

Travis County WCID No. 17 Annual Comprehensive Financial Report For the year ended September 30, 2021

Travis County WCID No. 17

ANNUAL COMPREHENSIVE FINANCIAL REPORT FISCAL YEAR ENDED SEPTEMBER 30, 2021



PREPARED BY FINANCE/ACCOUNTING DEPARTMENT

April 1, 2022

Travis County WCID No. 17's Board of Directors

The Annual Comprehensive Financial Report (ACFR) for Travis County WCID No. 17 for the fiscal year ended September 30, 2021, including the independent auditors' report, is hereby submitted. This financial report is published to provide the Board, staff, our constituents, representatives of financial institutions, and other interested parties with detailed information concerning the financial condition and activities of the District.

The full responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with District management. To the best of our knowledge and belief, the enclosed information is accurate in all material respects and reported in a manner designed to present fairly the financial position and results of operations of the various funds of the District. All disclosures necessary to enable the reader to gain an understanding of the District's financial activities have been included.

The District established and maintains a system of internal accounting controls designed in part to provide reasonable assurance that assets are safeguarded against loss, theft, or unauthorized use, and that financial records can be relied upon to produce financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP). The internal control structure is designed to provide reasonable, but not absolute, assurance that these objectives are met. The concept of reasonable assurance recognizes that: (1) the cost of a control should not exceed the benefits likely derived; and (2) the evaluation of costs and benefits requires estimates and judgments by management.

The District's financial statements have been audited by Maxwell Locke & Ritter LLP, a firm of licensed certified public accountants. The independent auditors issued an unmodified opinion on the District's financial statements for the fiscal year ended September 30, 2021. The independent auditors' report was presented and accepted by the Board of Directors at the regular January 2022 board meeting. The independent auditors' report is presented as the first component of the financial section of this report.

TRAVIS COUNTY WCID NO. 17 GENERAL INFORMATION

Travis County Water Control and Improvement District No. 17 (WCID No. 17) is a non-profit public utility providing quality water and wastewater service to customers in the Lake Travis South area along RR 620 in West Travis County from FM 2222 to Highway 71 West. The Board of Directors and Staff are committed to supplying the best possible drinking water to our customers. We live and work here, we are your neighbors, we proudly drink the water and our families do as well.

Travis County Water Control and Improvement District No. 17 was created in 1959 by order of the Travis County Commissioner's Court, Texas, and confirmed by the voters within the initial District boundaries on February 28, 1959. The Districted is located west of the District of Austin in Travis County, Texas, and at creation encompassed approximately 4,500 acres of land around its current Administrative location.

Subsequent annexations, including the annexation of the Steiner Ranch Defined Area in 1987, the Comanche Trail Defined Area in 1994, the Flintrock Falls Defined Area in 2000 and the Serene Hills Defined Area in 2008 have increased the service area to approximately 15,000 acres. Approximately 9,399 acres within the District, including all of the Steiner Ranch Defined Area, lie wholly within the extraterritorial jurisdiction of the City of Austin, Texas. The remaining incorporated acreage lies within the extraterritorial jurisdictions of the cities of Lakeway and Bee Cave, as well as Travis County.

WCID No. 17 responds to increased demands by committing its resources in an orderly, disciplined effort to meet service commitments. "WCID No. 17's longevity is a testament to its commitment to provide the Lake Travis South area with a reliable water supply and to ensure the environmentally responsible development of water resources and wastewater facilities," says Board President Jeff Roberts. "We take great pride in the District's many accomplishments over the years and we hope to contribute to the community for years to come."

FACTORS AFFECTING FINANCIAL CONDITION

Financial Planning:

The District has adopted conservative fiscal planning for the last five years. By monitoring the economy and the District's own revenue and expenditure streams continuously, the District has been able to adjust quickly to shifts and changes. The District also believes that long-term planning contributes to financial resiliency, and the District is dedicated to monitoring revenues and expenditures on five and ten-year horizons.

In March 2020, the District acted promptly in response to COVID-19 by reducing revenue projections and eliminating non-essential expenses. We also took a very conservative approach developing the FY 2021 budget. While we did see a reduction in Water/Wastewater revenue, Industrial Waste revenue and Investment interest revenue, we did not see a decrease in property tax revenues. Overall, actual revenues exceeded actual expenses ending with a net surplus of over \$2,500,000. This surplus allows the District to keep our commitment to contributing a collaborative total of \$1,500,000 annually dedicated to the TXDOT RR620 expansion project as well as planned capital reserves.

Each year District Management reviews and submits for approval to the Board any changes needed to the District Financial Policies. These policies provide guidelines for the day-to-day planning and operating of the District's financial affairs. The policies focus on issues such as the appropriate level for the fund balance of the General Fund, management and review of budget expenditures, ensuring we are meeting our financial commitments, and financial planning to include Investments, bond refunding, capital investments and debt service/retirement. These financial policies have aided the District in maintaining its strong financial position.

Budgeting Controls:

Each year, on or before September 30, the Board of Directors adopt an annual operating budget for the ensuing fiscal year. The budget includes projected revenues and annual appropriations for the General Fund, Debt Service Fund, and the Capital Projects fund. The budget is a planning device that defines the type, quality, and quantity of infrastructure improvements and services that will be provided to our constituents. In addition to the annual budget, staff creates a 5, 7, and 10-year outlook for the General, Capital and Debt Service budgets to show the expenditure cost over time allowing the District to prepare for future funding challenges.

The budget process begins in May with a budget kick-off event with the department supervisors and managers. District goals are reviewed, and supervisors receive departmental financial history and current financial status, and general guidelines. General guidelines include being conservative with new requests, tying requests to District goals, and identifying future needs and significant expenditures beyond the current budget process. Throughout the process, the District General Manager, the Administration and Finance Manager, and the Accounting Supervisor work closely with the supervisors to review departmental requests and analyze line item expenditures. Funds are reallocated as deemed appropriate to maximize the quality of service the District provides. Requests not funded in the current year may be added to the five-year outlook in order to better align the expenditure need with a future funding opportunity.

The budget is also a control device that serves as a system of "checks and balances" between levels of District management. The budgetary system ensures that departments contain their expenditures within limitations adopted by the Board of Directors and monitored / managed by District management. Accounting and Finance review all expenditure purchases and verifies that they on the approved budget listing and within budget parameters. The budgeted Departmental and Fund totals may be modified only after review and approval by the General Manager and presented to the Board within a budget amendment. Departmental line-items may be modified with Finance and/or District General Manager approval per District policy.

As stated above, the District also began a more formal process of long-range forecasting in order to plan for future needs. District management's analysis of known and projected impacts to future revenues and expenditures are presented to the District regularly during board meetings or budget workshops. As the District grows to build-out, the District is prepared for not only the expenditure cost of the current budget but also the ongoing expenditures that will affect future years. The forecast is especially useful in providing an outlook on how current and future debt service will impact the ad valorem rate. The forecast also allows the District to meet its annual expenditure requirements while consistently maintaining low tax rates. This process will continue in all future budget development.

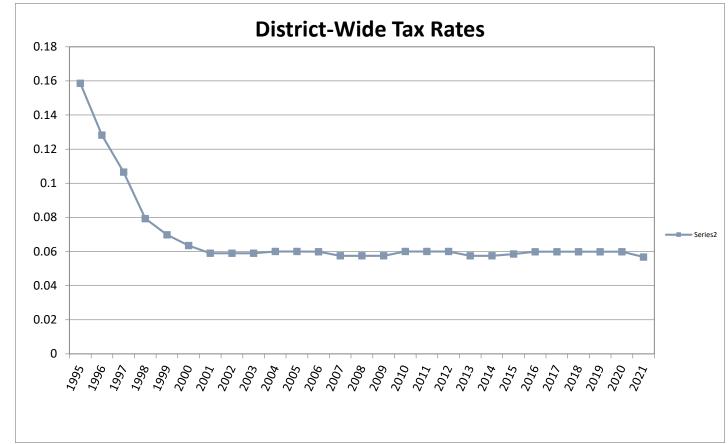


Figure 1 The District wide tax rate for tax year 2021 is 0.0568

Major Initiatives:

Capital outlay expenditures for the General Fund were projected to be \$1.225 million. The capital outlay items included fleet vehicles, specialty vehicles such as a crane truck, manhole rehabilitation initiative to maintain a goal of 4 per year. Departmental capital expenses were also approved to include items such as the continuation of the SCADA radio network implementation, Plan digitization, and upgrades to SCADA integration.

Due to the major impact in expenses, the fleet vehicle purchases were reviewed by District management in order to improve the process and ensure we were fiscally responsible with taxpayer funding. It was noted that engaging into a Fleet lease program would help lower District fleet expenses over time. Annual costs for vehicle purchases, maintenance, and fuel were on average \$402,000 per year, during analysis conducted with data from FY 2016 to FY 2020. The Board of Directors approved an engagement with Enterprise Fleet Management in January 2021 to provide new leased vehicles that were fuel efficient and in great mechanical shape to lower fuel and maintenance costs over time. The program was implemented in April, resulting in the actual expenses for vehicle maintenance, fuel, Enterprise lease payments totaling \$387,060 for FY 21. The District also sold the old fleet vehicles for the new leases and captured over \$84,272 in income from the sales. This income creates a net reduction in expense of about \$100,000 for a total expenses line of \$302,787 for FY 2021 during the first six months of implementation. We expect additional savings once the program has been implemented for a full year with a note that the income from old fleet sales will at some point reach its end.

Another expense item District management looked at was the cost to outsource our customer billing process from the internal process that was in place. After several quotes and demonstrations with companies, the Board of Directors followed staff recommendations and authorized management to engage in an agreement with Infosend in April of 2021. Costs to print and process the utility billing for customers included postage, postage machine rental, stuffing and sorting machine rental, copier rental, bill paper, envelopes and labor totaled over \$120,000 for FY 2020. Outsourcing this process with Infosend was estimated to have an annual saving of over \$36,000 for the District as well as free up 5 people for 8 hours to allocate to other tasks. Due to the mid-year implementation, FY 2021 costs were approximately \$99,100 for a total savings of about \$20,900. We expect to increase the savings in FY 2022 accounting for the full year with the service.

Capital Project expenditures were budgeted to be \$12.4 million in FY 2021. Actual capital project fund expenditures totaled slightly above \$6.508 million due to the effects on the project timelines as shortages in procuring parts and equipment delays due to the onset of COVID-19 and business closures took full effect.

The District sent out a solicitation for request for proposals for Primary Depository bank services to be enacted effective FY 2022. Solicitations required eligible and qualified financial instructional with physical locations in the zip codes of 78734, 78738, and 78730. District management recommended switching depository services from BBVA bank to Independent Financial bank in June of 2021 to become effective 10/1/2021. The District created 18 bank accounts to replace existing accounts as well as created 3 more accounts during this transition period.

Cash Management:

Cash temporarily idle during the year was invested in certificates of deposit, NexBank, and TexSTAR. TexSTAR is a Local Government Investment Pool (LGIP) created and managed in compliance with the Public Funds Investment Act (PFIA). Due to the transition to a new banking institution, the package included competitive interest rate bumps and the District was allowed to create a Premiere Index Fund (PIF) account with Independent Financial. Independent Financial also allowed the District to invest funds in this PIF account early before the transition date of 10/1/2021 to maximize benefits. The District began using the PIF account in June of 2021, four months earlier than agreement start date which allowed the District to earn over \$21,150 in interest revenue. This was especially crucial during a period where all the interest rates were drastically reduced due to the economic downturn and after effects of the COVID-19 pandemic.

Over recent years, market interest rates have continued to fluctuate. The District is reducing the level of its funds held in LGIPs and increasing the variety and longevity of other investments in order to maximize interest earnings while maintaining required liquidity levels. Our strategy is to increase the weighted average maturity in order to increase interest earnings but keep ourselves poised to take advantage of higher yielding opportunities as they become available.

The District's investment policies stress minimization of credit and market risks while maintaining a competitive yield. Accordingly, bank deposits held throughout the period were either insured by Federal Depository Insurance Corporation (FDIC) or collateralized. All collateral for deposits was held either by the District, its agent, or a bona fide third-party custodian in an account in the District's name. All of the deposits held by the District during the year and at September 30, 2021 are in compliance with the Public Funds Investment Act and District policies.

Statement of Net Position:

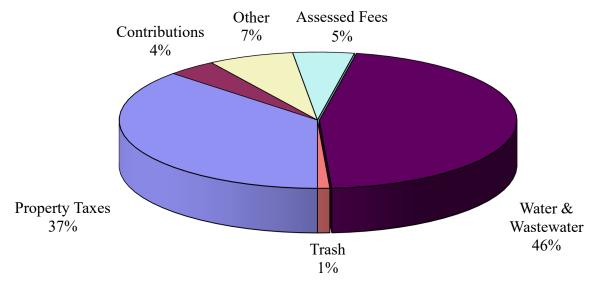
The *Statement of Net Position* includes a column (titled "Total Governmental Funds") that represents a balance sheet prepared using the modified accrual basis of accounting. The adjustments column converts those balances to a balance sheet that more closely reflects a private-sector business. Over time, increases or decreases in the District's net position will indicate financial health.

	Governmental Activities		
	2021	2020	% Change
Current and other assets	\$ 91,516,068	\$ 68,081,149	34%
Capital assets	236,874,074	235,908,972	<1%
Total assets	328,390,142	303,990,121	8%
Deferred outflows of resources	1,451,354	1,599,134	(9%)
Current liabilities	16,958,690	15,203,240	12%
Long-term liabilities	134,517,647	121,329,934	11%
Total liabilities	151,476,337	136,533,174	11%
Net investment in capital assets	121,079,134	112,109,003	8%
Restricted	4,840,146	5,651,516	(14%)
Unrestricted	52,445,879	51,295,562	2%
Total net position	\$ 178,365,159	\$ 169,056,081	6%

The District's total assets were approximately \$328.4 million as of September 30, 2021. Of this amount approximately \$236.9 million is accounted for by capital assets. The District had outstanding liabilities of approximately \$151.5 million of which \$142.8 million represent bonds payable. The overall change in Net Position for FY 2021 was a 6% which represents approximately 2% less than FY 2020 primarily due to the issuance of three bond sales that increased liabilities. Moving forward our capital reserve position is sufficient to meet known infrastructure improvement requirements for the next eight years without the need of additional funds raised via future tax increases or bond sales. Continued attention to this conservative approach to fiscal management should ensure a net positive position for years to come.

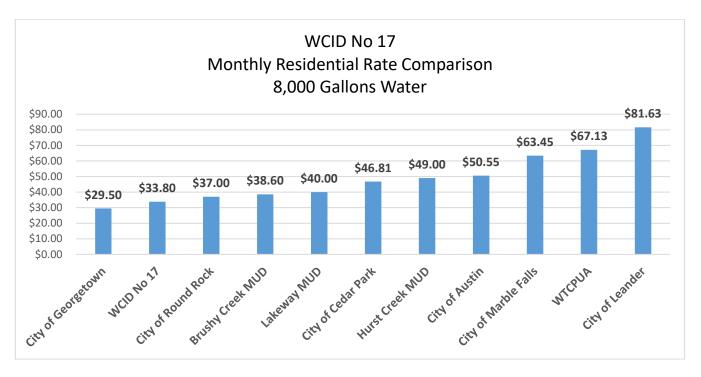
The District's sources of revenue were mainly comprised of Water & Wastewater revenue followed by property taxes which account for 83% of the revenue generated for FY 2021. For FY 2020 the Water & Wastewater revenue and property tax percentages were 40% and 34% respectively, for a total revenue percentage of 74%

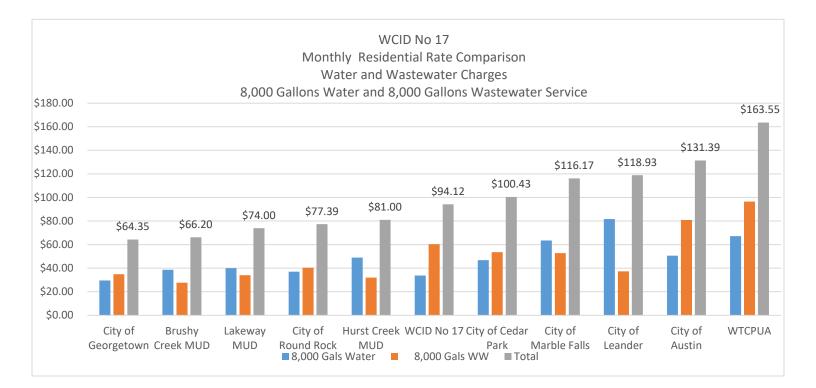
Sources of Revenue



Revenues:

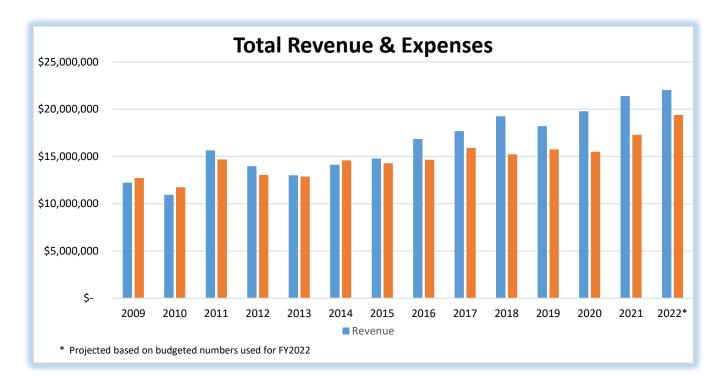
We adopt a conservative approach to revenue based on inherent fluctuations brought on by seasonal effects. Revenue growth has remained consistent for the last two years with a growth rate of 8.68% from FY 2019 to 2020 compared to the revenue growth rate of 8.16% comparing FY 2020 to FY 2021. The projected revenue growth comparing FY 2021 to budgeted numbers for FY 2022 is set to be 2.98%, however we expect that the increase will be closer to 6% at year end. We also want to ensure that we are keeping our water rates affordable. The District's water and wastewater rates have consistently been of one of the lowest when compared to area utilities (See charts below). Annually, District employees update the data which is then taken into consideration when looking at the budget revenues needed for next fiscal years and what our forecasted needs are.





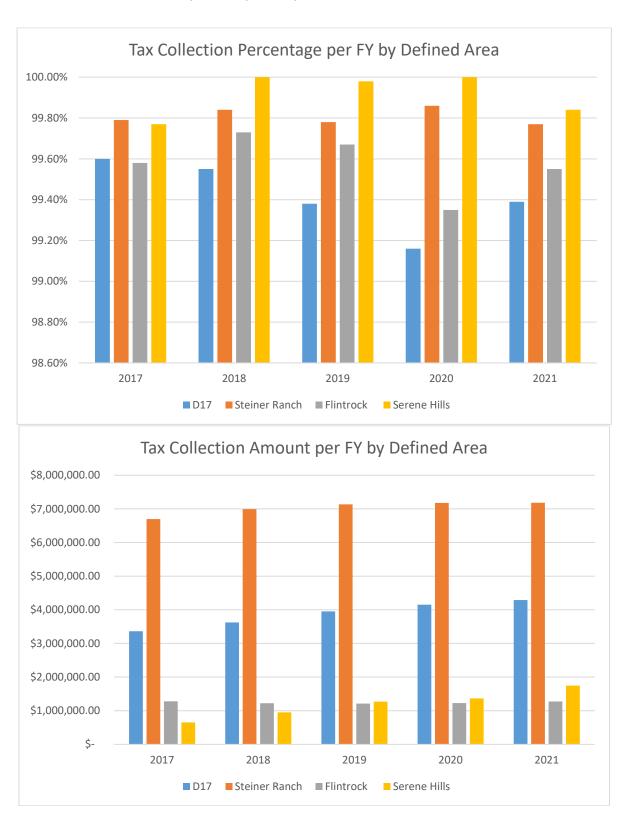
Expenses:

The District has looked at expenses in the last few years to see where we can cut costs or changes process to save on operational expenses. Expenses went down by 1.60% comparing totals from FY 2019 to 2020. Expenses increased from FY 2020 to FY 2021 by 11.61%. This is primarily due to salary increases, engineering costs, City of Austin effluent charges, and maintenance for water assets (\$750,000, \$260,000, \$220,000, \$270,000 respectively). Expenses are set to be increased by 12.13% from FY 2021 when compared to budged expenses for FY 2022. This is primarily due to salary increases and maintenance for water assets specifically for water storage, Eck Plant upgrades, and supplies rack (\$964,000 and \$615,000 respectively).



Tax Collection:

In general, the District takes a conservative approach and has a high fiscal responsibility to ensure we keep our tax rates low while still providing high quality services. Despite having low tax rates, the District is able to accomplish our commitment to fiscal responsibility in all operations.



Awards and Acknowledgements:

The financial audit, while always approved during the month of January, has over the last few years needed to be pushed to the end of the month to allow time to finalize all transitions and reporting. The audit for FY 21 was the first time in five years where the audit presentation was presented and accepted at the regular board meeting. Fiscal year 2021 also came with the need for a banking RFP in which was the first time in twenty years that explored.

The accounting team had to create new bank codes and ledgers in our accounting system and had to ensure monies flowed appropriately. They were also responsible for reconciling double the number of bank accounts for several months until the transition had been completed. The District also embarked on outsourcing the bill printing service for cost savings and efficiency. The project was a very smooth transition due to the tireless efforts of the CSR and Billing teams and the CSR/Billing team leaders.

These accomplishments would not have been possible without the efficient and dedicated services of the entire staff of the Administration Department. I would like to express my appreciation to all members of the department who assisted and contributed to these initiatives. Credit also must be given to the General Manager, and the Board of Directors for their unfailing support for maintaining the highest standards of professionalism in the management of the District's finances.