

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

FINANCIAL REPORT
WITH SUPPLEMENTARY INFORMATION

FOR THE YEARS ENDED OCTOBER 31, 2023 AND 2022

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1

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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, 2023.

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 \$27,355,404. Of this amount, \$15,837,512 may be used to meet the District's ongoing obligations.
- The District's total net position decreased by \$273,668 at the close of the fiscal year.
- In fiscal year 2022-2023, the operating revenues decreased by \$290,688 due to the increase in licensing fees 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>2023</u>	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 16,721,429	\$ 16,824,616	\$ 17,281,277
Capital assets	<u>11,517,892</u>	<u>11,629,073</u>	<u>11,286,171</u>
Total assets	28,239,321	28,453,689	28,567,448
Deferred outflows of resources, net	<u>457,546</u>	<u>309,163</u>	<u>302,017</u>
Total assets and deferred outflows of resources	<u>\$ 28,696,867</u>	<u>\$ 28,762,852</u>	<u>\$ 28,869,465</u>
Current payables	\$ 88,267	\$ 145,125	\$ 90,512
Current liabilities	<u>1,169,952</u>	<u>874,145</u>	<u>1,050,201</u>
Total liabilities	<u>1,258,219</u>	<u>1,019,270</u>	<u>1,140,713</u>
Deferred inflows of resources, net	<u>83,244</u>	<u>114,510</u>	<u>2,716</u>
Total liabilities and deferred inflows of resources	<u>1,341,463</u>	<u>1,133,780</u>	<u>1,143,429</u>
Net position:			
Invested in capital assets, net of related debt	11,517,892	11,629,073	11,286,171
Unrestricted	<u>15,837,512</u>	<u>15,999,999</u>	<u>16,439,865</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 28,696,867</u>	<u>\$ 28,762,852</u>	<u>\$ 28,869,465</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, 2023, 2022, and 2021.

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenues:			
Land assessments	\$ 1,587,235	\$ 1,585,104	\$ 1,589,486
Water use assessments	797,482	756,381	1,627,162
Other assessments	1,391,835	1,358,753	855,153
Contract revenue	3,962,702	1,399,321	2,500,323
Licensing fees	3,504,843	5,156,855	2,031,130
Special projects	269,000	1,561,085	1,178,949
Administrative revenue	54,315	86,097	62,101
Reimbursement revenue	238,202	192,865	37,653
Other revenue	150	(9)	(86)
Total operating revenues	<u>11,805,764</u>	<u>12,096,452</u>	<u>9,881,871</u>
Operating expenses			
Administrative	391,122	432,272	407,401
Contract, consultant and legal services	587,695	747,831	917,167
Employee allowances	1,255,090	975,437	1,147,009
Governmental fees	239,438	250,313	238,804
Insurance fees	360,678	342,215	325,363
Licensing/special projects	91,200	91,180	130,834
Payroll expenses	5,611,611	4,902,538	4,874,907
Repair/ maintenance and capital projects	2,177,202	2,814,710	2,718,753
Reimbursable expenses	29,600	185,669	131,605
Depreciation	1,498,094	1,487,509	1,610,596
Total operating expenses	<u>12,241,730</u>	<u>12,229,674</u>	<u>12,502,439</u>
Operating income (loss)	<u>(435,966)</u>	<u>(133,222)</u>	<u>(2,620,568)</u>
Non-operating revenues:			
Investment interest	162,298	21,383	112,089
Gain (loss) on sale of assets	-	14,875	(24,334)
Total non operating revenue	<u>162,298</u>	<u>36,258</u>	<u>87,755</u>
Change in net position	<u>(273,668)</u>	<u>(96,964)</u>	<u>(2,532,813)</u>
Net position, beginning of year	<u>27,629,072</u>	<u>27,726,036</u>	<u>30,258,849</u>
Net position, end of year	<u>\$ 27,355,404</u>	<u>\$ 27,629,072</u>	<u>\$ 27,726,036</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, 2023, amounts to \$11,517,892 (net of accumulated depreciation). This amount includes land, buildings, 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>2023</u>	<u>2022</u>	<u>2021</u>
Capital assets at historical cost	\$ 33,622,880	\$ 32,235,967	\$ 30,534,299
Less: Accumulated depreciation	<u>(22,104,988)</u>	<u>(20,606,894)</u>	<u>(19,248,128)</u>
Total capital assets, net	<u>\$ 11,517,892</u>	<u>\$ 11,629,073</u>	<u>\$ 11,286,171</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 2023-2024 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.

INDEPENDENT AUDITOR'S REPORT

**Board of Directors
El Paso County Water Improvement District No. 1
Clint, 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 years ended October 31, 2023 and 2022, 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, 2023 and 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the years 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.

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 31-35, 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 February 14, 2024, 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
February 14, 2024

BASIC FINANCIAL STATEMENTS

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1STATEMENTS OF NET POSITION
OCTOBER 31, 2023 AND 2022

	2023	2022
ASSETS		
Current assets:		
Cash	\$ 1,054,217	\$ 1,870,784
Land assessments and water use assessments receivables	88,910	93,907
Grant receivable	899,000	630,000
License receivable	192,770	975,186
Other receivables	2,013	54,023
Certificates of deposit	-	5,746,661
Treasury securities	2,500,000	4,000,000
Inventory	1,048,076	1,115,010
Total Current Assets	<u>5,784,986</u>	<u>14,485,571</u>
Noncurrent assets:		
Treasury securities	10,586,400	2,000,000
Land assessments and water use assessments receivables	350,043	339,045
Total non-current assets	<u>10,936,443</u>	<u>2,339,045</u>
Capital assets:		
Non-depreciable assets	1,583,454	1,583,454
Depreciable assets, net of accumulated depreciation	9,934,438	10,045,619
Total capital assets	<u>11,517,892</u>	<u>11,629,073</u>
Total assets	<u>28,239,321</u>	<u>28,453,689</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension plan	<u>457,546</u>	<u>309,163</u>
Total deferred outflows of resources	<u>457,546</u>	<u>309,163</u>
Total assets and deferred outflows of resources	<u>\$ 28,696,867</u>	<u>\$ 28,762,852</u>

See independent auditor's report and notes to the financial statements.

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1STATEMENTS OF NET POSITION (Continued)
OCTOBER 31, 2023 AND 2022

	<u>2023</u>	<u>2022</u>
LIABILITIES		
Current Liabilities:		
Accounts payable	\$ 88,267	\$ 145,125
Net pension liability	177,143	(23,581)
Accrued liabilities and other expenses	<u>992,809</u>	<u>897,726</u>
Total current liabilities	<u>1,258,219</u>	<u>1,019,270</u>
 DEFERRED INFLOWS OF RESOURCES		
Deferred inflow related to pension	<u>83,244</u>	<u>114,510</u>
Total deferred inflows resources	<u>83,244</u>	<u>114,510</u>
Total liabilities and deferred inflows resources	1,341,463	1,133,780
 NET POSITION		
Net investment in capital assets	11,517,892	11,629,073
Unrestricted	<u>15,837,512</u>	<u>15,999,999</u>
Total net position	<u>27,355,404</u>	<u>27,629,072</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 28,696,867</u>	<u>\$ 28,762,852</u>

See independent auditor's report and notes to the financial statements.

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1**STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
YEARS ENDED OCTOBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
REVENUES		
Operating revenues:		
Land assessments	\$ 1,587,235	\$ 1,585,104
Water use assessments	797,482	756,381
Other assessment fees	1,391,835	1,358,753
Contract revenue	3,962,702	1,399,321
Licensing fees	3,504,843	5,156,855
Special Projects	269,000	1,561,085
Administrative revenues	54,315	86,097
Reimbursement revenues	238,202	192,865
Other revenue	<u>150</u>	<u>(9)</u>
Total operating revenues	<u>11,805,764</u>	<u>12,096,452</u>
EXPENSES		
Operating expenses:		
Administrative	391,122	432,272
Contract services	9,024	15,081
Consulting fees	263,029	143,573
Governmental fees	239,438	250,313
Insurance	360,678	342,215
Legal fees	315,642	589,177
Payroll expenses	5,611,611	4,902,538
Repairs & maintenance	202,070	143,032
Equipment/vehicle maintenance	1,045,599	1,269,485
Reimbursable expenses	29,600	185,669
Licensing	91,200	91,180
Employee allowances	1,255,090	975,437
Capital Projects	929,497	1,398,619
Well maintenance & fuel	36	3,574
Depreciation	<u>1,498,094</u>	<u>1,487,509</u>
Total operating expenses	<u>12,241,730</u>	<u>12,229,674</u>
Operating income (loss)	(435,966)	(133,222)
Non-operating revenues (expenses):		
Investment interest	162,298	21,383
Gain (loss) on disposal of assets	<u>-</u>	<u>14,875</u>
Total non-operating revenues	<u>162,298</u>	<u>36,258</u>
Change in net position	(273,668)	(96,964)
Net position - beginning of year	<u>27,629,072</u>	<u>27,726,036</u>
Net position - end of year	<u>\$ 27,355,404</u>	<u>\$ 27,629,072</u>

See independent auditor's report and notes to the financial statements.

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1**STATEMENTS OF CASH FLOWS
YEARS ENDED OCTOBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Cash flows from operating activities:		
Receipts from water use and other fees	\$ 12,365,039	\$ 10,896,990
Payments to suppliers	(5,031,873)	(5,952,947)
Payments to and on behalf of employees	<u>(5,611,611)</u>	<u>(4,940,456)</u>
Net cash provided by (used in) by operating activities	<u>1,721,555</u>	<u>3,587</u>
Cash flows from capital and related financing activities:		
Purchases of capital assets	<u>(1,360,681)</u>	<u>(1,815,536)</u>
Net cash used by capital and related financing activities	<u>(1,360,681)</u>	<u>(1,815,536)</u>
Cash flows from investing activities:		
Redemption in investments	(1,339,739)	2,150,799
Interest on investments	<u>162,298</u>	<u>21,383</u>
Net cash provided by (used in) investing activities	<u>(1,177,441)</u>	<u>2,172,182</u>
Net increase (decrease) in cash and cash equivalents	(816,567)	360,233
Cash and cash equivalents - beginning of year	<u>1,870,784</u>	<u>1,510,551</u>
Cash and cash equivalents - end of year	<u>\$ 1,054,217</u>	<u>\$ 1,870,784</u>

See independent auditor's report and notes to the financial statements.

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1**STATEMENTS OF CASH FLOWS (Continued)
YEARS ENDED OCTOBER 31, 2023 AND 2022**

	<u>2023</u>	<u>2022</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (435,966)	\$ (133,222)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation expense	1,498,094	1,487,509
Change in assets and liabilities:		
Land assessments and water use assessments receivables	(6,001)	(22,130)
Grant receivables	(269,000)	(630,000)
Licenses and other receivables	834,426	(547,341)
Inventories	66,934	(134,434)
Accounts payables	(56,858)	19,450
Accrued liabilities	101,892	(49,184)
Deferred revenue	<u>(11,966)</u>	<u>12,939</u>
Net cash provided by (used in) operating activities	<u>\$ 1,721,555</u>	<u>\$ 3,587</u>

See independent auditor's report and notes to the financial statements.

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1

NOTES TO FINANCIAL STATEMENTS OCTOBER 31, 2023 AND 2022

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, 2023 AND 2022**

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.

Fund Accounting

The District operates as a governmental proprietary activity accounted for as an Enterprise Fund. Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

Enterprise funds are accounted for on a cost of services or "economic resources" measurement focus. With this measurement focus, all assets, deferred outflows of resources, liabilities, and deferred inflows of resources associated with the operation of these funds are included on the statement of net position.

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, 2023 AND 2022**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Operating and non-operating revenues and expenses

Enterprise 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.

Deposits and Investments

For the purposes of cash flows, all highly liquid investments with a maturity of three months or less when purchased are considered to be cash equivalents. As of October 31, 2023 and 2022, the District had no cash equivalents. The District utilizes the direct method to present cash flows from operating activities.

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, 2023 AND 2022**

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 based on collection history.

Grant receivable- pertains to amount due to the District from The United States Bureau of Reclamation for allowable expenses not reimbursed at year-end. Management has deemed that an allowance for uncollectible accounts is not necessary based on collection history.

Inventory

The 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 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

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2023 AND 2022**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property and Equipment (Continued)

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.

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.

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2023 AND 2022**

2. SIGNIFICANT ACCOUNTING POLICIES (Continued)

New Pronouncements

Effective 2023, the District implemented the following pronouncements:

Subscription-Based Information Technology Arrangements

In May 2020, The Governmental Accounting Standards Board (GASB) released Statement No. 96, (GASB 96) to accounts for subscription-based information technology arrangements (SBITAs). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use 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 a SBITA; and (4) requires note disclosures regarding a SBITA. During the reporting periods the District did not have SBITAs that met recognition requirements.

Omnibus 2022

GASB 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. The statement addresses a variety of topics and includes the following: Statement NO. 34, 53, 63, 87, 96 and other topics.

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.

Cash, cash equivalents, and investments consisted of the following at October 31, 2023:

	<u>2023</u>		
	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
General fund	\$ 722,950	\$ -	\$ 722,950
Money market	274,510	-	274,510
Deferred revenue	50,531	-	50,531
Other	6,226	-	6,226
Treasury securities	-	13,086,400	13,086,400
	<u>\$ 1,054,217</u>	<u>\$ 13,086,400</u>	<u>\$ 14,140,617</u>

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2023 AND 2022**

3. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)

Cash, cash equivalents, and investments consisted of the following at October 31, 2022:

	<u>2022</u>		
	<u>Cash</u>	<u>Investments</u>	<u>Total</u>
General fund	\$ 1,530,510	\$ -	\$ 1,530,510
Money market	271,722	-	271,722
Deferred revenue	62,566	-	62,566
Other	5,986	-	5,986
Treasury securities	-	6,000,000	6,000,000
Certificates of deposit	-	5,746,661	5,746,661
	<u>\$ 1,870,784</u>	<u>\$ 11,746,661</u>	<u>\$ 13,617,445</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 investments of October 31, 2023 and 2022 are considered level 1.

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 receivable. 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 \$1,033,528 and \$7,525,845 are collateralized with \$4,135,368 and \$11,008,038 of securities held by the pledging financial institution for 2023 and 2022, respectively. The District has \$13,086,400 and \$6,000,000 in United States Treasury securities, which are backed by the full faith and credit of the United States government for 2023 and 2022, 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, 2023, the District had no significant concentrations of credit risk.

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2023 AND 2022****4. ACCOUNTS RECEIVABLE**

The land assessment rate assessed for the years 2022-2023 and 2021-2022 was \$25 per acre. The water delivery rate assessed for the years 2022-2023 and 2021-2022 was \$10 per acre foot. The administrative fees (accounting service charge) assessed for the years 2022-2023 and 2021-2022 was \$20 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 receivable. 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, 2023 and 2022, respectively, are presented below:

	<u>2023</u>	<u>2022</u>
Current land and water use assessments	\$ 88,910	\$ 93,907
Prior year land and water assessments	350,043	339,045
Grant receivable	899,000	630,000
License receivable	192,770	975,186
Other receivables	<u>2,013</u>	<u>54,023</u>
	<u>\$ 1,532,736</u>	<u>\$ 2,092,161</u>

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2023 AND 2022**

5. CAPITAL ASSETS

Capital asset activity for the year ended October 31, 2023, was as follows:

	October 31, 2022	Increases	Decreases/ Adjustments	October 31, 2023
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	3,998,904	5,975	-	4,004,879
Furniture and office equipment	464,823	-	-	464,823
Vehicles and heavy equipment	11,818,741	762,586	-	12,581,327
Wells	2,478,576	-	-	2,478,576
Machinery and equipment	1,458,940	56,769	-	1,515,709
Infrastructure - water system	<u>10,432,530</u>	<u>561,583</u>	<u>-</u>	<u>10,994,113</u>
Total capital assets, being depreciated	<u>30,652,514</u>	<u>1,386,913</u>	<u>-</u>	<u>32,039,427</u>
Less accumulated depreciation:				
Buildings and improvements	2,196,621	166,006	-	2,362,627
Furniture and office equipment	463,109	1,566	-	464,675
Vehicles and heavy equipment	10,423,625	712,604	-	11,136,229
Wells	2,392,596	21,977	-	2,414,573
Machinery and equipment	1,319,238	53,079	-	1,372,317
Infrastructure - water system	<u>3,811,706</u>	<u>542,862</u>	<u>-</u>	<u>4,354,568</u>
Total accumulated depreciation	<u>20,606,895</u>	<u>1,498,094</u>	<u>-</u>	<u>22,104,989</u>
Total capital assets, being depreciated, net	<u>10,045,619</u>	<u>(111,181)</u>	<u>-</u>	<u>9,934,438</u>
Total capital assets, net	<u>\$ 11,629,073</u>	<u>\$ (111,181)</u>	<u>\$ -</u>	<u>\$ 11,517,892</u>

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2023 AND 2022**

5. CAPITAL ASSETS (Continued)

Capital asset activity for the year ended October 31, 2022, was as follows:

	<u>October 31,</u> <u>2021</u>	<u>Increases</u>	<u>Decreases/ Adjustments</u>	<u>October 31,</u> <u>2022</u>
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	3,998,904	-	-	3,998,904
Furniture and office equipment	464,823	-	-	464,823
Vehicles and heavy equipment	11,853,522	93,961	(128,742)	11,818,741
Wells	2,478,576	-	-	2,478,576
Machinery and equipment	1,458,940	-	-	1,458,940
Infrastructure - water system	<u>8,696,080</u>	<u>1,736,450</u>	<u>-</u>	<u>10,432,530</u>
Total capital assets, being depreciated	<u>28,950,845</u>	<u>1,830,411</u>	<u>(128,742)</u>	<u>30,652,514</u>
Less accumulated depreciation:				
Buildings and improvements	2,030,750	165,871		2,196,621
Furniture and office equipment	453,734	9,375	-	463,109
Vehicles and heavy equipment	9,764,921	787,446	(128,742)	10,423,625
Wells	2,370,619	21,977	-	2,392,596
Machinery and equipment	1,260,889	58,349	-	1,319,238
Infrastructure - water system	<u>3,367,215</u>	<u>444,491</u>	<u>-</u>	<u>3,811,706</u>
Total accumulated depreciation	<u>19,248,128</u>	<u>1,487,509</u>	<u>(128,742)</u>	<u>20,606,895</u>
Total capital assets, being depreciated, net	<u>9,702,717</u>	<u>342,902</u>	<u>-</u>	<u>10,045,619</u>
Total capital assets, net	\$ <u>11,286,171</u>	\$ <u>342,902</u>	\$ <u>-</u>	\$ <u>11,629,073</u>

Total depreciation expense charged at October 31, 2023 and 2022 was \$1,498,094 and \$1,487,509, 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, 2023 AND 2022**

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>2022</u>	<u>2021</u>
Inactive employees or beneficiaries currently receiving benefits	0	0
Inactive employees entitled to but not yet receiving benefits	32	26
Active employees	<u>115</u>	<u>111</u>
Total covered employees	<u>147</u>	<u>137</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, 2023 AND 2022**

6. EMPLOYEE RETIREMENT PLAN (Continued)

TCDRS Defined Benefit Pension Plan (continued)

Contributions

The contribution rate 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 2023 and 2022 was four percent (4%) as adopted by the governing body of the District. The District contributed using the actuarially determined rate of 4.1% for calendar year 2023 and 3.32% for calendar year 2022. 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, 2023 and 2022 were \$243,826 and \$232,390, 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, 2022, 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, 2023 AND 2022****6. EMPLOYEE RETIREMENT PLAN (Continued)****TCDRS Defined Benefit Pension Plan (continued)****Actuarial Assumptions**

The total pension liability in December 31, 2022 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	2.60%
Investment Rate of Return	7.60% (Gross of administrative expenses)
Discount Rate	7.60%
Mortality	
Depositing members	135% of Pub-2010 General Employees Amount-Weighted Mortality table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Services retirees, beneficiaries and non-depositing members	135% of Pub-2010 General Employees Amount-Weighted Mortality table for males and 120% Pub-2010 General Employees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Disabled retirees	160% of Pub-2010 General Disabled Retirees Amount-Weighted Mortality table for males and 125% Pub-2010 General Disabled Retirees Amount-Weighted Mortality Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
Payroll Growth Rate	2%

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2023 AND 2022**

6. EMPLOYEE RETIREMENT PLAN (Continued)

TCDRS Defined Benefit Pension Plan (continued)

Actuarial Assumptions (continued)

The Discount rate was 7.6% for 2023 and 2022. 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 2023 information for a 10-year time horizon.

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2023 AND 2022**

6. EMPLOYEE RETIREMENT PLAN (Continued)

TCDRS Defined Benefit Pension Plan (continued)

Actuarial Assumptions (continued)

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 2023 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.

<u>Asset Class</u>	<u>Target Allocation⁽¹⁾</u>	<u>Geometric Real Rate of Return⁽²⁾</u>
U.S. Equities	11.50%	4.95%
Global Equities	2.50%	4.95%
International Equities-Developed Markets	5.00%	4.95%
International Equities- Emerging Markets	6.00%	4.95%
Investment-Grade Bonds	3.00%	2.40%
Strategic Credit	9.00%	3.39%
Direct Lending	16.00%	6.95%
Distressed Debt	4.00%	7.60%
REIT Equities	2.00%	4.15%
Master Limited Partnerships	2.00%	5.30%
Private Real Estate Partnerships	6.00%	5.70%
Private Equity	25.00%	7.95%
Hedge Funds	6.00%	2.90%
Cash Equivalents	<u>2.00%</u>	0.20%
	<u>100.00%</u>	

⁽¹⁾ Target asset allocation adapted at the March 2023 TCDRS Board meeting.

⁽²⁾ Geometric real rates of return equal the expected return for the asset class minus the assumed inflation of 2.3%, per Cliffwater's 2023 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.

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2023 AND 2022**

6. EMPLOYEE RETIREMENT PLAN (Continued)

TCDRS Defined Benefit Pension Plan (continued)

Actuarial Assumptions (continued)

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, 2023 AND 2022**

6. EMPLOYEE RETIREMENT PLAN (Continued)

TCDRS Defined Benefit Pension Plan (continued)

Changes in the Net Pension Liability for the year ended December 31, 2022

Changes in Net Pension Liability/(Asset)	2022		
	Increase (Decrease)		
	Total Pension Liability (a)	Fudiciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
Balances as of December 31, 2021	\$ 1,628,878	\$ 1,652,459	\$ (23,581)
Changes for the year:			
Service cost	453,518	-	453,518
Interest on total pension liability ¹	156,869	-	156,869
Effect of plan changes ²	-	-	-
Effect of economic/demographic gains or losses	(7,439)	-	(7,439)
Effect of assumptions changes or inputs	-	-	-
Refund of contributions	(29,535)	(29,535)	-
Benefit payments	(7,802)	(7,802)	-
Administrative expenses	-	(1,182)	1,182
Member contributions	-	233,090	(233,090)
Net investment income	-	(134,160)	134,160
Employer contributions	-	241,529	(241,529)
Other ³	-	62,947	(62,947)
Balances as of December 31, 2022	\$ 2,194,489	\$ 2,017,346	\$ 177,143

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. 1**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2023 AND 2022****6. EMPLOYEE RETIREMENT PLAN (Continued)****TCDRS Defined Benefit Pension Plan (continued)****Changes in the Net Pension Liability for the year ended December 31, 2021**

Changes in Net Pension Liability/(Asset)	Changes in Net Pension Liability/(Asset)		
	2021		
	Increase (Decrease)		
	Total Pension Liability (a)	Fudiciary Net Position (b)	Net Pension Liability/(Asset) (a)-(b)
Balances as of December 31, 2020	\$ 1,069,009	\$ 950,024	\$ 118,985
Changes for the year:			
Service cost	470,334	-	470,334
Interest on total pension liability ¹	116,535	-	116,535
Effect of plan changes ²	-	-	-
Effect of economic/demographic gains or losses	(13,643)	-	(13,643)
Effect of assumptions changes or inputs	(1,156)	-	(1,156)
Refund of contributions	(9,594)	(9,594)	-
Benefit payments	(2,607)	(2,607)	-
Administrative expenses	-	(894)	894
Member contributions	-	240,021	(240,021)
Net investment income	-	258,378	(258,378)
Employer contributions	-	204,618	(204,618)
Other ³	-	12,513	(12,513)
Balances as of December 31, 2021	<u>\$ 1,628,878</u>	<u>\$ 1,652,459</u>	<u>\$ (23,581)</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. 1**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2023 AND 2022****6. EMPLOYEE RETIREMENT PLAN (Continued)****TCDRS Defined Benefit Pension Plan (continued)****Changes in the Net Pension Liability for the year ended December 31, 2021 (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:

	2022		
	1% Decrease	Current	1% Increase
	6.60%	7.60%	8.60%
Total pension liability	\$ 2,543,800	\$ 2,194,489	\$ 1,907,837
Fiduciary net position	2,017,346	2,017,346	2,017,346
Total unamortized premiums	\$ 526,454	\$ 177,143	\$ (109,509)
2021			
	1% Decrease	Current	1% Increase
	6.60%	7.60%	8.60%
	6.60%	7.60%	8.60%
Total pension liability	\$ 1,891,820	\$ 1,628,878	\$ 1,413,099
Fiduciary net position	1,652,459	1,652,459	1,652,459
Total unamortized premiums	\$ 239,361	\$ (23,581)	\$ (239,360)

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2023 AND 2022****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 years ended October 31, 2023 and 2022, the District recognized pension expense in the amounts of \$270,058 and \$194,472, respectively. At year end 2023 and 2022, the District also reported the following deferred outflows of resources and deferred inflows of resources to pensions from the following sources:

	2023	
	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 82,418	\$ 179,166
Changes of assumptions	826	74,053
Contributions made subsequent to the measurement date	-	204,327
Total	<u>\$ 83,244</u>	<u>\$ 457,546</u>
	2022	
	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$ 114,345	\$ 56,045
Changes of assumptions	165	50,786
Contributions made subsequent to the measurement date	-	202,332
Total	<u>\$ 114,510</u>	<u>\$ 309,163</u>

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2023 AND 2022****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>
2024	\$ 240,631
2025	35,111
2026	69,033
2027	13,903
2028	15,624
Thereafter	-
	<u>\$ 374,302</u>

Net Pension Liability:

At October 31, 2023 and 2022, the District reported a net pension liability reported in the statement of net position of the following:

	<u>2023</u>		
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Ending Balance</u>
Net Pension Liability (Asset)	<u>\$ (23,581)</u>	<u>\$ 745,729</u>	<u>\$ (545,005)</u>
			<u>\$ 177,143</u>

	<u>2022</u>		
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Ending Balance</u>
Net Pension Liability (Asset)	<u>\$ 118,985</u>	<u>\$ 559,869</u>	<u>\$ (702,435)</u>
			<u>\$ (23,581)</u>

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2023 AND 2022**

7. RISK MANAGEMENT

District operations are conducted in El Paso County, 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 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, 2023 and 2022.

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 \$85,818 for fiscal year 2023, and are expected to be \$62,210 for fiscal year 2024.

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 \$127,816 for fiscal year 2023, and are expected to be \$101,200 for fiscal year 2024.

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.

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1

**NOTES TO FINANCIAL STATEMENTS
OCTOBER 31, 2023 AND 2022**

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 2023 fiscal year.

10. SUBSEQUENT EVENTS

Subsequent events were evaluated through February 14, 2024 the date the financial statements were available to be issued, and the following items were noted:

On April 4, 2023, 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, to Ben Ivey LTD. The amount to be received is \$65,000 per acre.

11. NEW ACCOUNTING PRONOUNCEMENTS

The following are the new Governmental Accounting Standards Board (GASB) Statements that have future implementation dates. The District had not early implemented, nor has it completed the process of evaluating the impact on its financial position that will result from adopting the listed Governmental Accounting Board Statements listed below:

GASB Statement No. 101

GASB Statement No. 101, *Compensated Absences*, 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*, effective for fiscal years beginning after June 15, 2023.

REQUIRED SUPPLEMENTARY INFORMATION

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1

RSI-1 BUDGETARY COMPARISON SCHEDULE
YEAR ENDED OCTOBER 30, 2023

	<u>Budget</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>As Amended</u>		<u>Favorable</u> <u>(Unfavorable)</u>
Revenues				
Land assessment	\$ 1,721,500	\$ 1,721,500	\$ 1,587,235	\$ (134,265)
Water assessment	750,000	750,000	797,482	47,482
Other assessment	1,075,000	1,075,000	1,391,835	316,835
licensing fees	2,165,000	2,165,000	3,504,843	1,339,843
Contract revenue	1,108,000	1,108,000	3,962,702	2,854,702
Administrative revenue	137,600	137,600	54,315	(83,285)
Special and capital projects	805,000	805,000	269,000	(536,000)
Reimbursement revenue	80,000	80,000	238,202	158,202
Other revenue	-	-	150	150
Total revenues	<u>7,842,100</u>	<u>7,842,100</u>	<u>11,805,764</u>	<u>3,963,664</u>
Expenses				
Administrative	399,800	399,800	391,122	8,678
Contract services	21,000	21,000	9,024	11,976
Consultant fees	200,000	200,000	263,029	(63,029)
Governmental fees	262,875	262,875	239,438	23,437
Insurance expense	360,900	360,900	360,678	222
Legal fees	340,000	340,000	315,642	24,358
Payroll expnes	6,303,150	6,303,150	5,611,611	691,539
Repairs and maintenance	485,000	485,000	202,070	282,930
Equipment/vehicle expense	575,000	575,000	1,045,599	(470,599)
Reimbursable expenses	100,000	100,000	29,600	70,400
Licensing	60,000	60,000	91,200	(31,200)
Employee allowance	1,201,000	1,201,000	1,255,090	(54,090)
Capital projects	3,238,830	3,238,830	929,497	2,309,333
Well maintenance and fuel	225,000	225,000	36	224,964
depreciation and amortization	-	-	1,498,094	(1,498,094)
Total expenses	<u>13,772,555</u>	<u>13,772,555</u>	<u>12,241,730</u>	<u>1,530,825</u>
Operating income before nonoperating revenues (expenses)	(5,930,455)	(5,930,455)	(435,966)	5,494,489
Investment interest	<u>-</u>	<u>-</u>	<u>162,298</u>	<u>162,298</u>
Total non-operating revenues	-	-	162,298	162,298
Change in net position	\$ (5,930,455)	\$ (5,930,455)	\$ (273,668)	\$ 5,656,787

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, 2023**

	Year Ended December 31,				
	2022	2021	2020	2019	2018
Pension Liability					
Service Cost	\$ 453,518	\$ 470,334	\$ 387,989	\$ 357,733	\$ 60,969
Interest on total pension liability	156,869	116,535	71,010	33,919	4,938
Effect of plan changes	-	-	-	-	-
Effect of assumption changes or inputs	-	(1,156)	76,178	-	-
Effect of economic/demographic (gains) or losses	(7,440)	(13,642)	45,147	36,018	(4,892)
Benefit payments/refunds of contributions	(37,336)	(12,202)	-	-	-
Net change in total pension liability	565,611	559,869	580,324	427,670	61,015
Total pension liability, beginning	1,628,878	1,069,009	488,685	61,015	-
Total pension liability, ending (a)	2,194,489	1,628,878	1,069,009	488,685	61,015
Fiduciary Net Position					
Employer contributions	241,529	204,618	194,275	171,268	31,419
Member contributions	233,090	240,021	227,889	200,901	36,855
Investment income net of investment expenses	(134,160)	258,378	49,098	11,284	763
Benefit payments/refunds of contributions	(37,336)	(12,202)	-	-	-
Administrative expenses	(1,182)	(894)	(695)	(356)	(57)
Other	62,946	12,514	12,539	12,807	2,033
Net change in fiduciary net position	364,887	702,435	483,106	395,904	71,013
Fiduciary net position, beginning	1,652,459	950,024	466,918	71,014	-
Fiduciary net position, ending (b)	2,017,346	1,652,459	950,024	466,918	71,013
Net pension liability/ (asset), ending= (a) - (b)	\$ 177,143	\$ (23,581)	\$ 118,985	\$ 21,767	\$ (9,998)
Fiduciary net position as a % of total pension liability	91.93%	101.45%	88.87%	95.55%	116.39%
Pensionable covered payroll	5,827,259	6,000,532	5,697,227	5,022,522	921,379
Net pension liability as a % of covered payroll	3.04%	-0.39%	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, 2022, 2021, 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%
2021	199,218	204,618	(5,400)	6,000,532	3.4%
2022	241,529	241,529	-	5,827,259	4.1%

⁽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, 2023**

1. 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	18.1 years (based on contribution rate calculated in 12/31/2022 valuation)
Asset Valuation Method	5-year smoothed market
Inflation	2.50%
Salary Increases	Varies by age and service. 4.7% 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	135% of the PUB-2010 General Retirees Table for males and 120% of the PUB-2010 General Retirees Table for females, both projected with 100% of the MP-2021 Ultimate scale after 2010.
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. 2022: New investment return and inflation 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. 2021: No changes in plan provisions were reflected in the Schedule. 2022: No changes in plan provisions were reflected in the Scheule.

* 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, 2023****2. NOTES TO SCHEDULE (Continued)****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, 2022 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 (level percent of pay) ⁽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	2.50%
Salary Increases	3.00%
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.
Mortality	Same as funding valuation
Retirement Age	Same as funding valuation
Turnover	Same as funding valuation
Adjustment for Plans with the Partial- Lump Sum Payment Option (Liability and Normal Cost)	Same as funding valuation

⁽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.

OTHER SUPPLEMENTARY INFORMATION

**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 No.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 financial statements of the governmental activities of El Paso County Water Improvement District No. 1 (The District), as of and for the year ended October 31, 2023, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated February 14, 2024.

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) to determine the 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. However, material weaknesses may exist that have not been identified.

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 determination of financial statement amounts. 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 control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

El Paso, Texas
February 14, 2024

EL PASO COUNTY WATER IMPROVEMENT DISTRICT NO. 1

**SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS
OCTOBER 31, 2023**

SUMMARUY OF FINANCIAL STATEMENT FINDINGS

Current Year Findings

None.

Prior Year Findings

2021-001 Resolved

STATUS OF PRIOR YEAR 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, 2021 and 2022 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: Yes.

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

Current Status: Resolved : As of October 30, 2023, the District's audit report will be filed with the Texas Commission on Environmental Quality (TCEQ) within 135 days after the close of the District's fiscal year. No corrective action plan is required.