

SULPHUR RIVER BASIN AUTHORITY

*ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
AUGUST 31, 2020*

SULPHUR RIVER BASIN AUTHORITY

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SULPHUR RIVER BASIN AUTHORITY

Appointed Officials

Kelly Mitchell	Region I	Director
Gary Cheatwood	Region I	Director
Chris Spencer	Region II	Chairman
Kirby Hollingsworth	Region II	Director
Reeves Hayter	Region III	Director
Wallace Kraft, II	Region III	Vice President
Bret McCoy	At Large	Director



Independent Auditor's Report

December 7, 2020

Board of Directors
Sulphur River Basin Authority
Texarkana, Texas 75501

Members of the Board of Directors:

We have audited the accompanying financial statements of the governmental activities and each major fund of the Sulphur River Basin Authority as of and for the year ended August 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and each major fund of the Sulphur River Basin Authority, as of August 31, 2020, and the respective changes in financial position and cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 8 and 22 through 23 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board, who considers it to be an essential part of the 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 principally of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response 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.



Wilf & Henderson, P.C.
Certified Public Accountants
Texarkana, Texas

SULPHUR RIVER BASIN AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Sulphur River Basin Authority (the Authority) annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ended August 31, 2020. Please read it in conjunction with the Authority's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Authority's total combined net assets were \$265,054 at August 31, 2020. This was a decrease of \$7,549 or 2.77%. The Authority received less funding from JCPD.
- During the year, the Authority's expenses exceeded revenues by \$7,549.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—management's discussion and analysis (this section), basic financial statements, and required 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, reporting the Authority's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government 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.

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 assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The government-wide financial statements of the Authority include the Governmental activities. The Authority's basic services are included here, such as salaries, legal and professional fees, office rent, engineering services, and staff development. General revenue from JCPD and state grants finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Authority's most significant funds, not the Authority as a whole. Funds are accounting devices that the Authority uses to keep track of specific sources of funding and spending for particular purposes.

The Board of Directors establishes other funds to control and manage money for particular purposes or to show that it is properly using certain contributions and grants.

The Authority has the following kinds of funds:

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 remaining at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the Authority's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.

Special revenue funds – The special revenue fund designation is used to report activities funded by the Texas Commission on Environmental Quality.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

The Authority's combined net position was \$265,054 at August 31, 2020 and \$272,603 at August 31, 2019.

Sulphur River Basin Net Position

	2020	2019	Change
Current Assets			
Cash and cash equivalents	\$ 256,556	\$ 181,359	\$ 75,197
Prepaid expenses	-	4,000	(4,000)
Receivables	38,335	118,332	(79,997)
Total Current Assets	<u>294,891</u>	<u>303,691</u>	<u>(8,800)</u>
Noncurrent Assets			
Fixed Assets	98,215	98,215	-
Accumulated depreciation	<u>(93,339)</u>	<u>(90,343)</u>	<u>(2,996)</u>
Total Noncurrent Assets	<u>4,876</u>	<u>7,872</u>	<u>(2,996)</u>
Total Assets	<u>\$ 299,767</u>	<u>\$ 311,563</u>	<u>\$ (11,796)</u>
Liabilities			
Accounts payable and accrued compensation	\$ 34,713	\$ 38,960	\$ (4,247)
Current portion of lease payable	-	-	-
Longterm portion of lease payable	<u>-</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>\$ 34,713</u>	<u>\$ 38,960</u>	<u>\$ (4,247)</u>
Net Assets			
Invested in capital assets	4,876	7,872	(2,996)
Unrestricted	<u>260,178</u>	<u>264,731</u>	<u>(4,553)</u>
Total Net Position	<u>\$ 265,054</u>	<u>\$ 272,603</u>	<u>\$ (7,549)</u>

The Authority's total revenues were \$304,569. The significant sources of revenue were contributions from JCPD and an operating grant.

Sulphur River Basin Authority
Change in Net Assets

	<u>2020</u>	<u>2019</u>	<u>Change</u>
Program Revenues			
Charges for services	\$ -	\$ -	\$ -
Operating grants	104,245	119,839	(15,594)
General Revenues			-
Intergovernmental revenues	200,000	262,211	(62,211)
Investment income	324	1,088	(764)
Total Revenues	<u>304,569</u>	<u>383,138</u>	<u>(78,569)</u>
Program Expenses			
Contracted services	\$ 71,500	\$ 78,784	\$ (7,284)
Salaries, benefits, and payroll taxes	134,130	106,972	27,158
Supplies	-	17,496	(17,496)
Legal and professional fees	36,350	53,785	(17,435)
Newspaper ads	-	3,220	(3,220)
Insurance and bonds	3,835	4,222	(387)
Travel	13,262	21,629	(8,367)
Office rent	14,100	14,100	-
Office expense	22,028	14,615	7,413
Utilities	5,395	5,058	337
Consultant	8,522	56,986	(48,464)
Loss on disposal	-	1,468	(1,468)
Depreciation	2,996	5,366	(2,370)
Basin Study	-	-	-
Total Expenses	<u>312,118</u>	<u>383,701</u>	<u>(71,583)</u>
Increase (Decrease) in Net Assets	<u>(7,549)</u>	<u>(563)</u>	<u>(6,986)</u>
Beginning Net Position	<u>272,603</u>	<u>273,166</u>	<u>(563)</u>
Ending Net Position	<u>\$ 265,054</u>	<u>\$ 272,603</u>	<u>\$ (7,549)</u>

FINANCIAL ANALYSIS OF THE AUTHORITY'S FUNDS

The General Fund fund balance decreased by (\$7,549). The Clean Rivers fund balance remained unchanged as all expenditures were reimbursed by Texas Commission on Environmental Quality.

General Fund Budgetary Highlights

The Authority did not amend the budget during the year. Actual expenditures were \$95,123 less than the budgeted amounts. The difference is mainly due to incurring less expense on the contingency and consultants.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2020, the Authority had invested \$4,876 in capital assets. Capital assets are being depreciated over their useful lives.

	Sulphur River Basin Authority Capital Asset Activity		
	2019	Net Additions (Reductions)	2020
Equipment	\$ 98,215	-	\$ 98,215
Accumulated depreciation	(90,343)	(2,996)	(93,339)
Net capital assets	<u>\$ 7,872</u>	<u>(2,996)</u>	<u>\$ 4,876</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Several indicators were taken into account when adopting the budgets for 2020-2021. Anticipated revenue for the TCEQ Clean Rivers Program Fund is \$109,934 while budgeted expenditures are also \$109,934.

General fund revenue is budgeted at \$200,000 at this time, however management anticipates SRBA will receive contributions in the near future to cover any budget deficit. Total budgeted expenditures are \$300,000. A contingency amount of \$29,975 is in the General Fund budget.

In accordance with Sunset Requirements and SRBA's strategic plan, SRBA is instructed to seek both local and diverse funding sources to provide for operational funding. Management is actively seeking funding and project-partners in the Sulphur Basin of which the SRBA has authority and control.

Additionally, SRBA is not required to refund any existing balances from prior agreements with JCPD. Therefore, overage funds receivable through the previous JCPD agreement, belong to the Authority for future dealings.

SRBA will efficiently utilize current revenue and continue to reach out to other funding sources to necessarily cover any deficit in the Authority's budget for FY2021.

The former 2013 funding agreement and its subsequent amendments expired on August 31, 2019, pursuant to its terms and are not dispositive on future matters. The current funding agreement, effective September 1, 2019, controls and supersedes the former agreement, with the exception of the rights of each Party to participate in any project pursuant to Article VI of the former funding agreement (See 2.1 of current agreement).

The current funding agreement requires the Funding Parties to collectively make a contribution in the amount of \$200,000 to the Authority for the initial term of the agreement and for each successive one-year term (See 3.1). There is no provision requiring the Authority to refund any unused funds to a Funding Party at the end of any one-year term of the agreement, or at any other time during the term of the agreement or upon expiration of the agreement, even if a Funding Party withdraws from the agreement. In fact, Section 5.2 states that "a Withdrawing Party forfeits all of its contributions to the Authority, which shall not be refunded by the Authority." This provision makes clear that once a contribution is made by a Funding Party to the Authority, no part of it is refundable. The sole provision in the funding agreement that allows for a refund to a Funding Party is in the unique circumstance of a late-executing Funding Party who joins the agreement after its automatic one-year extension.

In that case, the contributions of existing Funding Parties may be adjusted to allow for the late-executing party's contribution, resulting in a refund to existing parties.

Therefore, it is the legal opinion of the Authority's attorney that SRBA is not required to refund the overages from the previous agreement.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Authority's Administrative Office at (903) 223-7887.

BASIC FINANCIAL STATEMENTS

**SULPHUR RIVER BASIN AUTHORITY
STATEMENT OF NET POSITION
AUGUST 31, 2020**

	<u><i>Governmental Activities</i></u>
ASSETS	
Cash	\$ 256,556
JCPD funding receivable	10,000
Due from the state of Texas	28,335
Prepaid expenses	-
Capital assets, net of accumulated depreciation	<u>4,876</u>
TOTAL ASSETS	<u><u>\$ 299,767</u></u>
 LIABILITIES	
Accounts payable	<u>34,713</u>
TOTAL LIABILITIES	<u><u>\$ 34,713</u></u>
 NET POSITION	
Invested in capital assets	4,876
Unrestricted net position	<u>260,178</u>
TOTAL NET POSITION	<u><u>\$ 265,054</u></u>

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

**SULPHUR RIVER BASIN AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020**

Functions/Programs	<u>Expenses</u>	<u>Program Revenues</u>		<i>Net (Expense)</i>
		<i>Charges for</i>	<i>Operating</i>	<i>Revenue and</i>
		<i>Services</i>	<i>Grants and</i>	<i>Changes in</i>
			<i>Contributions</i>	<i>Net Position</i>
				<i>Governmental</i>
				<i>Activities</i>
Governmental activities:				
Contracted services	\$ 71,500	\$ -	\$ 71,500	\$ -
Legal & professional	36,350	-	-	(36,350)
Salaries, benefits, and payroll taxes	134,130	-	16,740	(117,390)
Insurance and bonds	3,835	-	-	(3,835)
Travel	13,262	-	266	(12,996)
Office rent	14,100	-	-	(14,100)
Office expense	22,028	-	15,739	(6,289)
Newspaper ads & Ad/P.R.	-	-	-	-
Utilities	5,395	-	-	(5,395)
Consultants	8,522	-	-	(8,522)
Depreciation	2,996	-	-	(2,996)
Loss on disposition of asset	-	-	-	-
Total governmental activities	<u>\$ 312,118</u>	<u>\$ -</u>	<u>\$ 104,245</u>	<u>\$ (207,873)</u>
Total primary government	<u>\$ 312,118</u>	<u>\$ -</u>	<u>\$ 104,245</u>	<u>\$ (207,873)</u>

General Revenues:

Interest income	324
JCPD revenue	200,000
Total general revenues	<u>200,324</u>
Change in net position	(7,549)
Net position beginning of year	<u>272,603</u>
Net position end of year	<u>\$ 265,054</u>

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

SULPHUR RIVER BASIN AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2020

	<i>General Fund</i>	<i>Clean Rivers Program 9/19-8/20</i>	<i>Total Governmental Funds</i>
ASSETS			
Cash	256,556	\$ -	\$ 256,556
JCPD funding receivable	10,000	-	10,000
Due from the state of Texas	-	28,335	28,335
Prepaid expenses	-	-	-
Interfund receivable	9,935	-	9,935
TOTAL ASSETS	<u>276,491</u>	<u>28,335</u>	<u>304,826</u>
LIABILITIES			
Accounts payable	12,561	18,400	\$ 30,961
Payroll liabilities	3,752	-	3,752
Interfund payable	-	9,935	9,935
TOTAL LIABILITIES	<u>16,313</u>	<u>28,335</u>	<u>44,648</u>
FUND BALANCES			
Unassigned	\$ 260,178	\$ -	\$ 260,178
TOTAL FUND BALANCES	<u>260,178</u>	<u>-</u>	<u>260,178</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 276,491</u>	<u>\$ 28,335</u>	<u>\$ 304,826</u>

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

**SULPHUR RIVER BASIN AUTHORITY
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
FOR THE YEAR ENDED AUGUST 31, 2020**

Total fund balances - governmental funds balance sheet \$ 260,178

Fixed assets, net of dispositions and net of accumulated depreciation is added
to fund balance 4,876

Government-Wide Net Position \$ 265,054

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

SULPHUR RIVER BASIN AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED AUGUST 31, 2020

	<i>General Fund</i>	<i>Clean Rivers Program 9/19-8/20</i>	<i>Total Governmental Funds</i>
Revenue			
Intergovernmental	\$ 200,000	\$ 104,245	\$ 304,245
Investment income	324	-	324
Total Revenue	<u>200,324</u>	<u>104,245</u>	<u>304,569</u>
Expenditures			
Current			
Contracted services	-	71,500	71,500
Salaries, benefits, and payroll taxes	117,390	16,740	134,130
Legal and professional fees	36,350	-	36,350
Newspaper ads	-	-	-
Insurance and bonds	3,835	-	3,835
Travel	12,996	266	13,262
Office rent	14,100	-	14,100
Office expense	6,289	15,739	22,028
Utilities	5,395	-	5,395
Consultant	8,522	-	8,522
Capital outlay	-	-	-
Total Expenditures	<u>204,877</u>	<u>104,245</u>	<u>309,122</u>
Excess (deficiency) of revenue over expenditures	<u>(4,553)</u>	<u>-</u>	<u>(4,553)</u>
Net change in fund balance	(4,553)	-	(4,553)
Fund Balances, Beginning of Year	<u>264,731</u>	<u>-</u>	<u>264,731</u>
Fund Balances, End of Year	<u>\$ 260,178</u>	<u>\$ -</u>	<u>\$ 260,178</u>

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

**SULPHUR RIVER BASIN AUTHORITY
RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2020**

Net change in fund balances - total governmental funds	\$ (4,553)
Depreciation expense is not charged in the fund financial statements but is considered an expense of the government-wide financial statements. The net effect of current year depreciation expense and loss on assets is to decrease net assets.	<u>(2,996)</u>
Change in Government-Wide Net Position	<u>\$ (7,549)</u>

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

**SULPHUR RIVER BASIN AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020**

Note A - Summary of Significant Accounting Policies

The financial statements of Sulphur River Basin Authority (the "Authority") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

The Reporting Entity

The Sulphur River Basin Authority was established by the 69th Texas Legislature pursuant to Senate Bill No. 5 in June of 1985. The Authority operates under the general laws of the State of Texas that are applicable to the Authority.

The governing body of the Sulphur River Basin Authority is composed of seven members. The Governor with the advice and consent of the Senate appoints the members of the Board. Two members of the Board are appointed from each of the three regions of the Authority with one additional at large member. Each member of the board must be a qualified elector and a resident of a county in the region for which he or she is appointed. Each member serves a term of six years or until a successor is appointed.

The Authority's function is to provide conservation and development of the state's natural resources within the Sulphur River basin.

The Authority's basic financial statements include the accounts of all its operations. The Authority has evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the Authority's reporting entity, as set forth in GASB literature include whether: 1) is the organization legally separate (can it sue or be sued in its name), 2) the Authority holds the corporate powers over the organization, 3) does the Authority appoint a voting majority of the organization's board, 4) can the Authority impose its will on the organization, 5) does the organization have the potential to impose a financial benefit or burden on the Authority, 6) is there a fiscal dependency by the organization on the Authority, or 7) would the exclusion of the organization result in misleading or incomplete financial statements.

The Authority has no component units. Additionally, the Authority is not a component unit of any other reporting entity as defined by the GASB literature.

Basis of Presentation

Government-wide Statements: The statement of net assets and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. Governmental activities generally are financed through intergovernmental revenues and other non-exchange transactions. The statement of activities presents a comparison between direct expenses and program revenues for each function of the Authority's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include grants and contributions that are restricted

**SULPHUR RIVER BASIN AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020**

Basis of Presentation – continued

to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including contributions from Water Districts, miscellaneous income, and investment income, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Authority's funds, with separate statements for each fund category. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column.

The Authority reports the following major governmental funds:

General Fund: This is the Authority's primary operating fund. It accounts for all financial resources of the Authority except those required to be accounted for in another fund.

Special Revenue Funds: These funds are used to account for resources restricted to, or designated for, specific purposes by a grantor. Federal and state financial assistance generally is accounted for in a Special Revenue Fund. Normally, unused balances are returned to the grantor at the close of specified project periods. The Texas Clean Rivers Program (CRP) is accounted for in this fund. The CRP is a surface water quality monitoring, assessment, and public outreach program. The program provides the opportunity to identify and evaluate water quality issues within each Texas river basin at the local and regional level. The Authority contracts with the TCEQ for reimbursement of the actual costs of administering and implementing the Clean Rivers Program within Sulphur River basin.

Measurement Focus, Basis of Accounting

Government-wide Financial Statements: These financial statements are reported using the economic resources measurement focus. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Authority gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants, entitlements, and donations. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred. Capital asset acquisitions are reported as expenditures in governmental funds.

When the Authority incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the Authority's policy to use restricted resources first, then unrestricted resources.

**SULPHUR RIVER BASIN AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020**

Property Taxes

Under the enabling act, the Authority has no taxing authority.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repair that do not add to the value of the asset or materially extend assets' lives are not capitalized.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Office Equipment	5
Computer Equipment	5

Receivable and Payable Balances

The Authority believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year-end.

At August 31, 2020, the North Texas Municipal Water District owed the Authority \$10,000 for the 2019-2020 fiscal year funding contract. This amount was paid in September 2020.

Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are eliminated in the government-wide financial statements. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires the use of management's estimates. Actual results may differ from the estimates.

Budgetary Data

The following procedures are to be followed in establishing the budgetary data reflected in the basic financial statements:

**SULPHUR RIVER BASIN AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020**

Budgetary Data-continued

- a. Prior to the beginning of the fiscal year, the Authority prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Board of Directors is then called for the purpose of adopting the proposed budget.
- c. Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the Board of Directors.

Once a budget is approved, it can be amended only by approval of a majority of the members of the Board of Directors. As required by law, such amendments are made before the fact, are reflected in the official minutes of the Board of Directors and are not made after fiscal year end. During the year, the budget was not amended. All budget appropriations lapse at year-end.

Note B - Deposits and Investments

Custodial Credit Risk for Deposits

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.

At August 31, 2020, the carrying amount of the Authority's deposits (cash and certificates of deposit) was \$256,556 and the bank balances were \$259,716. Cash of \$250,000 on deposit in local banks was covered by FDIC insurance and \$9,716 was covered by pledged securities.

Concentration of Credit Risk

Generally, the Authority may invest idle funds in direct obligations guaranteed by the federal government and certificates of deposit which are fully secured by federal deposit insurance and a pledge of securities or in other securities authorized by the Public Funds Investment Act, Chapter 2256 of the Texas Government Code.

At August 31, 2020 the Authority had no investments. The Authority's investment practices, management reports, and establishment of appropriate policies adhered to the requirements of the Public Funds Investment Act ("Act").

**SULPHUR RIVER BASIN AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020**

Note C – Capital Assets

Capital asset activity for the period ended August 31, 2020 was as follows:

	Beginning Balances	Additions	Deletions	Ending Balances
Equipment	98,214	-	-	98,214
Total equipment	98,214	-	-	98,214
Accumulated Depreciation	(90,342)	(2,996)	-	(93,338)
Capital Assets, net	<u>\$ 7,872</u>	<u>\$ (2,996)</u>	<u>\$ -</u>	<u>\$ 4,876</u>

Note D - Interfund Balances and Activity

At August 31, 2020, the Clean Rivers Fund owed the General Fund \$9,935 for advances received, which has been submitted to the Texas Commission on Environmental Quality for reimbursement of expenses incurred by the Clean Rivers Fund.

Note E - Risk Management

The Authority is exposed to various risks of loss related to torts, theft, damage, or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2019-2020, the Authority purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for any of the past three fiscal years.

Note F- Pension Plan

The Authority's pension plan is a SIMPLE IRA Plan established under sections 408(a) and 409(p) of the Internal Revenue Code for the exclusive benefit of the Depositor or his or her beneficiaries.

Plan members are required to contribute 7% of their annual covered salary. The Authority is required to contribute 3% of annual covered payroll. The Authority's contribution to the plan for the year ending August 31, 2020, was \$3,629 which was equal to the required contributions for the year.

Note G – Commitment, Contingencies, Economic Dependence

The Authority participates in a partnership program, accounted for in the General Fund, which is governed by a partnership agreement between the Authority and the Upper Trinity Regional Water District, the Tarrant Regional Water District, the North Texas Municipal Water District, the City of Irving, Texas and the City of Dallas, Texas (JCPD). The partnership agreement called for a five year time period from May 28, 2013 for water resource planning, after which time the agreement could be continued up to five years by the mutual agreement of the parties. The Authority originally was in partnership with Upper Trinity Regional Water District, Tarrant Regional Water District, North Texas Municipal Water District, and City of Irving for water resource planning. That agreement began in 2001 and those partners contributed more the \$8.1 million to the Authority prior August 31, 2020.

**SULPHUR RIVER BASIN AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020**

Note G – Commitment, Contingencies, Economic Dependence-continued

The parties agreed to advance fund the annual operations of the Authority based on the approved annual budget in the following amounts: Upper Trinity Regional Water District, 6%; Tarrant Regional Water District, 30%; North Texas Municipal Water District, 30%; City of Irving, Texas, 5%; City of Dallas, Texas, 29%.

As of September 1, 2020, this contract became null and void. A new contract was entered into by the partners and SRBA. The new contract calls for the partners to contribute \$200,000 to the Authority for the administration, management, and operations of the Authority. The partners who sign the new agreement will split the contribution amount equally. The Authority may incur additional expenses for Water Resources Planning which could be funded by one or more of the partners through additional agreements. As of the date of this report, three of the five original partners had signed the new agreement. The Authority is economically dependent on the partnership for funding.

In February 2005, the Authority entered into an agreement with the Department of the Army for the feasibility study of the Sulphur River watershed project. The Department of the Army and the Authority agreed to split the costs of the feasibility study fifty-fifty. In April 2012, the Department of the Army and the Authority amended the agreement so that the Authority could accelerate its provision of funds so the feasibility study could begin. As part of this contract, the Authority issued the Department of the Army \$300,000 as of August 31, 2015. After 2014, certain studies conducted by the Authority will serve as in kind contribution to the Authority's 50% portion.

The Authority continues its participation in the feasibility study with the U.S. Army Corps of Engineers. SRBA, as the local partner, and on behalf of the funding sponsors of the project, sent a letter to the assistant secretary of the army in the civil division requesting an official opinion about whether to carry out the feasibility study due to recent decisions in the state not to reallocate from flood-storage to water supply (i.e. Aquilla Reservoir). The official opinion from the Assistant Secretary of the Army (Civil) encouraged the Authority to complete the study and carry out the remaining steps of the Tentatively Selected Plan. The Authority anticipates moving forward with the study in 2021.

Note H - Due From Other Governments

The Authority participates in grant programs accounted for in the Special Revenue Fund which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Authority has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the Authority, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

The Authority participates in a state program from which it receives grants to partially or fully finance certain activities. Amounts due from the state of Texas as of August 31, 2020 are reported on the Government-Wide and Fund Financial Statements. The amount due at August 31, 2020 was \$28,335.

**SULPHUR RIVER BASIN AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2020**

Note I - Board Members

Members of the board are as follows:

<u>Region - Counties</u>	<u>Board Members</u>	<u>Term Expires</u>
Region I - Bowie & Red River Counties	Kelly Mitchell	2/1/2023
	Gary Cheatwood	2/1/2023
Region II - Cass, Franklin, Hunt, Morris, & Titus	Kirby Hollingsworth	2/1/2021
	Chris Spencer	2/1/2023
Region III - Delta, Hopkins, & Lamar	Reeves Hayter	2/1/2025
	Wallace Kraft, II	2/1/2025
At Large	Bret McCoy	2/1/2021

Per the Governor of Texas, the board members with expired terms continue as an active board member until someone is appointed to that position.

Note J – Legislation

Texas House Bill 2180 was enacted by the 85th Texas Legislature. This bill related specifically to Sulphur River Basin Authority. The Authority is subject to review under Chapter 325, Government Code (Texas Sunset Act), but may not be abolished under that chapter. The review shall be conducted under Section 325.025, Government Code, as if the authority were a state agency scheduled to be abolished September 1, 2029, and every 12th year after that year. The bill was effective September 1, 2017.

Note K – Commitments

There were no commitments as of August 31, 2020.

Note L - Subsequent Events

Management has evaluated subsequent events through the date of this report which is the date the financial were available to be issued which was December 7, 2020.

On March 13, 2020, Texas Governor Greg Abbott declared Texas in a state of disaster as a result of the COVID-19 pandemic. The pandemic will most probably have a significant effect on governmental and private entities. The extent of the effect cannot, at this time, be estimated or quantified.

REQUIRED SUPPLEMENTAL INFORMATION

SULPHUR RIVER BASIN AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2020

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with</i>
	<i>Original</i>	<i>Final</i>		<i>Final Budget</i>
				<i>Positive</i>
				<i>(Negative)</i>
Revenue				
Intergovernmental	\$ -	\$ -	200,000	\$ 200,000
Investment income	-	-	324	324
Total Revenue	-	-	200,324	200,324
Expenditures				
Current				
Salaries, benefits, and payroll taxes	149,025	149,025	117,390	31,635
Legal and professional fees	58,000	58,000	36,350	21,650
Newspaper ads & Ad/P.R.	1,000	1,000	-	1,000
Insurance and bonds	6,000	6,000	3,835	2,165
Travel	20,000	20,000	12,996	7,004
Office rent	15,000	15,000	14,100	900
Office expense	10,000	10,000	6,289	3,711
Utilities	11,000	11,000	5,395	5,605
Basin Study	-	-	-	-
Consultants	-	-	8,522	(8,522)
Contingency	29,975	29,975	-	29,975
Capital Outlay	-	-	-	-
Total Expenditures	300,000	300,000	204,877	95,123
Excess (deficiency) of revenue over expenditures	(300,000)	(300,000)	(4,553)	295,447
Net change in fund balance	(300,000)	(300,000)	(4,553)	295,447
Fund Balances, Beginning of Year	264,731	264,731	264,731	-
Fund Balances, End of Year	\$ (35,269)	\$ (35,269)	\$ 260,178	\$ 295,447

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

SULPHUR RIVER BASIN AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - CLEAN RIVERS PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2020

	<i>Budgeted Amounts</i>		<i>Actual</i>	<i>Variance with Final Budget Positive (Negative)</i>
	<i>Original</i>	<i>Final</i>		
Revenue				
Intergovernmental	\$ 106,797	\$ 106,797	\$ 104,245	\$ (2,552)
Total Revenue	<u>106,797</u>	<u>106,797</u>	<u>104,245</u>	<u>(2,552)</u>
Expenditures				
Current				
Contracted services	73,250	73,250	71,500	1,750
Salaries, benefits, and payroll taxes	15,000	15,000	16,740	(1,740)
Travel	500	500	266	234
Office expense	18,047	18,047	15,739	2,308
Capital outlay	-	-	-	-
Total Expenditures	<u>106,797</u>	<u>106,797</u>	<u>104,245</u>	<u>2,552</u>
Excess (deficiency) of revenue over expenditures	-	-	-	-
Fund Balances, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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