

***SULPHUR RIVER BASIN AUTHORITY
FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023***

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
Emily Glass	At Large	Director



WILF & HENDERSON, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Member of American Institute of Certified Public Accountants
Member of Private Company Practice Section
Member of AICPA Governmental Audit Quality Center

INDEPENDENT AUDITOR'S REPORT

November 14, 2023

To the Board of Directors
Sulphur River Basin Authority
Texarkana, Texas 75501

Opinions

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, 2023, and the related notes to the financial statements, which collectively comprise the Sulphur River Basin 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 and each major fund of the Sulphur River Basin Authority, as of August 31, 2023, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Sulphur River Basin 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 opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 Sulphur River Basin 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 opinion. 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 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, 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 Sulphur River Basin 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 Sulphur River Basin 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 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 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 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.



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

MANAGEMENT'S DISCUSSION & ANALYSIS

***SULPHUR RIVER BASIN AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2023***

This section of the Sulphur River Basin Authority's annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ended August 31, 2023. Please read it in conjunction with the financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The Authority's total combined net position was \$401,613 at August 31, 2023. This was an increase of \$51,668 or 15%. The Authority received the same funding from the partners and other contributors.
- During the year, the Authority's revenue exceeded expenses by \$51,668.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of four 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 fund 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 position 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 expenses are included here, such as salaries, legal and professional fees, and office rent. General revenue from the partners 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, rather than 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.

**SULPHUR RIVER BASIN AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2023**

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 balance remaining at year-end that is 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 on the following page, that explains the relationship (or differences) between them.

FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE

The Authority's combined net position was \$401,613 at August 31, 2023 and \$349,945 at August 31, 2022.

	NET POSITION		
	2023	2022	Change
Current Assets			
Cash	\$ 190,512	\$ 344,129	\$ (153,617)
Certificates of Deposit	203,411	-	203,411
Due from the State of Texas	25,308	21,555	3,753
Due from Other Governments	9,000	1,000	8,000
Prepaid Expenses	2,168	2,185	(17)
Total Current Assets	430,399	368,869	61,530
Noncurrent Assets			
Fixed Assets	1,200	1,200	-
Accumulated Depreciation	(626)	(386)	(240)
Total Noncurrent Assets	574	814	(240)
Total Assets	\$ 430,973	\$ 369,683	\$ 61,290
Liabilities			
Accounts Payable and Accrued Wages	\$ 29,360	\$ 19,738	\$ 9,622
Total Liabilities	\$ 29,360	\$ 19,738	\$ 9,622
Net Position			
Net Investment in Capital Assets	\$ 574	\$ 814	\$ (240)
Unrestricted	401,039	349,131	51,908
Total Net Position	\$ 401,613	\$ 349,945	\$ 51,668

**SULPHUR RIVER BASIN AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2023**

The Authority's total revenues were \$357,398. The significant sources of revenue were contributions from the partners and an operating grant.

STATEMENT OF ACTIVITIES

	<u>2023</u>	<u>2022</u>	<u>Change</u>
Program Revenues			
Operating Grants	\$ 118,474	\$ 98,565	\$ 19,909
General Revenues			
Partnership Income	234,000	234,000	-
Investment Income	4,924	316	4,608
Loss on Disposal of Assets	-	(2,796)	2,796
Total Revenues	<u>357,398</u>	<u>330,085</u>	<u>27,313</u>
Program Expenses			
Advertising	7,258	-	7,258
Basin Study	13,035	1,085	11,950
Contracted Services	88,053	67,430	20,623
Consultants	35,500	71,000	(35,500)
Depreciation	240	240	-
Insurance and Bonds	4,277	3,537	740
Legal and Professional Fees	18,790	23,986	(5,196)
Office Expense	31,477	30,079	1,398
Office Rent	14,100	14,100	-
Salaries, Benefits, and Payroll Taxes	73,958	75,092	(1,134)
Travel	15,021	16,736	(1,715)
Utilities	4,021	7,513	(3,492)
Total Expenses	<u>305,730</u>	<u>310,798</u>	<u>(5,068)</u>
Increase (Decrease) in Net Position	51,668	19,287	32,381
Net Position, Beginning	<u>349,945</u>	<u>330,658</u>	<u>19,287</u>
Net Position, Ending	<u><u>\$ 401,613</u></u>	<u><u>\$ 349,945</u></u>	<u><u>\$ 51,668</u></u>

FINANCIAL ANALYSIS OF THE AUTHORITY'S FUNDS

The General fund balance increased by \$51,908. The Clean Rivers fund balance remained unchanged as all expenditures were reimbursed by the Texas Commission on Environmental Quality.

General Fund Budgetary Highlights

The Authority did not amend the budget during the year. Actual expenditures were \$46,984 less than the budgeted amounts. The difference is mainly due to incurring less expense on salaries, travel, and basin study expenses.

**SULPHUR RIVER BASIN AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2023**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At August 31, 2023, the Authority had invested \$574 in capital assets. Capital assets are being depreciated over their useful lives.

CAPITAL ASSET ACTIVITY

	2022	Net Additions (Reductions)	2023
Equipment	\$ 1,200	\$ -	\$ 1,200
Accumulated Depreciation	(386)	(240)	(626)
Net Capital Assets	<u>\$ 814</u>	<u>\$ (240)</u>	<u>\$ 574</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

Several indicators were taken into account when adopting the budgets for 2023-2024. Anticipated revenue for the Clean Rivers Fund is \$118,233 while budgeted expenditures are also \$118,233.

General Fund revenue is budgeted at \$242,000 at this time. Total budgeted expenditures are \$220,286. There is no contingency amount in the General Fund budget.

The Authority's current funding agreement effective September 1, 2019, requires the Funding Parties (the partners) 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 "the 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 the Sulphur River Basin Authority is not required to refund the overages from the previous agreement.

In accordance with Sunset Requirements and Sulphur River Basin Authority's strategic plan, the Authority is instructed to seek both local and diverse funding sources to provide for operational funding. Management found additional funding from local cities and counties in the prior year that will continue for several following years.

The Authority has agreements with 3 municipalities to receive funding to help the Authority perform the functions for which it was created and to continue to benefit the citizens of those cities and counties through its water quality protection and water planning activities.

***SULPHUR RIVER BASIN AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED AUGUST 31, 2023***

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, 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 Sulphur River Basin Authority's Administrative Office at (903) 223-7887.

FINANCIAL STATEMENTS

SULPHUR RIVER BASIN AUTHORITY
STATEMENT OF NET POSITION
AUGUST 31, 2023

	Governmental Activities
Current Assets	
Cash	\$ 190,512
Certificates of Deposit	203,411
Due from the State of Texas	25,308
Due from Other Governments	9,000
Prepaid Expenses	2,168
Total Current Assets	<u>430,399</u>
Capital Assets	
Equipment, Net	574
Total Capital Assets	<u>574</u>
Total Assets	<u><u>\$ 430,973</u></u>
Current Liabilities	
Accounts Payable	\$ 28,510
Accrued Wages	850
Total Current Liabilities	<u>29,360</u>
Total Liabilities	<u><u>\$ 29,360</u></u>
Net Position	
Net Investment in Capital Assets	\$ 574
Unrestricted	401,039
Total Net Position	<u><u>\$ 401,613</u></u>

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

SULPHUR RIVER BASIN AUTHORITY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2023

	Primary Government				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	
Governmental Activities					
Advertising	\$ 7,258	\$ -	\$ -	\$ -	\$ (7,258)
Basin Study	13,035	-	-	-	(13,035)
Contracted Services	88,053	-	88,053	-	-
Consultants	35,500	-	-	-	(35,500)
Depreciation	240	-	-	-	(240)
Insurance and Bonds	4,277	-	-	-	(4,277)
Legal and Professional	18,790	-	-	-	(18,790)
Office Expense	31,477	-	19,416	-	(12,061)
Office Rent	14,100	-	-	-	(14,100)
Salaries, Benefits, and Payroll Taxes	73,958	-	11,005	-	(62,953)
Travel	15,021	-	-	-	(15,021)
Utilities	4,021	-	-	-	(4,021)
Total Governmental Activities	305,730	-	118,474	-	(187,256)
Total Primary Government	\$ 305,730	\$ -	\$ 118,474	\$ -	\$ (187,256)
General Revenues					
Interest Income					\$ 4,924
Partnership Income					234,000
Total General Revenues					238,924
Change in Net Position					51,668
Net Position, Beginning					349,945
Net Position, Ending					\$ 401,613

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

SULPHUR RIVER BASIN AUTHORITY
BALANCE SHEET - GOVERNMENTAL FUNDS
AUGUST 31, 2023

	<u>General Fund</u>	<u>Clean Rivers Program</u>	<u>Total Governmental Funds</u>
Current Assets			
Cash	\$ 190,512	\$ -	\$ 190,512
Certificates of Deposit	203,411	-	203,411
Due from the State of Texas	-	25,308	25,308
Due from Other Governments	9,000	-	9,000
Prepaid Expenses	2,168	-	2,168
Interfund Receivable	4,495	-	4,495
Total Current Assets	<u>409,586</u>	<u>25,308</u>	<u>434,894</u>
 Total Assets	 <u><u>\$ 409,586</u></u>	 <u><u>\$ 25,308</u></u>	 <u><u>\$ 434,894</u></u>
 Current Liabilities			
Accounts Payable	\$ 7,697	\$ 20,813	\$ 28,510
Accrued Wages	850	-	850
Interfund Payable	-	4,495	4,495
Total Current Liabilities	<u>8,547</u>	<u>25,308</u>	<u>33,855</u>
 Total Liabilities	 <u><u>\$ 8,547</u></u>	 <u><u>\$ 25,308</u></u>	 <u><u>\$ 33,855</u></u>
 Fund Balance			
Unassigned	\$ 401,039	\$ -	\$ 401,039
 Total Fund Balance	 <u><u>\$ 401,039</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 401,039</u></u>

The accompanying notes 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, 2023***

Total Government Fund Balance	\$ 401,039
Fixed assets, net of dipositions and accumulated depreciation is added to the fund balance.	<u>574</u>
Government-Wide Net Position	<u><u>\$ 401,613</u></u>

The accompanying notes 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, 2023

	General Fund	Clean Rivers Program	Total Governmental Funds
Revenue			
Partnership Income	\$ 234,000	\$ -	\$ 234,000
TCEQ Income	-	118,474	118,474
Investment Income	4,924	-	4,924
Total Revenues	<u>238,924</u>	<u>118,474</u>	<u>357,398</u>
Expenditures			
Advertising	7,258	-	7,258
Basin Study	13,035	-	13,035
Contracted Services	-	88,053	88,053
Consultant	35,500	-	35,500
Insurance and Bonds	4,277	-	4,277
Legal and Professional Fees	18,790	-	18,790
Office Expense	12,061	19,416	31,477
Office Rent	14,100	-	14,100
Salaries, Benefits, and Payroll Taxes	62,953	11,005	73,958
Travel	15,021	-	15,021
Utilities	4,021	-	4,021
Total Expenditures	<u>187,016</u>	<u>118,474</u>	<u>305,490</u>
Net Change in Fund Balance	51,908	-	51,908
Fund Balance, Beginning	349,131	-	349,131
Fund Balance, Ending	<u><u>\$ 401,039</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 401,039</u></u>

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

***SULPHUR RIVER BASIN AUTHORITY
RECONCILIATION OF GOVERNMENT FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALNCE TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2023***

Net Change in Governmental Fund Balance	\$ 51,908
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>240</u>
Change in Government-wide Net Position	<u><u>\$ 51,668</u></u>

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

***SULPHUR RIVER BASIN AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023***

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the 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 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 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 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 Financial 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 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.

Clean River Fund – The Texas Clean Rivers Program (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 the Sulphur River basin.

SULPHUR RIVER BASIN AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 are recognized in the fiscal year in which 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.

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:

Computer Equipment	5 years
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Receivable & 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 past the year end.

**SULPHUR RIVER BASIN AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 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:

- 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.
- A meeting of the Board of Directors is then called for the purpose of adopting the proposed budget.
- Prior to the start of the fiscal year, the budget is legally enacted through passage of a resolution by the Board of Directors.

Formal budgetary integration is employed as a management control device during the year for the general fund. This budget is adopted on a basis consistent with generally accepted accounting principles. Once approved, the Authority may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations.

The budgets for the general fund and special revenue fund operations are prepared on the cash basis. Revenues are budgeted in the year receipt is expected; and expenditures are budgeted in the year the applicable purchase orders are expected to be issued. The budget and actual financial statements are reported on this basis.

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.

Leases

GASB Statement 87, *Leases*, issued June 2017 was adopted for the year ending August 31, 2022. The scope of this statement addresses accounting and financial reporting for leases by governments. The Authority did not participate in any such leases; there are no such amounts recorded in the financial statements.

SULPHUR RIVER BASIN AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

New Accounting Pronouncement

GASB Statement 96, *Subscription-Based Information Technology Arrangements*, issued May 2020 was adopted for the year ending August 31, 2023. The scope of this statement addresses accounting and financial reporting for SBITAs by governments. A SBITA is defined as a contract that conveys control of the right to use another party's information technology software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. This Statement provides an exception for short-term SBITAs. Short-term SBITAs have a maximum possible term under the SBITA contract of 12 months (or less), including any options to extend, regardless of their probability of being exercised. Subscription payments for short-term SBITAs should be recognized as outflows of resources. The Authority did not participate in any arrangements other than short-term; accordingly, no assets, liabilities, or disclosures necessary.

NOTE B – DEPOSITS & 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, 2023, the carrying amount of the Authority's deposits (cash and certificates of deposit) was \$393,923 and the bank balances were \$396,822. Cash of \$250,000 on deposit in local banks was covered by FDIC insurance \$146,822 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 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, 2023 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.

NOTE C – CAPITAL ASSETS

Capital asset activity for the period ended August 31, 2023 was as follows:

	<u>Beginning</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending</u>
Equipment	1,200	-	-	1,200
Accumulated Depreciation	(386)	(240)	-	(626)
Total Fixed Assets	<u>814</u>	<u>(240)</u>	<u>-</u>	<u>574</u>

***SULPHUR RIVER BASIN AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023***

NOTE D – INTERFUND BALANCE AND ACTIVITY

At August 31, 2023, the Clean Rivers Fund owed the General Fund \$4,495 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 2022-2023, 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, 2023, was \$2,009 which was equal to the required contributions for the year.

NOTE G – COMMITMENT, CONTINGENCIES, AND 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 North Texas Municipal Water District, and the City of Irving, Texas. As of September 1, 2019, a new contract was entered into by the partners and Sulphur River Basin Authority. 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. The partnership income accounted for 98% of the general fund's income. The Authority is economically dependent on the partnership agreement.

The Authority has agreements with 3 other governments (Talco, Texas; Sulphur Springs, Texas; and Franklin County, Texas) to receive funding to help the Authority perform the functions for which it was created and to continue to benefit the citizens of those cities and counties through its water quality protection and water planning activities. Talco, Texas has resolved to contribute \$1,000 to the Authority each year, for five years beginning September 1, 2020. Sulphur Springs, Texas has resolved to contribute \$25,000 to the Authority each year, for five years beginning September 1, 2020. Franklin County, Texas has resolved to contribute \$8,000 to the Authority each year, for five years beginning September 1, 2020. Amounts due from the aforementioned governments as of August 31, 2023 are reported on the government-wide and fund financial statements. At August 31, 2023, the amount due from Talco, Texas was \$1,000; the amount due from Franklin County, Texas was \$8,000.

***SULPHUR RIVER BASIN AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023***

NOTE G – COMMITMENT, CONTINGENCIES, AND ECONOMIC DEPENDENCE (CONTINUED)

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 an 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. As the local partner, and on behalf of the funding sponsors of the project, they 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 2024.

On April 19, 2022, the Authority entered into an agreement with the North Texas Municipal Water District (NTMWD), the Tarrant Regional Water District (TRWD), the Upper Trinity Regional Water District (UTRWD), the City of Dallas, Texas, and the City of Irving, Texas to study and analyze the development of future water supply projects in the Sulphur River Basin, including the yields of such projects consistent with requirements of water rights permitting. The parties have agreed to share the total cost of \$244,000. The Sulphur River Basin Authority has agreed to fund 2% of the project, amounting to a total of \$4,880. As of August 31, 2023, this project is complete.

On October 4, 2021, the Authority entered into an agreement with the North Texas Municipal Water District (NTMWD), the City of Irving, the City of Sulphur Springs, the City of Cooper, and the Upper Trinity Regional Water District (UTRWD) to fund a hydrographic survey of the Jim Chapman Lake. The total estimated cost of the project is \$74,097. Each participating party has agreed to fund a certain percentage of the project. The Sulphur River Basin Authority has agreed to fund 10% of the project, amounting to a total of \$7,410. As of August 31, 2023, this project is complete.

NOTE H – DUE FROM THE STATE OF TEXAS

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, 2023 are reported on the government-wide and fund financial statements. The amount due at August 31, 2023 was \$25,308.

***SULPHUR RIVER BASIN AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED AUGUST 31, 2023***

NOTE I – BOARD MEMBERS

Members of the Board are as follows:

<u>Region - Counties</u>	<u>Board Member</u>	<u>Term Expires</u>
Region I - Bowie & Red River	Kelly Mitchell	2/1/2023
	Gary Cheatwood	2/1/2023
Region II - Cass, Franklin, Hunt, Morris, & Titus	Kirby Hollingsworth	2/1/2027
	Chris Spencer	2/1/2023
Region III - Delta, Hopkins, & Lamar	Reeves Hayter	2/1/2025
	Wallace Kraft, II	2/1/2025
At Large	Emily Glass	2/1/2027

Per the Governor of Texas, the board members with expired terms continue as an active board members until someone is appointed to that position. The members whose terms have expired are waiting on re-appointment.

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 other than those described in Note G as of August 31, 2023.

NOTE L – SUBSEQUENT EVENTS

Management has evaluated subsequent events through the date of this report which is the date the financial statements were available to be issued which was November 14, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

SULPHUR RIVER BASIN AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCE
BUDGET & ACTUAL - GENERAL FUND
FOR THE YEAR ENDED AUGUST 31, 2023

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenue				
Partnership Income	\$ 234,000	\$ 234,000	\$ 234,000	\$ -
Investment Income	-	-	4,924	4,924
Total Revenue	<u>234,000</u>	<u>234,000</u>	<u>238,924</u>	<u>4,924</u>
Expenditures				
Advertising	817	817	7,258	(6,441)
Basin Study	22,000	22,000	13,035	8,965
Consultant	71,000	71,000	35,500	35,500
Insurance and Bonds	4,900	4,900	4,277	623
Legal and Professional Fees	24,000	24,000	18,790	5,210
Office Expense	10,000	10,000	12,061	(2,061)
Office Rent	14,100	14,100	14,100	-
Salaries, Benefits, and Payroll Taxes	61,183	61,183	62,953	(1,770)
Travel	18,000	18,000	15,021	2,979
Utilities	8,000	8,000	4,021	3,979
Total Expenditures	<u>234,000</u>	<u>234,000</u>	<u>187,016</u>	<u>46,984</u>
Excess (deficiency) of revenue over expenditures	<u>-</u>	<u>-</u>	<u>51,908</u>	<u>51,908</u>
Net Change in Fund Balance	-	-	51,908	51,908
Fund Balance, Beginning	<u>349,131</u>	<u>349,131</u>	<u>349,131</u>	<u>-</u>
Fund Balance, Ending	<u><u>\$ 349,131</u></u>	<u><u>\$ 349,131</u></u>	<u><u>\$ 401,039</u></u>	<u><u>\$ 51,908</u></u>

SULPHUR RIVER BASIN AUTHORITY
STATEMENT OF REVENUES, EXPENDITURES, & CHANGES IN FUND BALANCE
BUDGET & ACTUAL - CLEAN RIVERS PROGRAM
FOR THE YEAR ENDED AUGUST 31, 2023

	<u>Budgeted Amounts</u>			<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Revenue				
TCEQ Income	\$ 99,297	\$ 99,297	118,474	\$ 19,177
Total Revenue	<u>99,297</u>	<u>99,297</u>	<u>118,474</u>	<u>19,177</u>
Expenditures				
Contracted Services	71,000	71,000	88,053	(17,053)
Salaries, Benefits, and Payroll Taxes	10,297	10,297	11,005	(708)
Office Expense	18,000	18,000	19,416	(1,416)
Total Expenditures	<u>99,297</u>	<u>99,297</u>	<u>118,474</u>	<u>(19,177)</u>
Excess (deficiency) of revenue over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	-	-	-
Fund Balance, Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balance, Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>