SABINE RIVER COMPACT ADMINISTRATION

FINANCIAL REPORT

AUGUST 31, 2025

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INDEPENDENT AUDITORS' REPORT

To the Board of Commissioners
Sabine River Compact Administration
States of Texas and Louisiana

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities and each major fund of Sabine River Compact Administration, a component unit of the State of Texas and State of Louisiana, as of and for the years ended August 31, 2025 and 2024, and the related notes to the financial statements, which collectively comprise the Sabine River Compact Administration'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 Sabine River Compact Administration, as of August 31, 2025 and 2024, and the respective changes in financial position, for the years 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 Sabine River Compact Administration 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 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 Sabine River Compact Administration'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.

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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 Sabine River Compact Administration'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 Sabine River Compact Administration'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 on pages 4 and 5 and budgetary comparison information on pages 18 and 19 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 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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sabine River Compact Administration's basic financial statements. The accompanying financial information listed as the schedule of compensation, benefits and other payments to agency head in the table of contents is presented for purposes of additional analysis and is 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 schedule of compensation, benefits and other payments to agency head is 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 October 21, 2025 on our consideration of the Sabine River Compact Administration'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 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 Sabine River Compact Administration'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 Sabine River Compact Administration's internal control over financial reporting and compliance.

Lafayette, Louisiana
October 21, 2025

SABINE RIVER COMPACT ADMINISTRATION

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the Sabine River Compact Administration (SRCA) annual financial report presents a discussion and analysis of SRCA's financial performance during the fiscal years that ended August 31, 2025, 2024 and 2023. Please read this section in conjunction with SRCA's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

SRCA's total assets exceeded total liabilities at the close of the year by $53,416 (net position). Net position overall increased from $52,835 to $53,416 or 1.1% during the year ending August 31, 2025.

SRCA's intergovernmental revenues increased from $55,726 to $56,220 or 0.9%. General governmental expenses increased from $55,038 to $55,779 or 1.3% during the year ending August 31, 2025.

OVERVIEW OF THE FINANCIAL STATEMENTS

The financial report consists of three parts: Management's Discussion and Analysis (this section), the basic financial statements, and the notes to financial statements.

The basic financial statements present information for SRCA as a whole, in a format designed to make the statements easier for the reader to understand. The statements in this section include the statements of net position and the statements of activities.

The statements of net position present the assets and liabilities. The difference between total assets and total liabilities is net position and may provide a useful indicator of whether the financial position of SRCA is improving or deteriorating.

The statements of activities present information showing how SRCA's assets changed as a result of current year operations. Regardless of when cash is affected, all changes in net position are reported when the underlying transactions occur. As a result, transactions are recorded that will not affect cash until future periods.

The financial statements provide information about SRCA's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

SRCA's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned and expenses are recognized in the period in which they are incurred. All assets and liabilities associated with the operation of SRCA are included in the statements of net position.

FINANCIAL ANALYSIS

Net Position

SRCA's total net position increased by $581 or 1.1% for the year ended August 31, 2025, increased by $815 or 1.6% for the year ended August 31, 2024 and increased by $380 or 0.7% for the year ended August 31, 2023. Below is condensed statement of net position information as of August 31, 2025, 2024 and 2023.

SRCA'S STATEMENTS OF NET POSITION

	2025	2024	2023
ASSETS			
Cash	$ 61,170	$ 60,506	$ 58,692
Due from other governments	-	-	625
Total assets	$ 61,170	$ 60,506	$ 59,317
LIABILITIES			
Accounts payable	$ 7,754	$ 7,671	$ 7,297
NET POSITION			
Unrestricted	$ 53,416	$ 52,835	$ 52,020
Total liabilities and net position	$ 61,170	$ 60,506	$ 59,317

Changes in Net Position

The changes in net position for the years ended August 31, 2025, 2024 and 2023 were an increase of $581, an increase of $815, and an increase of $380, respectively. Below is the summary of the changes in net position for the years ending August 31, 2025, 2024 and 2023.

SRCA'S CHANGES IN NET POSITION

	2025	2024	2023
General revenues:			
Intergovernmental	$ 56,220	$ 55,726	$ 53,476
Interest	140	127	139
Total revenues	$ 56,360	$ 55,853	$ 53,615
General government expenses:			
Secretary	$ 4,400	$ 4,400	$ 4,400
Treasurer	1,800	1,800	1,800
Water resource investigation	46,479	45,838	44,035
Audit fees	3,100	3,000	3,000
Total expenses	$ 55,779	$ 55,038	$ 53,235
Change in net position	$ 581	$ 815	$ 380

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

There are currently no known facts, decisions or conditions that are expected to have a significant effect on financial position or results of operations.

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BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

SABINE RIVER COMPACT ADMINISTRATION

STATEMENTS OF NET POSITION
August 31, 2025 and 2024

	2025	2024
ASSETS		
Cash	$ 61,170	$ 60,506
Total assets	$ 61,170	$ 60,506
LIABILITIES		
Accounts payable	$ 7,754	$ 7,671
NET POSITION		
Unrestricted	$ 53,416	$ 52,835
Total liabilities and net position	$ 61,170	$ 60,506

See Notes to Financial Statements.

SABINE RIVER COMPACT ADMINISTRATION

STATEMENTS OF ACTIVITIES
Years Ended August 31, 2025 and 2024

	2025	2024
EXPENSES:		
Governmental activities –		
General government	$ 55,779	$ 55,038
Total governmental activities	$ 55,779	$ 55,038
GENERAL REVENUES:		
Intergovernmental	$ 56,220	$ 55,726
Interest	140	127
Total general revenues	$ 56,360	$ 55,853
Change in net position	$ 581	$ 815
Net position, beginning of the year	52,835	52,020
Net position, end of the year	$ 53,416	$ 52,835

See Notes to Financial Statements.

FUND FINANCIAL STATEMENTS

SABINE RIVER COMPACT ADMINISTRATION

BALANCE SHEETS – GOVERNMENTAL FUND
August 31, 2025 and 2024

	2025	2024
ASSETS		
Cash	$ 61,170	$ 60,506
Total assets	$ 61,170	$ 60,506
LIABILITIES AND FUND BALANCE		
Accounts payable	$ 7,754	$ 7,671
Total liabilities	$ 7,754	$ 7,671
Fund balance – unassigned	$ 53,416	$ 52,835
Total liabilities and fund balance	$ 61,170	$ 60,506

See Notes to Financial Statements.

SABINE RIVER COMPACT ADMINISTRATION

STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – GOVERNMENTAL FUND
Years Ended August 31, 2025 and 2024

	2025	2024
REVENUES:		
Intergovernmental	$ 56,220	$ 55,726
Interest	140	127
Total revenues	$ 56,360	$ 55,853
EXPENDITURES:		
General government	$ 55,779	$ 55,038
Net change in fund balance	$ 581	$ 815
Fund balance, beginning of the year	52,835	52,020
Fund balance, end of the year	$ 53,416	$ 52,835

See Notes to Financial Statements.

SABINE RIVER COMPACT ADMINISTRATION

NOTES TO FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

Basis of presentation:

The financial statements of the Sabine River Compact Administration have been prepared in accordance with generally accepted accounting principles in the United States of America ("GAAP") applicable to state and local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting and reporting policies and practices used by the Administration are described below.

Reporting entity:

The Sabine River Compact Administration, a component unit of the State of Texas and State of Louisiana, is an entity formed by a compact entered into by the State of Texas and the State of Louisiana on January 26, 1953, under authority granted by an Act of the Congress of the United States approved November 1, 1951, (Public Law No. 252, 82nd Congress, First Session). The Act was amended on October 30, 1992 (Public Law No. 102-575 of the 102 Congress). The objective of the Compact is to provide equitable apportionment of the waters of the Sabine River and its tributaries between the two states. The operation is administered by an Inter-State Administrative Agency composed of two members appointed by the Governor of Texas and two members appointed by the Governor of Louisiana; and one member, as representative of the United States appointed by the President of the United States, which member shall be ex-officio chairman of the Administration without vote and shall not be a domiciliary of or resident in either state.

Measurement focus/basis of accounting:

Government-wide financial statements (GWFS) –

The statements of net position and the statements of activities display information about the reporting government as a whole. These statements include all the financial activities of the Administration.

The GWFS were prepared using the economic resources measurement focus and the accrual basis of accounting. All governmental activities are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations.

Fund financial statements -

Governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities are generally included on the balance sheets. The statements of revenues, expenditures and changes in fund balance report on the sources (i.e., revenues and other financing sources) and uses (i.e., expenditures and other financing uses) of current financial resources. This approach differs from the manner in which the governmental activities of the GWFS are prepared; however, there are no differences between the GWFS and the fund financial statements as of and for the years ended August 31, 2025 and 2024.

Fund financial statements report detailed information about the Administration. The focus of governmental fund financial statements is on major funds rather than reporting funds by type. The Administration has only one fund, the General Fund, which by definition is always a major fund.

Governmental funds use the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). Measurable means the amount of the transaction can be determined and available means collectible within the current period or within 60 days after year end. Expenditures are recorded when the related fund liability is incurred.

The major source of revenue is intergovernmental and is susceptible to accrual.

Cash:

Cash consists of amounts in interest bearing deposit accounts.

Equity classifications:

Government-wide financial statements -

Government-wide equity is classified as net position. The Administration's entire net position is classified as unrestricted.

Fund financial statements -

Governmental fund equity is classified as fund balance. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - amounts that are not in a spendable form (such as inventory) or are required to be maintained intact;

- Restricted fund balance - amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, or by enabling legislation;

- Committed fund balance - amounts constrained to specific purposes by a government itself, using its highest level of decision-making authority; to be reported as committed, amounts cannot be used for any other purpose unless the government takes the same highest level action to remove or change the constraint;

- Assigned fund balance - amounts a government intends to use for a specific purpose; intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority;

- Unassigned fund balance - amounts that are available for any purpose; positive amounts are reported only in the general fund.

The Board of Commissioners establishes (and modifies or rescinds) fund balance commitments by passage of an ordinance or resolution. This is typically done through adoption and amendment of the budget. A fund balance commitment is further indicated in the budget document as a designation or commitment of the fund (such as for special incentives). Assigned fund balance is established by the Board of Commissioners through adoption or amendment of the budget as intended for specific purpose (such as the purchase of fixed assets, construction, debt service, or for other purposes). In governmental funds, the Administration's policy is to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications—committed and then assigned fund balances before using unassigned fund balances.

The Administration's entire fund balance is classified as unassigned.

Use of estimates:

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2. Deposits

The bank balance of deposits of $100,460 and $60,506 at August 31, 2025 and 2024, respectively, were entirely covered by federal depository insurance. Accordingly, the Administration did not have any custodial credit risk at August 31, 2025 and 2024.

Note 3. Intergovernmental Revenues

All of the intergovernmental revenues recognized in 2025 and 2024 were derived from the Sabine River Authorities of Texas and Louisiana.

REQUIRED SUPPLEMENTARY INFORMATION

SABINE RIVER COMPACT ADMINISTRATION

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
For the Year Ended August 31, 2025
With Comparative Actual Amounts for Year Ended August 31, 2024

	2025				
	Original Budget	Final Budget	Actual	Variance With Final Budget - Positive (Negative)	2024 Actual
REVENUES:					
Intergovernmental –					
State of Texas	$ 28,110	$ 28,110	$ 28,110	$ -	$ 27,863
State of Louisiana	28,110	28,110	28,110	-	27,863
Interest	-	-	140	140	127
Total revenues	$ 56,220	$ 56,220	$ 56,360	$ 140	$ 55,853
EXPENDITURES:					
General governmental –					
Maintenance – office of:					
Secretary	$ 4,400	$ 4,400	$ 4,400	$ -	$ 4,400
Treasurer	1,800	1,800	1,800	-	1,800
Water resources investigation	46,200	46,200	46,479	(279)	45,838
Audit fees	2,500	2,500	3,100	(600)	3,000
Other	1,320	1,320	-	1,320	-
Total expenditures	$ 56,220	$ 56,220	$ 55,779	$ 441	$ 55,038
Net change in fund balance	$ -	$ -	$ 581	$ 581	$ 815
Fund balance, beginning of the year	52,835	52,835	52,835	-	52,020
Fund balance, end of the year	$ 52,835	$ 52,835	$ 53,416	$ 581	$ 52,835

See Note to Budgetary Comparison Schedule.

SABINE RIVER COMPACT ADMINISTRATION

NOTE TO BUDGETARY COMPARISON SCHEDULE

Note 1. Budgets and Budgetary Accounting

The Sabine River Compact Administration follows the procedures detailed below in adopting its budget.

1. An annual budget, prepared on a basis consistent with generally accepted accounting principles as applied to governmental units, is adopted for the General Fund. The budget is proposed by the Administration's management and adopted by the Board.

2. Any amendments must be approved by the Board of Sabine River Compact Administration. All appropriations lapse at the end of the fiscal year.

Budgeted amounts presented reflect the original budget and the final budget.

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SUPPLEMENTARY INFORMATION

SABINE RIVER COMPACT ADMINISTRATION

SCHEDULE OF COMPENSATION, BENEFITS AND OTHER
PAYMENTS TO AGENCY HEAD
For the Year Ended August 31, 2025

AGENCY HEAD: Connie Gipson (Vice-Chairman)

There were no payments for compensation, benefits or any other like payments during the fiscal year.

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INDEPENDENT AUDITORS' 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 Commissioners
Sabine River Compact Administration
State of Texas and Louisiana

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 and each major fund of Sabine River Compact Administration (the "Administration"), as of and for the year ended August 31, 2025, and the related notes to the financial statements, which collectively comprise the Administration's basic financial statements, and have issued our report thereon dated October 21, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Administration'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 Administration's internal control. Accordingly, we do not express an opinion of the effectiveness of the Administration'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 or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Administration'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*.

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Members of: American Institute of Certified Public Accountants / Society of Louisiana Certified Public Accountants

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.

Lafayette, Louisiana
October 21, 2025

SABINE RIVER COMPACT ADMINISTRATION

SCHEDULE OF FINDINGS AND RESPONSES
Year Ended August 31, 2025

We have audited the basic financial statements of Sabine River Compact Administration as of and for the year ended August 31, 2025, and have issued our report thereon dated October 21, 2025. 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 audit of the basic financial statements as of August 31, 2025 resulted in an unmodified opinion.

Section I - Summary of Auditors' Reports

A. Report on Internal Control and Compliance Material to the Financial Statements

Internal Control		
Material weakness	___ Yes	_X_ No
Control deficiencies identified that are not considered to be material weakness	___ Yes	_X_ None reported
Compliance		
Compliance material to financial statements	___ Yes	_X_ No

Section II - Financial Statement Findings

No matters are reported.

SABINE RIVER COMPACT ADMINISTRATION

SCHEDULE OF PRIOR FINDINGS
For the Year Ended August 31, 2025

Section I. Internal Control and Compliance Material to the Financial Statement s

None reported.

Section II. Internal Control and Compliance Material to Federal Awards

Not applicable.

Section III. Management Letter

The prior year's report did include a management letter.