

El Paso Country Water Control & Improvement District #1
Past Years Financial Summary
Years Ended October 31, 2021, 2020 and 2019

	<u>2021</u>	<u>October 31, 2020</u>	<u>2019</u>
CURRENT ASSETS	16,946,695	20,654,222	22,688,066
TOTAL ASSETS	28,869,465	31,328,532	31,287,029
CURRENT LIABILITIES	1,140,713	1,065,879	940,115
TOTAL LIABILITIES	1,143,429	1,069,683	1,145,621
NET ASSETS	27,726,036	30,258,849	32,432,650
REVENUE	9,993,960	12,737,012	14,600,734
EXPENSES	12,526,773	12,798,112	11,509,506
TOTAL INCREASE (DECREASE) IN NET ASSETS	(2,532,813)	(61,100)	3,091,228

EL PASO COUNTY WATER IMPROVEMENT
DISTRICT NO. 1
CLINT, TEXAS

FINANCIAL REPORT
WITH SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED OCTOBER 31, 2021 AND 2020

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1

TABLE OF CONTENTS

	Page
MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)	i - iv
INDEPENDENT AUDITOR'S REPORT	1 - 3
BASIC FINANCIAL STATEMENTS:	
Statement of Net Position	4 - 5
Statement of Revenues, Expenses, and Changes in Net Position	6
Statement of Cash Flows	7 - 8
NOTES TO FINANCIAL STATEMENTS	9 - 34
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary Comparison Schedule	35
Schedule of Changes in Net Pension Liability and Related Ratios	36
Schedule of Employer contributions	37
Notes to Required Supplementary Information	38 - 39
SINGLE AUDIT SECTION	
Schedule of Expenditures of Federal Awards	40
Notes to Schedule of Expenditures of Federal Awards	41
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 Governmental Auditing Standards	42 - 43
Independent Auditor's Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with Uniform Guidance	44 - 46
Schedule of Findings and Questioned Costs	47 - 51
Corrective Action Plan	52

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the El Paso County Water Improvement District No. 1 (the District), provides this narrative overview and analysis of the financial activities of the District for the year ended October 31, 2021.

District Overview

The District is a political subdivision of the State of Texas, which was established under Article XVI, Section 59 of the Texas State Constitution. The District delivers surface water from the Rio Grande in El Paso County, Texas to water right lands in El Paso County and also assesses and collects taxes for the water right lands within its boundaries.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the District's basic financial statements. The District's basic financial statements comprise three components: (1) the basic financial statements, (2) notes to the financial statements, and (3) supplementary schedules.

The basic financial statements - The Statement of Net Position presents information on all of the District's assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position shows the revenue sources, expenses classifications, and reflects the change in net position for the fiscal year.

The Statement of Cash Flows reconciles the beginning and ending cash and cash equivalents, as well as demonstrates the sources and uses of funds received and expended.

Notes to the financial statements - The notes provide additional information that is essential for a full understanding of the data provided in the basic financial statements.

Financial Highlights

- The assets of the District exceeded its liabilities at the close of the fiscal year by \$27,726,036. Of this amount, \$16,439,865 may be used to meet the District's ongoing obligations.
- The District's total net position decreased by \$2,532,813 at the close of the fiscal year.
- In fiscal year 2020-2021, the operating revenues decreased by \$2,387,936 due to the decrease in water use assessments and contract revenue.

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1**MANAGEMENT'S DISCUSSION AND ANALYSIS****Financial Analysis**

The majority of the District's net position is invested in capital assets, (excluding irrigation infrastructure), including land, building, equipment, improvements and wells. These assets are used to provide services to District users.

Net Position

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Current and other assets	\$ 17,281,277	\$ 20,991,804	\$ 22,688,066
Capital assets	<u>11,286,171</u>	<u>10,075,559</u>	<u>8,598,963</u>
Total assets	28,567,448	31,067,363	31,287,029
Deferred outflows of resources, net	<u>302,017</u>	<u>261,169</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 28,869,465</u>	<u>\$ 31,328,532</u>	<u>\$ 31,287,029</u>
Current payables	\$ 90,512	\$ 108,035	\$ 205,506
Current liabilities	<u>1,050,201</u>	<u>957,844</u>	<u>940,115</u>
Total liabilities	<u>1,140,713</u>	<u>1,065,879</u>	<u>1,145,621</u>
Deferred inflows of resources, net	<u>2,716</u>	<u>3,804</u>	<u>-</u>
Total liabilities and deferred inflows of resources	<u>1,143,429</u>	<u>1,069,683</u>	<u>1,145,621</u>
Net position:			
Invested in capital assets, net of related debt	11,286,171	10,075,559	8,598,963
Unrestricted	<u>16,439,865</u>	<u>20,183,290</u>	<u>21,542,445</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 28,869,465</u>	<u>\$ 31,328,532</u>	<u>\$ 31,287,029</u>

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1**MANAGEMENT'S DISCUSSION AND ANALYSIS****Changes in Net Position**

The following table provides a summary of the District's operations for the years ended December 31, 2021, 2020 and 2019.

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Operating revenues:			
Land assessments	\$ 1,589,486	\$ 1,589,809	\$ 1,589,483
Water use assessments	1,627,162	1,903,773	3,781,680
Other assessments	855,153	860,123	784,489
Contract revenue	2,500,323	5,898,229	5,024,619
Licensing fees	2,031,130	1,278,820	3,067,978
Special projects	1,178,949	366,799	48,287
Administrative revenue	62,101	240,126	84,659
Reimbursement revenue	37,653	132,115	105,775
Other revenue	(86)	13	1,866
Total operating revenues	<u>9,881,871</u>	<u>12,269,807</u>	<u>14,488,836</u>
Operating expenses			
Administrative	407,401	409,140	406,850
Contract, consultant and legal services	917,167	1,003,933	655,428
Employee allowances	1,147,009	961,842	1,150,982
Governmental fees	238,804	222,729	234,449
Insurance fees	325,363	274,955	268,887
Licensing/special projects	130,834	43,160	72,210
Payroll expenses	4,874,907	5,160,575	4,962,593
Repair/ maintenance and capital projects	2,718,753	2,913,718	2,231,702
Reimbursable expenses	131,605	294,479	148,531
Depreciation	1,610,596	1,505,468	1,377,506
Total operating expenses	<u>12,502,439</u>	<u>12,789,999</u>	<u>11,509,138</u>
Operating income (loss)	<u>(2,620,568)</u>	<u>(520,192)</u>	<u>2,979,698</u>
Non-operating revenues:			
Investment interest	112,089	467,205	93,388
Gain (loss) on sale of assets	(24,334)	(8,113)	18,510
Total non operating revenue	<u>87,755</u>	<u>459,092</u>	<u>111,898</u>
Change in net position	<u>(2,532,813)</u>	<u>(61,100)</u>	<u>3,091,596</u>
Net position, beginning of year	<u>30,258,849</u>	<u>30,141,408</u>	<u>27,049,812</u>
Prior period adjustment - pension plan	<u>-</u>	<u>178,541</u>	<u>-</u>
Net position, end of year	<u>\$ 27,726,036</u>	<u>\$ 30,258,849</u>	<u>\$ 30,141,408</u>

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1**MANAGEMENT'S DISCUSSION AND ANALYSIS****Capital Assets**

The District's capital assets as of October 31, 2021, amounts to \$11,286,171 (net of accumulated depreciation). This amount includes land, building, vehicles and machinery and equipment.

Major capital asset events during the current fiscal year included the following:

- Purchases of vehicles and equipment for operations.
- Improvements to infrastructure-water system assets.

Capital Assets at Year-end Net of Accumulated Depreciation

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Capital assets at historical cost	\$ 30,534,299	\$ 27,734,074	\$ 24,935,557
Less: Accumulated depreciation	<u>(19,248,128)</u>	<u>(17,658,515)</u>	<u>(16,336,594)</u>
Total capital assets, net	<u>\$ 11,286,171</u>	<u>\$ 10,075,559</u>	<u>\$ 8,598,963</u>

The District has elected to report the water system infrastructure assets acquired after August 31, 2003. All water system infrastructure assets acquired before September 1, 2003, including canals and drains, are not included in the capital assets amounts. The District did not purchase or build such infrastructure thus has no cost information or appraisal. The board of directors estimates that the cost of rebuilding such infrastructure would be hundreds of millions of dollars.

Economic Outlook for the Future

In the 2021-2022 budget, revenue is expected to be similar to this year. The District has been approved for grant revenue to be utilized within the next year. In addition, the District has been approved to purchase additional vehicles and equipment. The District intends to continue certain projects approved by the board during the winter months to reduce water loss.

Request for Information

The financial report is designed to provide our customers, investors, and creditors with a general overview of the District's finances. If you have questions about this report or need any additional information, contact El Paso County Water Improvement District No 1, 13247 Alameda Ave., Clint, Texas 79836-0749.

BASIC FINANCIAL STATEMENTS

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INDEPENDENT AUDITOR'S REPORT

**Board of Directors
El Paso County Water Improvement District No. 1
Fabens, Texas**

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the El Paso County Water Improvement District No. 1 (the District) as of and for the year ended October 31, 2021, and the related notes to the financial statements, which collectively comprise the District'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 business-type activities of the District, as of October 31, 2021, and the respective changes in financial position and, where applicable, cash flows 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 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 the District 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.

Other Matters

The financial statements of El Paso County Water Improvement District No. 1, as of and for the year ended October 31, 2020, were audited by other auditors whose report dated August 2, 2021, expressed an unmodified opinion on those statements.

Correction of an Error

As discussed in Note 11 to the financial statements, an understatement in the amounts previously reported for land and an overstatement for amounts previously reported for licensing expense were discovered during the current year. Accordingly, amounts reported for land and Licensing expense have been restated in the 2021 financial statements now presented and an adjustment has been made to net assets as of October 31, 2021, to correct the error. Our opinion has not been modified with respect to that matter.

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 District'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 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 District'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 District'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, Budgetary Comparison, and Pension Schedule Comparison information on pages i-iv and 35-39, respectively, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 13, 2023, on our consideration of the District'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 solely 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 District'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 District's internal control over financial reporting and compliance.



El Paso, Texas
January 13, 2023

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1STATEMENTS OF NET POSITION
OCTOBER 31, 2021 AND 2020

	2021	(RESTATED) 2020
ASSETS		
Current assets:		
Cash	\$ 1,510,551	\$ 1,225,885
Certificates of deposit	13,897,460	17,776,611
Land assessments and water use assessments receivables	76,240	79,861
Other receivables	481,868	313,008
Inventory	980,576	1,258,857
Total Current Assets	<u>16,946,695</u>	<u>20,654,222</u>
Noncurrent assets:		
Land assessments and water use assessments receivables		
Total non-current assets	334,582	337,582
Capital assets:		
Non-depreciable assets	1,583,454	1,583,454
Depreciable assets, net of accumulated depreciation	9,702,717	8,492,105
Total capital assets	<u>11,286,171</u>	<u>10,075,559</u>
Total assets	<u>28,567,448</u>	<u>31,067,363</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension plan	302,017	261,169
Total deferred outflows of resources	<u>302,017</u>	<u>261,169</u>
Total assets and deferred outflows of resources	<u>\$ 28,869,465</u>	<u>\$ 31,328,532</u>

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1STATEMENTS OF NET POSITION (Continued)
OCTOBER 31, 2021 AND 2020

	2021	(RESTATED) 2020
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 90,512	\$ 108,035
Net pension liability	118,985	21,767
Accrued liabilities and other expenses	931,216	936,077
Total current liabilities	1,140,713	1,065,879
DEFERRED INFLOWS OF RESOURCES		
Deferred inflow related to pension	2,716	3,804
Total deferred inflows resources	2,716	3,804
Total liabilities and deferred inflows resources	1,143,429	1,069,683
NET POSITION		
Net investment in capital assets (restated)	11,286,171	10,075,559
Unrestricted	16,439,865	20,183,290
Total net position (restated)	27,726,036	30,258,849
Total liabilities, deferred inflows of resources, and net position	\$ 28,869,465	\$ 31,328,532

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
YEARS ENDED OCTOBER 31, 2021 AND 2020

	2021	(RESTATED) 2020
REVENUES		
Operating revenues:		
Land assessments	1,589,486	\$ 1,589,809
Water use assessments	1,627,162	1,903,773
Other assessment fees	855,153	860,123
Contract revenue	2,500,323	5,898,229
Licensing fees	2,031,130	1,278,820
Special Projects	1,178,949	366,799
Administrative revenues	62,101	240,126
Reimbursement revenues	37,653	132,115
Other revenue	(86)	13
Total operating revenues	9,881,871	12,269,807
EXPENSES		
Operating expenses:		
Administrative	407,401	397,531
Contract services	19,267	11,609
Consulting fees	186,835	176,387
Governmental fees	238,804	222,729
Insurance	325,363	274,955
Legal fees	711,065	827,546
Payroll expenses	4,874,907	5,160,575
Repairs & maintenance	196,821	307,414
Equipment/vehicle maintenance	959,603	33,642
Reimbursable expenses	131,605	294,479
Licensing	130,834	43,160
Employee allowances	1,147,009	961,842
Capital Projects	1,558,558	2,572,046
Well maintenance & fuel	3,771	616
Depreciation	1,610,596	1,505,468
Total operating expenses	12,502,439	12,789,999
Operating income (loss)	(2,620,568)	(520,192)
Non-operating revenues (expenses):		
Investment interest	112,089	467,205
Gain (loss) on disposal of assets	(24,334)	(8,113)
Total non-operating revenues	87,755	459,092
Change in net position	(2,532,813)	(61,100)
Net position - beginning of year	\$ 30,258,849	30,141,408
Prior period adjustment - pension plan	-	178,541
Net position - end of year (restated)	\$ 27,726,036	\$ 30,258,849

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1STATEMENTS OF CASH FLOWS
YEARS ENDED OCTOBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Cash flows from operating activities:		
Receipts from water use and other fees	\$ 9,719,718	\$ 12,138,831
Payments to suppliers	(5,792,235)	(6,459,708)
Payments to and on behalf of employees	<u>(4,788,514)</u>	<u>(5,138,808)</u>
Net cash provided by (used in) by operating activities	<u>(861,031)</u>	<u>540,315</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	<u>(2,845,543)</u>	<u>(2,997,155)</u>
Net cash used by capital and related financing activities	<u>(2,845,543)</u>	<u>(2,997,155)</u>
Cash flows from investing activities:		
Redemption in certificates of deposit	3,879,151	407,075
Interest on Certificates of Deposit	<u>112,089</u>	<u>467,205</u>
Net cash provided by investing activities	<u>3,991,240</u>	<u>874,280</u>
Net increase(decrease) in cash and cash equivalents	284,666	(1,582,560)
Cash and cash equivalents - beginning of year	<u>1,225,885</u>	<u>2,808,445</u>
Cash and cash equivalents - end of year	<u><u>1,510,551</u></u>	<u><u>1,225,885</u></u>

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1STATEMENTS OF CASH FLOWS (Continued)
YEARS ENDED OCTOBER 31, 2021 AND 2020

	<u>2021</u>	<u>2020</u>
Reconciliation of operating income (loss) to net cash provide by operating activities:		
Operating income (loss)	\$ (2,620,568)	\$ (520,192)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	1,610,596	1,505,468
Change in assets and liabilities:		
Receivables, delinquent water and service charges	(162,239)	(130,963)
Inventories	278,281	(162,410)
Accounts and other payables	68,086	(143,872)
Accrued expenses	(48,967)	60,149
Deferred inflows/outflows	<u>13,780</u>	<u>(67,865)</u>
Net cash provided by (used in) operating activites	<u>(861,031)</u>	<u>540,315</u>

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021 AND 2020**

1. REPORTING ENTITY

The El Paso County Water Improvement District No. 1 (the District) is a political subdivision of the State of Texas which was established under Article XVI, Section 59 of the Texas State Constitution. The District delivers surface water from the Rio Grande in El Paso County, Texas to water right lands in El Paso County and also assesses and collects taxes for the water right lands within its boundaries.

The Reclamation Act was passed by the United States Congress on June 17, 1902 to encourage water project development and irrigation in the western states. In 1905, the El Paso Valley Water Users Association was formed to encourage the construction of Elephant Butte Dam 140 miles upstream from El Paso. The Act of February 25, 1905, extended the Reclamation Act to a portion of the State of Texas bordering the Rio Grande. This act, known as the Rio Grande Reclamation Project, provided for the construction of the Elephant Butte Dam and Reservoir on the Rio Grande in Truth or Consequences, New Mexico, for the impounding of flood waters for irrigation purposes in southern New Mexico and far west Texas. The Treaty of 1906 with the Republic of Mexico obligated the United States to deliver water to Mexico after completion of the Elephant Butte Dam.

Construction of the Elephant Butte Dam and Reservoir was completed in 1916, and by 1925 the major system of canals and drains had been constructed. Construction of the Caballo Dam and Reservoir was completed in 1938. This system became known as the Rio Grande Project, and includes the El Paso County Water Improvement District No. 1 in Texas, and the Elephant Butte Irrigation District in New Mexico. All waters in the reservoirs are appropriated for the downstream users of Elephant Butte Irrigation District, El Paso County Water Improvement District No. 1, and the Republic of Mexico.

In Texas, the Rio Grande Project provides water for 69,010 acres of water right lands, all of which are located within the boundaries of the El Paso County Water Improvement District No. 1. The District contains 156 square miles, with over 350 miles of canals and laterals in the distribution system, and over 269 miles in the drainage system. Irrigation water is delivered through canals and laterals to more than 2,205 turnouts, irrigating crops of cotton, alfalfa, pecans, chiles, wheat, milo, vegetables, pastures, and family gardens.

The Rio Grande Project was operated and maintained by the United States Bureau of Reclamation until 1980, when the El Paso County Water Improvement District No. 1 took over the operation and maintenance responsibilities. On January 22, 1996, the El Paso County Water Improvement District No. 1 accepted ownership of the canals, laterals, drains, and other waterways within its boundaries from the Bureau of Reclamation. Today, the District is responsible for delivering water to over 32,727 accounts. Although many property owners have chosen to subdivide their lands in response to the growth of the City of El Paso, the irrigation of farmland continues to account for the majority of the water used in the District.

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021 AND 2020**

2. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the El Paso County Water Improvement District No. 1 conform to generally accepted accounting principles as applicable to state and local governments. The following is a summary of the more significant policies.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applied to government units. The Government Accounting Standards Board is the accepted standard setting body establishing governmental accounting and financial reporting principles.

Nature of Activities

The District provides irrigation water and services for the farmers and residents of the surrounding area. In addition to these services, the District receives funding from state and federal government sources and must comply with the requirements of these funding entities.

Basis of Accounting

The financial statements are prepared using the accrual basis of accounting. Revenue is recognized as it is earned, and expenses are recognized as goods or services are delivered.

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021 AND 2020**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating and non-operating revenues and expenses

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Tax assessments and water use revenues are recognized in the year they are levied.

Net Position on the Statements of Net Position

Net investment in capital assets - this component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of bonds or other borrowings that are attributable to the acquisition, construction or improvement of those assets.

Unrestricted net position - this component of net position is the net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investments in capital assets or the restricted components of net position.

§ The District had \$13,897,460 and \$17,776,611 for cash equivalents as of October 31, 2021 and 2020, respectively. District

Custodial Credit Risk

State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. Since the District complies with this law, it has minimal custodial credit risk for deposits.

Receivables

Land and water use assessment receivables - pertains to taxes levied on irrigable land. Management has deemed that an allowance for uncollectible accounts is not necessary for fair presentation as there is usually no risk of collectability and delinquent taxes attach to the property as an enforceable lien for a limited period of time.

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021 AND 2020**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Receivables (Continued)

Other receivables- pertains to amounts due from El Paso Public Service Board (PSB) for water, and related services. Management has deemed that an allowance for uncollectible accounts is not necessary for fair presentation as the balance is immaterial.

Inventory

Inventory consists of pipes, supplies, and other items used in the District's construction projects and system maintenance. These inventories are valued at cost and are reported under the consumption method whereby inventory is expensed or capitalized (as a construction cost) when utilized.

Property and Equipment

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the Statement of Net Position. All capital assets are valued at historical cost or estimated in historical cost if actual historical cost is not available. Donated assets are valued at their estimated fair value on the date donated. Repairs and maintenance are recorded as expensed. Renewals and betterments are capitalized.

Intangible assets, which include organizational costs and easements, are capitalized at cost or historical cost. Organizational costs are not capitalized.

Assets capitalized have an original cost of \$5,000 or more and three years or more of useful life. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Depreciation has been calculated on each class of depreciable property using the straight-line method.

The following estimated useful lives are used in providing for depreciation of property and equipment:

Building and improvements	15 to 30 years
Vehicles and heavy equipment	5 to 10 years
Furniture and Office equipment	5 to 7 years
Wells	3 to 6 years

Accounting principles generally accepted in the United States of America require that infrastructure assets be capitalized and depreciated, which would increase the net assets. Net position, and expenses of the District. The Board has decided to remove the infrastructure- water system prior to 2003 from the financial statements, including depreciation expense on those assets.

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021 AND 2020**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Compensated absences

Employees are allowed ten sick leave days each year. The District allows employees to relinquish and be paid for unused sick leave accumulated prior to September 1, 2003. Payments for accrued sick leave are made upon request of the employees; therefore, the amount to be paid over the next fiscal year cannot be determined.

Eligible full-time employees will be given vacation on the first of January prorated for length of continuous service with the District. After one year of service, employees will receive ten days of vacation. They will receive an additional day per year to a maximum of twenty days of vacation.

Land Assessments (Tax) on irrigable land

Land Assessments (taxes) are levied on November 1 and are due and payable on or before January 31 of the following year. All unpaid taxes become delinquent February 1 of the following year and attach as an enforceable lien on property annually as of February 1. The District bills and collects water rights taxes. District water rights tax revenues and water delivery charges are recognized when levied.

Financial Statement Presentation

Certain reclassifications have been made to the financial statement presentation to correspond to the current year's format. Total net position and net income are unchanged due to these reclassifications.

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS

Cash Deposits

According to the District's investment of public funds policy, the investment officer shall invest in Board approved investments.

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021 AND 2020****3. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)****Cash Deposits (Continued)**

Cash, cash equivalents, and investments consisted of the following at October 31, 2021:

	<u>2021</u>		
	<u>Cash</u>	<u>Cash Equivalents</u>	<u>Total</u>
General fund	\$ 1,184,794	\$ -	\$ 1,184,794
Money market	271,033	-	271,033
Deferred revenue	49,420	-	49,420
Other	5,304	-	5,304
Certificates of deposit	-	13,897,460	13,897,460
	<u>\$ 1,510,551</u>	<u>\$ 13,897,460</u>	<u>\$15,408,011</u>

Cash, cash equivalents, and investments consisted of the following at October 31, 2020:

	<u>2020</u>		
	<u>Cash</u>	<u>Cash Equivalents</u>	<u>Total</u>
General fund	\$ 911,507	\$ -	\$ 911,507
Money market	270,775	-	270,775
Deferred revenue	35,615	-	35,615
Other	7,988	-	7,988
Certificates of deposit	-	17,776,611	17,776,611
	<u>\$ 1,225,885</u>	<u>\$ 17,776,611</u>	<u>\$19,002,496</u>

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. The fair value of the certificates of deposit of October 31, 2021 and 2020 are considered level 1.

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021 AND 2020****3. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)****Custodial Credit Risk**

State law requires governmental entities to contract with financial institutions in which funds will be deposited to secure those deposits with insurance or pledged securities with a fair value equaling or exceeding the amount on deposit at the end of each business day. Since the District complies with this law, it has minimal custodial credit risk for deposits.

Financial instruments that potentially subject the District to concentrations of credit risk consist principally of temporary cash investments and accounts receivables. The District places its temporary cash investments with one financial institution. Accounts at the institution are insured by the Federal Deposit Insurance Corporation up to \$250,000 and collateralized for amounts in excess of \$250,000. The remaining deposits of \$16,249,986 and \$14,728,060 are collateralized with \$17,650,589 and \$17,629,133 of securities held by the pledging financial institution for 2021 and 2020, respectively.

Concentrations of credit risk with respect to trade receivables are limited due to the large number of users comprising the District's user base and the District's ability to place a lien on the user's property. As of October 31, 2021, the District had no significant concentrations of credit risk.

4. ACCOUNTS RECEIVABLE

The land assessment rate assessed for the years 2020-2021 and 2019-2020 was \$25 per acre. The water delivery rate assessed for the years 2020-2021 and 2019-2020 was \$10 per acre foot. The administrative fees (accounting service charge) assessed for the years 2020-2021 and 2019-2020 was \$12 per owner. The District consists of 69,010 irrigable acres of land.

Assessments that are a year or less old are included in current land assessments and water use assessments receivables. Assessments older than a year are included in noncurrent land assessments and water use assessments receivables. An allowance for uncollectible delinquent assessments has not been established. The law states delinquent taxes are uncollectible after 20 years. This does not apply to the District because the District does not charge ad valorem taxes.

Other receivables consist mainly of invoices due from the El Paso Public Service Board.

Receivables reported as of October 31, 2021 and 2020, respectively, are presented below:

	<u>2021</u>	<u>2020</u>
Current land and water use assessments	\$ 76,240	\$ 79,861
Prior year land and water assessments	334,582	337,582
Other receivables	481,868	313,008
	<u>\$ 892,690</u>	<u>\$ 730,451</u>

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021 AND 2020

5. CAPITAL ASSETS

Capital asset activity for the year ended October 31, 2021, was as follows:

	October 31 2020	Increases	Decreases/ Adjustments	October 31 2021
Capital assets, not being depreciated:				
Land	\$ 1,583,454	\$ -	\$ -	\$ 1,583,454
Total capital assets, not being depreciated	<u>1,583,454</u>	<u>-</u>	<u>-</u>	<u>1,583,454</u>
Capital assets, being depreciated:				
Buildings and improvements	3,988,248	17,056	(6,400)	3,998,904
Furniture and office equipment	464,823	-	-	464,823
Vehicles and heavy equipment	11,405,715	486,725	(38,918)	11,853,522
Wells	2,368,692	109,884	-	2,478,576
Machinery and equipment	1,302,381	156,559	-	1,458,940
Infrastructure - water equipment	<u>6,620,761</u>	<u>2,075,319</u>	<u>-</u>	<u>8,696,080</u>
Total capital assets, being depreciated	<u>26,150,620</u>	<u>2,845,543</u>	<u>(45,318)</u>	<u>28,950,845</u>
Less accumulated depreciation:				
Buildings and improvements	1,874,193	162,957	(6,400)	2,030,750
Furniture and office equipment	444,215	9,519	-	453,734
Vehicles and heavy equipment	8,791,264	988,240	(14,583)	9,764,921
Wells	2,344,105	26,514	-	2,370,619
Machinery and equipment	1,193,543	67,346	-	1,260,889
Infrastructure - water system	<u>3,011,195</u>	<u>356,020</u>	<u>-</u>	<u>3,367,215</u>
Total accumulated depreciation	<u>17,658,515</u>	<u>1,610,596</u>	<u>(20,983)</u>	<u>19,248,128</u>
Total capital assets, being depreciated, net	<u>8,492,105</u>	<u>1,234,947</u>	<u>(24,335)</u>	<u>9,702,717</u>
Total capital assets, net	<u>\$ 10,075,559</u>	<u>\$ 1,234,947</u>	<u>\$ (24,335)</u>	<u>\$ 11,286,171</u>

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021 AND 2020**

5. CAPITAL ASSETS (Continued)

Capital asset activity for the year ended October 31, 2020, was as follows:

	<u>October 31</u> <u>2019</u>	<u>Increases</u>	<u>Decreases/ Adjustments</u>	<u>October 31</u> <u>2020</u>
Capital assets, not being depreciated:				
Land	\$ 163,454	\$ 1,420,000	\$ -	\$ 1,583,454
Total capital assets, not being depreciated	<u>163,454</u>	<u>1,420,000</u>	<u>-</u>	<u>1,583,454</u>
Capital assets, being depreciated:				
Buildings and improvements	3,967,855	20,393	-	3,988,248
Furniture and office equipment	464,823	-	-	464,823
Vehicles and heavy equipment	10,391,958	1,212,395	(198,638)	11,405,715
Wells	2,368,692	-	-	2,368,692
Machinery and equipment	1,292,203	10,178	-	1,302,381
Infrastructure - water equipment	6,286,572	334,189	-	6,620,761
Total capital assets, being depreciated	<u>24,772,103</u>	<u>1,577,155</u>	<u>(198,638)</u>	<u>26,150,620</u>
Less accumulated depreciation:				
Buildings and improvements	1,711,727	162,466	-	1,874,193
Furniture and office equipment	434,696	9,519	-	444,215
Vehicles and heavy equipment	8,053,468	921,343	183,547	8,791,264
Wells	2,319,451	24,654	-	2,344,105
Machinery and equipment	1,148,504	45,039	-	1,193,543
Infrastructure - water system	2,668,748	342,447	-	3,011,195
Total accumulated depreciation	<u>16,336,594</u>	<u>1,505,468</u>	<u>183,547</u>	<u>17,658,515</u>
Total capital assets, being depreciated, net	<u>8,435,509</u>	<u>71,687</u>	<u>(15,091)</u>	<u>8,492,105</u>
Total capital assets, net	<u>\$ 8,598,963</u>	<u>\$ 1,491,687</u>	<u>\$ (15,091)</u>	<u>\$ 10,075,559</u>

Total depreciation expense charged at October 31, 2021 and 2020 was \$1,610,596 and \$1,505,468, respectively.

The District has elected to report the water system infrastructure assets acquired after August 31, 2003. All water system infrastructure assets acquired before September 1, 2003, including canals and drains, are not included in the capital asset amounts.

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021 AND 2020****6. EMPLOYEE RETIREMENT PLAN****TCDRS Defined Benefit Pension Plan****Plan Description**

The District provides a pension benefit for all of its full-time and part-time non- temporary employees (regardless of the number of hours they work in a year) through an agent multiple-employer defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). Employees in temporary positions are not eligible for membership. TCDRS is an agency created by the State of Texas and administered in accordance with the TCDRS Act, Title 8, Subtitle F, Texas Government Code (the TCDRS Act). The Board of Trustees of the TCDRS is responsible for the administration of the statewide agent multiple-employer public retirement system consisting of over 700 employers. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034 or online at: <https://www.tcdrs.org/Employer/EmployerServices/Pages/Publications.aspx>.

Benefits Provided

TCDRS provides retirement, disability, and survivor benefits. The Plan provisions are adopted by the governing body of the El Paso County Water Improvement District. They may be amended as of January 1 each year but must remain in conformity and within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the District within the actuarial constraints imposed by the TCDRS Act so that resulting benefits are expected to be adequately financed by the District's commitment to contribute. By law, the employee accounts earn 7% interest on beginning of year balances annually. At retirement, disability, or death, the account is matched at an employer set percentage (current match is 150%) and is then converted to an annuity.

	<u>2020</u>	<u>2019</u>
Inactive employees or beneficiaries currently receiving benefits	0	0
Inactive employees entitled to but not yet receiving benefits	11	3
Active employees	<u>128</u>	<u>116</u>
Total covered employees	<u>139</u>	<u>119</u>

Members can retire at 20 years of service. Members are vested after five years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer. There are no automatic post-employment benefit changes, including automatic COLAs. Each year, the District may elect an ad hoc COLA for its retirees.

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021 AND 2020**

6. EMPLOYEE RETIREMENT PLAN (Continued)

TCDRS Defined Benefit Pension Plan (continued)

Contributions

The contribution rates for employees is 4% of compensation, as adopted by the District's governing body. Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Under the TCDRS Act, the employer is legally required to make 100% of the contribution specified in the funding policy on an annual basis. Each employer has the opportunity to make additional contributions in excess of its annual required contribution rate either by adopting an elected rate that is higher than the required rate or by making additional contributions on an ad hoc basis. Employers may make additional contributions to pay down their liabilities faster, pre-fund benefit enhancements and/or buffer against future adverse experience.

The contribution rate payable by the employee members for the plan's calendar years 2021 and 2020 was four percent (4%) as adopted by the governing body of the District. The District contributed using the actuarially determined rate of 3.13% for calendar year 2021 and 3.32% for calendar year 2020. The employee contribution rate and the employer contribution rate may be amended by the governing body of the employer within the options available under the TCDRS Act. The District's contributions to TCDRS for the years ended October 30, 2021 and 2020 were \$203,746 and \$192,742, respectively, and were equal to the required contributions.

Net Pension Liability (Asset)

The District's Net Pension Liability (Asset) (NPL) was measured as of December 31, 2020, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by actuarial valuation as of that date.

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021 AND 2020****6. EMPLOYEE RETIREMENT PLAN (Continued)****TCDRS Defined Benefit Pension Plan (continued)****Actuarial Assumptions**

The total pension liability in December 31, 2020 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement.

Actuarial Cost Method	Entry Age
Asset Valuation Method	
Smoothing period	5 years
Recognition method	Non-asymptotic
Corridor	None
Inflation	2.50%
Investment Rate of Return	7.60% (Gross of administrative expenses)
Discount Rate	7.60%
Mortality	
Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Services retirees, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Payroll Growth Rate	2.00%

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021 AND 2020**

6. EMPLOYEE RETIREMENT PLAN (Continued)

TCDRS Defined Benefit Pension Plan (continued)

Actuarial Assumptions (Continued)

The Discount rate changed from 8.1% to 7.6%. There were no other changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period. There were also no changes to benefit terms that affected measurement of the total pension liability during the measurement period.

Long-Term Expected Rate of Return: The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater, LLC. The numbers shown are based on January 2021 information for a 10-year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years and is set based on a long-term time horizon. The TCDRS Board of Trustees adopted the current assumption at their March 2021 meeting. The assumption for the long-term expected return is reviewed annually for continued compliance with relevant actuarial standards of practice. Milliman relies on the expertise of Cliffwater in this assessment.

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021 AND 2020**

6. EMPLOYEE RETIREMENT PLAN (Continued)

TCDRS Defined Benefit Pension Plan (continued)

Actuarial Assumptions (Continued)

<u>Asset Class</u>	<u>Target Allocation⁽¹⁾</u>	<u>Geometric Real Rate of Return⁽²⁾</u>
U.S. Equities	11.50%	4.25%
Private Equity	25.00%	7.25%
Global Equities	2.50%	4.55%
International Equities-Developed Markets	5.00%	4.25%
International Equities- Emerging Markets	6.00%	4.75%
Investment-Grade Bonds	3.00%	-0.85%
Strategic Credit	9.00%	2.11%
Direct Lending	16.00%	6.70%
Distressed Debt	4.00%	5.70%
REIT Equities	2.00%	3.45%
Master Limited Partnerships	2.00%	5.10%
Private Real Estate Partnerships	6.00%	4.90%
Hedge Funds	6.00%	1.85%
Cash Equivalents	2.00%	-0.70%
	<u>100.00%</u>	

⁽¹⁾ Target asset allocation adapted at the March 2021 TCDRS Board meeting.

⁽²⁾ Geometric real rates of return equal the expected return for the asset class minus the assumed inflation of 2.0%, per Cliffwater's 2021 capital market assumptions.

⁽³⁾ Includes vintage years 2005-present of Quarter Pooled Horizon IRRS.

⁽⁴⁾ Includes vintage years 2007-present of Quarter Pooled Horizon IRRS.

⁽⁵⁾ Includes vintage years 2006-present of Quarter Pooled Horizon IRRS.

Discount Rate

The discount rate used to measure the total pension liability was 7.60%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the plan's fiduciary net position is projected to be available to make all projected future benefit payments of current active, inactive, and retired members. Therefore, the discount rate for calculating the total pension liability is equal to the long-term expected rate of return and was applied to all periods of projected benefit payments to determine the total pension liability.

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021 AND 2020****6. EMPLOYEE RETIREMENT PLAN (Continued)****TCDRS Defined Benefit Pension Plan (continued)****Changes in the Net Pension Liability for the year ended December 31, 2020**

Changes in Net Pension Liability/(Asset)	2020		
	Increase (Decrease)		
	Total Pension Liability (a)	Fudiciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
Balances as of December 31, 2019	\$ 488,685	\$ 466,918	21,767
Changes for the year:			
Service cost	387,989	-	387,989
Interest on total pension liability ¹	71,011	-	71,011
Effect of plan changes ²	-	-	-
Effect of economic/demographic gains or losses	45,146	-	45,146
Effect of assumptions changes or inputs	76,178	-	76,178
Refund of contributions	-	-	-
Benefit payments	-	-	-
Administrative expenses	-	(695)	695
Member contributions	-	227,889	(227,889)
Net investment income	-	49,098	(49,098)
Employer contributions	-	194,275	(194,275)
Other ³	-	12,539	(12,539)
Balances as of December 31, 2020	<u>\$ 1,069,009</u>	<u>\$ 950,024</u>	<u>\$ 118,985</u>

¹ Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.² No plan changes valued.³ Relates to allocation of system-wide items.

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021 AND 2020

6. EMPLOYEE RETIREMENT PLAN (Continued)

TCDRS Defined Benefit Pension Plan (continued)Changes in the Net Pension Liability for the year ended December 31, 2019

Changes in Net Pension Liability/(Asset)	2019		
	Increase (Decrease)		
	Total Pension Liability (a)	Fudiciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
Balances as of December 31, 2018	\$ 61,015	\$ 71,014	\$ (9,998)
Changes for the year:			
Service cost	357,733	-	357,733
Interest on total pension liability ¹	33,919	-	33,919
Effect of plan changes ²	-	-	-
Effect of economic/demographic gains or losses	36,018	-	36,018
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	-	-	-
Benefit payments	-	-	-
Administrative expenses	-	(356)	356
Member contributions	-	200,901	(200,901)
Net investment income	-	11,284	(11,284)
Employer contributions	-	171,268	(171,268)
Other ³	-	12,807	(12,807)
Balances as of December 31, 2019	\$ 488,685	\$ 466,918	\$ 21,767

¹ Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.² No plan changes valued.³ Relates to allocation of system-wide items.

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021 AND 2020

6. EMPLOYEE RETIREMENT PLAN (Continued)

TCDRS Defined Benefit Pension Plan (continued)Changes in the Net Pension Liability for the year ended December 31, 2020 (Continued)Discount Rate Sensitivity Analysis:

The following presents the net pension liability of the District, calculated using the discount rate of the 7.60%, as well as what the District's net pension liability/(asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.60%) or 1 percentage point higher (8.60%) than the current rate:

	2020		
	1% Decrease	Current Discount Rate	1% Increase
	6.60%	7.60%	8.60%
Total pension liability	\$ 1,249,513	\$ 1,069,009	\$ 922,048
Fiduciary net position	<u>950,024</u>	<u>950,024</u>	<u>950,024</u>
Total unamortized premiums	<u>\$ 299,489</u>	<u>\$ 118,985</u>	<u>\$ (27,976)</u>
	2019		
	1% Decrease	Current Discount Rate	1% Increase
	7.10%	8.10%	9.10%
Total pension liability	\$ 568,778	\$ 488,685	\$ 423,172
Fiduciary net position	<u>466,918</u>	<u>466,918</u>	<u>466,918</u>
Total unamortized premiums	<u>\$ 101,860</u>	<u>\$ 21,767</u>	<u>\$ (43,746)</u>

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021 AND 2020****6. EMPLOYEE RETIREMENT PLAN (Continued)****TCDRS Defined Benefit Pension Plan (continued)****Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

For the year ended October 31, 2020, the District recognized pension expense in the amounts of \$307,639 and \$162,685, respectively. At year end 2021 and 2020, the District also reported the following deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

	2021	
	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 2,716	\$ 148,083
Changes of assumptions	-	-
Net difference between projected and actual earnings	-	(20,626)
Contributions made subsequent to the measurement date	-	174,560
Total	\$ 2,716	\$ 302,017

	2020	
	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 3,804	\$ 32,416
Changes of assumptions	-	-
Net difference between projected and actual earnings	-	9,011
Contributions made subsequent to the measurement date	-	219,742
Total	\$ 3,804	\$ 261,169

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021 AND 2020**

6. EMPLOYEE RETIREMENT PLAN (Continued)

TCDRS Defined Benefit Pension Plan (continued)

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ending October 31,</u>	<u>Amount</u>
2022	\$ 194,644
2023	19,679
2024	17,730
2025	16,538
2026	16,538
Thereafter	34,172
	<u>\$ 299,301</u>

Net Pension Liability:

At October 31, 2021 and 2020, the District reported a net pension liability reported in the statement of net position of the following:

	<u>2021</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Net Pension Liability (Asset)	<u>\$ 21,767</u>	<u>\$ 580,324</u>	<u>\$ (483,106)</u>	<u>\$ 118,985</u>

	<u>2020</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>
Net Pension Liability (Asset)	<u>\$ (9,998)</u>	<u>\$ 427,670</u>	<u>\$ (395,905)</u>	<u>\$ 21,767</u>

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021 AND 2020**

7. RISK MANAGEMENT

District operations are conducted in El Paso County of Texas. Surface water for irrigation is gathered in lakes and reservoirs along the Rio Grande River in New Mexico. In the event of a drought in the area, water supplies would be below normal, which could materially affect the revenues of the District.

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; workers compensation; and natural disasters. With the exception of insurance coverage for workers compensation claims, the District has provided for commercial insurance for potential risks. There have been no significant reductions in insurance coverage from prior years and settlements have not exceeded insurance coverage for each of the past three fiscal years.

The District contracts with the Travelers to provide worker's compensation insurance.

The District has no unused lines of credit as of October 31, 2021 and 2020.

8. CONTINGENCIES AND COMMITMENTS

From time to time the District is subjected to various threatened or pending lawsuits, some of which relate to water right claims or to alleged contracts. Since the District is a political subdivision of the State of Texas, it is subject to the Texas Tort Claims Act. To the extent that claims are asserted against the District pursuant to the Texas Tort Claims Act, the District carries liability insurance. There are no material lawsuits in litigation at year end, in that any judgment for damages entered against the District in any such lawsuit would not impair the net position of the District.

The District has entered into Contract #0-07-54-X0904 with the U. S. Department of the Interior Bureau of Reclamation under which the District pays the portion of the costs of operation and maintenance of the Rio Grande Project which is utilized for the benefit of the lands within the District. Expenses paid under this contract were \$88,230 for fiscal year 2021, and are expected to be \$76,071 for fiscal year 2022.

The District also pays a share of the cost for operating and maintaining Elephant Butte Dam and Reservoir for irrigation purposes. Expenses paid under this Contract #ILR-981 were \$106,123 for fiscal year 2021, and are expected to be \$142,528 for fiscal year 2022.

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021 AND 2020**

8. CONTINGENCIES AND COMMITMENTS (Continued)

In April, 2001, the District signed an agreement with the City of El Paso (the City) and the El Paso Public Service Board (PSB) agreeing to sell up to 28,116 acre feet of water to the PSB for municipal and industrial use. The City and the PSB provide no less than 12,000 acre feet of usable sewage effluent in return. The City receives credit for the effluent at a rate of one-half of the price per acre-foot of District Water provided to the City. The price per acre-foot of water provided by the District was \$260 for the calendar year commencing January 1, 2013, and increases in the same proportions as any increases after January 1, 2014 in the Consumers Price Index-All Urban Consumers. The amount of water to be provided to the PSB will be reduced in any year in which the annual irrigation delivery allocation is less than 4.00 acre-feet per acre.

9. RELATED PARTY TRANSACTIONS

From time to time, the District may enter into transactions with related parties through the normal course of business. If a Board member has a conflict of interest, proper documentation is completed, and he/she is required to abstain from any discussion or voting regarding the matter. Management is not aware of any material related party transactions that occurred during the 2021 fiscal year.

10. RISKS AND UNCERTAINTIES

In December of 2019, a novel strain of coronavirus (SARS-CoV-2) was reported to have surfaced in China. In March of 2020, the World Health Organization declared that SARS-CoV-2 and the disease it causes, Coronavirus Disease 2019 (COVID-19), is a global pandemic. The District's services were exempt from government mandated closures because they are an essential service. The District continues to serve the community and are monitoring developments and following guidelines set by the Local, State and Federal Governments so they may continue to serve safely. However, the long-term impact of COVID-19 on the District remains uncertain and depends on duration and spread of the outbreak and government-imposed restrictions, all of which are highly uncertain and cannot be predicted at this time.

11. CORRECTION OF AN ERROR IN A PRIOR PERIOD

The Districts' Net Position as of October 31, 2020 was restated as a result of the correction of an error. In 2020, the District purchased 300 acres of land for \$1,420,000. The amount was erroneously expensed, when it should have been capitalized. The restated financial statements as of October 31, 2020 reflect a reduction of expense in Licensing on the Statement of Revenues, Expenses and Changes in Fund Net Position and an increase in Non-depreciable assets and Net Investment in capital assets on the Statement of Net Position.

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021 AND 2020**

12. SUBSEQUENT EVENTS

Subsequent events were evaluated through January 31, 2023 the date the financial statements were available to be issued, and the following items were noted:

On June 8, 2022 the Board of Directors approved the sale of a portion of the Mesa Spur Drain for 5.5 acres, Ysleta Grant, block 1, tract 1-a, city of El Paso, the amount paid was \$65,000 per acre. Also approved was the Sale of a portion of the Franklin Drain and the deed without warranty to the city of El Paso, the payment to be made is \$1,600,000.00.

13. NEW ACCOUNTING PRONOUNCEMENTS

GASB Statement No. 101

GASB Statement No. 101, *Compensated Absences*, This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. This statement is effective for fiscal years beginning after December 15, 2023 and reporting periods thereafter.

GASB Statement No. 100

GASB Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*, This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior periods, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The requirements of this Statement for changes in accounting principles apply to the implementation of a new pronouncement in absence of specific transition provisions in the new pronouncement. This Statement also requires that the aggregate amount of adjustments to and restatements of beginning net position, fund balance, or fund net position, as applicable, be displayed by reporting unit in the financial statements.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. This statement is effective for fiscal years beginning after June 15, 2023 and reporting periods thereafter.

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021 AND 2020**

13. NEW ACCOUNTING PRONOUNCEMENTS (Continued)

GASB Statement No. 99

GASB Statement No. 99, *Omnibus 2022*, The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. Various parts of this statement effective dates vary depending by which statement it applies to.

The practice issues addressed by this Statement are as follows:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives
- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP)
- Disclosures related to nonmonetary transactions
- Pledges of future revenues when resources are not received by the pledging government
- Clarification of provisions in Statement No. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*
- Terminology used in Statement 53 to refer to resource flows statements

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021 AND 2020**

13. NEW ACCOUNTING PRONOUNCEMENTS (Continued)

GASB Statement No. 98

GASB Statement No. 98, *The Annual Comprehensive Financial Report*, This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. This statement is effective for fiscal years ending after December 15, 2021.

GASB Statement No. 97

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, provides specific guidance related to (1) reporting of fiduciary component units that perform duties of a governing board; (2) narrows applicability of certain requirements from GASB No. 84 related to defined benefit pension and OPEB plans and; (3) specific guidance for Internal Revenue Code Section 457 plans that meet the definition of a pension plan and for benefits provided through those plans. Various parts of this statement effective dates vary depending by which statement it applies to.

GASB Statement No. 96

GASB Statement No. 96, *Subscription-Based Information Technology Agreements*, this statement provides guidance on the accounting and financial reporting for subscription-based information technology agreements (SBITA) on government end users. This statement (1) defines a SBITA (2) established that a SBITA results in a right-to-use asset subscription asset – an intangible asset – and a corresponding subscription liability (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of SBITA and (4) requires note disclosures regarding a SBITA. This Statement is effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

GASB Statement No.95

GASB Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*, postponed the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later.

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021 AND 2020**

13. NEW ACCOUNTING PRONOUNCEMENTS (Continued)

GASB Statement No. 95 (Continued)

The following statements that may impact the District are postponed until the effective dates as prescribed by GASB statement No. 95:

- Statement 87 and Implementation Guide 2019-3, *Leases*, fiscal years beginning after June 15, 2021 and all reporting periods thereafter
- Statement 91, Conduit Debt Obligations, reporting periods beginning after December 15, 2021
- Statement 92, Omnibus 2020, reporting periods beginning after June 15, 2021
- Statement 93, Replacement of Interbank Offered Rates, fiscal years beginning after June 15, 2021, and all reporting periods thereafter.

The District has not completed the process of evaluating the impact on its financial position that will result from adopting the listed Governmental Accounting Standards Board (GASB) Statements.

GASB Statement No. 90

GASB Statement No. 90 improves the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of the financial statement information component units. Defines a majority equity interest and specifies that a majority equity interest be reported as an investment if a government's holding of the equity interest meets the definition of an investment and be measured using the equity method, unless it is held for a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment or permanent fund. The District had no Majority equity interests as of December 31, 2021.

GASB Statement No. 91

GASB Statement No. 91 requires issuers to disclose general information about their conduit debt obligations, organized by type of commitment, including the aggregate outstanding principal amount of the issuers' conduit debt obligations and a description of each type of commitment. Issuers that recognize liabilities related to supporting the debt service of conduit debt obligations also should disclose information about the amount recognized and how the liabilities changed during the reporting period.

GASB Statement No. 92

GASB Statement No. 92 enhances comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing practice issues that have been identified during implementation and application of certain GASB Statements.

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2021 AND 2020**

13. NEW ACCOUNTING PRONOUNCEMENTS (Continued)

GASB Statement No. 93

GASB Statement No. 93 provides guidance to government entities who have entered into agreements in which variable payments made or received depend on an interbank offered rate (IBOR), most notably the London Interbank Offered Rate (LIBOR). As a result of global reference rate reform, LIBOR is expected to cease to exist in its current form at the end of 2021, prompting governments to amend or replace financial instruments for the purpose of replacing LIBOR with other reference rates, by either changing the reference rate or adding or changing fallback provisions related to the reference rate.

GASB Statement No. 89

GASB Statement No. 89 requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. In financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting standards. The District has implemented this pronouncement but there was no effect to the District's financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1RSI-1 BUDGETARY COMPARISON SCHEDULE
YEAR ENDED OCTOBER 30, 2021

	Budget		Actual	Variance
	Original	As Amended		Favorable (Unfavorable)
Revenues				
Land assessment	\$ 1,720,000	\$ 1,720,000	\$ 1,589,486	\$ (130,514)
Water assessment	1,700,000	1,700,000	1,627,162	(72,838)
Other assessment	647,000	647,000	855,153	208,153
licensing fees	1,140,000	1,140,000	2,031,130	891,130
Contract revenue	2,093,830	2,093,830	2,500,323	406,493
Administrative revenue	212,600	212,600	62,101	(150,499)
Special and capital projects	1,300,000	1,300,000	1,178,949	(121,051)
Reimbursement revenue	80,000	80,000	37,653	(42,347)
Other revenue	-	-	(86)	(86)
Total revenues	<u>8,893,430</u>	<u>8,893,430</u>	<u>9,881,871</u>	<u>988,441</u>
Expenses				
Administrative	399,200	399,200	407,401	(8,201)
Contract services	26,000	26,000	19,267	6,733
Consultant fees	220,000	220,000	186,835	33,165
Governmental fees	229,875	229,875	238,804	(8,929)
Insurance expense	310,900	310,900	325,363	(14,463)
Legal fees	600,000	600,000	711,065	(111,065)
Payroll expnes	5,795,000	5,795,000	4,874,907	920,093
Repairs and maintenance	545,000	545,000	196,821	348,179
Equipment/vehicle expense	590,600	590,600	959,603	(369,003)
Reimbursable expenses	200,000	200,000	131,605	68,395
Licensing	65,000	65,000	130,834	(65,834)
Employee allowance	1,137,000	1,137,000	1,147,009	(10,009)
Capital projects	3,023,548	3,023,548	1,558,558	1,464,990
Well maintenance and fuel	175,000	175,000	3,771	171,229
depreciation and amortization	-	-	1,610,596	(1,610,596)
Total expenses	<u>13,317,123</u>	<u>13,317,123</u>	<u>12,502,439</u>	<u>814,684</u>
Operating income before nonoperating revenues (expenses)	(4,423,693)	(4,423,693)	(2,620,568)	173,757
Investment interest	-	-	112,089	112,089
Gain (loss) on disposal of assets	-	-	(24,334)	(24,334)
Total non-operating revenues	-	-	87,755	87,755
Change in net position	<u>\$ (4,423,693)</u>	<u>\$ (4,423,693)</u>	<u>\$ (2,532,813)</u>	<u>\$ 261,512</u>

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1

**RSI - SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
TEXAS COUNTY & DISTRICT RETIREMENT SYSTEM
FOR YEAR ENDED OCTOBER 31, 2021**

	<u>Year Ended December 2020</u>	<u>Year Ended December 2019</u>	<u>Year Ended December 2018</u>
Pension Liability			
Service Cost	\$ 387,989	\$ 357,733	\$ 60,969
Interest on total pension liability	71,010	33,919	4,938
Effect of plan changes	-	-	-
Effect of assumption changes or inputs	76,178	-	-
Effect of economic/demographic (gains) or losses	45,147	36,018	(4,892)
Benefit payments/refunds of contributions	-	-	-
Net change in total pension liability	580,324	427,670	61,015
Total pension liability, beginning	488,685	61,015	-
Total pension liability, ending (a)	1,069,009	488,685	61,015
Fiduciary Net Position			
Employer contributions	194,275	171,268	31,419
Member contributions	227,889	200,901	36,855
Investment income net of investment expenses	49,098	11,284	763
Benefit payments/refunds of contributions	-	-	-
Administrative expenses	(695)	(356)	(57)
Other	12,539	12,807	2,033
Net change in fiduciary net position	483,106	395,904	71,013
Fiduciary net position, beginning	466,918	71,014	-
Fiduciary net position, ending (b)	950,024	466,918	71,013
Net pension liability/ (asset), ending= (a) - (b)	\$ 118,985	\$ 21,767	\$ (9,998)
Fiduciary net position as a % of total pension liability	88.87%	95.55%	116.39%
Pensionable covered payroll	5,697,227	5,022,522	921,379
Net pension liability as a % of covered payroll	2.09%	0.43%	-1.09%

Note: In accordance with GASB 68, paragraph 138, this schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1

**SCHEDULE OF EMPLOYER CONTRIBUTIONS
YEARS ENDED DECEMBER 31, 2020, 2019, and 2018**

Year ending December 31⁽¹⁾	Actuarially Determined Contributions⁽¹⁾	Actual Employer Contribution⁽¹⁾	Contribution Deficiency (excess)	Pensionable Covered Payroll⁽²⁾	Actual Contributions as a % of Payroll
2018	31,419	31,419	-	921,379	3.4%
2019	171,268	171,268	-	5,022,522	3.4%
2020	178,323	194,275	(15,952)	5,697,227	3.4%

⁽¹⁾ TCDRS calculates actuarially determined contributions on a calendar year basis. GASB Statement No. 68 indicates the employer should report employer contribution amounts on a fiscal year basis. If additional assistance is needed, please contact TCDRS.

⁽²⁾ Payroll is calculated based on contributions as reported to TCDRS.

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
OCTOBER 31, 2021**

Notes to Schedule

Valuation Date: Actuarially determined contribution rates are calculated each December 31, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates

Actuarial Cost Method	Entry Age
Amortization Method	Level percentage of payroll, closed
Remaining Amortization Period	20.0 years (based on contribution rate calculated in 12/31/2020 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.6% average over career including inflation
Investment Rate of Return	7.50% net of administrative and investment expenses, including inflation
Retirement Age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.
Changes in Assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected. 2019: New inflation, mortality and other assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule* of Employer Contributions	2015: No changes in plan provision were reflected in the Schedule. 2016: No changes in the plan provision were reflected in the Schedule. 2017: No changes in the plan provision were reflected in the Schedule. 2018: No changes in plan provisions were reflected in the Schedule. 2019: No changes in plan provisions were reflected in the Schedule. 2020: No changes in plan provisions were reflected in the schedule.

* Only changes that affect the benefit amount and that are effective 2015 and later are shown in the notes to the Schedule.

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION OCTOBER 31, 2021

Actuarial Methods and Assumptions Used for GASB Calculation

All actuarial methods and assumptions used for this GASB analysis were the same as those used in the December 31, 2020 funding valuation, except as noted below.

Valuation Timing	Actuarially determined contribution rates are calculated as of December 31, two years to the end of the fiscal year in which the contributions are reported.
Actuarial Cost Method	Entry Age Normal ⁽¹⁾
Amortization Method	
Recognition of economic/ demographic gains or losses	Straight-Line amortization over Expected Working Life
Recognition of assumptions changes or inputs	Straight-Line amortization over Expected Working Life
Asset Valuation Method	
Smoothing period	5-years
Recognition method	Non-asymptotic
Corridor	None
Inflation	Same as TCDRS system-wide funding valuation. Can be obtained at https://www.tcdrs.org
Salary Increases	Same as TCDRS system-wide funding valuation. Can be obtained at https://www.tcdrs.org
Investment Rate of Return	7.60% (Gross of administrative expenses)
Cost of Living Adjustments	Cost-of-Living Adjustments for the El Paso County Water Improvement District No. 1 are not considered to be substantively automatic under GASB 68. Therefore, no assumption for future cost-of-living adjustments is included in the GASB calculations. No assumption for future cost-of-living adjustments is included in funding valuation.
Retirement Age	Same as TCDRS system-wide funding valuation. Can be obtained at https://www.tcdrs.org
Turnover	Same as TCDRS system-wide funding valuation. Can be obtained at https://www.tcdrs.org
Mortality	Same as TCDRS system-wide funding valuation. Can be obtained at https://www.tcdrs.org

⁽¹⁾ Individual entry age normal cost method, as required by GASB 68, used for GASB calculations. Note that a slightly different version of the entry age normal cost method is used for the funding actuarial valuation.

SINGLE AUDIT SECTION

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR YEAR ENDED OCTOBER 31, 2021**

Name of Agency / Department and Program	Project Period	Federal Assistance Number	Pass through Grantor's Number	Direct Awards	Pass Through Awards	Total	Subrecipient Expenditures
FEDERAL AWARDS							
Department of the Interior							
The U.S. Bureau of Reclamation							
Riverside Canal Concrete Lining Project: Phase II	* 09/19/2019-06/30/2021	15.507	126044773	\$ 999,000	\$ -	\$ 999,000	\$ -
Montoya Main and Montoya A Laterals Concrete Lining Project	* 02/24/2020-03/31/2021	15.507	126044773	74,000	-	74,000	-
Advanced Metering Infrastructure Upgrades to Irrigation Wells Project	* 01/16/2021-09/30/2021	15.507	126044773	2,319	-	2,319	-
The U.S. Bureau of Reclamation							
WaterSMART program							
Designing Improvements to the Franklin Canal and Franklin Feeder Canal	07/19/2019 - 09/30/2021	15.530	126044773	75,000	-	75,000	-
TOTAL FEDERAL AWARDS							
				\$ 1,150,319	\$ -	\$ 1,150,319	\$ -

* Major programs

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
OCTOBER 31, 2021**

BASIS OF PRESENTATION

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the El Paso County Water Improvement District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The District has not elected to use the 10 percent minimum indirect cost rate allowed under the Uniform Guidance.

2. RECONCILIATION OF FEDERAL AWARDS

	<u>2021</u>
Special projects, page 6	\$ 1,178,949
Less State and local grants	<u>(28,630)</u>
Federal expenditures, page 40	<u>\$ 1,150,319</u>

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**INDEPENDENT AUDITOR'S 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 Directors of
El Paso County Water Improvement District #1**

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 business-type activities of El Paso County Water Improvement District #1 (the District), as of and for the year ended October 31, 2021, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated January 13, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District'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 District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District'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. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2021-001 that we consider to be significant deficiencies.

The District's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the findings identified in our audit and described in the accompanying schedules of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of the financial statements and accordingly, we express no opinion on the response.

Report on Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal 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 compliance. Accordingly, this communication is not suitable for any other purpose.

Pena Briones McDaniel & Co

El Paso, Texas
January 13, 2023

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH
MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

**To the Board of Directors of
El Paso County Water Improvement District #1
Clint, Texas**

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited El Paso County Water Improvement District #1's (the District) compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended October 31, 2021. the District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended October 31, 2021.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the District and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the District's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the District's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the District's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the District's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 District's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the District's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as items 2021-002. Our opinion on each major federal program is not modified with respect to these matters.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to the noncompliance findings identified in our audit described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control over Compliance

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2021-002 to be significant deficiencies.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

Government Auditing Standards requires the auditor to perform limited procedures on the District's response to internal control over compliance findings identified in our audit described in the accompanying schedule of findings and questions costs. The District's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Pena Briones McDaniel & Co

El Paso, Texas
January 13, 2023

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1

**SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OCTOBER 31, 2021**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Unmodified

Internal control over financial reporting:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(es) identified not considered to be material weaknesses?

X Yes _____ none reported

Noncompliance material to financial statements noted?

_____ Yes X No

Federal Awards

Internal Control over major programs:

Material weakness(es) identified?

_____ Yes X No

Significant deficiency(es) identified not considered to be material weaknesses?

X Yes _____ none reported

Type of auditor's report issued on compliance for major programs:

Unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

_____ Yes X No

Identification of major programs:

CFDA Numbers

15.507

Name of Federal Program or Cluster

Department of Interior

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

El Paso County Water Improvement District qualified as a low-risk auditee _____ Yes X No

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1

**SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OCTOBER 31, 2021**

Section II – Summary Financial Statement Findings

2021-001 – State Compliance - Required Financial Audit

Criteria: Under the Texas Water Code, Section 49.194, subsection (a), a water district's audit report, approved by the Board of Directors, must be filed with the Texas Commission on Environmental Quality (TCEQ) within 135 days after the close of the district's fiscal year.

Condition Found: The District did not submit its fiscal year 2020 and 2021 audit reports to the Texas Commission on Environmental Quality (TCEQ) within 135 days after the end of its fiscal year as required by the Texas Water Code, Section 49.194 subsection (a).

Cause: The global pandemic due to COVID-19 of 2020 caused considerable delays in the recording of the District's daily activities, account reconciliations, and the completion of the annual audit.

Effect: The District is not in compliance with the Texas Water Code, Section 49.194, subsection (a).

Repeat Finding: No.

Recommendation: We recommend that the District ensure that future audit reports are filed within the period required by applicable statutes.

Current Status: As of October 30, 2021, the District has resumed daily activities and account reconciliations. The District is fully capable of fulfilling the compliance requirements of the Texas Water Code in future years.

View of Responsible Official: See Auditee corrective action plan.

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1

**SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OCTOBER 31, 2021**

Section II – Summary Financial Statement Findings (continued)

STATUS OF PRIOR YEAR FINDINGS

None

2021 CORRECTIVE ACTION PLAN

To be provided by Auditee on their letterhead and include responses for:

2021-001 - State Compliance - Required Financial Audit

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1

**SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OCTOBER 31, 2021**

Section III - Findings and Questioned Costs for Federal Awards

2021-002 – Federal Compliance – Required Financial Audit

Criteria: In accordance with 2 U.S. Code of Federal Regulations (CFR) 200.512, the District is required to submit its single audit reporting package and data collection form to the Federal Audit Clearinghouse (FAC) no later than 30 days after the date of its audited financial statements or 9 months after the fiscal year end, whichever occurs earlier.

Condition found: The federal reporting due date for the District's October 31, 2021 single audit reporting package was July 31, 2022. However, the District did not issue its single audit reporting package until January 2023.

Effect: Late filing is considered in noncompliance with timely submission of financial information to the Federal Audit Clearinghouse.

Cause: The District suffered the effect of the Covid-19 shutdown/closure by order of the state during 2020; this caused a disruption in the ability to conduct the daily activities and related audit in a timely matter.

Recommendation: The District should submit its financial reports in December 2022 and ensure the 2022 financial report will be submitted timely.

Current Status: Due to the pandemic, the District did not provide required documentation to its auditors in a timely fashion. The organization recognizes the importance of timely submission to the FAC; consequently, financial reporting and recordkeeping policies have been enhanced to facilitate the audit process and reporting timeliness.

View of Responsible Official: See Auditee corrective action plan.

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1

**SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
OCTOBER 31, 2021**

STATUS OF PRIOR YEAR FINDINGS

None

2021 CORRECTIVE ACTION PLAN

To be provided by Auditee on their letterhead and include responses for:

2021-002 – Federal compliance – Required Financial Audit