

Comprehensive Annual Financial Report

Fiscal Year 2019

December 18, 2019



Guadalupe-Blanco River Authority
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Legal & Accounting Requirements

Water Code – Section 49

- Audited annually by CPA firm
- Audit completed within 120 days of fiscal year end (December 29)
- Audit performed in compliance with Generally Accepted Auditing Standards (GAAS)
- Financial statements prepared in compliance with Generally Accepted Accounting Principles (GAAP)
- All accounts and records available for audit
- File financial report with TCEQ within 135 days of fiscal year end (January 13)



Legal & Accounting Requirements

(Continued)

- Other Filings
 - County Clerk in the 10 statutory counties
 - Texas Water Development Board
 - Texas Comptroller of Public Accounts
 - Texas State Auditor's Office
 - Texas Pension Review Board
 - Municipal Securities Rulemaking Board
 - Standard & Poor's credit rating agency



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Purpose of Financial Statements

- Disclose financial information - financial position & performance
- Provide useful information to stakeholders

Internal	External
Board of Directors	Customers
Management	Credit rating agencies
Employees	Financial institutions
	Bondholders & prospective bondholders
	Governmental entities
	Public



Components of CAFR

- **Introductory Section**

- Information about GBRA – mission statement, Board of Directors & management, operational chart
- Certificate of Achievement for Excellence in Financial Reporting – awarded by GFOA – **45th consecutive year**
- Letter of transmittal

- **Financial Section**

- **Independent auditor's report**
- Management discussion and analysis (M,D & A)
- Financial statements & notes
- Other schedules

- **Statistical Section**

- Various schedules & **independent auditor's report on compliance and internal controls**

~ 100 page document – where do you start?



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Financial Statements

Financial Statements	Elements of Financial Statements
Statement of Net Position (Balance Sheet)	Assets, Liabilities, Net Position (Equity) <i>As of a point in time – August 31</i>
Statement of Revenues, Expenses & Changes in Net Position (Income Statement)	Revenues, Expenses <i>Covers a period of time – September 1 – August 31</i>
Statement of Cash Flows	Inflows, Outflows
Notes to the Financial Statements	Provide more details/background “The accompanying notes are an integral part of this statement”



Things to Keep in Mind

- Divisions:
 - 30 different divisions – separately accounted for
 - Operating activities: wholesale water sales, retail water sales, water treatment plant operations, retail wastewater sales, wastewater collection and treatment plant operations, groundwater development, reservoir management, recreation, laboratory, pipeline management, hydroelectric generation
 - Municipal, industrial, individual, and retail customers
 - Each division has its own customer base
 - Services are supported by rates and fees
 - Different contract types – Budget-to-Actual & Unit of Service
 - GBRA does not receive state appropriations, nor does it have taxing authority



Things to Keep in Mind

(continued)

- Financial Reporting:
 - Presented into one Enterprise fund (business activities) in accordance with GAAP
 - Financials prepared on a full accrual basis
 - Revenues recognized when earned
 - Expenses recorded when incurred
 - Does not consider the timing of cash flows (Budgeting vs. Financial Reporting)



Things to Keep in Mind

(continued)

	Budgeting	Financial Reporting
Capital outlay	Included	Recorded as asset, <u>not</u> expense
Depreciation Expense	<u>Not</u> included	Recorded as expense
Transfers (project and reserve funds)	Included	Use of funds, <u>not</u> expense
Capacity charge revenue (principal & interest)	Included	Recorded as revenue
Debt principal payments	Included	Recorded as reduction to liability, <u>not</u> expense
Debt interest payments	Included	Recorded as expense
<div> <div></div> <div> <p>Paid directly by customers for contract revenue bonds or indirectly through general improvement bonds.</p> </div> </div>		
		*Align with GAAP



Statement of Revenues, Expenses & Changes in Net Position (page 32 of CAFR)

	2019	2018
OPERATING REVENUE		
Power Sales.....	\$ 3,895,226	\$ 2,710,600
Water Sales, Capacity Charge, Pipeline Transmission and Reservoir Operations.....	38,605,852	38,716,993
Recreation and Land Use.....	801,601	746,099
Waste Water Treatment Services.....	7,309,955	5,585,201
Laboratory Services.....	534,888	528,184
Rental.....	168,307	285,197
Miscellaneous	1,415,632	1,589,071
Total Operating Revenue.....	<u>52,731,461</u>	<u>50,161,345</u>



Statement of Revenues, Expenses & Changes in Net Position

(continued)

	2019	2018
OPERATING EXPENSES		
Personnel Operating Costs.....	14,718,851	16,000,220
Operating Supplies and Services.....	14,733,284	13,939,447
Maintenance and Repairs	4,303,183	4,522,725
Depreciation and Amortization.....	5,348,349	5,310,923
Total Operating Expenses.....	<u>39,103,667</u>	<u>39,773,315</u>
Operating Income	<u>13,627,794</u>	<u>10,388,030</u>

- Reduction in personnel costs
 - Pension expense, TCDRS expense - accounting standard requirements
 - Freezing of DB Pension Plan created negative pension expense
 - TCDRS measurement date was December 31, 2018, GBRA not a participant until January 1, 2019. Expenses deferred and recognized in FY 20



Statement of Revenues, Expenses & Changes in Net Position

(continued)

	2019	2018
NONOPERATING REVENUES (EXPENSES)		
Grant Income.....	632,641	511,058
Investment Income.....	1,594,653	456,107
Gain (Loss) on the Disposal of Capital Assets.....	59,922	-
Debt Issuance Expense	(366,908)	(172,149)
Interest Expense	(4,118,584)	(4,465,634)
Total Nonoperating Revenues (Expenses).....	<u>(2,198,276)</u>	<u>(3,670,618)</u>
Income Before Recognition of Deferrals.....	11,429,518	6,717,412
Costs (Revenue) to be Recognized in Future Years	<u>(1,609,250)</u>	<u>(788,597)</u>
Change in Net Position.....	9,820,268	5,928,815

- Investment income increase – more favorable interest rate environment, renegotiated bank terms, investment of bond funds (Carrizo)
- Net Position increase: \$3.8 M, positive operating results, growth in operations, used toward principal debt payments & capitalized assets



Statement of Net Position

(page 31 of CAFR)

ASSETS AND DEFERRED OUTFLOWS

CURRENT ASSETS

Unrestricted Assets

	2019	2018
Cash and Cash Equivalents	\$ 27,644,542	\$ 18,685,732
Investments-Unrestricted	12,784,068	21,703,000

- 2019 - \$40.4 million; 2018 - \$40.4 million
- Invested resources – RRWDS water intake, GV Hydroelectric, Dietz WW, Stein Falls WW
- Unrestricted assets do not take into account funds that have been designated for other projects – internally restricted funds



Statement of Net Position

(continued)

	2019	2018
Accounts Payable-Operating.....	<u>7,954,374</u>	<u>2,869,718</u>

- Accounts Payable represents a portion of current liabilities
- Must be considered in conjunction with evaluating unrestricted cash and investment levels
 - Working Capital = Current Assets – Current Liabilities
- Relates to timing of payments
 - Higher in 2019 due to large ongoing projects



Statement of Net Position

(continued)

	2019	2018
Capital Assets		
Land, Water and Storage Rights.....	72,009,206	70,509,575
Dams, Plants and Equipment.....	209,293,815	209,231,229
Construction In Progress.....	19,689,384	3,984,258
Less Accumulated Depreciation.....	(94,139,564)	(90,019,178)
Total Capital Assets.....	206,852,841	193,705,884

- Capital asset growth: \$13.1 M, 6.8%
 - Carrizo Groundwater Supply Project, Western Canyon WTP disinfection byproducts system, pipeline expansion to Boerne ISD
 - Projects funded by customers



Statement of Net Position

(continued)

	2019	2018
Total Assets and Deferred Outflows of Resources.....	<u>\$ 306,015,170</u>	<u>\$ 266,164,638</u>

- Total Asset growth: \$39.8 M, 14.9%
- Positive operating results, construction and development projects



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Statement of Net Position

(continued)

	2019	2018
LONG-TERM LIABILITIES		
Long Term Payable.....	3,000,000	3,000,000
Revenue Bonds Payable, net.....	164,830,278	143,391,157
Long-Term Loans Payable.....	4,480,039	5,546,930
	<u>172,310,317</u>	<u>151,938,087</u>

- Long Term Liabilities increase: \$20.3 M, 13.4%
 - Carrizo Groundwater Supply Project (first sale - \$58.2 M)
 - Offsets in increase:
 - Payoff of PNC Note (preliminary funding for Carrizo)
 - Early payoff of Ussery and Luling Foundation water rights purchase
 - Principal payments due in FY 19



Statement of Net Position

(continued)

	2019	2018
NET POSITION		
Net Investments in Capital Assets	34,542,521	41,767,797
Restricted for Debt Service.....	4,268,485	2,911,707
Restricted for Reserves.....	1,690,313	1,769,764
Restricted for Construction.....	27,004,321	8,036,342
Restricted for Rate Stabilization.....	2,526,815	2,590,106
Unrestricted	35,085,033	38,221,504
Total Net Position.....	105,117,488	95,297,220

- Unrestricted decrease: \$3.1 M, 8.2%
 - Use of funds for designated projects (RRWDS water intake, GV Hydroelectric), GV Hydro operating deficit
- Total Net Position increase: \$9.8 M, 10.3%; positive operating results, Carrizo



Importance of Financial Reserves

- September 2002 - Conscious decision by Board of Directors to establish reserve goal and build reserves to position GBRA for:
 - Emergencies, contingencies, liability claims, unexpected events, cash flow needs (timing of customer payments, grant expense reimbursement)
- Demonstrates prudent financial planning
- Creates positive position for growth; allows project development costs to be incurred prior to receipt of bond funds
 - Example: Dietz WW, Stein Falls WW, Mid-Basin, Port Lavaca WTP
- Response to unexpected events
 - Examples: Regional Raw Water Distribution System (RRWDS) water intake, flood response
- Economically advantageous opportunities
 - Example: Early payoff – Ussery and Luling Foundation water rights purchase



Financial Recognitions

- * **Certificate of Achievement for Excellence in Financial Reporting (2018)**
Government Finance Officers Association
- * **Certificate of Distinction for Investment Policy (2019)**
Government Treasurer's Organization of Texas
- * **Distinguished Budget Presentation Award (2017)**
Government Finance Officers Association
- * **Transparency Award for Traditional Finances (2018)**
Texas Comptroller of Public Accounts
- * **AA+ Bond Rating (2017)**
Standard & Poor's credit rating agency
- * **Unmodified Opinion on audited financial statements (2019)**
Independent external CPA firm

