

NUECES RIVER AUTHORITY

FINANCIAL STATEMENTS

AND

INDEPENDENT AUDITOR'S REPORT

AUGUST 31, 2025



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Financial Section



INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Nueces River Authority
Uvalde, Texas

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Nueces River Authority (the Authority) as of and for the year ended August 31, 2025, 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, 2025, 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.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4-10 and 45, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and

other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

The accompanying Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (GAAP) and Actual – Leakey Wastewater Treatment Plant Operations, Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (GAAP) and Actual – Outside Utilities Operations, Statement of Revenues, Expenditures and Changes in Fund Balances – Budget (GAAP) and Actual – Harbor Island Desal Fund and the 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 February 17, 2026, on our consideration of the Authority’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority’s internal control over financial reporting and compliance.



San Antonio, Texas
February 17, 2026

NUECES RIVER AUTHORITY

Management's Discussion and Analysis

August 31, 2025

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, 2025. 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, 2025, by \$36,049,168. Of this amount, \$1,220,465 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 decreased by \$883,109 in fiscal year 2025. The decrease is primarily attributable to depreciation in the Leakey Wastewater Treatment Plant operations.

Fund statement highlights:

Fund balance: As of the close of fiscal year 2025, the Authority's Governmental Funds reported a combined ending fund balance of \$1,490,832 a decrease of \$682,947 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, 2025

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, 2025

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 Treatment Plant, Outside Utilities Operations, and construction of the Harbor Island Desal plant are reported as proprietary funds.

The proprietary fund, like the government-wide statements, provides both long-term and short-term financial information.

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

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

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

Government-Wide Financial Analysis

Net position: As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The Authority's combined net position totaled \$36,049,168 at the end of 2025 (see page 11).

There is \$34,828,703 of net investment in capital assets. The remaining, \$1,220,465 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, 2025

Table A-1 – Net Position Information

	Governmental Activities			Business-Type Activities		
	2025	2024	% Change	2025	2024	% Change
Current and Other Assets	\$ 2,287,950	\$ 3,343,601	-32%	\$ 313,051	\$ 132,045	137%
Capital Assets, Net	3,150,588	3,141,494	0%	33,197,364	32,972,390	1%
Total Assets	<u>5,438,538</u>	<u>6,485,095</u>		<u>33,510,415</u>	<u>33,104,435</u>	
Current Liabilities	409,887	885,420	-54%	681,199	61,261	1012%
Noncurrent Liabilities	486,468	672,625	-28%	856,000	867,000	-1%
Total Liabilities	<u>896,355</u>	<u>1,558,045</u>		<u>1,537,199</u>	<u>928,261</u>	
Deferred Inflows	466,231	170,947	173%	-	-	
Net Position:						
Net Investment in Capital Assets	2,661,849	2,664,819	0%	32,166,854	32,397,390	-1%
Unrestricted	1,414,103	2,091,284	-32%	(193,638)	(221,216)	-12%
Total Net Position	<u>\$ 4,075,952</u>	<u>\$ 4,756,103</u>		<u>\$ 31,973,216</u>	<u>\$ 32,176,174</u>	

Changes in net position: The Authority's net position increased by \$883,109 (see page 12). The increase is related primarily to an increase in charges for services, operating grants and income received for the Green Lake project.

Table A-2 – Information About Changes in Net Position

	Governmental Activities			Business-Type Activities		
	2025	2024	% Change	2025	2024	% Change
Revenues:						
Program Revenues:						
Charges for services	\$ 4,065,065	\$ 2,686,983	51%	\$ 923,124	\$ 1,075,792	-14%
Capital grants and contributions	89,708	107,726	-17%	-	-	0%
General Revenues:						
Investment income	27,243	52,943	-49%	-	-	0%
Interest Income	-	-	0%	5,024	3,970	0%
Other income	456,752	747,308	-39%	702,871	2,192	0%
Total Revenue	<u>4,638,768</u>	<u>3,594,960</u>		<u>1,631,019</u>	<u>1,081,954</u>	
Expenses	5,318,919	3,531,124	51%	1,833,977	1,101,034	67%
Transfer of Capital Assets, Net of Related Debt	-	21,001,632	100%	-	(21,001,632)	100%
Total Expenses and transfers	<u>5,318,919</u>	<u>24,532,756</u>		<u>1,833,977</u>	<u>(19,900,598)</u>	
Change in Net Position	(680,151)	(20,937,796)		(202,958)	20,982,552	
Net Position - Beginning	4,756,103	26,475,317	-82%	32,176,174	11,193,622	187%
Prior Period Adjustment (see Note 19)	-	(781,418)	100%	-	-	0%
Net Position - Beginning (As Restated)	4,756,103	25,693,899	-81%	32,176,174	11,193,622	187%
Net Position - Ending	<u>\$ 4,075,952</u>	<u>\$ 4,756,103</u>	-14%	<u>\$ 31,973,216</u>	<u>\$ 32,176,174</u>	-1%

NUECES RIVER AUTHORITY

Management's Discussion and Analysis

August 31, 2025

The Authority's total program revenues were \$4,154,773 , which is an increase of \$1,360,064 compared to 2024. This increase is due primarily to an increase in charges for services. Program revenues consisted mainly of \$1,313,227 in intergovernmental contracted services, \$2,674,067 in contract revenue, \$89,708 in grant revenues and \$77,771 in public education programs' contracted services. Charges for service revenues were \$4,065,065 , which is an increase of \$1,378,082 compared to 2024. Approximately 88% of the Authority's program revenues came from charges for services and remaining 12% from capital grants and contributions, investment income and other income.

The Authority's expenses totaled \$7,152,896 , which is an increase of \$2,520,738 compared to 2024. The largest expense line items included salaries of \$1,226,753 , regulatory expenses of \$1,498,439, and contract expenses of \$1,461,047.

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 \$1,490,832, a decrease of \$682,947 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 \$31,973,216 which is a decrease of \$202,958 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 \$332,275 budget surplus, but during the year revised its budget to include a \$474,051 budget deficit. Ultimately, the Authority had a \$580,759 budget deficit which was \$106,708 more than budgeted.

Proprietary Fund budgetary highlights: The Authority budgeted for a \$6,488 budget surplus, and made amendments to the proprietary fund budget that resulted in an \$18,733 budget deficit. Ultimately, the Authority had a \$21,924 deficit which was \$3,191 more than budgeted. The deficit reflects fewer revenues received than anticipated during the fiscal year.

NUECES RIVER AUTHORITY

Management's Discussion and Analysis

August 31, 2025

Capital Assets

As of August 31, 2025, capital assets recorded in the governmental funds were 58% of total assets in the governmental activities. The \$3,150,588 in capital assets, net of accumulated depreciation, is primarily land and furniture and fixtures.

Economic Factors and Next Year's Budget

The Authority continues its revenue growth and the number of projects implemented to assist governmental entities within the Nueces River Basin. Along with the revenue growth, expenses continue to rise due to inflation. We believe the budgetary growth will continue for at least through 2032 when the proposed New Water for Texas Project is scheduled to be completed. We also anticipate a reduced rate of inflation over this time period.

The effects of the extended drought conditions continue its negative impact on both ground and surface water supplies within the basin. Water purveyors have been forced to make tough decisions due to lost revenue and increased expenses providing water supplies. This has led to the push for water suppliers to reserve water from the Authority's seawater desalination project. During fiscal year 2026, the Authority continues to move the development of the New Water for South Texas Project (Harbor Island Desalination Project) forward. During FY2026 the project will shift from the planning stage to design and implementation phase.

NUECES RIVER AUTHORITY
Management's Discussion and Analysis
August 31, 2025

Contacting the Authority's Financial Management

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

Financial Statements

Nueces River Authority

Statement of Net Position

August 31, 2025

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and Cash Equivalents	\$ 949,567	\$ 273,078	\$ 1,222,645
Investments	634,995	-	634,995
Receivables:			
Contract and Grant	475,209	189,025	664,234
Accrued Interest	8,761	-	8,761
Security Deposit		2,241	2,241
Internal Balances	151,293	(151,293)	-
Total Current Assets	<u>2,219,825</u>	<u>313,051</u>	<u>2,532,876</u>
Noncurrent Assets			
Right to Use Leased Asset, Net of Amortization	68,125	-	68,125
Total Non-Current Assets	<u>68,125</u>	<u>-</u>	<u>68,125</u>
Capital Assets:			
Land	2,635,551	-	2,635,551
Construction in Progress	-	930,600	930,600
Water Treatment Plant	-	33,964,167	33,964,167
Furniture and Equipment	467,745	93,427	561,172
Software	116,551	-	116,551
Building	313,997	-	313,997
Less Accumulated Depreciation	(383,256)	(1,790,830)	(2,174,086)
Total Capital Assets, Net of Accumulated Depreciation	<u>3,150,588</u>	<u>33,197,364</u>	<u>36,347,952</u>
Total Assets	<u>5,438,538</u>	<u>33,510,415</u>	<u>38,948,953</u>
LIABILITIES			
Current Liabilities:			
Accounts Payable	264,685	214,689	479,374
Note Payable, Short-Term Portion	36,946	466,510	503,456
Bonds Payable, Short-Term Portion	14,021	-	14,021
Leases Payable, Less Current Portion	21,363	-	21,363
Accrued Compensated Absences	72,872	-	72,872
Total Current Liabilities	<u>409,887</u>	<u>681,199</u>	<u>1,091,086</u>
Noncurrent Liabilities			
Line of Credit	-	292,000	292,000
Note Payable, Long-Term Portion	103,443	564,000	667,443
Bonds Payable, Long-Term Portion	334,329	-	334,329
Lease Payable, Long-Term Portion	48,696	-	48,696
Total Noncurrent Liabilities	<u>486,468</u>	<u>856,000</u>	<u>1,342,468</u>
DEFERRED INFLOWS			
Unearned Income	466,231	-	466,231
Total Deferred Inflows	<u>466,231</u>	<u>-</u>	<u>466,231</u>
NET POSITION			
Net Investment in Capital Assets	2,661,849	32,166,854	34,828,703
Unrestricted	<u>1,414,103</u>	<u>(193,638)</u>	<u>1,220,465</u>
Total Net Position	<u>\$ 4,075,952</u>	<u>\$ 31,973,216</u>	<u>\$ 36,049,168</u>

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

Nueces River Authority
Statement of Activities
Year Ended August 31, 2025

<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>
Governmental Activities						
Protection and Development of Water						
Resources	\$ 5,318,919	\$ 4,065,065	\$ -	\$ 89,708	\$ (1,164,146)	\$ -
Total Governmental Activities	<u>5,318,919</u>	<u>4,065,065</u>	<u>-</u>	<u>89,708</u>	<u>(1,164,146)</u>	<u>-</u>
Business-Type Activities						
Leakey Wastewater Treatment Plant	1,016,427	289,192	-	-	(727,235)	(727,235)
Outside Utilities Operations	647,040	633,932	-	-	(13,108)	(13,108)
Harbor Island Desal	170,510	-	-	-	(170,510)	(170,510)
Total Business-Type Activities	<u>1,833,977</u>	<u>923,124</u>	<u>-</u>	<u>-</u>	<u>(910,853)</u>	<u>(910,853)</u>
Total Government	<u>\$ 7,152,896</u>	<u>\$ 4,988,189</u>	<u>\$ -</u>	<u>\$ 89,708</u>	<u>(1,164,146)</u>	<u>(910,853)</u>
General Revenues						
Investment Income				27,243	-	27,243
Interest Income				-	5,024	5,024
Other Income				456,752	702,871	1,159,623
Total General Revenues				<u>483,995</u>	<u>707,895</u>	<u>1,191,890</u>
Change in Net Position				(680,151)	(202,958)	(883,109)
Net Position - Beginning				4,756,103	32,176,174	36,932,277
Net Position - Ending				<u>\$ 4,075,952</u>	<u>\$ 31,973,216</u>	<u>\$ 36,049,168</u>

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

Nueces River Authority
Balance Sheet
Governmental Funds
August 31, 2025

	General Fund	Leakey Capital Project Fund	Green Lake Fund	Total Governmental Funds
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 948,035	\$ 315	\$ 1,217	\$ 949,567
Investments	634,995	-	-	634,995
Receivables:				
Contract and Grant	475,209	-	-	475,209
Accrued Interest	10,686	-	-	10,686
Due from Other Funds	256,553	10	37,411	293,974
TOTAL ASSETS	\$ 2,325,478	\$ 325	\$ 38,628	\$ 2,364,431
 LIABILITIES				
Liabilities, Deferred Inflows or Resources and				
Fund Balances				
Current Liabilities:				
Accounts Payable	\$ 264,687	\$ -	\$ -	\$ 264,687
Due to Other Funds	98,667	3,727	40,287	142,681
Total Liabilities	363,354	3,727	40,287	407,368
 DEFERRED INFLOWS				
Unearned Income	464,132	725	1,374	466,231
Total Deferred Inflows	464,132	725	1,374	466,231
 FUND BALANCES				
Unassigned	1,497,992	(4,127)	(3,033)	1,490,832
Total Fund Balances	1,497,992	(4,127)	(3,033)	1,490,832
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,325,478	\$ 325	\$ 38,628	\$ 2,364,431

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, 2025

Total fund balances - Governmental Funds balance sheet	\$	1,490,832
Amounts reported for governmental activities in the statement of net position are different due to:		
Some assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Capital Assets, Net of Accumulated Depreciation		3,150,588
Right to Use Leased Asset, Net of Accumulated Amortization		68,125
Accrued Interest		(1,925)
Payables for accrued compensated absences, which are not due and payable with current period resources, are not reported in the funds.		
		(72,872)
Some liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Bonds and Notes Payable		(488,737)
Leases Payable		(70,059)
Net Position of Governmental Activities - Statement of Net Position	\$	4,075,952

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

Nueces River Authority
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
Year Ended August 31, 2025

	General Fund	Leakey Capital Project Fund	Green Lake Fund	Total Governmental Funds
REVENUES				
Contracted Services:				
Intergovernmental	\$ 933,934	\$ -	\$ 379,293	\$ 1,313,227
Contract Revenue	2,674,067	-	-	2,674,067
Public Education Programs	77,771	-	-	77,771
Grant Revenues	89,708	-	-	89,708
Investment Income	27,243	-	-	27,243
Other Income	456,752	-	-	456,752
Total Revenues	<u>4,259,475</u>	<u>-</u>	<u>379,293</u>	<u>4,638,768</u>
EXPENDITURES				
Protection and Preservation of Water Sources:				
Salaries	1,226,753	-	-	1,226,753
Payroll taxes	94,862	-	-	94,862
Employee medical insurance	124,909	-	-	124,909
Retirement	85,053	-	-	85,053
Directors' fees, travel and meetings	20,273	-	-	20,273
Travel and conferences	104,562	-	-	104,562
Professional fees	153,778	-	-	153,778
Edwards Aquifer RIP	1,000	-	-	1,000
Telephone and fax	14,338	-	-	14,338
Dues, subscriptions and publications	16,064	-	-	16,064
Insurance and bonds	14,088	-	-	14,088
Equipment and Facilities Rent	36,361	-	-	36,361
Office supplies and postage and delivery	8,185	-	-	8,185
Repairs and maintenance	4,427	-	-	4,427
Binding and printing	1,746	-	-	1,746
Miscellaneous	24,539	-	-	24,539
Public education programs	32,524	-	-	32,524
Senate Bill 1 expenses	306,866	-	-	306,866
General & Admin Expense	34,991	-	-	34,991
Regulatory Expenses, Net	1,017,508	-	480,931	1,498,439
Contract Expenses	1,461,047	-	-	1,461,047
Capital Outlay	48,662	-	-	48,662
Debt Service				
Principal	36,598	-	-	36,598
Interest	20,312	-	-	20,312
Total Expenditures	<u>4,889,446</u>	<u>-</u>	<u>480,931</u>	<u>5,370,377</u>
Excess of Revenues Over Expenditures	(629,971)	-	(101,638)	(731,609)
OTHER FINANCING SOURCES (USES)				
Note Proceeds	48,662	-	-	48,662
Transfers In	550	-	-	550
Transfers Out	-	-	(550)	(550)
Total Other Financing Sources and Uses	<u>49,212</u>	<u>-</u>	<u>(550)</u>	<u>48,662</u>
Net Changes in Fund Balances	(580,759)	-	(102,188)	(682,947)
Fund Balances - Beginning of Year	<u>2,078,751</u>	<u>(4,127)</u>	<u>99,155</u>	<u>2,173,779</u>
Fund Balances - End of Year	<u>\$ 1,497,992</u>	<u>\$ (4,127)</u>	<u>\$ (3,033)</u>	<u>\$ 1,490,832</u>

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

Nueces River Authority
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
Year Ended August 31, 2025

Net change in fund balances -- total Governmental Funds \$ (682,947)

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	56,599
Depreciation Expense	(47,505)

Loan and bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of note and bond principal is an expenditure in the governmental funds, but the repayments reduce long-term liabilities in the statement of net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas the amounts are deferred and amortized in the statement of activities.

Principal Payments	36,598
Loan Proceeds	(48,662)

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:

Amortization Expense	12,060
Accrued Compensated Absences	(6,294)

Change in net position of governmental activities \$ (680,151)

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

Nueces River Authority
Statement of Net Position
Proprietary Funds
August 31, 2025

	Leakey Wastewater Treatment Plant Operations	Outside Utilities Operations	Harbor Island Desal	Totals
ASSETS				
Current Assets:				
Cash and Cash Equivalents	\$ 103,296	\$ 36,421	133,361	\$ 273,078
Receivables:				
Contract and Grant	24,263	82,613	82,149	189,025
Security Deposit	-	-	2,241	2,241
Internal Balances	(125,125)	(14,344)	(11,824)	(151,293)
Total Current Assets	<u>2,434</u>	<u>104,690</u>	<u>205,927</u>	<u>313,051</u>
Capital Assets:				
Construction in Progress	-	-	930,600	930,600
Water Treatment Plant	33,964,167	-	-	33,964,167
Furniture and Equipment	81,056	12,371	-	93,427
Less Accumulated Depreciation	(1,788,526)	(2,304)	-	(1,790,830)
Total Capital Assets, Net of Accumulated Depreciation	<u>32,256,697</u>	<u>10,067</u>	<u>930,600</u>	<u>33,197,364</u>
Total Assets	<u>32,259,131</u>	<u>114,757</u>	<u>1,136,527</u>	<u>33,510,415</u>
LIABILITIES				
Current Liabilities:				
Accounts Payable	11,109	53,323	150,257	214,689
Note Payable, Short-Term Portion	11,000	-	455,510	466,510
Total Current Liabilities	<u>22,109</u>	<u>53,323</u>	<u>605,767</u>	<u>681,199</u>
Noncurrent Liabilities				
Line of Credit	292,000	-	-	292,000
Note Payable, Long-Term Portion	564,000	-	-	564,000
Total Noncurrent Liabilities	<u>856,000</u>	<u>-</u>	<u>-</u>	<u>856,000</u>
Total Liabilities	<u>878,109</u>	<u>53,323</u>	<u>605,767</u>	<u>1,537,199</u>
NET POSITION				
Net Investment in Capital Assets	31,681,697	10,067	475,090	32,166,854
Unrestricted	(300,675)	51,367	55,670	(193,638)
Total Net Position	<u>\$ 31,381,022</u>	<u>\$ 61,434</u>	<u>530,760</u>	<u>\$ 31,973,216</u>

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

Nueces River Authority
Statement of Revenues, Expenditures and Changes in Net Position
Proprietary Funds
Year Ended August 31, 2025

	Leakey Wastewater Treatment Plant Operations	Outside Utilities Operations	Harbor Island Desal	Totals
OPERATING REVENUES				
Charge for Services	\$ 289,192	\$ 555,436	-	\$ 844,628
Contract Revenue	-	78,496	-	78,496
Interest Income	1,989	1,850	1,185	5,024
Other Income	-	2,786	700,085	702,871
Total Revenues	<u>291,181</u>	<u>638,568</u>	<u>701,270</u>	<u>1,631,019</u>
OPERATING EXPENDITURES				
Protection and Preservation of Water Sources:				
Salaries	84,030	342,506	-	426,536
Payroll taxes	6,607	27,651	-	34,258
Employee medical insurance	14,914	37,323	-	52,237
Retirement	5,895	14,497	-	20,392
Travel and conferences	463	-	1,836	2,299
Professional fees	21,413	-	32,068	53,481
Telephone and fax	7,237	1,899	-	9,136
Dues, subscriptions and publications	-	696	-	696
Insurance and bonds	15,055	7,751	-	22,806
Equipment and facilities rent	11,307	734	41,569	53,610
Office supplies and postage and delivery	2,580	2,112	-	4,692
Repairs and maintenance	16,124	-	-	16,124
Miscellaneous	1,124	5,816	6,445	13,385
Contract Expenses	23	5,166	30,000	35,189
General and administrative expense	51,485	34,652	51,434	137,571
Regulatory Expenses, Net	66,780	163,933	7,158	237,871
Depreciation	703,322	2,304	-	705,626
Debt Service				
Interest	8,068	-	-	8,068
Total Expenditures	<u>1,016,427</u>	<u>647,040</u>	<u>170,510</u>	<u>1,833,977</u>
Net Changes in Net Position	(725,246)	(8,472)	530,760	(202,958)
Net Position - Beginning of Year	32,106,268	69,906	-	32,176,174
Net Position - End of Year	<u>\$ 31,381,022</u>	<u>\$ 61,434</u>	<u>530,760</u>	<u>\$ 31,973,216</u>

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

Nueces River Authority

Statement of Cash Flows

Proprietary Funds

Year Ended August 31, 2025

	Leakey Wastewater Treatment Plant Operations	Outside Utilities Operations	Harbor Island Desal	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Contracted Services	\$ 289,192	\$ 633,932	\$ 700,085	\$ 1,623,209
Payments to Suppliers	(180,777)	(163,732)	(104,643)	(449,152)
Payments for Employee Benefits	(111,671)	(421,977)	-	(533,648)
Miscellaneous Receipts	1,989	4,636	1,185	7,810
Net Cash from Operating Activities	<u>(1,267)</u>	<u>52,859</u>	<u>596,627</u>	<u>648,219</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Proceeds from note payable	-	-	455,510	455,510
Principal paid on notes payable	(11,000)	-	-	(11,000)
Internal Activity - Loans from Other Funds, Net	15,897	(158,951)	11,824	(131,230)
Net Cash from Noncapital Financing Activities	<u>4,897</u>	<u>(158,951)</u>	<u>467,334</u>	<u>313,280</u>
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Purchases of Capital Assets and Construction in Progress	-	-	(930,600)	(930,600)
Net Cash from Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>(930,600)</u>	<u>(930,600)</u>
Net Increase In Cash and Cash Equivalents	3,630	(106,092)	133,361	30,899
Cash and Cash Equivalents - Beginning of the Year	99,666	142,513	-	242,179
Cash and Cash Equivalents - End of the Year	<u>\$ 103,296</u>	<u>\$ 36,421</u>	<u>\$ 133,361</u>	<u>\$ 273,078</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES				
Operating Loss	\$ (725,246)	\$ (8,472)	\$ 530,760	\$ (202,958)
Adjustments To Reconcile Operating Income To Net Cash				
From Operating Activities:				
Depreciation Expense	703,322	2,304	-	705,626
(Increase) Assets:				
Accounts Receivable	18,676	46,837	(82,149)	(16,636)
Security Deposit	-	-	(2,241)	(2,241)
Increase /(Decrease) Liabilities:				
Accounts Payable	1,981	12,190	150,257	164,428
Net Cash From Operating Activities	<u>\$ (1,267)</u>	<u>\$ 52,859</u>	<u>\$ 596,627</u>	<u>\$ 648,219</u>

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

Nueces River Authority

Notes to Financial Statements

August 31, 2025

1. Summary of Significant Accounting Policies

Financial Reporting Entity

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

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

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

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2025

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, 2025

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, 2025

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, 2025

1. Summary of Significant Accounting Policies (Continued)

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

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

Budgets and budgetary accounting

The Authority maintains control over revenues and expenditures in the General Fund by establishment of an annual operating budget. The budget, as formally adopted by the board, establishes the maximum authorization for accounts of the funds. During the year ended August 31, 2025, the General Fund had a budgetary deficit of \$106,708 which was the result of additional regulatory expenses incurred during the fiscal year.

Cash and cash equivalents

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

Investments

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

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

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2025

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, 2025, 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, 2025

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, 2025

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, 2025, 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, 2025.

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 \$466,231 in unearned income that qualified for reporting in this category at August 31, 2025.

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2025

2. Deposits and Investments

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

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

Cash Deposits

At August 31, 2025, the carrying amount of the Authority’s deposits (cash, certificates of deposit [CD’s] and interest bearing savings accounts included in temporary investments) was \$1,222,645 , and the bank balance was \$1,084,647 . The Authority’s cash deposits as of and for the year ended August 31, 2025, were entirely covered by FDIC insurance and/or pledged collateral held by the Authority’s agent bank in the Authority’s name.

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

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

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

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2025

2. Deposits and Investments (Continued)

Investments

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

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

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

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2025

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, 2025, is shown below:

	Total	Level 1	Level 2	Level 3
Assets:				
Debt Securities:				
Municipal Bonds	\$ 634,995	\$ -	\$ 634,995	\$ -
Total Debt Securities	\$ 634,995	\$ -	\$ 634,995	\$ -

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, 2025

2. Deposits and Investments (Continued)

Credit risk

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

The Authority’s investments are rated as follows:

Description	Investment Rating	Rating Organization	Fair Value	Percentage Invested
Municipal Bonds	AAA	Moody's	\$ 634,995	100%
			\$ 634,995	100%

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, 2025

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, 2025.

Description	Years to Maturity	Fair Value	Percentage
Municipal Bonds	2 - 3 years	\$ 634,995	100%
		<u>\$ 634,995</u>	<u>100%</u>

3. 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, 2025 are as follows:

	Due From Other Funds	Due To Other Funds
Governmental Activities		
General Fund	\$ 256,070	\$ 98,667
Leakey Capital Projects Fund	10	3,727
Green Lake Fund	37,411	39,804
Business-Type Activities		
Leakey Capital Operations Fund	8,173	133,298
Outside Utilities Operations	54,995	69,339
Harbor Island Desal Plant	-	11,824
Total	<u>\$ 356,659</u>	<u>\$ 356,659</u>
	Transfers In	Transfers Out
Governmental Activities		
General Fund	\$ 550	\$ -
Green Lake Fund	-	550
Total	<u>\$ 550</u>	<u>\$ 550</u>

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2025

3. Interfund Balances and Transfers

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.

4. Capital Assets

A summary of the Authority's capital assets for the year ended August 31, 2025 is shown below:

<u>Governmental Activities</u>	<u>Balance 8/31/2025</u>
Capital Assets Not Being Depreciated	
Land	\$ 2,635,551
Capital Assets Being Depreciated	
Furniture and Equipment	467,745
Software	116,551
Building	313,997
Less Accumulated Depreciation	(383,256)
	<u>\$ 3,150,588</u>

<u>Business-Type Activities</u>	<u>Balance 8/31/2025</u>
Capital Assets Being Depreciated	
Construction in Progress	\$ 930,600
Water Treatment Plant	33,964,167
Furniture and Equipment	93,426
Less Accumulated Depreciation	(1,790,829)
	<u>\$ 33,197,364</u>

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2025

5. Accrued Compensated Absences

The following is a summary of accrued compensated absences transactions for the year ended August 31, 2025.

	Balance 9/1/2024	Additions	Deletions	Balance 8/31/2025
Governmental Activities:				
Compensated Absences	\$ 66,578	\$ 6,294	\$ -	\$ 72,872
Total	\$ 66,578	\$ 6,294	\$ -	\$ 72,872

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

6. 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.

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2025

6. Conduit Debt (Continued)

Lake Texana Pipeline Project (continued)

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 as of August 31, 2025 is \$12,880,000.

San Patricio County Flood Control and Drainage Project

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

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

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2025

6. Conduit Debt (Continued)

San Patricio County Flood Control and Drainage Project (continued)

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

Proceeds from the sale of the Bonds to TWDB are maintained in the Interest and Sinking Fund and administered by an independent paying agent/registrant who approves all payments out of escrow meeting the requirements of the escrow agreement. During the year ended August 31, 2025, construction expenses incurred by the Authority on behalf of the District and reimbursed out of escrow totaled \$444,128.

Since, under the terms of the Bond Documents, the sole source of payment is the District’s Payment Amount to the Authority, it is the District (and not the Authority) that is ultimately obligated to pay the annual sinking fund payments. Since ownership of the project will transfer to the District upon completion, no construction in progress asset or loan balance is reflected in the Authority’s financial statements. The outstanding conduit debt balance as of August 31, 2025 is \$8,212,000.

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2025

7. 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, 2025

8. Operating Leases

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

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

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

Years Ending August 31:	Principal Payments	Interest Payments	Total
2026	\$ 21,363	\$ 1,024	\$ 22,387
2027	11,985	794	12,779
2028	13,494	562	14,056
2029	15,160	301	15,461
2030	8,057	43	8,100
	<u>\$ 70,059</u>	<u>\$ 2,724</u>	<u>\$ 72,783</u>

The right of use lease asset is as follows:

	Governmental Activities
Right of Use Lease Asset	\$ 247,775
Accumulated Amortization	(179,650)
Right of Use Asset, Net	<u>\$ 68,125</u>

The lease liability is as follows:

	Governmental Activities
Lease, Current Portion	\$ 21,363
Lease, Long-Term Portion	48,696
Total	<u>\$ 70,059</u>

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2025

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 2025. 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.

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 Mission Square. The administrator of the plan is Mission Square.

Participant contributions are 100 percent nonforfeitable. Employer contributions are made on a pretax basis and are exempt from Social Security taxes. Employer contributions may be subject to a vesting schedule. Maximum aggregate contributions are the lesser of 25 percent of participants' gross compensation or \$30,000 per year. Mandatory contributions may or may not be required by the employer. The employer may elect a "pick up" provision, whereby mandatory contributions are made on a pretax basis. Participants may make voluntary contributions up to 7 percent of compensation, which are made on an after-tax basis. All earnings accrue on a tax-deferred basis.

Under this plan, each employee of the Authority determines his or her rate of contribution. The Authority makes a contribution of 7 percent of the employee's gross wages. For the year ended August 31, 2025, eighteen employees of the Authority participated in the defined contribution plan. Contribution percentages were 7 percent. Employee and employer contributions totaled \$105,445 each. A fund fee of \$1,000 was also paid to Mission Square.

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

Deferred compensation plan

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

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2025

11. Leakey Capital Project

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

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

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

The construction on the Leakey Regional Wastewater Treatment and Collection System is complete. The loan and grant with the TWDB will be closed out after the purchase of equipment needed for the project has been completed. The Authority anticipates the purchase of the equipment during the fiscal year 2026 budget year. After project close out, the TWDB loan will be forgiven. At the end of fiscal year 2024, the Authority considered the project completed and transferred the construction in progress and related debt from the Leakey Capital Projects Fund to the Leakey Wastewater Treatment Plant Operations Fund.

The Authority plans to implement Phase III of the Residential Connections in fiscal year 2026. The third phase will be funded through a grant from USDA and is necessary due to additional residential hookups needed.

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2025

12. Harbor Island Desal Project

During the year, the Authority passed a resolution to begin design and construction of a seawater desalination treatment plant located on Harbor Island near Port Aransas, Texas in partnership with several other municipalities and special districts throughout South Texas. The plant is expected to provide a drought-resistant source of water to over 1.4 million residents when functioning at full capacity. Construction is estimated to cost approximately \$6.4 million and will be financed through water reservation fees collected from participating municipalities and special districts as well as future bond financing. As of August 31, 2025, the Authority collected approximately \$700,000 in water reservation fees and paid approximately \$930,000 in preconstruction costs. The Authority also obtained a \$455,000 short term loan to help finance those preconstruction costs.

13. TWDB Compliance

The Authority believes it is compliant with applicable requirements of Section 16.356 of the Texas Water Development Board Code relating to transfers of funds associated with EDAP funded projects.

14. Line of Credit

The Authority has a line of credit with a bank providing for borrowings up to \$350,000. As of August 31, 2025, the Authority borrowed \$292,000 against the line of credit. The line bears an interest rate of 3.5% and matures in June 2026. The terms call for semiannual interest only payments with the outstanding principal due at maturity. The line of credit is collateralized by two certificates of deposit totaling \$386,827.

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2025

15. Long-Term Liabilities

Long-term liabilities activities for the year ended August 31, 2025 includes the following:

	Balance 9/1/2024	Additions	Deletions	Balance 8/31/2025	Amount Due Within One Year
Governmental Activities:					
<i>Bonds Payable</i>					
General Revenue Bonds, Series 2020	\$ 362,371	\$ -	\$ (14,021)	\$ 348,350	\$ 14,021
<i>Notes Payable</i>					
USDA Phase I Note Payable	248,000	-	(4,000)	244,000	4,000
USDA Phase II Note Payable	338,000	-	(7,000)	331,000	7,000
Ford Transit Note Payable	51,652	-	(9,019)	42,633	12,900
Ford Expedition Note Payable	62,652	-	(10,891)	51,761	15,600
Ford Explorer Note Payable	-	48,662	(2,667)	45,995	8,446
Harbor Island Desal	-	455,510	-	455,510	455,510
Total	<u>\$ 1,062,675</u>	<u>\$ 504,172</u>	<u>\$ (47,598)</u>	<u>\$ 1,519,249</u>	<u>\$ 517,477</u>

Description of Debt and Maturity Schedules

General Improvement Revenue Bonds, Series 2020

Effective July 31, 2020, the Authority issued the General Improvement Revenue Bonds, Series 2020 in the amount of \$418,000. The first interest payment is due and payable beginning August 15, 2020. Principal amounts on this bond is due and payable monthly beginning August 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
2026	\$ 14,292	\$ 10,175	\$ 24,467
2027	14,597	9,766	24,363
2028	14,927	9,543	24,470
2029	15,276	9,193	24,469
2030	15,647	8,822	24,469
2030-2044	273,611	67,610	341,221
	<u>\$ 348,350</u>	<u>\$ 115,109</u>	<u>\$ 463,459</u>

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2025

15. Long-Term Liabilities (Continued)

Description of Debt and Maturity Schedules (Continued)

USDA Phase I Note Payable

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

Year Ended August 31,	Principal	Interest	Total
2026	\$ 4,000	\$ 4,299	\$ 8,299
2027	5,000	4,226	9,226
2028	5,000	4,139	9,139
2029	5,000	4,057	9,057
2030	5,000	3,958	8,958
2029-2059	220,000	70,174	290,174
	<u>\$ 244,000</u>	<u>\$ 90,853</u>	<u>\$ 334,853</u>

USDA Phase II Note Payable

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

Year Ended August 31,	Principal	Interest	Total
2026	\$ 7,000	\$ 4,593	\$ 11,593
2027	7,000	4,503	11,503
2028	8,000	4,400	12,400
2029	8,000	4,296	12,296
2030	8,000	4,174	12,174
2029-2059	293,000	68,385	361,385
	<u>\$ 331,000</u>	<u>\$ 90,351</u>	<u>\$ 421,351</u>

Nueces River Authority
Notes to Financial Statements (continued)
August 31, 2025

15. Long-Term Liabilities (Continued)

Description of Debt and Maturity Schedules (Continued)

Ford Transit Note Payable

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

Ford Expedition Note Payable

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

Ford Explorer Note Payable

On August 2, 2025, the Authority entered a finance agreement with First State Bank of Uvalde. This loan was for the purchase of 2025 Ford Explorer. This loan is due and payable in 60 monthly payments of \$985 beginning May 2, 2025. Payments include a daily variable interest rate. This loan will be paid in full on August 2, 2030.

Harbor Island Desal Plant Note Payable

On August 5, 2025, the Authority entered a finance agreement with First State Bank of Uvalde. This loan was for the pre-construction services of the Harbor Island Desal Plant. Payments include a daily variable interest rate. This loan was paid in full on November 4, 2026.

16. Subsequent Events

Subsequent events have been evaluated through February 17, 2026, which is the date these financial statements were available to be issued.

Required Supplementary Information

Nueces River Authority
Statement of Revenues, Expenditures and Changes in Fund Balances –
Budget (GAAP) and Actual
General Fund
Year Ended August 31, 2025

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Contracted Services:				
Intergovernmental	\$ 671,283	\$ 665,984	\$ 933,934	\$ 267,950
Contract Revenue	7,145,239	2,566,533	2,674,067	107,534
Public Education Programs	255,496	71,800	77,771	5,971
Grant Revenues	64,000	91,329	89,708	(1,621)
Investment Income	20,000	20,000	27,243	7,243
Other Income	1,155,354	539,807	456,752	(83,055)
Total Revenues	<u>9,311,372</u>	<u>3,955,453</u>	<u>4,259,475</u>	<u>304,022</u>
EXPENDITURES				
Protection and preservation of water sources:				
Salaries	1,265,741	1,242,880	1,226,753	16,127
Payroll taxes	98,306	96,536	94,862	1,674
Employee medical insurance	145,534	129,213	124,909	4,304
Retirement	89,409	87,795	85,053	2,742
Directors' fees, travel and meetings	20,000	20,000	20,273	(273)
Travel and conferences	105,995	102,423	104,562	(2,139)
Professional fees	110,000	130,000	153,778	(23,778)
Edwards Aquifer RIP	1,000	1,000	1,000	-
Telephone and fax	12,200	15,900	14,338	1,562
Dues, subscriptions and publications	14,300	14,000	16,064	(2,064)
Insurance and bonds	13,900	13,900	14,088	(188)
Equipment and Facilities Rent	51,692	40,310	36,361	3,949
Office supplies and postage and delivery	10,200	10,200	8,185	2,015
Repairs and maintenance	22,000	22,000	4,427	17,573
Binding and printing	4,300	2,800	1,746	1,054
Miscellaneous	(2,500)	26,824	24,539	2,285
Public education programs	4,089	59,289	32,524	26,765
Senate Bill 1 expenses	127,300	127,300	306,866	(179,566)
General & Administrative Expenses	66,100	51,740	34,991	16,749
Contract Expenses	5,656,997	1,480,571	1,461,047	19,524
Regulatory Expenses, Net	1,139,034	702,823	1,017,508	(314,685)
Debt Service - Principal	14,000	32,920	36,598	(3,678)
Debt Service - Interest	10,500	20,080	20,312	(232)
Capital Outlay	-	-	48,662	(48,662)
Total Expenditures	<u>8,980,097</u>	<u>4,430,504</u>	<u>4,889,446</u>	<u>(458,942)</u>
Excess of Revenues Over (Under) Expenditures	331,275	(475,051)	(629,971)	(154,920)
OTHER FINANCING SOURCES (USES)				
Note Proceeds	-	-	48,662	48,662
Transfers In	1,000	1,000	550	(450)
Total Other Financing Sources and Uses	<u>1,000</u>	<u>1,000</u>	<u>49,212</u>	<u>48,212</u>
Net Changes in Fund Balance	332,275	(474,051)	(580,759)	(106,708)
Fund Balance - Beginning of Year	<u>2,078,751</u>	<u>2,078,751</u>	<u>2,078,751</u>	<u>-</u>
Fund Balance - End of Year	<u>\$ 2,411,026</u>	<u>\$ 1,604,700</u>	<u>\$ 1,497,992</u>	<u>\$ (106,708)</u>

See Independent Auditor's Report

Other Supplemental Information

Nueces River Authority
Statement of Revenues, Expenditures and Changes in Fund Balances –
Budget (GAAP) and Actual
Leakey Wastewater Treatment Plant Operations Fund
Year Ended August 31, 2025

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for Services	\$ 341,910	\$ 291,000	\$ 289,192	\$ (1,808)
Interest Income	-	2,112	1,989	(123)
Total Revenues	<u>341,910</u>	<u>293,112</u>	<u>291,181</u>	<u>(1,931)</u>
EXPENDITURES				
Protection and preservation of water sources:				
Salaries	84,273	84,273	84,030	243
Payroll taxes	6,623	6,623	6,607	16
Employee medical insurance	14,958	15,000	14,914	86
Retirement	5,899	5,899	5,895	4
Travel and conferences	1,000	600	463	137
Professional fees	22,500	22,500	21,413	1,087
Telephone and fax	11,958	11,925	7,237	4,688
Insurance and bonds	7,500	12,000	15,055	(3,055)
Equipment and facilities rent	980	6,500	11,307	(4,807)
Office supplies and postage and delivery	1,550	1,300	2,580	(1,280)
Repairs and maintenance	6,000	6,000	16,124	(10,124)
Binding and printing	500	500	-	500
Miscellaneous	10,700	10,700	1,124	9,576
Contract Expenses	500	100	23	77
General and administrative expense	58,927	49,525	51,485	(1,960)
Regulatory Expenses, Net	66,892	59,100	66,780	(7,680)
Debt Service - Principal	26,362	11,000	-	11,000
Debt Service - Interest	8,300	8,300	8,068	232
Total Expenditures	<u>335,422</u>	<u>311,845</u>	<u>313,105</u>	<u>(1,260)</u>
Net Changes in Fund Balance	6,488	(18,733)	(21,924)	(3,191)
Fund Balance - Beginning of Year	32,106,268	32,106,268	32,106,268	-
Fund Balance - End of Year	<u>\$ 32,112,756</u>	<u>\$ 32,087,535</u>	32,084,344	(3,191)
RECONCILIATION TO GAAP BASIS				
Depreciation Expense			(703,322)	(703,322)
Fund Balance - End of Year per GAAP			<u>\$ 31,381,022</u>	<u>\$ (706,513)</u>

See Independent Auditor's Report

Nueces River Authority
Statement of Revenues, Expenditures and Changes in Fund Balances –
Budget (GAAP) and Actual
Outside Utilities Operations Fund
Year Ended August 31, 2025

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Charges for Services	\$ 784,800	\$ 566,232	\$ 555,436	\$ (10,796)
Contract Revenue	84,185	79,000	78,496	(504)
Investment Income	1,800	1,800	1,850	50
Other Income	1,300	389	2,786	2,397
Total Revenues	<u>872,085</u>	<u>647,421</u>	<u>638,568</u>	<u>(8,853)</u>
EXPENDITURES				
Protection and preservation of water sources:				
Salaries	377,466	345,000	342,506	2,494
Payroll taxes	29,637	27,571	27,651	(80)
Employee medical insurance	74,204	37,564	37,323	241
Retirement	23,372	15,000	14,497	503
Telephone and fax	6,500	1,800	1,899	(99)
Dues, subscriptions and publications	500	-	696	(696)
Insurance and bonds	7,426	7,426	7,751	(325)
Equipment and facilities rent	1,500	1,500	734	766
Office supplies and postage and delivery	1,100	2,200	2,112	88
Repairs and maintenance	3,000	3,000	-	3,000
Binding and printing	500	200	-	200
Miscellaneous	400	600	5,816	(5,216)
Regulatory Expenses, Net	220,120	171,735	163,933	7,802
Contract Expenses	3,400	5,100	5,166	(66)
General and administrative expense	32,000	34,600	34,652	(52)
Total Expenditures	<u>781,125</u>	<u>653,296</u>	<u>644,736</u>	<u>8,560</u>
Excess of Revenues Over (Under) Expenditures	90,960	(5,875)	(6,168)	(293)
Fund Balances - Beginning of Year	69,906	69,906	69,906	-
Fund Balances - End of Year	<u>\$ 160,866</u>	<u>\$ 64,031</u>	<u>63,738</u>	<u>(293)</u>
RECONCILIATION TO GAAP BASIS				
Depreciation Expense			(2,304)	(2,304)
Fund Balances - End of Year per GAAP			<u>\$ 61,434</u>	<u>\$ (2,597)</u>

See Independent Auditor's Report

Nueces River Authority
Statement of Revenues, Expenditures and Changes in Fund Balances –
Budget (GAAP) and Actual
Harbor Island Desal Fund
Year Ended August 31, 2025

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Investment Income	\$ -	\$ 500	\$ 1,185	\$ 685
Other Income	4,067,657	1,232,873	700,085	(532,788)
Total Revenues	<u>4,067,657</u>	<u>1,233,373</u>	<u>701,270</u>	<u>(532,103)</u>
EXPENDITURES				
Protection and preservation of water sources:				
Employee medical insurance	10,660	-	-	-
Retirement	3,267	-	-	-
Travel and conferences	20,000	3,000	1,836	1,164
Professional fees	1,090,000	920,000	32,068	887,932
Equipment and facilities rent	1,315,000	41,792	41,569	223
Miscellaneous	-	-	6,445	(6,445)
Regulatory Expenses, Net	63,550	7,900	7,158	742
Contract Expenses	51,000	40,000	30,000	10,000
General and administrative expense	405,000	184,931	51,434	133,497
Interest Expense	60,000	-	-	-
Total Expenditures	<u>3,018,477</u>	<u>1,197,623</u>	<u>170,510</u>	<u>1,027,113</u>
Excess of Revenues Over (Under) Expenditures	1,049,180	35,750	530,760	495,010
Fund Balances - Beginning of Year	-	-	-	-
Fund Balances - End of Year	<u>\$ 1,049,180</u>	<u>\$ 35,750</u>	<u>\$ 530,760</u>	<u>\$ 495,010</u>

See Independent Auditor's Report

Nueces River Authority
Comparative Schedule of Revenues and Expenditures
General Fund
Five-Years Ended August 31, 2025

	<u>2025</u>	<u>2024</u>	<u>2023</u>	<u>2022</u>	<u>2021</u>
REVENUES					
Contracted Services:					
Intergovernmental	\$ 933,934	\$ 731,859	2,152,475	\$ 1,771,380	\$ 1,034,411
Contract Revenue	2,674,067	1,708,960	-	-	-
Public Education Programs	77,771	246,164	677,702	311,574	261,007
Grant Revenues	89,708	39,459	99,706	223,041	218,023
Investment Income	27,243	52,943	24,492	(17,799)	7,510
Other Income	456,752	647,353	320,251	167,317	27,700
Total Revenues	<u>4,259,475</u>	<u>3,426,738</u>	<u>3,274,626</u>	<u>2,455,513</u>	<u>1,548,651</u>
EXPENDITURES					
Protection and preservation of water sources:					
Salaries	1,226,753	975,283	777,444	545,212	486,015
Payroll taxes	94,862	74,216	58,933	42,959	38,058
Employee medical insurance	124,909	129,108	85,274	54,891	51,598
Retirement	85,053	64,448	49,038	37,918	34,650
Directors' fees, travel and meetings	20,273	16,267	10,517	11,722	-
Travel and conferences	104,562	110,150	61,327	45,737	26,337
Professional fees	153,778	205,222	122,389	69,988	86,179
SCRWSPG contributions	-	-	-	-	48
Edwards Aquifer RIP	1,000	1,000	1,000	1,000	1,000
Telephone and fax	14,338	7,315	10,756	12,484	14,951
Dues, subscriptions and publications	16,064	12,041	5,881	7,461	4,118
Insurance and bonds	14,088	15,203	12,261	13,754	8,171
Equipment and Facilities Rent	36,361	29,474	61,049	34,432	34,343
Office supplies and postage and delivery	8,185	8,927	12,879	4,630	5,060
Repairs and maintenance	4,427	56,181	1,437	19,258	63,819
Binding and printing	1,746	989	1,592	1,282	1,029
Miscellaneous	24,539	12,819	40,270	341	(8,594)
Clean Rivers Program expenses	-	-	74,538	79,709	107,831
Public education programs	32,524	50,719	255,850	233,648	222,647
Senate Bill 1 expenses	306,866	142,550	36,950	15,026	38,621
Texas State Soil and Water Conservation Board	-	-	-	-	-
TCEQ OSSF	-	-	-	85,680	67,025
Petronilla Creek	-	-	7,419	7,882	24,755
CBBEP	-	-	379,861	25,888	101
General & Administrative Expenses	34,991	89,861	88,450	50,723	12,363
Contract Expenses	1,461,047	587,873	-	-	-
Special Study	-	-	27,300	27,300	25,568
Sunset Review	-	-	-	-	-
Regulatory Expenses, Net	1,017,508	818,410	665,418	854,763	177,232
Bond Issuance Costs	-	-	-	-	-
Capital Outlay	48,662	114,304	10,640	86,210	17,777
Debt Service					
Principal	36,598	13,769	13,538	13,320	13,112
Interest	20,312	10,701	10,932	11,151	11,356
Total Expenditures	<u>4,889,446</u>	<u>3,546,830</u>	<u>2,882,943</u>	<u>2,394,369</u>	<u>1,565,170</u>
Excess of Revenues Over (Under) Expenditures	<u>\$ (629,971)</u>	<u>\$ (120,092)</u>	<u>391,683</u>	<u>\$ 61,144</u>	<u>\$ (16,519)</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, 2025

Federal Grantor/Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identification Number	Federal Expenditures
Environmental Protection Agency:			
Pass through:			
Water Quality Management Planning	66.454	EPA TCEQ 582-25-00074	\$ 1,502
Water Quality Management Planning	66.454	EPA	96,191
Water Quality Management Planning	66.454	EPA	106,570
			<u>204,263</u>
National Estuary Program	66.456	US EPA 02F24501	78,496
National Estuary Program	66.456	EPA 4T-02F24501-0	355,505
National Estuary Program	66.456	US EPA 02F77201	36,285
			<u>470,286</u>
Texas State Soil and Water Conservation Board Water Protection Plan - On Site Sewage Facilities (OSSF) Phase II	66.460	TCEQ #C9-99614624	123,652
			<u>123,652</u>
Gulf of Mexico Program Up2U Plus	66.475	EPA #MX02D18822	14,897
Gulf of Mexico Program Up2U Plus	66.475	EPA#MX-02D18222-0	63,917
			<u>78,814</u>
Water Pollution Control State, Interstate and Tribal Program Support	66.419	582-20-13241 work order no.4	53,310
			<u>53,310</u>
Total Environmental Protection Agency			<u><u>930,325</u></u>
Department of Agriculture:			
Pass through:			
Texas Department of Agriculture CBBEP#2633 Nutrient Sampling in Petronila Creek	10.936	USDA NRCS	46,214
Total Department of Agriculture			<u>46,214</u>
Total Expenditures of Federal Awards			<u><u>\$ 976,539</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, 2025

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 for the year ended August 31, 2025. 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, 2025

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 reported
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 reported
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:	National Estuary Program, ALN #66.456
	Water Quality Management Planning ALN #66.454
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, 2025

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, 2025

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, 2025, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements, and have issued our report thereon dated February 17, 2026.

Report on Internal Control over Financial Reporting

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

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

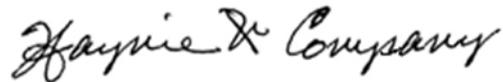
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not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

Report on Compliance and Other Matters

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

Purpose of this Report

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

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

San Antonio, Texas
February 17, 2026



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, 2025. 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, 2025.

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.

Haynie & Company

San Antonio, Texas
February 17, 2026