PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

COMPLIANCE AND INTERNAL CONTROL REPORTS

FOR THE YEAR ENDED FEBRUARY 29, 2024

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

TABLE OF CONTENTS

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* 1

Independent Auditor's Report on Compliance for Each Major Program, on Internal Control over Compliance, and on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and the State of Texas Uniform Grant Management Standards 3

Schedule of Findings and Questioned Costs. 7

Schedule of Status of Prior Findings 9

Schedule of Expenditures of Federal and State Awards. 10

Notes to Schedule of Expenditures of Federal and State Awards 11

600 SUNLAND PARK, 6-300
EL PASO, TX 79912

P 915 356-3700
F 915 356-3779
W GRP-CPA.COM

GRP
GIBSON RUDDOCK PATTERSON LLC
certified public accountants

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*

Public Service Board - El Paso Water Utilities,
a component unit of the City of El Paso

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 business-type activities and each major fund of the Public Service Board - El Paso Water Utilities, a component unit of the City of El Paso, as of and for the year ended February 29, 2024, and the related notes to the financial statements, which collectively comprise the Public Service Board - El Paso Water Utilities' basic financial statements and have issued our report thereon dated August 8, 2024.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Public Service Board - El Paso Water Utilities' 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 Public Service Board - El Paso Water Utilities' internal control. Accordingly, we do not express an opinion on the effectiveness of the Public Service Board - El Paso Water Utilities' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Public Service Board - El Paso Water Utilities' 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 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.

GIBSON RUDDOCK PATTERSON LLC

El Paso, Texas
August 8, 2024

600 SUNLAND PARK, 6-300
EL PASO, TX 79912

P 915 356-3700
F 915 356-3779
W GRP-CPA.COM

GRP
GIBSON RUDDOCK PATTERSON LLC
certified public accountants

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM, ON INTERNAL CONTROL OVER COMPLIANCE, AND ON SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS REQUIRED BY THE UNIFORM GUIDANCE AND THE STATE OF TEXAS UNIFORM GRANT MANAGEMENT STANDARDS

Public Service Board - El Paso Water Utilities,
a component unit of the City of El Paso

Report on Compliance for Each Major Federal and State Program

Opinion on Each Major Federal and State Program

We have audited the Public Service Board - El Paso Water Utilities', a component unit of the City of El Paso, compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* and the State of Texas Uniform Grant Management Standards that could have a direct and material effect on each of the Public Service Board - El Paso Water Utilities' major federal and state programs for the year ended February 29, 2024. The Public Service Board - El Paso Water Utilities' major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Public Service Board - El Paso Water Utilities, 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 and state programs for the year ended February 29, 2024.

Basis for Opinion on Each Major Federal and State 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); and the State of Texas Uniform Grant Management Standards. Our responsibilities under those standards, the Uniform Guidance and the State of Texas Uniform Grant Management Standards, 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 Public Service Board - El Paso Water Utilities 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 and state program. Our audit does not provide a legal determination of the Public Service Board - El Paso Water Utilities' 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 Public Service Board - El Paso Water Utilities' federal and state 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 Public Service Board - El Paso Water Utilities' 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, and the State of Texas Uniform Grant Management Standards 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 Public Service Board - El Paso Water Utilities' compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, the Uniform Guidance, and the State of Texas Uniform Grant Management Standards, 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 Public Service Board - El Paso Water Utilities' 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 Public Service Board - El Paso Water Utilities' 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 and the State of Texas Uniform Grant Management Standards, but not for the purpose of expressing an opinion on the effectiveness of the Public Service Board - El Paso Water Utilities' 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.

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 or state 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 or state 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 or state 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.

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.

Report on Schedule of Expenditures of Federal and State Awards Required by the Uniform Guidance and the State of Texas Uniform Grant Management Standards

We have audited the financial statements of the business-type activities and each major fund of the Public Service Board - El Paso Water Utilities, a component unit of the City of El Paso, as of and for the year ended February 29, 2024, and the related notes to the financial statements, which collectively comprise the Public Service Board - El Paso Water Utilities' basic financial statements. We issued our report thereon dated August 8, 2024, which contained unmodified opinions on those financial statements. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by the Uniform Guidance and the State of Texas Uniform Grant Management Standards and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

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 and the State of Texas Uniform Grant Management Standards. Accordingly, this report is not suitable for any other purpose.

GIBSON RUDDOCK PATTERSON LLC

El Paso, Texas
August 8, 2024

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED FEBRUARY 29, 2024

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Were material weaknesses in internal control identified?	No
Were significant deficiencies in internal control identified?	None reported
Was any noncompliance noted that is material to the financial statements of the auditee, which would be required to be reported in accordance with Government Auditing Standards?	No

Federal and State Awards

Internal control over major federal and state award programs:	
Were material weaknesses in internal control over major programs identified?	Federal - No State - No
Were significant deficiencies in internal control over major programs identified?	Federal - None reported State - None reported
Type of auditor's report issued on compliance for the major federal and state programs:	Unmodified
Were there any audit findings disclosed that the auditor is required to report under Title 2 CFR 200.516 Audit findings paragraph (a) or the State of Texas UGMS?	No
Major Federal Program:	**Assistance Listing Number 15.504** - Title XVI Water Reclamation and Reuse - Aquifer Storage and Recovery Design R21AP10323, Aquifer Storage and Recovery Construction R22AP00675, Advanced Water Purification Facility R23AP00273

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

FOR THE YEAR ENDED FEBRUARY 29, 2024

Major State Program:	DEAAG Aquifer Storage and Recovery Enhanced Arroyo Project 2020-02-09
Dollar threshold used to distinguish between type A and type B programs:	Federal Programs - $750,000 State Programs - $300,000
Did auditee qualify as low-risk auditee under 2 CFR 200.520 Criteria for low-risk auditee and the State of Texas UGMS?	Federal Programs - No State Programs - Yes

FINANCIAL STATEMENT FINDINGS

There are no current year findings.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no current year findings.

STATE AWARD FINDINGS AND QUESTIONED COSTS

There are no current year findings.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

SCHEDULE OF STATUS OF PRIOR FINDINGS

FOR THE YEAR ENDED FEBRUARY 29, 2024

FINANCIAL STATEMENT FINDINGS

There were no prior year findings.

STATE AWARD FINDINGS AND QUESTIONED COSTS

There were no prior year findings.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED FEBRUARY 29, 2024

Federal or State Grantor/Program Title and Number	Federal Assistance Listing Number	Identifying Number Assigned by Pass-Through Entity	Federal Expenditures	State Expenditures
U.S. Department of Commerce				
EDA Northwest Development Water and Sewer Main Extension 08-01-05242	11.300	N/A	$ 700,258	-
Total Economic Development Cluster			700,258	-
Total U.S. Department of Commerce - ALN 11.300			700,258	-
U.S. Department of Defense				
Fort Bliss Regional Resilience Report HQ00052210026	12.003	N/A	675,387	-
Total U.S. Department of Defense - ALN 12.003			675,387	-
U.S. Department of Interior				
Title XVI Water Reclamation and Reuse - Aquifer Storage and Recovery Design R21AP10323	15.504	N/A	232,160	-
Title XVI Water Reclamation and Reuse - Aquifer Storage and Recovery Construction R22AP00675	15.504	N/A	426,164	-
Title XVI Water Reclamation and Reuse - Advanced Water Purification Facility R23AP00273	15.504	N/A	1,066,136	-
Total U.S. Department of Interior - ALN 15.504			1,724,460	-
U.S. Department of Treasury				
Passed through the County of El Paso				
COVID-19 - First time Water and Wastewater Services SLFRP1174	21.027	ARPA-1011	261,527	-
Passed through Village of Vinton				
COVID-19 - First time Water and Wastewater Services SLFRP4644	21.027	ARPA-001	341,545	-
Total Passed through County of El Paso and Village of Vinton			603,072	
Total U.S. Department of Treasury - ALN 21.027			603,072	
Office of the Governor - Passed through the City of El Paso				
DEAAG Aquifer Storage and Recovery - Enhanced Arroyo Project 2020-02-09	N/A	GS21DEAGAS	-	3,138,165
Total Office of the Governor - Passed through the City of El Paso				3,138,165
Total Federal and State Expenditures			$ 3,703,177	$ 3,138,165

The accompanying notes are an integral part of this schedule.

PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES
A COMPONENT UNIT OF THE CITY OF EL PASO

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

FOR THE YEAR ENDED FEBRUARY 29, 2024

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal and state awards includes the federal and state award activity of the Public Service Board - El Paso Water Utilities (EPWater), a component unit of the City of El Paso, under programs of the federal and state governments for the year ended February 29, 2024. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulation* Part 200, *Uniform Administrative Requirements, Cost principles, and Audit Requirements for Federal Awards* (uniform Guidance) and the State of Texas Uniform Grant Management Standards. Because the schedule presents only a selected portion of the operations of the EPWater, it is not intended to and does not present the financial position, changes in net position, or cash flows of EPWater.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and the State of Texas Uniform Grant Management Standards wherein certain types of expenditures are not allowable or are limited as to reimbursement.

3. INDIRECT COST RATE

EPWater has elected to not charge indirect costs to the grant.