -	\$ -	\$ 12,365,535
Furniture and Equipment	9,681	48,274	-	57,955
Less Accumulated Depreciation	(135,259)	(299,246)	-	(434,505)
	<u>\$ 12,239,957</u>	<u>\$ (250,972)</u>	<u>\$ -</u>	<u>\$ 11,988,985</u>

6. Accrued Compensated Absences

The following is a summary of accrued compensated absences transactions for the year ended August 31, 2021.

	Balance 9/1/2020	Additions	Deletions	Balance 8/31/2021
Governmental Activities:				
Compensated Absences	\$ 31,280	\$ 4,159	\$ -	\$ 35,439
Total	<u>\$ 31,280</u>	<u>\$ 4,159</u>	<u>\$ -</u>	<u>\$ 35,439</u>

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

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2021

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 \$35,425,000.

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2021

8. Operating Leases

The Authority has commitments under operating lease agreements as of August 31, 2021 that expire through 2027. These commitments consist of leases for office space at the general office and the Coastal Bend Division locations. The Authority also has a copier lease with the option to purchase the equipment at the expiration of the lease term for its fair market value

The lease agreements provide for minimum future rental payments as of August 31, 2021, as follows:

Years Ending August 31:	
2022	\$ 41,137
2023	27,455
2024	27,455
2025	27,455
2026-2027	42,330
	<u>\$ 165,832</u>

Rental expenditures in 2021 totaled \$37,472 and are included in the General Fund.

9. 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 2021. 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.

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2021

10. 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 International City Management Association (ICMA) Retirement Corporation. The administrator of the plan is ICMA Employer Services.

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, 2021, nine employees of the Authority participated in the defined contribution plan. Contribution percentages were 7 percent. Employee and employer contributions totaled \$34,650 each. A fund fee of \$1,000 was also paid to ICMA by the Authority.

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. At this time, there are no participants in this plan.

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2021

11. Major Revenue Source

For the year ended August 31, 2021, approximately 70 percent of the Authority's revenue is related to three contracts associated with the Leakey Capital Project.

12. 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, 2021

13. 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 accounts 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.

Since the Leakey Capital Project's inception, the Authority has drawn \$27,099,155 (\$6,061,893 in the current year) for planning, acquisition, design, and construction costs for the wastewater treatment plant. Funds in escrow as of August 31, 2021 were \$3,555,941. These funds in escrow have not been recorded in the financial statements.

Effective October 1, 2019, the treatment plan was placed in service and \$12,365,535 recorded as construction-in-progress was transferred from the Capital Projects Fund to the Utility fund (the Proprietary Fund). Effluent irrigation ponds and irrigation fields are still in process. The Authority estimates the total project to cost approximately \$32,500,000 once all construction is complete.

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2021

14. Construction Commitments

As of August 31, 2021, the Authority had commitments under the terms of an agreement for the construction of the Leakey Capital project:

Project Name	Contract Amount	Paid to Date	Commitment Balance Remaining
Leakey Wastewater Facility	\$ <u>30,655,096</u>	\$ <u>27,099,155</u>	\$ <u>3,555,941</u>

*The remaining balance includes the retainage amount payable at August 31, 2021. This amount is expected to be paid by the funding outlined in the footnote above.

15. TWDB Compliance

The Authority 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 2021, the facility is still under construction and no revenues have been earned to date.

16. Line of Credit

The Authority has a line of credit with a bank providing for borrowings up to \$350,000. As of August 31, 2021, the Authority borrowed \$292,000 against the line of credit. The line bears an interest rate of 3.1% and matures in June 2023. 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 \$353,979.

17. Long-Term Liabilities

Long-term liabilities activities for the year ended August 31, 2021 includes the following:

	Balance 9/1/2020	Additions	Deletions	Balance 8/31/2021	Amount Due Within One Year
Governmental Activities:					
<i>Bonds Payable</i>					
General Revenue Bonds, Series 2020	\$ 417,458	\$ -	\$ (13,112)	\$ 404,346	\$ 13,320
<i>Notes Payable</i>					
USDA Phase I Note Payable	260,000	-	-	260,000	4,000
USDA Phase II Note Payable	-	359,000	-	359,000	7,000
Total	\$ <u>677,458</u>	\$ <u>359,000</u>	\$ <u>(13,112)</u>	\$ <u>1,023,346</u>	\$ <u>24,320</u>

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2021

17. Long-Term Liabilities (Continued)

Description of Debt and Maturity Schedules

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
2022	\$ 13,320	\$ 11,151	\$ 24,471
2023	13,538	10,932	24,470
2024	13,769	10,701	24,470
2025	14,021	10,449	24,470
2026	14,292	10,175	24,467
2027-2044	335,406	105,041	440,447
	<u>\$ 404,346</u>	<u>\$ 158,449</u>	<u>\$ 562,795</u>

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
2022	\$ 4,000	\$ 4,515	\$ 8,515
2023	4,000	4,445	8,445
2024	4,000	4,381	8,381
2025	4,000	4,299	8,299
2026	5,000	4,266	9,266
2027-2059	239,000	78,288	317,288
	<u>\$ 260,000</u>	<u>\$ 100,194</u>	<u>\$ 360,194</u>

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2021

17. Long-Term Liabilities (Continued)

Description of Debt and Maturity Schedules (Continued)

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
2022	\$ 7,000	\$ 4,888	\$ 11,888
2023	7,000	4,792	11,792
2024	7,000	4,702	11,702
2025	7,000	4,593	11,593
2026	7,000	4,503	11,503
2027-2059	324,000	81,255	405,255
	<u>\$ 359,000</u>	<u>\$ 104,733</u>	<u>\$ 463,733</u>

18. Subsequent Events

Subsequent events have been evaluated through January 6, 2022, 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 Balance – Budget (GAAP) and Actual General Fund August 31, 2021

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
REVENUES				
Contracted Services:				
Intergovernmental	\$ 1,134,585	\$ 836,935	\$ 1,034,411	\$ 197,476
Public Education Programs	353,214	356,431	261,007	(95,424)
Grant Revenues	36,314	83,175	218,023	134,848
Investment Income	15,800	10,770	7,510	(3,260)
Other Income	34,500	29,168	27,700	(1,468)
Total Revenues	<u>1,574,413</u>	<u>1,316,479</u>	<u>1,548,651</u>	<u>232,172</u>
EXPENDITURES				
Protection and preservation of water sources:				
Salaries	502,481	488,451	486,015	2,436
Payroll taxes	38,540	38,223	38,058	165
Employee medical insurance	71,207	51,965	51,598	367
Retirement	34,798	35,022	34,650	372
Directors' fees, travel and meetings	17,400	-	-	-
Travel and conferences	27,220	21,506	26,337	(4,831)
Professional fees	53,000	71,473	86,179	(14,706)
SCRWSPG contributions	500	96	48	48
Edwards Aquifer RIP	1,000	1,000	1,000	-
Telephone and fax	10,846	14,524	14,951	(427)
Dues, subscriptions and publications	1,000	5,835	4,118	1,717
Insurance and bonds	12,000	7,215	8,171	(956)
Equipment and Facilities Rent	32,872	33,645	34,343	(698)
Office supplies and postage and delivery	6,800	8,210	5,060	3,150
Repairs and maintenance	1,250	80,853	63,819	17,034
Binding and printing	1,000	588	1,029	(441)
Miscellaneous	1,500	238	(8,594)	8,832
Clean Rivers Program expenses	74,185	73,587	107,831	(34,244)
Public education programs	150,478	195,987	222,647	(26,660)
Senate Bill 1 expenses	128,000	38,111	38,621	(510)
TCEQ OSSF	71,877	77,725	67,025	10,700
Petronilla Creek	22,164	15,281	24,755	(9,474)
CBBEP	-	-	101	(101)
General & Administrative Expenses	13,500	6,743	12,363	(5,620)
Special Study	-	22,943	25,568	(2,625)
Regulatory Expenses, Net	206,031	(6,498)	177,232	(183,730)
Debt Service - Principal	24,468	13,079	13,112	33
Debt Service - Interest	-	11,390	11,356	(34)
Capital Outlay	4,500	-	17,777	(17,777)
Total Expenditures	<u>1,508,617</u>	<u>1,307,192</u>	<u>1,565,170</u>	<u>(257,980)</u>
Excess of Revenues Over (Under) Expenditures	65,796	9,287	(16,519)	(25,808)
OTHER FINANCING SOURCES (USES)				
Transfers In	30,000	81,025	641,535	560,510
Total Other Financing Sources and Uses	<u>30,000</u>	<u>81,025</u>	<u>641,535</u>	<u>560,510</u>
Net Changes in Fund Balances	95,796	90,312	625,016	534,702
Fund Balances - Beginning of Year	1,485,881	1,485,881	1,485,881	-
Fund Balances - End of Year	<u>\$ 1,581,677</u>	<u>\$ 1,576,193</u>	<u>\$ 2,110,897</u>	<u>\$ 534,704</u>

See Independent Auditor's Report

Other Supplemental Information

Nueces River Authority
Statement of Revenues, Expenditures and Changes in Fund Balance – Budget
(GAAP) and Actual
Leakey Wastewater Treatment Plant Operations Fund
August 31, 2021

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for Services	\$ 423,000	\$ 423,000	\$ 100,137	\$ (322,863)
Other Income	-	-	96	96
Total Revenues	<u>423,000</u>	<u>423,000</u>	<u>100,233</u>	<u>(322,767)</u>
EXPENDITURES				
Protection and preservation of water sources:				
Salaries	137,806	137,806	51,391	86,415
Payroll taxes	11,190	11,190	5,792	5,398
Employee medical insurance	37,426	37,426	12,292	25,134
Retirement	9,646	9,646	4,864	4,782
Travel and conferences	2,060	2,060	2,263	(203)
Professional fees	16,504	16,504	6,500	10,004
Telephone and fax	7,791	7,791	12,349	(4,558)
Dues, subscriptions and publications	318	318	456	(138)
Insurance and bonds	4,429	4,429	9,052	(4,623)
Equipment and facilities rent	16,274	16,274	14,859	1,415
Office supplies and postage and delivery	1,531	1,531	2,022	(491)
Repairs and maintenance	77,683	77,683	35,411	42,272
Binding and printing	1,030	1,030	-	1,030
Miscellaneous	2,900	2,900	5,615	(2,715)
General and administrative expense	67,544	67,544	19,842	47,702
Interest Expense	10,681	10,681	-	10,681
Total Expenditures	<u>404,813</u>	<u>404,813</u>	<u>182,708</u>	<u>222,105</u>
Excess of Revenues Over (Under) Expenditures	18,187	18,187	(82,475)	(100,662)
Fund Balances - Beginning of Year	12,125,889	12,125,889	12,125,889	-
Fund Balances - End of Year	<u>\$ 12,144,076</u>	<u>\$ 12,144,076</u>	<u>12,043,414</u>	<u>(100,662)</u>
RECONCILIATION TO GAAP BASIS				
Depreciation Expense			(299,246)	(299,246)
Fund Balances - End of Year per GAAP			<u>\$ 11,744,168</u>	<u>\$ (399,908)</u>

See Independent Auditor's Report

Nueces River Authority

Comparative Schedule of Revenues and Expenditures

General Fund

Five-Years Ended August 31, 2021

	2021	2020	2019	2018	2017
REVENUES					
Contracted Services:					
Intergovernmental	\$ 1,034,411	\$ 826,139	\$ 726,697	\$ 706,069	\$ 733,719
Public Education Programs	261,007	207,316	191,483	160,999	256,291
Grant Revenues	218,023	188,085	205,578	318,088	111,716
Investment Income	7,510	31,925	33,012	2,408	9,793
Other Income	27,700	5,734	60,503	4,971	9,013
Total Revenues	<u>1,548,651</u>	<u>1,259,199</u>	<u>1,217,273</u>	<u>1,192,535</u>	<u>1,120,532</u>
EXPENDITURES					
Protection and preservation of water sources:					
Salaries	486,015	467,596	515,408	498,441	474,146
Payroll taxes	38,058	35,967	38,423	40,745	35,979
Employee medical insurance	51,598	60,817	65,338	62,775	56,423
Retirement	34,650	32,775	35,465	35,849	34,189
Directors' fees, travel and meetings	-	3,237	13,197	10,911	8,481
Travel and conferences	26,337	12,496	16,004	16,819	11,338
Professional fees	86,179	44,954	34,762	45,436	90,849
SCRWSPG contributions	48	136	105	210	160
Edwards Aquifer RIP	1,000	1,000	1,000	1,000	1,000
Telephone and fax	14,951	10,923	10,897	10,696	14,375
Dues, subscriptions and publications	4,118	1,385	1,424	1,933	1,765
Insurance and bonds	8,171	1,816	10,126	8,736	7,797
Equipment and Facilities Rent	34,343	45,452	44,140	43,629	49,546
Office supplies and postage and delivery	5,060	4,506	3,990	5,436	3,298
Repairs and maintenance	63,819	546	352	479	110
Binding and printing	1,029	1,036	718	1,146	977
Miscellaneous	(8,594)	665	3,895	8,119	4,810
Clean Rivers Program expenses	107,831	62,745	67,439	103,659	78,289
Public education programs	222,647	119,669	153,623	123,155	189,051
Senate Bill 1 expenses	38,621	198,842	92,859	64,028	2,709
Texas State Soil and Water Conservation Board	-	4,763	2,703	3,155	8,011
TCEQ OSSF	67,025	72,416	48,774	170,426	1,451
San Miguel Creek	-	-	-	-	-
Petronilla Creek	24,755	24,181	7,731	10,214	8,834
CBBEP	101	-	-	-	3,493
SEP	-	-	-	-	1,998
General & Administrative Expenses	12,363	14,954	11,990	-	-
Special Study	25,568	-	1,812	-	5,972
Oso Creek	-	-	-	-	-
Sunset Review	-	-	4,436	44,424	-
Regulatory Expenses, Net	177,232	250	-	-	-
Bond Issuance Costs	-	18,000	-	-	-
Capital Outlay	17,777	318,143	-	-	-
Debt Service					
Principal	13,112	542	-	-	-
Interest	11,356	477	-	-	-
Total Expenditures	<u>1,565,170</u>	<u>1,560,289</u>	<u>1,186,611</u>	<u>1,311,421</u>	<u>1,095,051</u>
Excess of Revenues Over (Under) Expenditures	\$ <u>(16,519)</u>	\$ <u>(301,090)</u>	\$ <u>30,662</u>	\$ <u>(118,886)</u>	\$ <u>25,481</u>

See Independent Auditor's Report

Single Audit Compliance Information

Nueces River Authority
Single Audit Compliance Information
Schedule of Expenditures of Federal Awards
August 31, 2021

Federal Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identification Number	Federal Expenditures
Environmental Protection Agency:			
Pass through:			
Water Quality Management Planning	66.454	2107	\$ 67,295
Water Quality Management Planning	66.454	2133	29,433
			<u>96,728</u>
National Estuary Program	44.456	2003	16,991
National Estuary Program	44.456	2103	34,774
			<u>51,765</u>
Texas State Soil and Water Conservation Board Water Protection Plan - On Site Sewage Facilities (OSSF) - 3	66.460	582-20-10174	112,098
Texas State Soil and Water Conservation Board Water Protection Plan - Coastal Bend & Estuaries Program - Oso Education	66.460	2110	2,193
			<u>114,291</u>
Clean Water State Revolving Funds Cluster: Texas Water Development Board Capitalization Grants for Clean Water State Revolving Funds	66.458	G11033	424,077
			<u>686,861</u>
Total Environmental Protection Agency			<u><u>686,861</u></u>
Department of Fish and Wildlife:			
Pass through:			
Texas Parks and Wildlife Department Boating Access	15.605	470934	12,861
			<u>12,861</u>
Total Department of Fish and Wildlife			<u><u>12,861</u></u>
Department of Commerce:			
Pass through:			
General Land Office Baffin Bay Nutrient	11.419	20-029-000-B736	18,773
			<u>18,773</u>
Total Department of Commerce			<u><u>18,773</u></u>
Department of Agriculture:			
Pass through:			
Texas Department of Agriculture			
USDA Phase I	10.770	N/A	1,346,841
USDA Phase II	10.770	N/A	2,663,812
			<u>4,010,653</u>
Total Department of Agriculture			<u><u>4,010,653</u></u>
Total Expenditures of Federal Awards			<u><u>\$ 4,729,148</u></u>

See Independent Auditor's Report

Nueces River Authority
Single Audit Compliance Information
Notes to the Schedule of Expenditures of Federal Awards
August 31, 2021

Note A – Basis of Presentation

The accompanying schedule of expenditures of federal awards (SEFA) includes the federal and grant activity of the Authority under the programs of the federal government the year ended August 31, 2021. The information in this SEFA is presented in accordance with the requirements of the *Uniform Guidance*. Because the SEFA presents only a select portion of the operations of the Authority, it is not intended to and does not present the financial position or changes in net position of the Authority.

Note B – Summary of Significant Accounting Policies

Expenditures reported in the SEFA are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments* or cost principles contained in Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards, wherein certain types of expenditures are not allowable or are limited as reimbursements.

The Authority did not elect to use the 10% de minimus indirect cost rate.

Nueces River Authority
Single Audit Compliance Information
Schedule of Findings and Questioned Costs
August 31, 2021

SECTION I – SUMMARY OF AUDITOR’S RESULTS

Financial Statements:	
Type of Auditors’ Report Issued on Financial Statements	Unmodified
Internal Control over Financial Reporting:	
Material Weaknesses	None
Significant Deficiencies Identified that are not Considered to be Material Weaknesses	None
Noncompliance Material to Financial Statements	None
Federal Awards:	
Internal Control over Major Programs:	
Material Weaknesses	None
Significant Deficiencies Identified that are not Considered to be Material Weaknesses	None
Type of Auditor’s Report Issued on Compliance for Major Programs	Unmodified
Findings and Questioned Costs for Federal Awards as Defined by the Uniform Guidance:	None
Identification of Major Programs:	Water and Waste Disposal Loans and Grants, CFDA No. 10.770
Dollar Threshold Considered Between Type A and Type B Federal Programs	\$750,000
Low Risk Auditee Statements	Yes

Nueces River Authority
Single Audit Compliance Information
Schedule of Findings and Questioned Costs
August 31, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

There were no financial statement findings.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no Federal Award findings.

Nueces River Authority
Single Audit Compliance Information
Summary Schedule of Prior Audit Findings
August 31, 2021

No prior audit findings.

**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, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated January 6, 2022.

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.

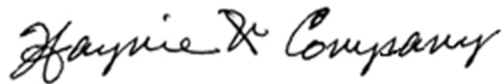
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not 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
January 6, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

To the Board of Directors
Nueces River Authority
Uvalde, Texas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Nueces River Authority's (the Authority) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended August 31, 2021. The Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended August 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the

requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal program as a whole.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

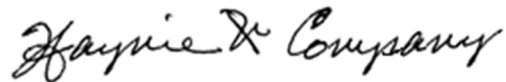
A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance

requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

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

San Antonio, Texas
January 6, 2022