



Control Number: 51530



Item Number: 22

Addendum StartPage: 0



**DOCKET NO. 51530**

<b>APPLICATION OF ESPERANZA</b>	<b>§</b>	<b>PUBLIC UTILITY COMMISSION</b>
<b>WATER SERVICE COMPANY, INC.</b>	<b>§</b>	
<b>AND EL PASO WATER UTILITIES</b>	<b>§</b>	<b>OF TEXAS</b>
<b>PUBLIC SERVICE BOARD FOR SALE,</b>	<b>§</b>	
<b>TRANSFER, OR MERGER OF</b>	<b>§</b>	
<b>FACILITIES AND CERTIFICATE</b>	<b>§</b>	
<b>RIGHTS IN HUDSPETH COUNTY</b>	<b>§</b>	

**JOINT MOTION TO ADMIT EVIDENCE AND PROPOSED ORDER**

**COMES NOW**, El Paso Water Utilities Public Service Board (EPWU), Esperanza Water Service Company, Inc. (Esperanza), and the Staff of the Public Utility Commission of Texas (Staff), representing the public interest (collectively, the Parties), and file this Joint Motion to Admit Evidence and Proposed Order. In support thereof, the Parties would show the following:

**I. BACKGROUND**

On November 17, 2020, EPWU and Esperanza (collectively, Applicants) filed an application for the approval of the sale, transfer, or merger of facilities and certificate rights in Hudspeth County. Specifically, Esperanza seeks approval of the sale and transfer of all of its facilities and water service area held under water Certificate of Convenience and Necessity (CCN) number 12881 to EPWU's water CCN number 10211. On March 8, 2021, the Applicants filed a revised application to include the decertification of Esperanza CCN number 12881 that overlaps a portion of the Fort Hancock Water Control and Improvement District's boundary. The revised requested transfer includes 17,594 acres and 292 connections.

On December 30, 2020, the administrative law judge (ALJ) filed Order No. 2 finding the application administratively complete. On January 6, 2021, the Applicants mailed notice to of the application to neighboring utilities and Esperanza customers. On February 2, 2021, the ALJ issued Order No. 4 finding the notices sufficient and set a procedural schedule. Fort Hancock Water

Control and Improvement District (District) and Kimpel Farms, and Mark, Robert, and Dolores Kimpel intervened on January 15, 2021 and January 26, 2021 respectively. The ALJ issued Order No. 3 on February 1, 2021 granting the interventions. Kimpel Farms, and Mark, Robert, and Dolores Kimpel withdrew their intervention request on February 8, 2021, which was granted by the ALJ pursuant to Order No. 5 on February 9, 2021.

The Commission Staff filed its Final Recommendation on Approval of Sale on March 19, 2021. Responses to the Commission Staff's recommendation are due April 19, 2021. This Joint Motion to Admit Evidence and Proposed Order constitutes EPWU's and Esperanza's response to the Commission Staff's recommendation, and therefore, this pleading is timely filed.

## **II. JOINT MOTION TO ADMIT EVIDENCE**

The Parties move to admit the following evidence:

- (a) The application, including all attachments, filed on November 17, 2020 (Interchange Item No. 1);
- (b) The Applicants' proof of notice and supporting documentation, filed on January 4, 2021, January 6, 2021 and January 11, 2021 (Interchange Item Nos. 6, 7, and 8);
- (c) The Applicants' amendment to the application and all supporting documentation, filed on March 8, 2021 (Interchange Item No. 19); and
- (d) Staff's final recommendation on approval of the sale, filed on March 19, 2021 (Interchange Item No. 20).

## **III. JOINT PROPOSED ORDER**

The attached Joint Proposed Order would authorize the sale and transfer of all of Esperanza's facilities and water service area held under water CCN number 12881 to EPWU's water service area under CCN number 10211.

#### **IV. STAFF ATTACHMENTS TO FINAL RECOMMENDATION APPROVING SALE**

Staff inadvertently did not file the attachments of Fred Bednarski to Staff's Final Recommendation Approving the Sale. Staff has provided attachments FB-1 and FB-2 to this pleading. Further, the Parties request that these attachments be incorporated into Staff's Final Recommendation Approving the Sale and entered into evidence as a part of that final recommendation.

#### **V. CONCLUSION**

The Parties respectfully request that the Commission grant the motion to admit evidence and issue an Order consistent with the Joint Proposed Order authorizing the proposed transaction to proceed.

Respectfully submitted,

**ATTORNEY FOR EL PASO WATER  
UTILITIES PUBLIC SERVICE BOARD**

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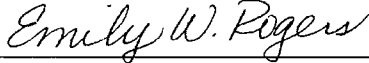
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BY: *Emily W. Rogers*  
Emily W. Rogers



### **CERTIFICATE OF SERVICE**

I certify that this Joint Motion was provided to all parties of record via electronic mail or regular mail on April 19, 2021, in accordance with the Order Suspending Rules, issued in Project No 50664.

  
\_\_\_\_\_  
Emily W. Rogers

**DOCKET NO. 51530**

APPLICATION OF ESPERANZA	§	PUBLIC UTILITY COMMISSION
WATER SERVICE COMPANY, INC.	§	
AND EL PASO WATER UTILITIES	§	OF TEXAS
PUBLIC SERVICE BOARD FOR SALE,	§	
TRANSFER, OR MERGER OF	§	
FACILITIES AND CERTIFICATE	§	
RIGHTS IN HUDSPETH COUNTY	§	

**JOINT PROPOSED ORDER**

This Order addresses the application of El Paso Water Utilities Public Service Board (EPWU) and Esperanza Water Service Company, Inc. (Esperanza) for the sale, transfer, or merger of facilities and certificate rights in Hudspeth County. The applicants seek to transfer the facilities, customers, and water service area held by Esperanza under water Certificate of Convenience and Necessity (CCN) number 12881 to EPWU's water CCN number 10211. The administrative law judge (ALJ) grants that the sale is approved and the transaction between Esperanza and EPWU may proceed and be consummated.

**I. Findings of Fact**

The Commission makes the following findings of fact.

**Applicants**

1. EPWU is a municipally-owned utility that operates, maintains, and controls facilities for providing retail water service in El Paso County under CCN number 10211.
2. EPWU controls facilities that are registered with the Texas Commission on Environmental Quality (TCEQ) under public water system identification number 710002.
3. Esperanza is an investor-owned utility.
4. Esperanza operates, maintains, and controls facilities that provide water service in Hudspeth County under CCN number 12881.

5. Esperanza controls facilities that are registered with the TCEQ under public water supply system identification number 1150010.

**Application**

6. On November 17, 2020, EPWU and Esperanza filed the application at issue in this proceeding.
7. EPWU and Esperanza amended the application on March 8, 2021 to include the decertification of the area of the Esperanza CCN number 12881 that overlaps a portion of the Fort Hancock Water Control and Improvement District's boundary.
8. In the application, the applicants seek approval of the decertification of approximately 508 acres within CCN number 12881 that overlaps a portion of the Fort Hancock Water Control and Improvement District's boundary, and EPWU's acquisition of Esperanza's facilities, customers, and water service area under CCN number 12881 remaining after the decertification.
9. The requested area to be transferred is located approximately 20 miles west of downtown Sierra Blanca, Texas, and is generally bounded on the north by Union Pacific Railroad Company and Interstate 10, on the east by Fort Quitman Lake Dam No. 1, and on the south and west by the United States and Mexico border.
10. The requested area includes 292 customers and approximately 17,594 total acres.
11. In Order No. 2 filed on December 30, 2020, the ALJ found the application administratively complete.

**Notice**

12. On January 6, 2021 and January 11, 2021, the applicants filed the affidavits of Allen Odom, Office Administrator for Bickerstaff Heath Delgado Acosta LLP, attorney for EPWU, and

of Irene Epperson, Vice President of Esperanza, attesting that notice was provided to customers, cities, districts, neighboring retail public utilities, county offices, and affected parties on January 6, 2021.

13. In Order No. 4 filed on February 2, 2021, the ALJ found the notice sufficient.

**Evidentiary Record**

14. In Order No. \_\_\_\_ filed on \_\_\_\_\_, 2021, the ALJ admitted the following evidence into the record: (a) the application, including all attachments, filed on November 17, 2020; (b) the applicants' proof of notice and supporting documentation, filed on January 4, 2021, January 6, 2021 and January 11, 2021; (c) the applicants' amendment to the application and all supporting documentation, filed on March 8, 2021; and (d) Staff's final recommendation on approval of the sale, filed on March 19, 2021.

**Amendment to CCN by Decertification - Texas Water Code (TWC) § 13.254(a); 16 Texas Administrative Code (TAC) § 24.245(d)**

15. The area to be decertified is 508 acres and is the portion of the CCN number 12881 that overlaps with the boundaries of Fort Hancock Water Control and Improvement District.

16. Esperanza has consented to the decertification of the 508 acres.

17. There are no Esperanza customers or facilities located within the area to be decertified.

**Adequacy of Existing Service and System Compliance – TWC §§ 13.246(c)(1) and 13.301(e)(3)(A); 16 TAC §§ 24.227(a) and (e)(1), 24.239(h)(3)(A), (h)(5)(A), (h)(5)(I)**

18. Esperanza has a TCEQ approved public water supply system (PWS) registered as PWS number 1150010.

19. The last TCEQ compliance investigation of the Esperanza water system was on February 4, 2019. All violations from that investigation have been resolved.

20. The Commission's complaint records show no complaints against Esperanza.

21. No additional construction is necessary for EPWU to serve the requested area.

**Need for Additional Service – TWC § 13.246(c)(2); 16 TAC §§ 24.227(e)(2), 24.239(h)(5)(B)**

22. There are currently 292 existing customers in the requested area that are receiving water service from the Esperanza's PWS number 1150010 and have an ongoing need for service.

23. No additional service is needed at this time.

**Effect of Approving the Transaction and Granting the Amendment – TWC 13.246(c)(3); 16 TAC §§ 24.227(e)(3), 24.239(h)(5)(C)**

24. EPWU and Esperanza are the only retail public utilities affected by this transfer.

25. Approving the transaction and granting the CCN amendment will obligate EPWU to provide continuous and adequate service to current and future customers in the 17,594-acre requested area.

26. There will be no effect on landowners as the area is currently certificated.

27. All retail public utilities in the proximate area were provided with notice of the transaction. Fort Hancock Water Control & Improvement District intervened. In response, the applicants filed a revised application that decertified the portion of the Esperanza service area that overlaps the boundaries of Fort Hancock Water Control & Improvement District.

28. There will be no effect on any retail public utility serving in the proximate area because this transaction does not include territory within the boundaries of Fort Hancock Water Control & Improvement District and does not include any uncertificated area.

**Ability to Serve: Managerial and Technical – TWC §§ 13.241(a), (b); 13.246(c)(4), 13.301(b), (e)(2); 16 TAC §§ 24.227(a), (e)(4), 24.239(f), (h)(2), and (h)(5)(D)**

29. EPWU has a TCEQ approved PWS registered as El Paso Water Utilities Public Service Board, PWS identification number 710002.

30. EPWU does not have any outstanding violations listed in the TCEQ database.

31. EPWU provides service to over 214,000 service connections, and in the last nearly five years, the TCEQ has only received 26 complaints regarding service. This is a small percentage of complaints compared to the total number of connections and does not impact the managerial or technical ability of EPWU to provide service.

32. EPWU has 25 water utility operators and maintains a staff of 33 customer service representatives to assist customers with any water service and billing issues.

33. EPWU owns and operates three water treatment plants that provide 130 million gallons of water per day, and a desalination plant that produces 27.5 million gallons per day.

34. EPWU has the managerial and technical ability to provide continuous and adequate service to the requested area.

**Ability to Service: Financial Ability and Stability – TWC §§ 13.241(a), 13.246(c)(6), 13.301(b); 16 TAC §§ 24.11(e), 24.227(a), (e)(6), 24.239(e), (f), (h)(5)(F)**

35. EPWU's Fiscal Year 2020-2021 Operating and Maintenance budget is \$111,755,000, its capital budget is \$237.6 million, and its total revenues is \$448.9 million.

36. EPWU's debt-to-equity ratio is 0.88 and because this is less than 1.0, EPWU meets the leverage test.

37. EPWU's financial budget show no projected shortages to cover.

38. No capital improvements are needed to provide continuous and adequate service to the requested area.

39. EPWU has sufficient cash and net operating income available to cover possible future shortages, which provides an indication of financial stability and financial and managerial capabilities, and thus meets the operations test.

40. EPWU has demonstrated that it has the financial ability and stability to provide continuous and adequate service to the requested area.

**Financial Assurance – TWC §§ 13.246(d), 13.301(c); 16 TAC §§ 227(0), 24.239(0)**

41. Because EPWU meets the leverage and operations tests, there is no need to require EPWU to provide a bond or other financial assurance to ensure continuous and adequate service.

**Regionalization and Consolidation – TWC § 13.241(b); 16 TAC § 24.227(b)**

42. The construction of a physically separate system is not necessary for EPWU to serve the requested area. Therefore, concerns of regionalization or consolidation are not applicable.

**Feasibility of Obtaining Service from Adjacent Retail Public Utility – TWC § 13.246(c)(5); 16 TAC §§ 24.227(e)(5), 24.239(h)(5)(E)**

43. Esperanza is currently serving customers and has sufficient capacity.

44. Obtaining service from an adjacent retail public utility would likely increase costs to customers because new facilities will need to be constructed. At a minimum, an interconnection would need to be installed with a neighboring retail public utility.

**Environmental Integrity and Effect on Land – TWC §§ 13.246(c)(7), (c)(9); 16 TAC §§ 24.227(e)(7), (e)(9), 24.239(h)(5)(G)**

46. The environmental integrity of the land will not be affected as no additional construction is needed to provide service to the requested area.

**Improvement of Service or Lowering of Cost to Customers – TWC § 13.246(c)(8); 16 TAC §§ 24.227(e)(8), 24.239(h)(5)(H)**

47. EPWU will continue to provide water service to the existing customers in the requested area.

48. There will be no change in the quality or cost of service to the customers.

**II. Conclusions of Law**

The Commission makes the following conclusions of law.

1. The applicants provided notice of the application that complies with TWC §§ 13.246 and 13.301(a)(2), and 16 TAC § 24.239.
2. After consideration of the factors in TWC § 13.246(c), EPWU demonstrated adequate financial, managerial, and technical capability to provide continuous and adequate service to the requested area as required by TWC § 13.301(b).
3. The decertification of a portion of Esperanza's CCN number 12881 that overlaps with the Fort Hancock Water Control and Improvement District will not affect EPWU's ability to provide continuous and adequate service to the requested area or to existing customers.
4. Esperanza and EPWU demonstrated that the sale of Esperanza's water facilities, and the transfer of water service area held under CCN number 12881 and customers from Esperanza to EPWU will serve the public interest and is necessary for the service, accommodation, convenience, and safety of the public as required by TWC § 13.301(d) and (e).

### **III. Ordering Paragraphs**

In accordance with these findings of fact and conclusions of law, the Commission issues the following orders.

1. The portion of the Esperanza CCN number 12881 that overlaps Fort Hancock Water Control and Improvement District is decertified.
2. The sale is approved and the transaction between Esperanza and EPWU may proceed and be consummated.
3. As soon as possible after the effective date of the transaction, but not later than 30 days after the effective date, the applicants must file proof that the transaction has been consummated and customer deposits, if any, have been addressed.
4. The applicants have 180 days to complete the transaction.



5. Under 16 TAC § 29.239(m), if the transaction is not consummated within this period, or an extension has not been granted, this approval is void and the applicants will have to reapply for approval.
6. The applicants are advised that the 17,594-acre requested area will remain under water CCN number 12881 and be held by Esperanza until the sale and transfer transaction is completed in accordance with the Commission's rules.
7. In an effort to finalize this case as soon as possible, the applicants must continue to file monthly updates regarding the status of the closing and submit documents evidencing that the transaction was consummated.
8. Within 15 days following the filing of the applicants' proof that the transaction has been consummated and customer deposits, if any, have been addressed, Commission Staff must file a recommendation regarding the sufficiency of the documents and propose a schedule for continued processing of this docket.

**Signed at Austin, Texas the \_\_\_\_\_ day of May 2021.**

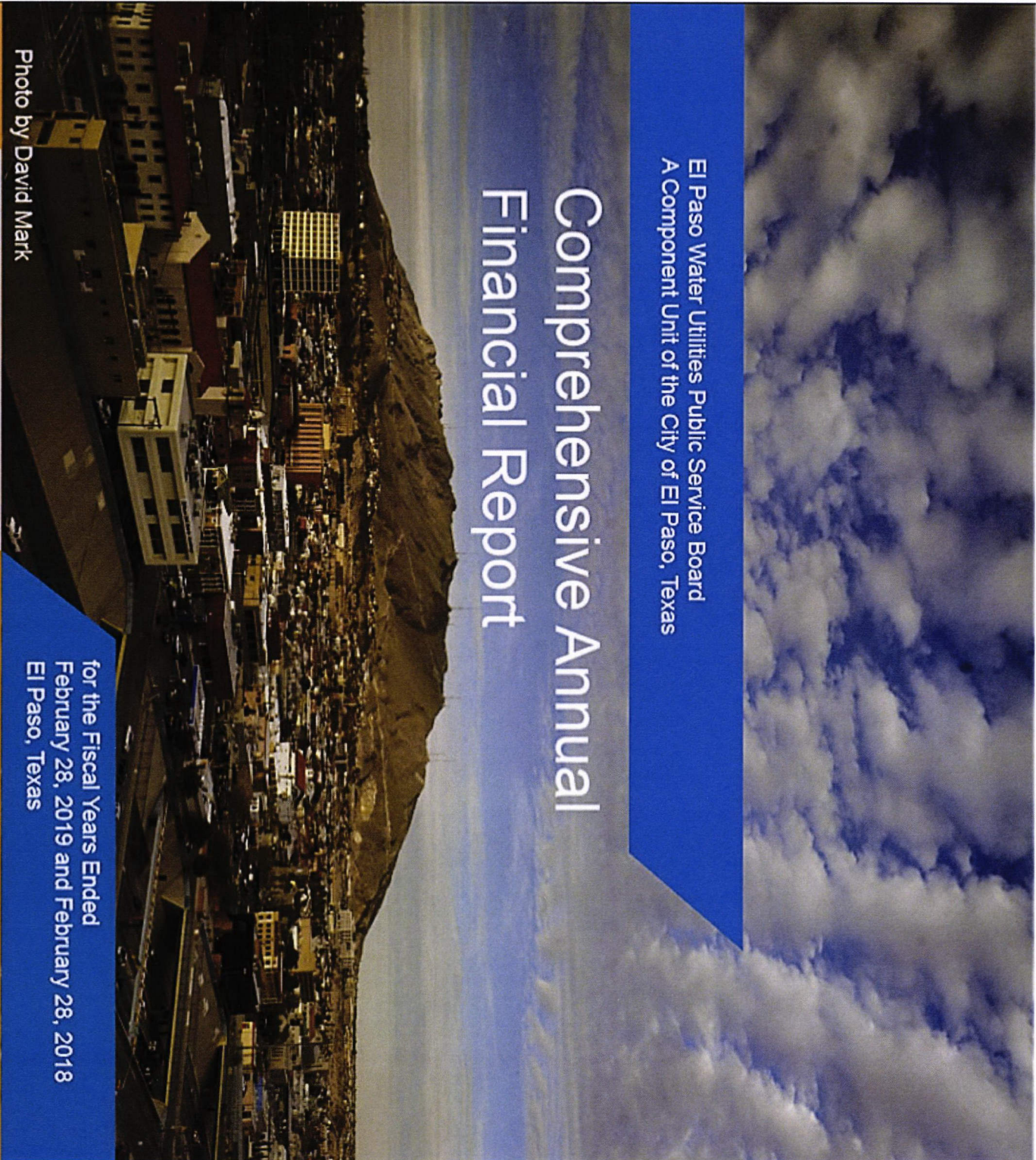
**PUBLIC UTILITY COMMISSION OF TEXAS**

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**ADMINISTRATIVE LAW JUDGE**

# Attachment FB-1



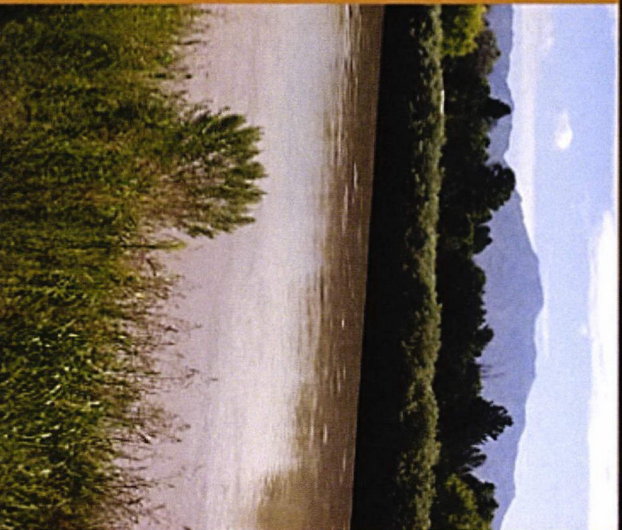


El Paso Water Utilities Public Service Board  
A Component Unit of the City of El Paso, Texas

# Comprehensive Annual Financial Report

Photo by David Mark

for the Fiscal Years Ended  
February 28, 2019 and February 28, 2018  
El Paso, Texas





# **Public Service Board El Paso Water Utilities**

**A Component Unit of the City of El Paso**

## **Comprehensive Annual Financial Report For the Fiscal Years Ended February 28, 2019 & February 28, 2018**

**El Paso, Texas**

**Prepared by:**

**Departments of Finance & Accounting**



el paso  
**WATER**

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES**  
**A COMPONENT UNIT OF THE CITY OF EL PASO**  
**Comprehensive Annual Financial Report**  
For the Fiscal Years Ended February 28, 2019 & 2018

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el paso  
**WATER**



July 10, 2019

Public Service Board  
El Paso Water Utilities

Dear Public Service Board Member:

We are pleased to submit the Comprehensive Annual Financial Report of the Public Service Board - El Paso Water Utilities (EPWater) for the fiscal year, which ended February 28, 2019, pursuant to the City of El Paso Bond Ordinance 752, as amended and City Ordinance No. 016668 establishing the Municipal Drainage Utility System. This Comprehensive Annual Financial Report was prepared by the Accounting and Finance Departments of EPWater. We believe the data, as presented, is accurate in all material respects, and it is presented in a manner designed to fairly set forth the financial position and results of operations of EPWater. All disclosures necessary to enable the readers to gain the maximum understanding of EPWater's financial activity have been included.

This report consists of management's representation concerning the finances of the Public Service Board - El Paso Water Utilities and its Water and Wastewater Utility Fund and the Municipal Drainage Utility Fund. Responsibility for the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with EPWater. To provide a reasonable basis for making these representations, management of EPWater has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of EPWater's financial statements in conformity with Generally Accepted Accounting Principles (GAAP). Because the cost of internal controls should not outweigh their benefits, EPWater's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

EPWater's financial statements have been audited by Gibson, Ruddock, Patterson LLC, a firm of licensed certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of EPWater for the fiscal year ended February 28, 2019, are free of material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used, and significant estimates made by management, and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that



there was a reasonable basis for rendering an unmodified opinion that the EPWater's financial statements for the fiscal year February 28, 2019, are fairly presented in conformity with GAAP.

The independent auditor's report is presented as the first component of the financial section of this report. For fiscal year ending February 28, 2019, the independent audit of the financial statements of EPWater include a "Single Audit" that is designed to meet the special needs of federal grantor agencies. The standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance involving the administration of federal awards. These reports are available in the EPWater's separately issued Compliance and Internal Control Report.

Governmental Accounting Standards Board (GASB) requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The EPWater's MD&A can be found immediately following the independent auditor's report.

### **Profile of the Government**

The El Paso Water Utilities – Public Service Board provides water, wastewater, reclaimed water, and drainage service to its customers. For financial reporting purposes, EPWater is considered a component unit of the City of El Paso. The PSB operates and manages EPWater on behalf of the City of El Paso. It adopts separate annual operating, capital, and debt service budgets for the Water and Wastewater Utility Fund and the Municipal Drainage Utility Fund, along with associated rates and fees for services, and issues updates to its Rules and Regulations, which have the force of law. EPWater recovers the cost of providing water, wastewater, reclaimed water, and drainage services primarily through user charges and fees. EPWater does not assess or collect ad valorem property taxes. As part of the mission and vision statements of the Public Service Board, EPWater strives to balance customer needs with proper resources and financial management as well as regional leadership.

City of El Paso Ordinance Number 752, adopted May 22, 1952, established the Public Service Board – El Paso Water Utilities. The board of trustees, known as the "Public Service Board (PSB)," was given complete management and control of the city's water system. Ordinance Number 017167, adopted August 11, 2009, increased the number of board members from five to seven. The PSB consists of the Mayor of the City of El Paso and six residents of El Paso County, Texas. With the exception of the Mayor, all other trustees are appointed by the City Council and serve staggered four-year terms.

In June 2007, City Ordinance Number 016668 established a Municipal Drainage Utility for the City of El Paso. The Public Service Board – El Paso Water Utilities was given complete management and control of the city's drainage system, which EPWater assumed effective March 1, 2008.

## **Strategic Plan FY 2018-19**

In 2015, EPWater started the implementation of the Balanced Scorecard, an integrated strategic planning and performance management system that:

- Communicates with clarity an organization's vision, mission, and strategy to employees and other stakeholders
- Aligns day-to-day work to vision and strategy
- Provides a framework for prioritizing programs, projects, services, products and resources
- Uses strategic performance measures and targets to measure progress

### **Mission Statement**

To provide our customers a sustainable water supply and the highest quality water services to enhance the vitality of El Paso.

### **Vision Statement**

We are an international model for water resource innovation, respected and trusted by our customers for our leadership in delivering sustainable water services to a thriving El Paso community.

We have completed seven of the nine steps in the Balanced Scorecard process and will complete the next steps during the following fiscal years.

### **Factors Affecting Financial Condition**

The information presented in the financial statements is perhaps best understood when considered from the broader perspective of the specific environment with which the EPWater operates.

Local Economy - El Paso is currently the sixth largest city in Texas and the 20th largest city in the United States. El Paso County has an estimated population of over 840,000 people with another 1.3 million in El Paso's sister city of Juarez, Mexico, and over 220,000 in Southern New Mexico. These three areas constitute the Borderplex region, which is the largest international border community in the world.

Additional factors affecting the financial condition of the EPWater.

- Fort Bliss is a diverse community made up of soldiers, family members, students, employees and retirees. The Fort Bliss area is home to 39,000 military personnel. In addition, Fort Bliss supports over 40,000 family members of active duty and retired personnel. Fort Bliss employs over 13,000 civilians.
- According to Forbes Magazine in 2018, El Paso ranked among one of the best cities in cost of doing business. El Paso also ranked 1<sup>st</sup> on Forbes' "Cities Where You Can Live Comfortable On Less Than \$60,000 a Year".

- El Paso economy gained 4,100 jobs during the year, representing an annual growth rate of 1.3% as the local economy continues with a steady growth. As of the end of March 2019, El Paso's unemployment rate was at 3.9%.

El Paso MSA Total Nonfarm Employment by Industry										
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Mining, Logging and Construction	16,000	16,200	15,200	13,500	13,800	12,700	12,800	14,000	15,900	15,400
Manufacturing	16,700	16,500	17,000	17,100	17,100	18,200	17,800	17,300	16,400	17,500
Trade, Transportation, and Utilities	68,200	67,500	66,600	64,700	63,200	61,100	59,400	57,700	56,100	55,600
Information	5,000	5,000	5,100	5,300	5,500	5,900	5,700	5,400	5,300	5,400
Financial Activities	12,800	12,800	12,500	12,000	12,100	12,400	12,600	12,300	11,700	12,200
Professional and Business Services	34,600	35,200	33,400	32,200	31,600	30,200	30,500	31,000	31,500	31,700
Education and Health Services	46,100	45,900	43,700	42,400	40,900	39,500	38,400	37,300	35,900	34,000
Leisure and Hospitality	35,700	35,200	34,500	33,300	32,500	30,900	30,400	29,100	28,100	27,100
Other Services	9,100	9,100	9,500	9,300	9,200	9,200	9,400	9,200	8,900	9,000
Government	73,300	73,000	71,700	70,400	70,400	71,000	70,600	70,900	71,700	69,800
<b>Total</b>	<b>317,500</b>	<b>316,400</b>	<b>309,200</b>	<b>300,200</b>	<b>296,300</b>	<b>291,100</b>	<b>287,600</b>	<b>284,200</b>	<b>281,500</b>	<b>277,700</b>

- The El Paso Tri-State region is the fifth largest manufacturing center in North America.
- In 2019 El Paso ranked 6<sup>th</sup> among the safest metro cities in the United States with a population of over 500,000, according to SafeWise.
- El Paso is home to the University of Texas at El Paso (UTEP), which is the second oldest member of the University of Texas System and today serves the needs of 21,300 undergraduate and 3,700 graduate students.

### Budget Process and Controls

EPWater's fiscal year begins March 1 and runs through the last day of February. The operating budget preparation process starts in August with the gathering of operating documents. In September, budget documents containing historical and current financial and statistical data are sent to all sections along with instructions on how to prepare the operating budget and identify new initiatives. The capital budget starts in May with a preliminary list of recommended project priorities for the next fiscal year and by September, a draft Capital Improvement Plan (CIP) is developed. Management reviews the operating and capital budgets and presents the recommended combined operating and capital budget to the Public Service Board over a series of public meetings. The PSB approves the combined annual operating and capital budget and updates to the Rules and Regulations in January, with an effective date of March 1.

The budget and the annual financial report 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. The operating budget is prepared at the object level. The object is the good or service for which the expenditure was made. Operating budget transfers are done at year end to cover actual expenses vs. approved original budget shortfalls for Utility Departments that overspent from Departments that underspent their budget. The transfers are done on a memorandum basis, submitted by the Finance Department with final approval by the President and CEO. The transfer

does not need approval by the PSB. Only the PSB can approve emergency funding authorizations and amendments to the approved operating and capital budgets.

### **Financial Policies**

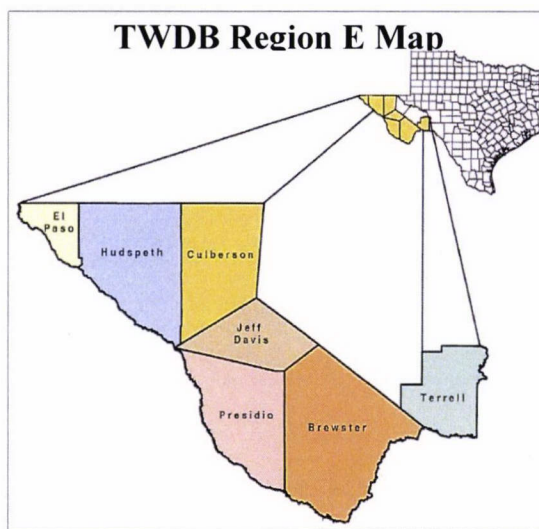
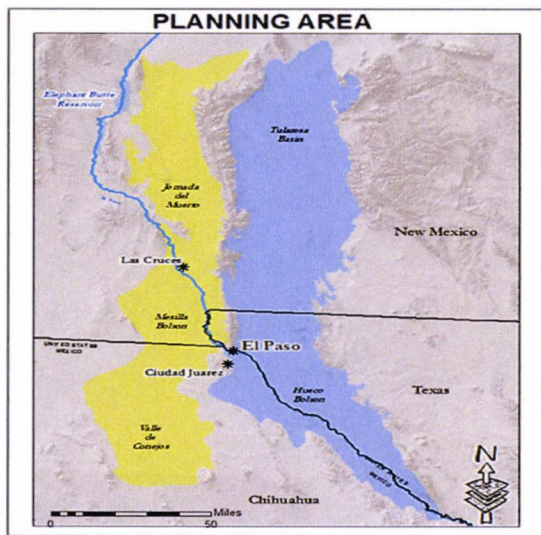
EPWater is accounted for as an Enterprise Fund, which is a proprietary fund. Enterprise Funds are used to account for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (including depreciation) of providing goods or services to the 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. EPWater uses no other funds to account for its' activities; it consists solely of two enterprise funds, the Water and Wastewater Fund and the Municipal Drainage Fund, which are accounted for separately. EPWater uses these financial policies as a framework in creating the annual budget for both utilities.

### **Long-term Financial Planning**

Long-term water and wastewater planning continues to be a critical component in managing the region's water resources. The State Legislature designated EPWater as the Regional Planner for El Paso County in 1995, which has resulted in a coordinated approach in developing water resources for this region. EPWater also has conducted joint water resources planning with New Mexico and Mexico. This unique regional cooperative effort will help to ensure that there is a reliable water supply to protect the economy, environment and quality of life for the residents in the region bordering the Rio Grande River. EPWater continues to take a leadership role in working with various entities throughout the region that are all devoted to regional planning efforts. Region E was one of sixteen regions in Texas created in 1997 as part of Senate Bill 1, which required long term water planning by region. In 2018, EPWater along with other stakeholders in the Far West Texas Regional Plan attended meetings and began working on the 2021 Far West Texas Water Plan (Region E). The Region E State Water Plan is included as part of the State Water Plan that will be submitted to the Texas Legislature. The Plan provides an evaluation of current and future water demands for all water-use categories and water supplies available during drought-of-record conditions to meet those demands. Where future water demands exceed an entity's ability to supply that need, alternative strategies are considered to meet the potential water shortages. State water planning is updated every 5 years and covers a 50 year time period.

The 2016 Plan includes new and increased use of current water management strategies for EPWater, including importation, increased reuse, aquifer storage and recovery, desalination, and additional conjunctive use, which includes surface and ground water. EPWater will continue to use diversified water supply portfolio to meet the water supply needs of the future. The major components of the EPWater supply portfolio include the Rio Grande, groundwater from Mesilla and Hueco Bolsons, desalination of brackish groundwater, water reuse and conservation. In the near future EPWater plans to start construction of an advance water purification plant and by 2050 water importation from acquired water rights land in the Dell City area.





### Capital Improvement Program

EPWater is currently focused on a 10-year planning horizon and has identified specific projects costing over \$1.6 billion that will need to be constructed to meet the water, wastewater and reclaimed water needs of the El Paso region, with an additional \$348 million in drainage projects to address deficiencies in the drainage system. The estimated cumulative water and wastewater rate increases over the next five years is 22% to fund operations, the capital improvements program, debt service and maintain adequate cash reserves. A four percent water rate increase, and an eight percent wastewater rate increase was implemented in FY 2019-20. In May 2009, City Council adopted water and wastewater impact fees to help pay for growth infrastructure. In fiscal year 2018-19, EPWater collected \$1.9 million and estimates that in future years between \$1.2 - \$1.9 million will be collected from impact fees annually. The estimated cumulative drainage fee increase over the next five years is 13% to fund drainage projects, debt service and maintenance of the system. No rate increase was implemented in FY 2019-20.

EPWater has budgeted \$182 million in fiscal year 2019-20 for water, wastewater and reclaimed water facilities to meet the growth demands of the city and keep up with the rehabilitation of the system and \$31 million for drainage facilities to improve the drainage infrastructure throughout the city. EPWater continues to address the increased reliance of well water and other sources of water as a result of the prolonged drought conditions and its associated capital costs within the next ten years. In addition, the Utility plans to continue targeting major rehabilitation of the three wastewater treatment plants with projected expenditures of over \$300 million over the next ten years, including \$121 million for the planned rehabilitation and expansion of the Roberto Bustamante Wastewater Treatment Plant.

### Awards and Acknowledgements

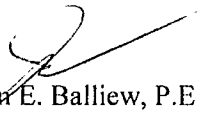
The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the El Paso Water Utilities for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended February 28, 2018. This was the twenty-third

consecutive year that EPWater has received this prestigious award. In order to be awarded a Certificate of Achievement, the government must have published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

In addition, EPWater received the GFOA's Distinguished Budget Presentation Award for its annual budget document for fiscal year beginning March 1, 2018, which was the twentieth consecutive year EPWater has received this award. In order to qualify for the Distinguished Budget Presentation Award, the government's budget document must be judged to be proficient in several categories, including as a policy document, a financial plan, an operations guide, and a communications device.

The preparation of this report would not have been possible without the efficient and dedicated services of the entire staff of the Finance and Accounting departments. We would like to express our appreciation to Lidia Carranco, Fiscal Operations Manager, Jeff Tepsick, Assistant Chief Financial Officer, and all members of the department who contributed to the preparation of this report. Credit also must be given to the Mayor and Public Service Board for their support for maintaining the highest standards of professionalism in the management of the EPWater finances.



John E. Balliew, P.E.  
President and Chief Executive Officer



Marcela Navarrete, C.P.A.  
Vice President Strategic, Financial & Management Services



Arturo Duran  
Chief Financial Officer



Jeff Tepsick  
Assistant Chief Financial Officer



Government Finance Officers Association

**Certificate of  
Achievement  
for Excellence  
in Financial  
Reporting**

Presented to

**El Paso Water  
Utilities Public Service Board  
Texas**

For its Comprehensive Annual  
Financial Report  
for the Fiscal Year Ended

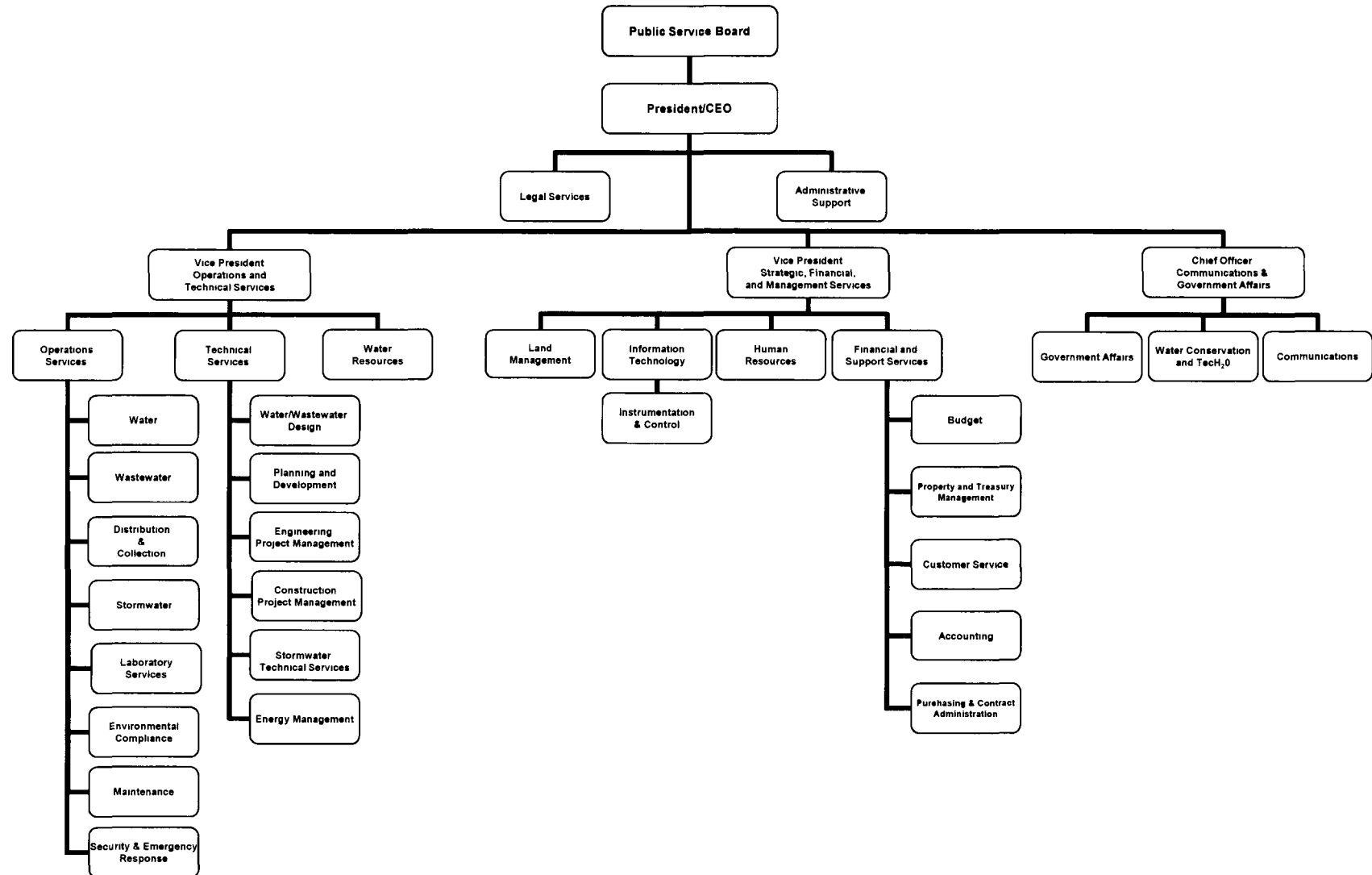
**February 28, 2018**

*Christopher P. Morill*

Executive Director/CEO

# El Paso Water

## Organizational Structure







## COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR FISCAL YEAR ENDED FEBRUARY 28, 2019

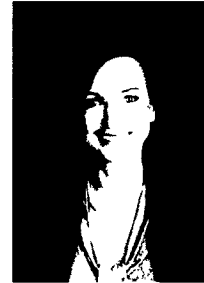
### PUBLIC SERVICE BOARD



Christopher A. Antcliff, J.D.  
*Chair*



Terri Garcia  
*Vice Chair*



Kristina D. Mena, Ph.D.  
*Secretary-Treasurer*



Ivonne Santiago, P.E., Ph.D.  
*Member*



Bryan Morris, P.E.  
*Member*



Henry Gallardo  
*Member*



Dee Margo  
*Mayor, City of El Paso*

### EXECUTIVE STAFF

John Balliew, P.E., President and CEO

Marcela Navarrete, C.P.A., Vice President Strategic, Financial and Management Services

R. Alan Shubert, P.E., Vice President Operations and Technical Services

Paul Rivas, Acting Chief Operations Officer

Gilbert Trejo, P.E., Chief Technical Officer

Arturo Duran, Chief Financial Officer

### ACCOUNTING/FINANCE

Jeff Tepsick, Assistant Chief Financial Officer  
Jeanette Cordero, Assistant Chief Financial Officer  
Lidia Carranco, Fiscal Operations Manager

### GENERAL COUNSEL

Lee Ann Koehler, General Counsel  
Daniel Ortiz, Assistant General Counsel  
Juan Gonzalez, Assistant General Counsel

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## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying 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 years ended February 28, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the Public Service Board - El Paso Water Utilities' basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audits. We conducted our audits 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. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position 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 February 28, 2019 and 2018, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

## ***Emphasis of Matter***

### ***Change in Accounting Principle***

As described in Note 1 to the financial statements, the Public Service Board - El Paso Water Utilities, a component unit of the City of El Paso, adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions*. Our opinions are not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents on pages 15 through 27 and pages 108 through 116, respectively, be presented to supplement the basic financial statements. Such information, 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 audits 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.

### ***Supplementary and Other Information***

Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the Public Service Board - El Paso Water Utilities', a component unit of the City of El Paso, basic financial statements. The introductory section, supplementary schedules, and statistical section listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The supplementary schedules listed in the table of contents are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 supplementary schedules listed in the table of contents are fairly stated in all material respects in relation to the basic financial statements as a whole.

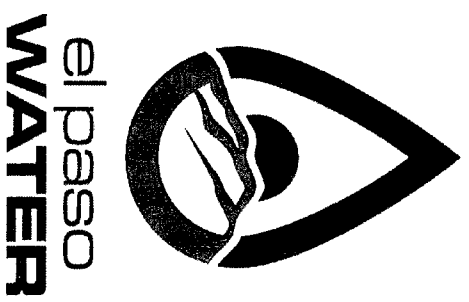
The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our separate report dated July 3, 2019 on our consideration of the Public Service Board - El Paso Water Utilities', a component unit of the City of El Paso, 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 Public Service Board - El Paso Water Utilities' 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 the Public Service Board - El Paso Water Utilities' internal control over financial reporting and compliance.

***GIBSON RUDDOCK PATTERSON LLC***

El Paso, Texas  
July 3, 2019



*Public Service Board - El Paso Water Utilities*

**Management's Discussion and Analysis**

As management of the Public Service Board - El Paso Water Utilities (EPWater), we offer readers of the financial statements this narrative overview and analysis of the financial activities for the fiscal year ended February 28, 2019. EPWater consists of two funds, the Water and Wastewater Utility fund and the Municipal Drainage Utility fund. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1-7 of this report.

**Financial Highlights**

The assets and deferred outflows of resources of EPWater exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$1.08 billion (*net position*).

EPWater's total assets and deferred outflows of resources of \$2.16 billion increased by \$75.39 million from 2018 to 2019 mainly due to an increase of \$134.98 million in water and wastewater infrastructure and \$21.16 million in municipal drainage infrastructure put in service during fiscal year 2019 and offset by a decrease of \$103.53 million in cash and cash equivalents restricted for construction and improvements as a result of the continued use of proceeds from prior year's constriction bond proceeds.

EPWater's total liabilities and deferred inflows of resources increased by \$13.38 million during the fiscal year mainly due to an increase of \$9.03 million in total OPEB liability as the Utility completed implementation of Governmental Accounting Standards Board (GASB) Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension.", an increase of \$10.97 million in accounts payable from restricted assets, an increase in commercial paper of \$5.00 million, an increase to Revolving notes of \$2.5 million and offset by a decrease in in revenue bonds payable and unamortized premiums of \$14.32 million.

The debt service coverage for the Water and Wastewater Utility of 2.22 times is well above the required 1.50 times debt service coverage as per its bond ordinance. The Municipal Drainage Utility's debt service coverage of 2.88 times is also well above the required 1.25 times as per its bond ordinance.

**Overview of Financial Statements**

- Enterprise Funds – EPWater consists of two funds, the Water and Wastewater Utility fund and the Municipal Drainage Utility fund. Enterprise Funds Statements eliminate all transactions between the two funds.
- Statements of Net Position – present information as of the end of each fiscal year on all of EPWater's assets, liabilities, deferred outflows and inflows of resources and total net position. This statement is useful in evaluating the financial health of EPWater.
- Statements of Revenues, Expenses and Changes in Net Position – present information of changes in net position during the fiscal years presented. This statement is useful in evaluating if EPWater recovered all its costs through its rates and other charges.

- Statements of Cash Flows – provides information for the fiscal years presented of cash flows from operating, capital and related financing, and from investing activities.
- Notes to financial statements – present detail information that is essential for a complete understanding of EPWater’s financial statements.
- Required Supplemental Information – present information concerning EPWater’s progress in funding its other postemployment benefit plan and pension obligations.

Other supplemental information is provided for additional analysis and is not a required part of the basic financial statements.

- Supplementary Schedules – Includes separate financial statements by fund and other schedules that provide detail information for each fund.
- Statistical Section – Present summary information as a context for understanding what the information in the financial statements, notes disclosures, and required supplementary information say about EPWater’s financial health.

### **El Paso Service Area and Customer Growth**

Over the last ten years, the average annual retail customer growth has been a manageable 1.4%. The following table shows water, wastewater and drainage customer growth for the past three years:

<b>Water Customers</b>	<b>FY 2019</b>	<b>FY 2018</b>	<b>FY 2017</b>
Metered water customers, beginning of year	206,919	204,176	201,929
Additions, net	2,890	2,743	2,247
Metered water customers, end of year	209,809	206,919	204,176
<b>Wastewater Customers</b>	<b>FY 2019</b>	<b>FY 2018</b>	<b>FY 2017</b>
Wastewater customers, beginning of year	196,560	194,376	192,194
Additions, net	3,228	2,184	2,182
Wastewater customers, end of year	199,788	196,560	194,376
<b>Drainage Customers</b>	<b>FY 2019</b>	<b>FY 2018</b>	<b>FY 2017</b>
Drainage customers, beginning of year	194,228	192,391	190,718
Additions, net	2,230	1,837	1,673
Drainage customers, end of year	196,458	194,228	192,391

Outside the city limits, EPWater provides wholesale water service and wastewater service to the Lower Valley Water District, Gaslight Square MHE, Paseo Del Este, and Fort Bliss. Wholesale water service is provided to the County of El Paso – East Montana, Haciendas del Norte, Colonia Revolucion, and Mayfair/Nuway and Schuman. Outside city retail water and wastewater service is provided to Westway and Canutillo, and outside city retail water provided to Ponderosa/Western Village, Homestead, unincorporated areas and areas of Village of Vinton, an incorporated area. Drainage service is only provided for customers within the city limits of El Paso.

Wholesale Customers	FY 2019	FY 2018	FY 2017
Lower Valley Water District			
<i>Water Customers</i>	18,131	17,680	17,210
<i>Wastewater Customers</i>	15,092	14,568	14,222
County of El Paso - East Montana - <i>Water Customers</i>	1,843	1,818	1,812
Haciendas del Norte WID- <i>Water Customers</i>	345	345	345
Colonia Revolucion - <i>Water Customers</i>	71	70	67
Gaslight Square Mobile Home/RV Park - <i>Water and Wastewater</i>	<i>Varies</i>	<i>Varies</i>	<i>Varies</i>
Mayfair/Nuway and Schuman - <i>Water Customers</i>	299	303	308
Paseo Del Este MUD - <i>Water and Wastewater Customers</i>	5,650	4,861	4,221

The table below shows the average monthly water, wastewater and drainage bill for a residential customer for fiscal years 2019, 2018 and 2017:

Average Residential Bill			
	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>
Water (includes water supply replacement charge)	\$32.83	\$30.39	\$28.03
Wastewater	\$20.87	\$19.33	\$18.05
Drainage	\$4.25	\$4.17	\$3.56
Total Bill	\$57.95	\$53.89	\$49.64
Based on 11 CCF's of water, AWC of 8 CCF's and 7 CCF's for Wastewater			

The following graph shows a comparison of water and wastewater rates for the ten largest cities in Texas based on specific water and wastewater consumption and effective rates of other cities as of October 2018, and the approved rates for EPWater for fiscal year 2019-20.

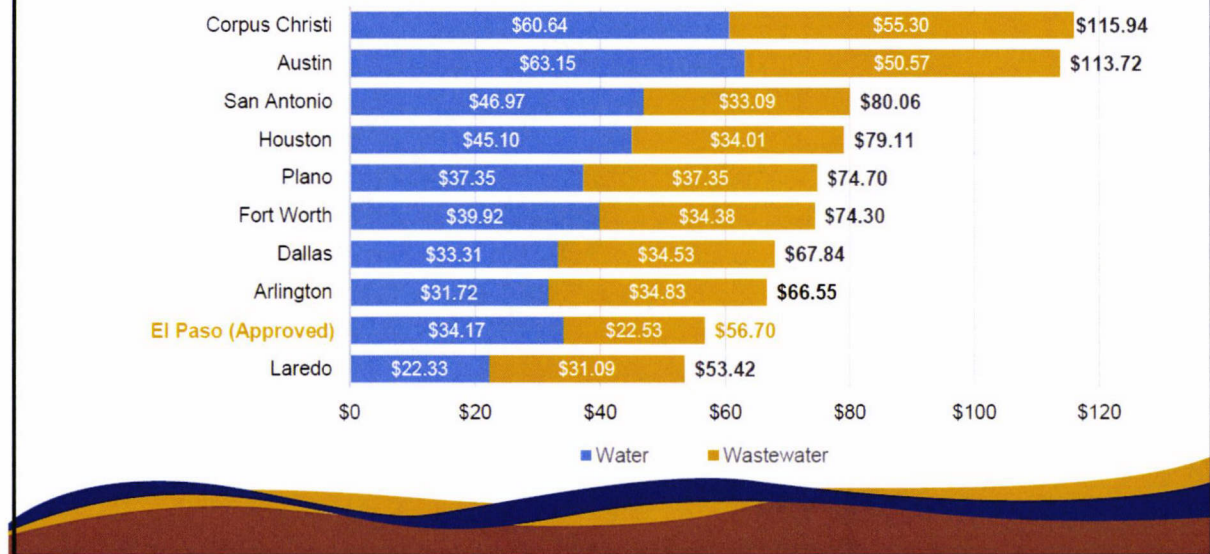
In addition, the Public Service Board (PSB) has established outside city retail water and wastewater rates at 115% of inside city rates. El Paso's water and wastewater rates remain among the lowest in the Southwest and are extremely competitive with neighboring utilities.

With the creation of the Municipal Drainage Utility, a dedicated funding source is available to meet the drainage system needs of the city. Drainage functions are funded by a fee that appears on the monthly water and wastewater bill. This user fee is calculated for every parcel with an active water meter within the city, except those exempted by state law, based on the impervious area of the property. The Board has a working five-year financial plan for all utilities that allows the Board to proactively manage its financial resources and plan for potential rate adjustments as required.



## Average Residential Water/Wastewater Bill

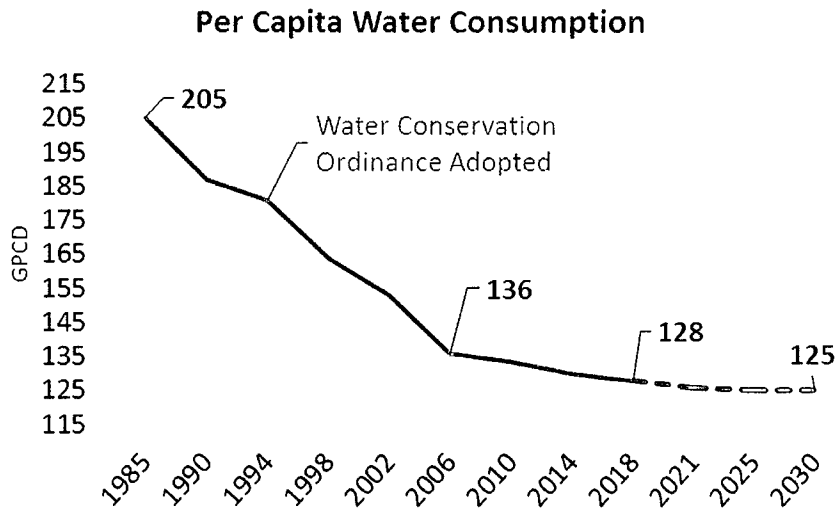
### Ten Largest Texas Cities Survey 2018



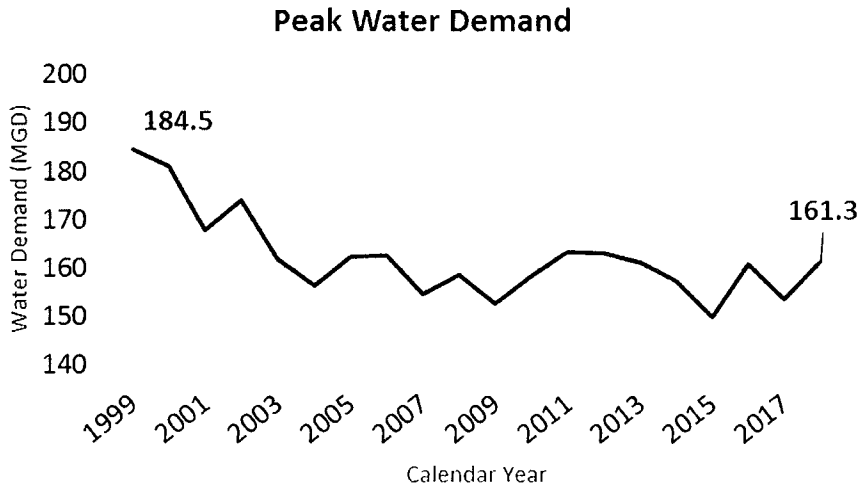
Water consumption decreased as compared to the previous year mainly due to a decrease in water demand during the summer months of August and September.

	FY 2019	FY 2018	FY 2017
Water Pumped (billion gallons)	38.19	38.15	37.48
Water Billed (billion gallons)	34.32	34.43	34.28

In calendar year 2018, EPWater produced about 122,000 acre feet (AF) of potable water for customers, of which 40 percent was supplied by the Hueco Bolson, 20 percent from the Mesilla Bolson, and 40 percent was supplied by surface water from the Rio Grande. In 2018, EPWater treated 49,413 AF of river water, 2,700 AF less than during 2017. In a full allotment year between 50,000 to 60,000 AF of river water is treated. Both surface water treatment plants operated during the 2018 seven-month irrigation season when Rio Grande Project water was available. The water system each year consistently receives a Superior Water System ranking by TCEQ. Water demand was at 201 gallons per capita per day (gpcd) in 1989 prior to the institution of an aggressive water conservation program and has been declining rapidly since. In 2013, EPWater achieved the overall per capita water consumption of 130 gpcd that was set as a goal for year 2020. The demand in 2018 was 128 gpcd.



Peak day demand has also declined significantly from 195.0 MGD in 1990 to 161.3 MGD in 2018. This highlights not only the significant changes in water use by El Pasoans, but also has allowed for the deferral of spending significant dollars on capital projects to meet peak water demands.



#### Fiscal Year 2019 Financial Information

The following are the Enterprise Funds Statements of Net Position for the activities for the Water & Wastewater Utility and the Municipal Drainage Utility after elimination of inter-fund payables and receivables.

### Enterprise Funds Statements of Net Position

	FY 2019	FY 2018	FY 2017
Current Assets	\$319,269,518	\$403,146,343	\$339,917,164
Noncurrent Assets	13,208,852	9,225,042	9,225,042
Capital Assets (Net)	1,816,739,351	1,660,596,653	1,563,506,124
Total Assets	2,149,217,721	2,072,968,038	1,912,648,330
Deferred Outflows of Resources	13,072,573	13,927,923	19,732,124
Total Assets and Deferred Outflows of Resources	\$2,162,290,294	\$2,086,895,961	\$1,932,380,454
Current Liabilities	129,913,925	110,968,172	97,239,606
Noncurrent Liabilities	951,113,607	955,580,188	870,138,200
Total Liabilities	1,081,027,532	1,066,548,360	967,377,806
Deferred Inflows of Resources	2,666,062	3,762,087	4,332,580
Net Position:			
Restricted	131,583,868	122,632,042	107,556,288
Net Investment in Capital Assets	949,808,026	894,332,869	846,264,889
Unrestricted	(2,795,194)	(379,397)	6,848,891
Total Net Position	1,078,596,700	1,016,585,514	960,670,068
Total Liabilities, Deferred Inflows of Resources and Net Position	\$2,162,290,294	\$2,086,895,961	\$1,932,380,454

#### Enterprise Funds Statements of Net Position and Statements of Revenues, Expenses and Changes in Net Position

From fiscal year 2018 to 2019, total assets and deferred outflows of resources of \$2.16 billion increased by \$75.39 million mainly due to an increase of \$134.98 million in water and wastewater infrastructure and \$21.16 million in municipal drainage infrastructure put in service during fiscal year 2019 and offset by a decrease of \$103.53 million in cash and cash equivalents restricted for construction and improvements as a result of the continued use of proceeds from prior year's construction bond proceeds. From fiscal year 2017 to 2018, total assets and deferred outflows of resources increased by \$154.52 million mainly due to an increase of \$61.65 million in cash and cash equivalents from restricted assets for construction and improvements; \$47.30 million in acquisition of water rights including the purchase of 11,731 acres in Hudspeth County for future importation, bringing the total to 56,908 acres; \$77.07 million in water and wastewater infrastructure and \$11.48 million in municipal drainage infrastructure put in service during fiscal year 2018 and offset by an increase in accumulated depreciation of \$61.91 million. From 2018 to 2019, current assets decreased by \$83.88 million mainly due to a decrease of \$103.53 million in cash and cash equivalents from assets restricted for construction. During the 2019 fiscal year, EPWater issued one bond issue to refund \$30 million of Commercial Paper Notes. From 2017 to 2018, current assets increased by \$63.23 million mainly due to an increase of \$62.13 million in assets restricted for construction. During the 2018 fiscal year, EPWater issued three bond issues to fund capital acquisitions; two for the Water and Wastewater Utility that resulted in cash of \$50 million to fund water rights land acquisition, and \$51.60 million to fund capital water and wastewater projects, and one bond issue for the Municipal Drainage Utility with resulted in cash of \$18.80 million to fund drainage capital projects. Total liabilities increased from 2018 to 2019 by \$14.48 million mainly due to an increase of \$9.03 million in total OPEB liability as the Utility

completed implementation of Governmental Accounting Standards Board (GASB) Statement No. 75 "Accounting and Financial Reporting for Postemployment Benefits Other Than Pension." In addition, an increase of \$10.97 million in accounts payable from restricted assets and offset by a decrease in revenue bonds payable and unamortized premiums of \$14.32 million. Total liabilities increased from 2017 to 2018 by \$99.17 million mainly due to an increase in revenue bonds payable and unamortized premiums of \$104.71 million and an increase in accounts payable from restricted assets of \$8.03 million and offset by a decrease in commercial paper of \$12.50 million and a decrease in net pension liability of \$4.15 million. The net position of \$1.08 billion for fiscal year 2019 increased by \$62.01 million from 2018 due to operating income of \$77.72 million and offset by nonoperating expenses of \$19.61 million. The net position of \$1.02 billion for fiscal year 2018 increased by \$55.92 million from 2017 due to operating income of \$69.77 million and offset by nonoperating expenses of \$23.12 million.

The following are the Enterprise Funds Statements of Revenues, Expenses and Changes in Net Position for EPWater, which include the Water and Wastewater Utility and the Municipal Drainage Utility after elimination of interfund activities.

<b>Enterprise Funds Statements of Revenues, Expenses, and Changes in Net Position</b>			
	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>
<b>Operating Revenues:</b>			
Water	\$123,904,158	\$115,534,990	\$109,692,232
Water supply replacement charge	29,146,782	26,877,670	25,076,077
Reclaimed Water	4,299,939	3,502,798	3,227,366
Wastewater	83,943,118	76,001,732	69,631,768
Drainage fees	23,142,845	22,266,379	18,819,127
Other operating revenue	15,276,932	20,835,137	14,521,430
<b>Total Operating Revenues</b>	<b>279,713,774</b>	<b>265,018,706</b>	<b>240,968,000</b>
<b>Operating Expenses:</b>			
O&M – Water and Reclaimed Water	49,227,550	45,495,689	42,244,600
O&M – Wastewater	25,363,968	23,772,353	21,324,587
General, Administrative and Engineering	27,132,435	24,476,670	21,994,524
O&M – Drainage	4,664,369	4,819,751	5,004,082
Farming and Other Operating Expenses	1,679,657	7,475,655	3,054,644
Other Post-Employment Benefits	1,793,066	892,650	892,673
Pension Expense	5,336,585	5,283,284	6,470,717
Depreciation	68,573,241	65,896,670	62,721,005
Payment to City of El Paso Franchise fee	3,588,827	3,584,130	3,577,539
Payment to City of El Paso per Bond Covenants	14,630,638	13,551,952	12,753,390
<b>Total Operating Expenses</b>	<b>201,990,336</b>	<b>195,248,804</b>	<b>180,037,761</b>
<b>Operating Income</b>	<b>77,723,438</b>	<b>69,769,902</b>	<b>60,930,239</b>

### Enterprise Funds Statements of Revenues, Expenses, and Changes in Net Position

	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>
Interest Earnings	5,921,048	2,944,578	1,347,567
Gain on Land Assets Converted by Sale	1,090,824	4,885	5,560,875
Gain on Sale of Miscellaneous Assets	356,577	401,403	176,222
IRS tax credit for Build America Bonds	-	637,381	926,876
Other nonoperating expenses	(833,653)	(1,594,988)	(1,433,881)
Interest on Long-Term Debt	(26,143,578)	(25,511,139)	(23,373,178)
<b>Total Nonoperating Expenses</b>	<b>(19,608,782)</b>	<b>(23,117,880)</b>	<b>(16,795,519)</b>
Increase in Net Position, Before Contributions	58,114,656	46,652,022	44,134,720
Federal Grant Contributions	1,957,033	2,202,247	298,106
Capital and Non-Federal Grant Contributions	9,627,603	7,061,177	13,366,922
Change in Net Position	69,699,292	55,915,446	57,799,748
Total Net Position – Beginning	1,016,585,514	960,670,068	902,870,320
Prior period adjustment	(7,688,106)	-	-
Total Net Position – Ending	<u>\$1,078,596,700</u>	<u>\$1,016,585,514</u>	<u>\$960,670,068</u>

#### Water and Wastewater Utility Fund

**Total operating revenues** increased by \$13.83 million from 2018 to 2019 mainly due to an increase of \$8.37 million in water and \$7.94 million in wastewater revenue. The increase in operating revenues was driven by an eight percent rate increase that was effective March 1, 2018. Water consumption for 2019 of 34.32 billion gallons decreased by 95 million gallons compared to 2018 as a result of reduction of water demand in the months of August and September. Total operating revenue increased by \$20.60 million from 2017 to 2018 mainly due to an increase of \$5.84 million in water and \$6.37 million in wastewater revenue. The increase in operating revenues was driven by a seven percent rate increase that was effective March 1, 2017. Water consumption for 2018 of 34.42 billion gallons increased by 141 million gallons compared to 2017 as a result of an increase of 3,857 customers. In addition, fiscal year 2018 was the first full-year of farming operations from the farm land acquired in Dell City, farming operations revenue produced \$7.30 million.

**Total operating expenses** of the Water and Wastewater Utility of \$192.39 million for fiscal year 2019 increased by \$5.95 million from 2018. The increase is mainly due to operation and maintenance, and general and administration expenses of \$100.46 million which increased by \$7.45 million due to an increase in salaries of \$3.19 million and maintenance expense of \$2.03 million. In addition, the Utility purchases river water through several contracts with El Paso County Water Improvement District #1 (EPCWID#1) and for calendar year 2018 water purchases increased by \$2.97 million due to an increase in the allotment of river water. Depreciation expense of \$65.32 million increased by \$2.32 million from the previous year and continues to increase as water and wastewater infrastructure is placed into service to serve our customers. Total operating expenses of the Water and Wastewater Utility of \$186.44 million for fiscal year 2018 increased by

\$15.04 million from 2017. The increase is mainly due to \$5.71 million in farm operation expenditures, and operation and maintenance expenses of \$93.01 million increased by \$8.20 million due to an increase in salaries of \$2.19 million, chemical costs of \$1.06 million, maintenance of \$2.47 million and utilities of \$1.25 million. Depreciation expense of \$63.00 million increased by \$2.61 million from the previous year and continues to increase as water and wastewater infrastructure is placed into service to serve our customers.

**Total nonoperating expenses** of \$17.14 million for 2019 decreased by \$3.08 million from 2018 due to an increase of \$2.53 million in interest earnings, \$1.09 million generated from land sales and offset by an increase in interest expense of \$951,000 due to the additional debt cost associated with the issuance of one new bond issue in 2019. Total nonoperating expenses of \$20.22 million for 2018 increased by \$5.06 million from 2017 due to a decrease of \$5.56 million in revenues generated from land sales and an increase in interest expense of \$1.03 million due to the additional debt cost associated with the issuance of two new bond issues in 2018.

**Change in net position before capital contributions** had an increase of \$10.95 million from 2018 to 2019 for the following reasons: an increase in operating revenues of \$13.83 million mainly due to the additional revenues generated from the approved eight percent water and wastewater rate increase effective March 1, 2018, and offset by an increase in operating expenses of \$5.95 million mainly due to an increase in operating and maintenance, and general and administration expenses of \$7.45 million and offset by a decrease in farm operations expenses of \$5.71 million as the Utility entered into a new farm lease agreement. Net position before contributions had an increase of \$496,000 from 2017 to 2018 for the following reasons: an increase in operating revenues of \$20.60 million mainly due to the additional revenues generated from the approved seven percent water and wastewater rate increase effective March 1, 2017, and offset by an increase in operating expenses of \$15.04 million mainly due to an increase in operating and maintenance expenses of \$8.20 million and increase in farming expense of \$4.49 million. In addition, nonoperating expenses increased by \$5.06 million mainly due to a decrease in revenues from the sale of land of \$5.56 million.

**Total contributions** of \$11.58 million for 2019 were \$2.52 million more than 2018 mainly due to an increase of \$2.76 million in capital and non-federal contributions and offset by a decrease of \$245,000 in federal grant contributions. Total contributions of \$9.07 million for 2018 were \$4.60 million less than 2017 mainly due to a decrease of \$6.50 million in capital and non-federal contributions and offset by an increase of \$1.90 million in federal grant contributions.

### **Water & Wastewater Capital Improvement Program**

EPWater spent \$184.83 million for water, wastewater and reclaimed water system capital improvements in fiscal year 2019. Major expenditures included \$52.37 million for acquisition of water rights land in Hudspeth County, \$13.61 million for water storage projects for rehabilitation and new elevated and ground storage tanks, \$22.27 million for water distribution lines, \$20.06 million for water system rehabilitation, \$13.04 million for emergency backup power, \$8.82 million for additions to the wastewater collection system, and \$20.66 million for rehabilitation of the wastewater system. EPWater spent \$117.12 million for water, wastewater and reclaimed water system capital improvements in fiscal year 2018. Major expenditures included \$33.84 million for acquisition of water rights land in Hudspeth County, \$8.88 million for water storage projects including new elevated ground storage tanks, \$8.90 million for water distribution lines, \$18.07 million for water system rehabilitation, \$3.66 million for emergency backup power, \$2.30 million

for additions to the wastewater collection system, and \$15.32 million for rehabilitation of the wastewater system.

Financial Indicators for the Water & Wastewater Utility			
	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>
Current Assets/Current Liabilities	2.34	3.44	3.21
Operating Ratio	0.50	0.51	0.51
Debt Service Coverage	2.22 times	2.18 times	2.17 times
Debt Ratio	0.39	0.41	0.40

#### Municipal Drainage Utility Fund

**Total operating revenues** increased \$874,000 from 2018 to 2019 due to the approved two percent fee increase effective March 1, 2018 and increased \$3.47 million from 2017 to 2018 due to the approved 17 percent fee increase effective March 1, 2017. EPWater added 2,230 new drainage accounts from 2018 to 2019.

**Operating expenses** for fiscal year 2019 were \$9.78 million, an increase of \$791,000 from 2018 mainly due to an increase of \$537,000 in the indirect cost allocation for services provided by the Water and Sewer Utility and an increase of \$352,000 in depreciation expense. Operating expenses for fiscal year 2018 were \$8.99 million, an increase of \$193,000 from 2017 mainly due to an increase of \$563,000 in depreciation expense.

#### **Drainage Utility Capital Improvement Program**

EPWater spent \$23.56 million in fiscal year 2019 in capital improvements for the Municipal Drainage Utility system. Major capital expenditures include \$13.50 million on storage infrastructure, and \$5.97 million in rehabilitation of storage and conveyance infrastructure and \$2.06 million in open space acquisitions. EPWater spent \$30.13 million in fiscal year 2018 in capital improvements for the Municipal Drainage Utility system. Major capital expenditures include \$13.86 million on storage infrastructure, and \$9.97 million in rehabilitation of storage facilities. Total assets are summarized in Note 9 of the financial statements.

Financial Indicators for the Municipal Drainage Utility			
	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>
Current Assets/Current Liabilities	3.46	5.55	6.13
Operating Ratio	0.27	0.26	0.34
Debt Service Coverage	2.88 times	2.00 times	1.80 times
Debt Ratio	0.43	0.46	0.49

Overall, EPWater met all its financial obligations including operating expenses, debt service and the rehabilitation and addition of new water, wastewater and drainage infrastructure to meet the needs of a growing community.

### **Capital Assets**

EPWater's investment in water, wastewater and drainage capital assets as of February 28, 2019 is \$1.82 billion (net of accumulated depreciation). This is a net increase of 9.4% from 2018. The following table reflects the changes within each classification of capital assets net of depreciation. The increase in capital assets was primarily due to the addition of \$156.14 million in new water, wastewater, and reclaimed water and drainage projects placed in service during the year. The capital asset information is detailed in Note 9. The commitments related to construction work in progress are discussed in Note 26.

<b>Capital Assets (Net of Accumulated Depreciation)</b>			
	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>
Land and Right-of-Way	\$306,975,974	\$246,729,915	\$199,433,527
Irrigation Water Rights Contracts	10,501,783	10,205,621	10,112,543
Buildings and Shops	25,797,920	27,166,822	28,043,601
Vehicles	9,127,689	9,627,753	6,024,024
Equipment and Tools	8,476,551	10,546,854	10,823,442
Water System	699,161,916	706,377,716	690,503,237
Wastewater System	415,174,229	419,675,846	420,069,533
Drainage System	133,198,472	119,642,279	111,029,648
Construction Work in Progress	208,324,817	110,623,847	87,466,569
Total	<u>\$1,816,739,351</u>	<u>\$1,660,596,653</u>	<u>\$1,563,506,124</u>

### **Debt Administration**

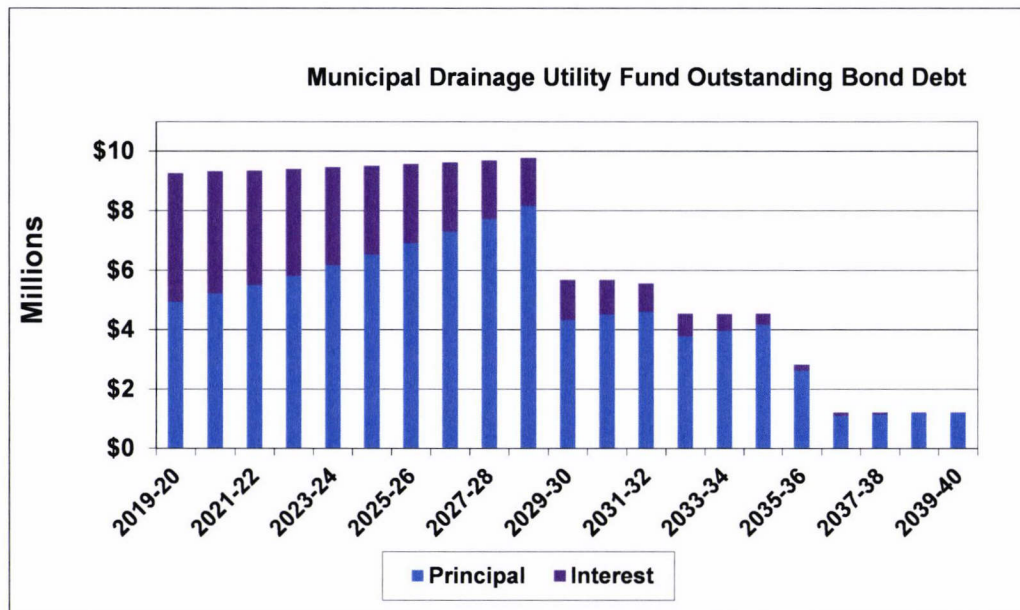
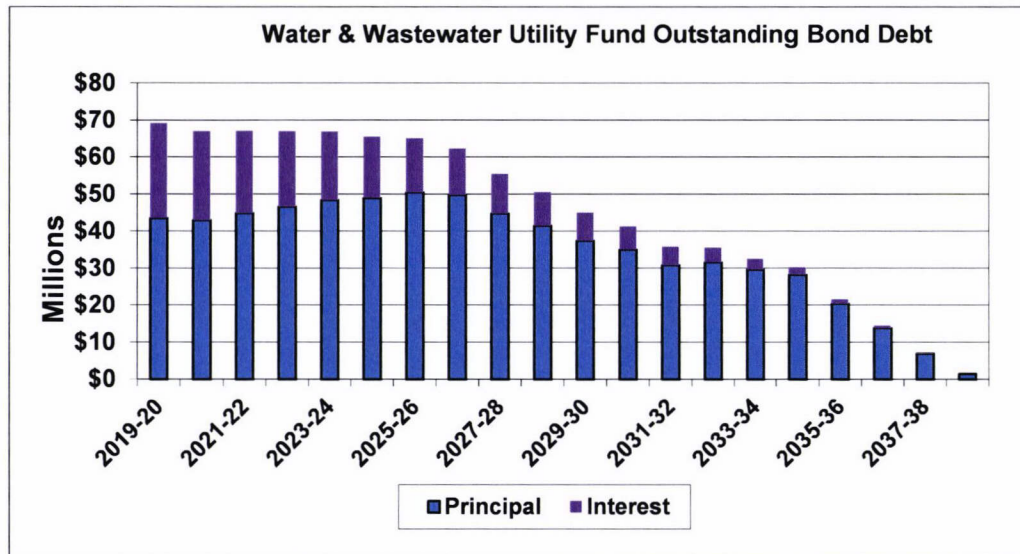
EPWater had one bond issue this fiscal year. EPWater issued: \$26.67 million in Water and Wastewater Revenue Refunding Bonds Series 2018 with a bond premium of \$3.70 million to retire \$30 million of commercial paper. Total long-term liabilities are summarized in Note 10 of the financial statements and the bonds in Note 11.

The following charts show, as of February 28, 2019, all outstanding principal and interest owed by EPWater. An adequate level of debt and strong financial position reflects superior fiscal management which have allowed EPWater to continue to earn among the highest ratings that can be awarded by rating agencies like Standard & Poor's (AA+) and Fitch Ratings (AA+). On August 1, 2015, EPWater through the City of El Paso and Bank of America, N.A. entered into a revolving credit agreement pursuant to which Bank of America N.A. is obligated under the Credit Agreement to loan to the City amounts not to exceed \$40,000,000 for the purpose of paying amounts due on the Commercial Paper Program. On August 14, 2018, the first amendment to the credit agreement was executed to extend the contract until August 23, 2021 and reduced the commitment fee rate from 0.040% to 0.037%. EPWater issued \$35 million in commercial paper during fiscal year 2019. The commercial paper program information is detailed in Note 13.



## Bond and Commercial Paper Ratings

	<u>Standard &amp; Poor's</u>	<u>Fitch</u>	<u>Moody's</u>
Water & Wastewater Revenue Bonds	AA+	AA+	-
Municipal Drainage System Bonds	AA+	AA+	-
Water & Wastewater Commercial Paper	-	A+/F1	P-1



Summary of Significant Outstanding Debt			
	<u>FY 2019</u>	<u>FY 2018</u>	<u>FY 2017</u>
Water & Wastewater Revenue Bonds	\$739,010,000	\$749,710,000	\$665,715,000
Municipal Drainage System Bonds	100,324,000	102,468,000	96,607,000
Water & Wastewater Commercial Paper	15,000,000	10,000,000	22,500,000
Municipal Drainage System Revolving Note	2,500,000	-	-
Unamortized Premiums Net of Discounts	82,274,063	83,748,440	68,890,912
Other Governments Payable	2,054,121	2,208,428	2,355,957
Land Notes Payable	-	914,885	1,786,222
Total	<u>\$941,162,184</u>	<u>\$949,049,753</u>	<u>\$857,855,091</u>

### **Economic Factors and Next Year's Budget and Rates**

- The river water estimated allocation for 2019 is close to our normal allotment of approximately 58,000 acre feet.
- In 2018, the El Paso MSA home sales increased by 9.6% with median sales prices increasing by 4.98% according to the Texas A&M Real Estate Center. The number of months Single-Family Housing remained in inventory decreased from 5.3 months to 3.8 months during the same period.
- EPWater didn't include in the budget for fiscal year 2019-20 any new bond issues for the Water & Wastewater Utility Capital Improvement Projects but anticipate one or two bond issues to take commercial paper notes to a long-term liability. The Municipal Drainage Utility budget includes \$10.39 million in new financing for fiscal year 2019-20 to take Direct Funded Revolving Loans to a long-term liability.
- EPWater has planned and prepared to meet growth and will partially finance growth projects with the water and wastewater impact fees that were adopted by City Council in May 2009. In April 2019, City Council did not consider nor approve any changes to the impact fees. The Utility will reevaluate a possible fee increase in future years or as prescribed by state statute.

All of these factors were taken into consideration in preparing EPWater's budget for fiscal year 2019-20. The Water and Wastewater Utility adopted a budget with a four percent rate increase for water an eight percent rate increase for wastewater and no fee increase for the Drainage Utility. EPWater will continue to look for efficiencies, refinancing debt and cutting costs whenever possible.

### **Request for Information**

The financial report is designed to provide a general overview of the El Paso Water Utilities' finances and for all those with an interest in the government's finances. Questions concerning any of the information provided in this report, or requests for additional financial information, should be addressed to Chief Financial Officer via hand delivery: 1154 Hawkins, 79925 or US Mail: PO Box 511, El Paso, TX 79961-0511.

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

**ENTERPRISE FUNDS**

STATEMENT OF NET POSITION

February 28, 2019

	Water & Wastewater Utility Fund	Municipal Drainage Utility Fund	Eliminations	Total
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 29,858,943	\$ 3,863,819	\$ -	\$ 33,722,762
Investments	2,975,082	-	-	2,975,082
Accounts receivable - customers	25,310,387	1,487,739	-	26,798,126
Accounts receivable - other	1,916,665	129,298	-	2,045,963
Leased property investment costs	373,137	-	-	373,137
Accrued interest receivable	191,388	26,551	-	217,939
Due from Municipal Drainage Utility	46,473	-	(46,473)	-
Inventory - materials and supplies	2,284,829	-	-	2,284,829
Other current assets	570,794	-	-	570,794
Prepaid expenses	1,970,076	-	-	1,970,076
Restricted current assets				
Restricted for bond requirements				
Cash and cash equivalents	67,076,517	7,116,349	-	74,192,866
Investments	26,502,646	5,266,881	-	31,769,527
Restricted for construction and improvements				
Cash and cash equivalents	98,648,673	27,331,123	-	125,979,796
Investments	14,669,062	1,000,000	-	15,669,062
Accounts receivable government grants	672,730	-	-	672,730
Notes receivable	26,829	-	-	26,829
Total current assets	<u>273,094,231</u>	<u>46,221,760</u>	<u>(46,473)</u>	<u>319,269,518</u>
Noncurrent assets				
Accounts receivable - City of El Paso	9,225,042	-	-	9,225,042
Leased property investment costs	3,358,229	-	-	3,358,229
Restricted noncurrent assets				
Restricted for bond requirements				
Investments	625,581	-	-	625,581
Capital assets				
Water and Wastewater Utility capital assets	2,255,241,368	-	-	2,255,241,368
Municipal Drainage Utility capital assets	-	154,962,638	-	154,962,638
Land and right of way	278,966,362	28,009,612	-	306,975,974
Construction work in progress	182,300,846	26,023,971	-	208,324,817
Less accumulated depreciation	<u>(1,088,248,936)</u>	<u>(20,516,510)</u>	<u>-</u>	<u>(1,108,765,446)</u>
Total capital assets (net of accumulated depreciation)	<u>1,628,259,640</u>	<u>188,479,711</u>	<u>-</u>	<u>1,816,739,351</u>
Total noncurrent assets	<u>1,641,468,492</u>	<u>188,479,711</u>	<u>-</u>	<u>1,829,948,203</u>
Total assets	<u>1,914,562,723</u>	<u>234,701,471</u>	<u>(46,473)</u>	<u>2,149,217,721</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charges on bond refunding	4,055,506	-	-	4,055,506
Deferred pension contributions	2,574,449	153,843	-	2,728,292
Difference in projected and actual earnings on pension assets	-	33,845	-	33,845
Difference in expected and actual pension experience	2,643,059	154,220	-	2,797,279
Change in assumptions pension	2,640,453	186,495	-	2,826,948
Change in proportionate share pension	503,765	79,412	-	583,177
Change in assumptions OPEB	44,088	3,438	-	47,526
Total deferred outflows of resources	<u>12,461,320</u>	<u>611,253</u>	<u>-</u>	<u>13,072,573</u>
Total assets and deferred outflows of resources	<u>\$ 1,927,024,043</u>	<u>\$ 235,312,724</u>	<u>\$ (46,473)</u>	<u>\$ 2,162,290,294</u>

	Water & Wastewater Utility	Municipal Drainage Utility	Eliminations	Total
<b>LIABILITIES</b>				
<b>Current liabilities</b>				
Accounts payable	\$ 3,588,935	\$ 287,070	\$ -	\$ 3,876,005
Environmental Services collections and other payments due to City of El Paso	7,359,963	-	-	7,359,963
Customer deposits	10,722,705	-	-	10,722,705
Accrued vacation payable	1,936,844	93,148	-	2,029,992
Accrued payroll and benefits	2,601,156	182,065	-	2,783,221
Due to Water and Wastewater Utility	-	46,473	(46,473)	-
Unearned revenue on land leases	787,498	496	-	787,994
Other current liabilities	183,782	-	-	183,782
Self-insurance workers' compensation and health claims	238,627	-	-	238,627
Other governments payable - current	161,396	-	-	161,396
<b>Current liabilities payable from restricted assets</b>				
Revenue bonds payables and unamortized premiums net of discounts	46,926,791	5,447,309	-	52,374,100
Accrued interest on long term debt	13,611,590	2,325,131	-	15,936,721
Accounts payable	23,831,539	4,638,079	-	28,469,618
Customer advances for construction	1,233,190	-	-	1,233,190
Retainage payable on construction contracts	3,433,985	322,626	-	3,756,611
Total current liabilities	116,618,001	13,342,397	(46,473)	129,913,925
<b>Noncurrent liabilities</b>				
Revenue bonds payables and unamortized premiums net of discounts	760,734,062	108,499,901	-	869,233,963
Other governments payable	1,892,725	-	-	1,892,725
Commercial paper notes	15,000,000	-	-	15,000,000
Revolving note	-	2,500,000	-	2,500,000
Total OPEB Liability	18,393,671	1,434,474	-	19,828,145
Net Pension Liability	38,351,408	2,237,204	-	40,588,612
Accrued vacation payable	1,367,997	40,763	-	1,408,760
Self-insurance workers' compensation claims	661,402	-	-	661,402
Total noncurrent liabilities	836,401,265	114,712,342	-	951,113,607
Total liabilities	953,019,266	128,054,739	(46,473)	1,081,027,532
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Gains on bond refunding	354,002	-	-	354,002
Difference in projected and actual earning on pension assets	51,697	-	-	51,697
Difference in expected and actual pension experience	1,597,238	112,812	-	1,710,050
Change in proportionate share pension	232,280	318,033	-	550,313
Total deferred inflows of resources	2,235,217	430,845	-	2,666,062
<b>NET POSITION</b>				
<b>Restricted</b>				
Restricted for debt service	80,593,154	10,058,099	-	90,651,253
Restricted for construction and improvements	28,418,448	12,514,167	-	40,932,615
Total restricted	109,011,602	22,572,266	-	131,583,868
Net investment in capital assets	865,579,492	84,228,534	-	949,808,026
Unrestricted	(2,821,534)	26,340	-	(2,795,194)
Total net position	971,769,560	106,827,140	-	1,078,596,700
Total liabilities, deferred inflows of resources, and net position	\$ 1,927,024,043	\$ 235,312,724	\$ (46,473)	\$ 2,162,290,294

The notes to the financial statements are an integral part of this statement

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

**ENTERPRISE FUNDS**

STATEMENT OF NET POSITION

February 28, 2018

	Water & Wastewater Utility Fund	Municipal Drainage Utility Fund	Eliminations	Total
<b>ASSETS</b>				
Current assets				
Cash and cash equivalents	\$ 23,035,090	\$ 3,230,423	\$ -	\$ 26,265,513
Investments	9,494,521	-	-	9,494,521
Accounts receivable - customers	22,582,767	1,382,544	-	23,965,311
Accounts receivable - other	942,748	218,405	-	1,161,153
Accrued interest receivable	125,966	-	-	125,966
Due from Municipal Drainage Utility	28,551	-	(28,551)	-
Inventory - materials and supplies	2,065,782	-	-	2,065,782
Other current assets	1,660,155	-	-	1,660,155
Prepaid expenses	1,967,549	-	-	1,967,549
Restricted current assets				
Restricted for bond requirements				
Cash and cash equivalents	51,349,773	5,674,472	-	57,024,245
Investments	33,916,717	3,097,035	-	37,013,752
Restricted for construction and improvements				
Cash and cash equivalents	187,966,375	41,541,892	-	229,508,267
Investments	12,000,000	-	-	12,000,000
Accounts receivable government grants	859,804	-	-	859,804
Notes receivable	34,325	-	-	34,325
Total current assets	<u>348,030,123</u>	<u>55,144,771</u>	<u>(28,551)</u>	<u>403,146,343</u>
Noncurrent assets				
Accounts receivable - City of El Paso	9,225,042	-	-	9,225,042
Capital assets				
Water and Wastewater Utility capital assets	2,207,643,917	-	-	2,207,643,917
Municipal Drainage Utility capital assets	-	137,883,696	-	137,883,696
Land and right of way	224,302,145	22,427,770	-	246,729,915
Construction work in progress	86,353,500	24,270,347	-	110,623,847
Less accumulated depreciation	(1,025,019,767)	(17,264,955)	-	(1,042,284,722)
Total capital assets (net of accumulated depreciation)	<u>1,493,279,795</u>	<u>167,316,858</u>	<u>-</u>	<u>1,660,596,653</u>
Total noncurrent assets	<u>1,502,504,837</u>	<u>167,316,858</u>	<u>-</u>	<u>1,669,821,695</u>
Total assets	<u>1,850,534,960</u>	<u>222,461,629</u>	<u>(28,551)</u>	<u>2,072,968,038</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred charges on bond refunding	4,661,357	-	-	4,661,357
Deferred pension contributions	2,412,714	129,506	-	2,542,220
Difference in projected and actual earnings on pension assets	1,396,917	138,501	-	1,535,418
Difference in expected and actual pension experience	183,778	11,688	-	195,466
Change in assumptions pension	4,067,725	287,303	-	4,355,028
Change in proportionate share pension	524,567	113,867	-	638,434
Total deferred outflows of resources	<u>13,247,058</u>	<u>680,865</u>	<u>-</u>	<u>13,927,923</u>
Total assets and deferred outflows of resources	<u>\$ 1,863,782,018</u>	<u>\$ 223,142,494</u>	<u>\$ (28,551)</u>	<u>\$ 2,086,895,961</u>

	Water & Wastewater Utility	Municipal Drainage Utility	Eliminations	Total
<b>LIABILITIES</b>				
Current liabilities				
Accounts payable	\$ 3,882,318	\$ 276,694	\$ -	\$ 4,159,012
Environmental Services collections and other payments due to City of El Paso	6,284,363	-	-	6,284,363
Customer deposits	10,214,425	-	-	10,214,425
Accrued vacation payable	1,898,673	89,386	-	1,988,059
Accrued payroll and benefits	2,159,375	133,036	-	2,292,411
Due to Water and Wastewater Utility	-	28,551	(28,551)	-
Unearned revenue on land leases	629,855	489	-	630,344
Other current liabilities	520,262	-	-	520,262
Self-insurance workers' compensation and health claims	517,178	-	-	517,178
Other governments payable - current	154,307	-	-	154,307
Current liabilities payable from restricted assets				
Revenue bonds payables and unamortized premiums net of discounts	41,753,423	2,902,309	-	44,655,732
Accrued interest on long term debt	13,307,015	1,832,209	-	15,139,224
Accounts payable	13,584,952	3,910,756	-	17,495,708
Land notes payable	914,885	-	-	914,885
Land notes interest payable	12,397	-	-	12,397
Customer advances for construction	3,339,608	-	-	3,339,608
Retainage payable on construction contracts	1,891,699	758,558	-	2,650,257
Total current liabilities	101,064,735	9,931,988	(28,551)	110,968,172
Noncurrent liabilities				
Revenue bonds payables and unamortized premiums net of discounts	777,323,497	113,947,211	-	891,270,708
Other governments payable	2,054,121	-	-	2,054,121
Commercial paper notes	10,000,000	-	-	10,000,000
Other Post-Employment Benefits	10,310,742	486,939	-	10,797,681
Net Pension Liability	37,581,946	2,189,770	-	39,771,716
Accrued vacation payable	1,167,053	67,477	-	1,234,530
Self-insurance workers' compensation claims	451,432	-	-	451,432
Total noncurrent liabilities	838,888,791	116,691,397	-	955,580,188
Total liabilities	939,953,526	126,623,385	(28,551)	1,066,548,360
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Gains on bond refunding	386,154	-	-	386,154
Difference in expected and actual pension experience	2,460,610	173,792	-	2,634,402
Change in proportionate share pension	357,836	383,695	-	741,531
Total deferred inflows of resources	3,204,600	557,487	-	3,762,087
<b>NET POSITION</b>				
Restricted				
Restricted for debt service	71,959,475	6,939,297	-	78,898,772
Restricted for construction and improvements	32,763,350	10,969,920	-	43,733,270
Total restricted	104,722,825	17,909,217	-	122,632,042
Net investment in capital assets	817,962,873	76,369,996	-	894,332,869
Unrestricted	(2,061,806)	1,682,409	-	(379,397)
Total net position	920,623,892	95,961,622	-	1,016,585,514
Total liabilities, deferred inflows of resources, and net position	\$ 1,863,782,018	\$ 223,142,494	\$ (28,551)	\$ 2,086,895,961

The notes to the financial statements are an integral part of this statement

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

**ENTERPRISE FUNDS**

STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION

For the Year Ended February 28, 2019

	Water & Wastewater Utility Fund	Municipal Drainage Utility Fund	Eliminations	Total
<b>Operating revenues</b>				
Water	\$ 123,904,158	\$ -	\$ -	\$ 123,904,158
Water supply replacement charge	29,146,782	-	-	29,146,782
Reclaimed water	4,299,939	-	-	4,299,939
Wastewater	83,943,118	-	-	83,943,118
Drainage fees	-	23,300,515	(157,670)	23,142,845
Customer connection fees	5,904,711	-	-	5,904,711
Billing fees - City Environmental Services	641,378	274,877	-	916,255
Rent revenue	3,158,095	-	(24,000)	3,134,095
City of El Paso Franchise fee	3,588,827	-	-	3,588,827
Other operating revenue	1,349,760	383,284	-	1,733,044
Total operating revenues	255,936,768	23,958,676	(181,670)	279,713,774
<b>Operating expenses</b>				
Operations and maintenance - water & reclaimed water	49,304,582	-	(77,032)	49,227,550
Operations and maintenance - wastewater	25,436,858	-	(72,890)	25,363,968
General, administrative and engineering expenses	25,718,114	-	1,414,321	27,132,435
Operations and maintenance - drainage	-	4,670,438	(6,069)	4,664,369
Indirect cost allocation	-	1,440,000	(1,440,000)	-
Other operating expenses	1,679,657	-	-	1,679,657
Other Post-Employment Benefits	1,663,346	129,720	-	1,793,066
Pension expense	5,049,735	286,850	-	5,336,585
Depreciation	65,321,686	3,251,555	-	68,573,241
Payment to City of El Paso Franchise fee	3,588,827	-	-	3,588,827
Payment to City of El Paso per bond covenants	14,630,638	-	-	14,630,638
Total operating expenses	192,393,443	9,778,563	(181,670)	201,990,336
Operating income	63,543,325	14,180,113	-	77,723,438
<b>Nonoperating revenues (expenses)</b>				
Interest earnings and net change in fair value of investments	4,978,549	942,499	-	5,921,048
Gain on land assets converted by sale	1,090,824	-	-	1,090,824
Gain on sale of miscellaneous assets	356,577	-	-	356,577
Other nonoperating expenses	(584,040)	(249,613)	-	(833,653)
Interest on long term debt	(22,986,519)	(3,157,059)	-	(26,143,578)
Total nonoperating expenses	(17,144,609)	(2,464,173)	-	(19,608,782)
Increase in net position, before capital contributions	46,398,716	11,715,940	-	58,114,656
Federal grant contributions	1,957,033	-	-	1,957,033
Capital and non-federal grant contributions	9,627,603	-	-	9,627,603
Total contributions	11,584,636	-	-	11,584,636
Change in net position	57,983,352	11,715,940	-	69,699,292
Total net position - beginning	920,623,892	95,961,622	-	1,016,585,514
Prior period adjustment	(6,837,684)	(850,422)	-	(7,688,106)
Total net position - ending	\$ 971,769,560	\$ 106,827,140	\$ -	\$ 1,078,596,700

The notes to the financial statements are an integral part of this statement

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

**ENTERPRISE FUNDS**

STATEMENT OF REVENUES, EXPENSES,  
AND CHANGES IN NET POSITION

For the Year Ended February 28, 2018

	Water & Wastewater Utility Fund	Municipal Drainage Utility Fund	Eliminations	Total
<b>Operating revenues</b>				
Water	\$ 115,534,990	\$ -	\$ -	\$ 115,534,990
Water supply replacement charge	26,877,670	-	-	26,877,670
Reclaimed water	3,502,798	-	-	3,502,798
Wastewater	76,001,732	-	-	76,001,732
Drainage fees	-	22,419,202	(152,823)	22,266,379
Customer connection fees	5,400,322	-	-	5,400,322
Billing fees - City Environmental Services	634,446	271,905	-	906,351
Rent revenue	2,041,465	-	(24,000)	2,017,465
City of El Paso Franchise fee	3,584,130	-	-	3,584,130
Farm operations revenues	7,295,255	-	-	7,295,255
Other operating revenue	1,238,416	393,198	-	1,631,614
Total operating revenues	242,111,224	23,084,305	(176,823)	265,018,706
<b>Operating expenses</b>				
Operations and maintenance - water & reclaimed water	45,569,242	-	(73,553)	45,495,689
Operations and maintenance - wastewater	23,843,214	-	(70,861)	23,772,353
General, administrative and engineering expenses	23,597,684	-	878,986	24,476,670
Operations and maintenance - drainage	-	4,828,146	(8,395)	4,819,751
Indirect cost allocation	-	903,000	(903,000)	-
Farm operations expenses	5,712,023	-	-	5,712,023
Other operating expenses	1,763,632	-	-	1,763,632
Other Post-Employment Benefits	820,987	71,663	-	892,650
Pension expense	4,998,067	285,217	-	5,283,284
Depreciation	62,997,545	2,899,125	-	65,896,670
Payment to City of El Paso Franchise fee	3,584,130	-	-	3,584,130
Payment to City of El Paso per bond covenants	13,551,952	-	-	13,551,952
Total operating expenses	186,438,476	8,987,151	(176,823)	195,248,804
Operating income	55,672,748	14,097,154	-	69,769,902
<b>Nonoperating revenues (expenses)</b>				
Interest earnings and net change in fair value of investments	2,450,878	493,700	-	2,944,578
IRS tax credit for Build America Bonds	121,044	516,337	-	637,381
Gain on land assets converted by sale	4,885	-	-	4,885
Gain on sale of miscellaneous assets	342,691	58,712	-	401,403
Other nonoperating expenses	(1,107,652)	(487,336)	-	(1,594,988)
Interest on long term debt	(22,035,064)	(3,476,075)	-	(25,511,139)
Total nonoperating expenses	(20,223,218)	(2,894,662)	-	(23,117,880)
Increase in net position, before capital contributions	35,449,530	11,202,492	-	46,652,022
Federal grant contributions	2,202,247	-	-	2,202,247
Capital and non-federal grant contributions	6,863,177	198,000	-	7,061,177
Total contributions	9,065,424	198,000	-	9,263,424
Change in net position	44,514,954	11,400,492	-	55,915,446
Total net position - beginning	876,108,938	84,561,130	-	960,670,068
Total net position - ending	\$ 920,623,892	\$ 95,961,622	\$ -	\$ 1,016,585,514

The notes to the financial statements are an integral part of this statement



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

**ENTERPRISE FUNDS**

**STATEMENT OF CASH FLOWS**

For the Year Ended February 28, 2019

	Water & Wastewater Utility Fund	Municipal Drainage Utility Fund	Eliminations	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 249,295,823	\$ 23,784,925	\$ -	\$ 273,080,748
Cash received from Municipal Drainage Utility	1,476,147	-	(1,476,147)	-
Cash received from Water and Wastewater Utility	-	157,670	(157,670)	-
Environmental Services fees collected for the City of El Paso	68,381,801	-	-	68,381,801
Franchise fees collected	3,588,827	-	-	3,588,827
Cash payments to suppliers for goods and services	(65,438,828)	(4,046,135)	-	(69,484,963)
Cash payments to employees for services	(42,617,681)	(862,834)	-	(43,480,515)
Environmental Services fees paid to the City of El Paso	(67,358,779)	-	-	(67,358,779)
Payments to City of El Paso per bond covenants	(14,583,611)	-	-	(14,583,611)
Payments to City of El Paso Franchise fees	(3,583,276)	-	-	(3,583,276)
Cash payments to Municipal Drainage Utility	(157,670)	-	157,670	-
Cash payments to Water and Wastewater Utility	-	(1,476,147)	1,476,147	-
Net cash provided by operating activities	<u>129,002,753</u>	<u>17,557,479</u>	<u>-</u>	<u>146,560,232</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from				
Revenue bonds	26,670,000	-	-	26,670,000
Premiums received on revenue bonds	3,697,917	-	-	3,697,917
Commercial paper	35,000,000	-	-	35,000,000
Revolving note	-	2,500,000	-	2,500,000
Cash receipts from grants	2,269,668	-	-	2,269,668
Acquisition and construction from capital grants	(2,082,591)	-	-	(2,082,591)
Acquisition and construction of capital assets net of disposals	(182,920,114)	(24,123,018)	-	(207,043,132)
Refunding commercial paper	(30,000,000)	-	-	(30,000,000)
Principal payments on revenue bonds	(37,370,000)	(2,144,000)	-	(39,514,000)
Interest and fees on revenue bonds and commercial paper	(26,998,230)	(3,672,059)	-	(30,670,289)
Principal payments on land notes payable	(914,885)	-	-	(914,885)
Interest payments on notes and other long term debt	(121,016)	-	-	(121,016)
Proceeds from sale of assets net of related expenses	1,447,400	-	-	1,447,400
Net cash used by capital and related financing activities	<u>(211,321,851)</u>	<u>(27,439,077)</u>	<u>-</u>	<u>(238,760,928)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from the sale and maturities of				
investment securities	169,483,814	14,376,562	-	183,860,376
Purchase of investment securities	(158,854,190)	(17,546,451)	-	(176,400,641)
Interest received on investment securities	4,922,369	915,991	-	5,838,360
Net cash provided (used) by investing activities	<u>15,551,993</u>	<u>(2,253,898)</u>	<u>-</u>	<u>13,298,095</u>
Net decrease in cash and cash equivalents	(66,767,105)	(12,135,496)	-	(78,902,601)
Cash and cash equivalents				
Beginning of year	262,351,238	50,446,787	-	312,798,025
End of year	<u>\$ 195,584,133</u>	<u>\$ 38,311,291</u>	<u>\$ -</u>	<u>\$ 233,895,424</u>

The notes to the financial statements are an integral part of this statement

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

**ENTERPRISE FUNDS**

**STATEMENT OF CASH FLOWS**

For the Year Ended February 28, 2019

	Water & Wastewater Utility Fund	Municipal Drainage Utility Fund	Eliminations	Total
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 63,543,325	\$ 14,180,113	\$ -	\$ 77,723,438
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	65,321,686	3,251,555	-	68,573,241
(Increase) decrease in assets and deferred outflows				
Accounts receivable	(3,694,041)	(16,088)	-	(3,710,129)
Due from Municipal Drainage Utility	(17,922)	-	17,922	-
Inventory	(219,047)	-	-	(219,047)
Prepaid expenses	(2,527)	-	-	(2,527)
Other current assets	1,089,361	-	-	1,089,361
Deferred outflow-Pension contributions	(161,735)	(24,337)	-	(186,072)
Deferred outflow-Difference in projected and actual earnings on pension assets	1,396,917	104,656	-	1,501,573
Deferred outflow-Difference in expected and actual pension experience	(2,459,281)	(142,532)	-	(2,601,813)
Deferred outflow-Change in assumptions pension	1,427,272	100,808	-	1,528,080
Deferred outflow-Difference in expected and actual pension experience	-	34,455	-	34,455
Deferred outflow-Change in proportionate share pension	20,802	-	-	20,802
Deferred outflow-Change in assumptions OPEB	(44,088)	(3,438)	-	(47,526)
Increase (decrease) in liabilities and deferred inflows				
Accounts payable	(293,383)	10,376	-	(283,007)
Other current liabilities	1,405,622	7	-	1,405,629
Due to Water and Wastewater Utility	-	17,922	(17,922)	-
Accrued vacation payable	239,115	(22,952)	-	216,163
Accrued payroll and benefits	441,781	49,029	-	490,810
Other Post-Employment Benefits	(10,310,742)	(486,939)	-	(10,797,681)
Total OPEB Liability	11,555,988	584,052	-	12,140,040
Net Pension Liability	769,462	47,434	-	816,896
Deferred inflows-Difference in projected and actual earnings on pension assets	51,697	-	-	51,697
Deferred inflows-Difference in expected and actual pension experience	(863,372)	(60,980)	-	(924,352)
Deferred inflows-Change in proportionate share	(125,556)	(65,662)	-	(191,218)
Self-insurance claims	(68,581)	-	-	(68,581)
Net cash provided by operating activities	<u>\$ 129,002,753</u>	<u>\$ 17,557,479</u>	<u>\$ -</u>	<u>\$ 146,560,232</u>
Noncash investing, capital, and financing activities				
Contribution in aid of construction	\$ 9,502,042	\$ -	\$ -	\$ 9,502,042
Decrease in accounts receivable capital grants	(187,074)	-	-	(187,074)
Change in fair value of investments	9,242	43	-	9,285
	<u>\$ 9,324,210</u>	<u>\$ 43</u>	<u>\$ -</u>	<u>\$ 9,324,253</u>

The notes to the financial statements are an integral part of this statement

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

**ENTERPRISE FUNDS**

**STATEMENT OF CASH FLOWS**

For the Year Ended February 28, 2018

	Water & Wastewater Utility Fund	Municipal Drainage Utility Fund	Eliminations	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash received from customers	\$ 236,352,475	\$ 22,384,884	\$ -	\$ 258,737,359
Cash received from Municipal Drainage Utility	707,256	-	(707,256)	-
Cash received from Water and Wastewater Utility	-	152,823	(152,823)	-
Environmental Services fees collected for the City of El Paso	62,126,863	-	-	62,126,863
Franchise fees collected	3,577,539	-	-	3,577,539
Cash payments to suppliers for goods and services	(65,046,146)	(3,765,216)	-	(68,811,362)
Cash payments to employees for services	(39,910,147)	(1,095,113)	-	(41,005,260)
Environmental Services fees paid to the City of El Paso	(62,078,920)	-	-	(62,078,920)
Payments to City of El Paso per bond covenants	(13,462,791)	-	-	(13,462,791)
Payments to City of El Paso Franchise fees	(3,571,065)	-	-	(3,571,065)
Cash payments to Municipal Drainage Utility	(152,823)	-	152,823	-
Cash payments to Water and Wastewater Utility	-	(707,256)	707,256	-
Net cash provided by operating activities	<u>118,542,241</u>	<u>16,970,122</u>	<u>-</u>	<u>135,512,363</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Proceeds from				
Revenue bonds	133,880,000	48,940,000	-	182,820,000
Premiums received on revenue bonds	12,068,682	7,584,744	-	19,653,426
Commercial paper	15,500,000	-	-	15,500,000
Cash receipts from grants	2,001,206	-	-	2,001,206
Acquisition and construction from capital grants	(2,291,652)	-	-	(2,291,652)
Acquisition and construction of capital assets net of disposals	(116,030,172)	(29,228,312)	-	(145,258,484)
Refunding revenue bonds	(15,460,000)	(39,375,000)	-	(54,835,000)
Refunding commercial paper	(28,000,000)	-	-	(28,000,000)
Principal payments on revenue bonds	(34,425,000)	(3,704,000)	-	(38,129,000)
Interest and fees on revenue bonds and commercial paper	(25,744,374)	(4,944,403)	-	(30,688,777)
IRS tax credit on Build America Bonds	121,044	516,337	-	637,381
Principal payments on land notes payable	(871,337)	-	-	(871,337)
Interest payments on notes and other long term debt	(140,868)	-	-	(140,868)
Proceeds from sale of assets net of related expenses	347,575	58,712	-	406,287
Net cash used by capital and related financing activities	<u>(59,044,896)</u>	<u>(20,151,922)</u>	<u>-</u>	<u>(79,196,818)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Proceeds from the sale and maturities of				
investment securities	100,159,972	18,240,005	-	118,399,977
Purchase of investment securities	(112,539,247)	(14,099,607)	-	(126,638,854)
Interest received on investment securities	2,646,029	522,018	-	3,168,047
Net cash provided (used) by investing activities	<u>(9,733,246)</u>	<u>4,662,416</u>	<u>-</u>	<u>(5,070,830)</u>
Net increase in cash and cash equivalents	49,764,099	1,480,616	-	51,244,715
Cash and cash equivalents				
Beginning of year	212,587,139	48,966,171	-	261,553,310
End of year	<u>\$ 262,351,238</u>	<u>\$ 50,446,787</u>	<u>\$ -</u>	<u>\$ 312,798,025</u>

The notes to the financial statements are an integral part of this statement

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

**ENTERPRISE FUNDS**

**STATEMENT OF CASH FLOWS**

For the Year Ended February 28, 2018

	Water & Wastewater Utility Fund	Municipal Drainage Utility Fund	Eliminations	Total
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ 55,672,748	\$ 14,097,154	\$ -	\$ 69,769,902
Adjustments to reconcile operating income to net cash provided by operating activities				
Depreciation	62,997,545	2,899,125	-	65,896,670
(Increase) decrease in assets and deferred outflows				
Accounts receivable	(2,741,532)	(537,854)	-	(3,279,386)
Due from Municipal Drainage Utility	(28,551)	-	28,551	-
Due from Water and Wastewater Utility	-	223,588	(223,588)	-
Inventory	(330,308)	-	-	(330,308)
Prepaid expenses	48,130	-	-	48,130
Other current assets	(117,046)	-	-	(117,046)
Deferred outflow-Pension contributions	(203,704)	39,754	-	(163,950)
Deferred outflow-Difference in projected and actual earnings on pension assets	3,892,902	246,985	-	4,139,887
Deferred outflow-Difference in expected and actual pension experience	180,013	11,429	-	191,442
Deferred outflow-Change in assumptions pension	1,427,272	100,808	-	1,528,080
Deferred outflow-Difference in expected and actual pension experience	-	27,458	-	27,458
Deferred outflow-Change in proportionate share pension	(524,567)	-	-	(524,567)
Increase (decrease) in liabilities and deferred inflows				
Accounts payable	1,217,499	199,220	-	1,416,719
Other current liabilities	726,617	(8,745)	-	717,872
Due to Municipal Drainage Utility	(223,588)	-	223,588	-
Due to Water and Wastewater Utility	-	28,551	(28,551)	-
Accrued vacation payable	110,034	(5,148)	-	104,886
Accrued payroll and benefits	115,007	(14,705)	-	100,302
Other Post-Employment Benefits	820,987	71,663	-	892,650
Net Pension Liability	(3,441,571)	(707,715)	-	(4,149,286)
Deferred inflows-Difference in expected and actual pension experience	(863,372)	(60,980)	-	(924,352)
Deferred inflows-Change in proportionate share	(125,556)	359,534	-	233,978
Self-insurance claims	(66,718)	-	-	(66,718)
Net cash provided by operating activities	<u>\$ 118,542,241</u>	<u>\$ 16,970,122</u>	<u>\$ -</u>	<u>\$ 135,512,363</u>
Noncash investing, capital, and financing activities				
Contribution in aid of construction	\$ 6,773,772	\$ 198,000	\$ -	\$ 6,971,772
Increase in accounts receivable capital grants	290,446	-	-	290,446
Change in fair value of investments	(4,226)	(513)	-	(4,739)
	<u>\$ 7,059,992</u>	<u>\$ 197,487</u>	<u>\$ -</u>	<u>\$ 7,257,479</u>

The notes to the financial statements are an integral part of this statement

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES**  
**A COMPONENT UNIT OF THE CITY OF EL PASO**  
**NOTES TO FINANCIAL STATEMENTS**

February 28, 2019 and 2018

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Reporting Entity - El Paso City Ordinance No. 752, adopted May 22, 1952, established a five-member board of trustees known as the "Public Service Board" (PSB) which was given the complete management and control of the city's Water and Wastewater Utility System, and as such a separate entity known as Public Service Board - El Paso Water Utilities (EPWater) was created. Ordinance No. 017167 adopted August 11, 2009 increased the number of board members from five to seven. The PSB consists of the Mayor of the City of El Paso and six residents of El Paso County, Texas. With the exception of the Mayor, all other trustees are appointed by the City Council and serve staggered four-year terms.

EPWater prepares its basic financial statements in conformity with generally accepted accounting principles promulgated by the Governmental Accounting Standards Board (GASB), and it complies with the requirements of contracts and grants of agencies from which it receives funds. EPWater's basic financial statements include the accounts of all EPWater's operations, and there are no component units as defined by GASB which are included in EPWater's reporting entity. However, EPWater is a component unit of the City of El Paso based upon the selection of the governing authority.

The Enterprise Funds Statements of Net Position and Statements of Revenues, Expenses, and Changes in Net Position are the financial statements for EPWater as a whole. They report information on both of EPWater's funds after elimination of the interfund activities, payables and receivables. The Statement of Net Position reports all financial and capital resources of the EPWater. It presents information on assets, deferred outflows of resources, liabilities and deferred inflows of resources with the difference reported as net position. The two funds of EPWater are the Water and Wastewater Utility Fund and the Municipal Drainage Utility Fund.

Nature of Activities - EPWater provides water, wastewater, and drainage services for the El Paso area residents. In addition to the water, wastewater, and drainage system revenue, EPWater receives funding from local, state, and federal government sources and must comply with the requirements of these funding source entities.

During the year ended February 28, 2006, EPWater acquired a municipal golf course and has contracted a managing agent to operate the facility. The assets, liabilities, and results of operations are included in these financial statements as part of the Water and Wastewater Utility Fund.

Over the past few years, EPWater purchased agricultural properties (collectively the "Property") in order to obtain the rights to the groundwater. At the time of purchase, much of the Property was being used for farming operations. EPWater, on an interim basis, and with the intention of leasing the Property to a third party, continued farming operations into 2018. The assets, liabilities, and results of the operations were included in the financial statement balances for fiscal year February 28, 2018. The leased property investment costs included in the February 28, 2019 financial statements are expenditures related to preservation of the farming operations on the Property pending EPWater's lease of the Property to a third party. The expenditures prevented deterioration in the value of the Property investment and facilitated leasing the Property. The leased property investment costs are being amortized over the initial term of the lease, which became effective retroactively to January 1, 2018.

(Continued)

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES**  
**A COMPONENT UNIT OF THE CITY OF EL PASO**  
**NOTES TO FINANCIAL STATEMENTS**

February 28, 2019 and 2018

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Fund Accounting - Public Service Board - El Paso Water Utilities is comprised of two funds, the Water and Wastewater Utility and the Municipal Drainage Utility. The funds are accounted for as enterprise funds, which are proprietary funds. 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 these funds, including, but not limited to, administration, operations, maintenance, financing and related debt service, and billing and collection.

EPWater reports the following major enterprise funds:

- Water and Wastewater Utility - This fund is used to account for the activity related to providing water and wastewater services to El Paso area residents.
- Municipal Drainage Utility - This fund is used to account for the activity related to the management and collection of storm water runoff.

City Ordinance No. 752 established certain "funds" for the Water and Wastewater Utility Fund. These "funds" are mandatory asset segregation and not funds in the sense of governmental fiscal and accounting entities with self-balancing sets of accounts. These "funds" are more fully explained in Note 2.

Annual Budget - EPWater prepares, prior to the beginning of each fiscal year, separate detailed comprehensive annual budgets for the Water and Wastewater Utility and Municipal Drainage Utility funds reflecting estimates of revenues and expenses and other requirements for the ensuing fiscal year in sufficient detail to indicate the probable gross revenues and pledged revenues for such fiscal year. The budgets are prepared using the accrual basis of accounting and are approved by the Public Service Board.

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 when goods or services are delivered.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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. The principal operating revenues of EPWater are charges to customers for sales and services. EPWater also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the system. In addition, EPWater acts as a billing and collecting agent on behalf of the City of El Paso for environmental services collection, and an administrative fee is recognized as operating revenue for this service. Operating expenses include the cost of sales and services, administrative expenses, and depreciation on capital assets as well as payments to the City of El Paso based upon 10% of water sales. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is EPWater's policy to use restricted resources first, then unrestricted resources as they are needed.

(Continued)

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES**  
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**NOTES TO FINANCIAL STATEMENTS**

February 28, 2019 and 2018

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Use of Estimates - Preparation of these financial statements in conformity with generally accepted accounting principles requires the use of management's estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Cash Flows Statement - For purposes of the statement of cash flows, EPWater considers all highly liquid investments with an original maturity of three months or less when purchased to be cash equivalents.

Investments - All investments with an original maturity greater than one year from date of purchase are stated at fair value based on quoted market prices as of year end. Investments with an original maturity of less than one year are reported at amortized cost. Premiums and discounts on investments are amortized or accreted using the straight-line method, which approximates the interest method, over the terms of the related securities. It is the intent of management to hold securities until maturity, and the securities not maturing within a year after year-end are considered non-current.

Realized gains or losses resulting from the sale of investments are determined by the specific cost of the securities sold.

Inventory - Materials and Supplies - EPWater reports inventories of supplies at average cost. Supplies are recorded as expenses when they are consumed.

Restricted Assets - Based upon certain bond covenants and other requirements, EPWater is required to establish and maintain prescribed amounts of resources (consisting of cash and temporary investments) that can be used only to service outstanding debt and other activities specifically restricted (construction and improvements).

Capital Assets - Capital assets include assets with an individual cost of \$5,000 or more and an estimated useful life in excess of one year. Water and wastewater and drainage additions are recorded at cost, which includes materials, labor, overhead, and interest capitalized during construction. Overhead consists of internal costs that are clearly related to the acquisition of capital assets. Assets acquired through contributions, such as from developers, are capitalized and recorded at acquisition value as of the date of donation. Included in capital assets are intangible assets, which consist of purchased water rights and land easements. It is the policy of EPWater to capitalize infrastructure assets. Maintenance and repairs that do not add to the value or life of the asset are charged to operating expense. Major plant replacements are capitalized.

EPWater records depreciation of capital assets in service on the straight-line method at amounts estimated to amortize costs of assets over their estimated useful lives. At the time of retirement of capital assets, the allowance for depreciation is charged with the original cost of the asset and the cost of removal.

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**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES**  
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**NOTES TO FINANCIAL STATEMENTS**

February 28, 2019 and 2018

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

The following estimated useful lives are used in providing for depreciation of capital assets:

Building and shops	25 - 33 years
Vehicles and heavy equipment	5 years
Equipment and tools	3 - 33 years
Water plant	10 - 50 years
Wastewater plant	5 - 50 years
Water rights contract	75 years
Drainage system	50 - 100 years

Vacation and Sick Pay - Full time, permanent Public Service Board - El Paso Water Utilities employees earn vacation leave as follows:

<u>Years Employed</u>	<u>Vacation Leave</u>
1 - 5	12 days/year
6- 15	17 days/year
Over 15	20 days/year

Permanent EPWater employees who work 40 hours per week can accumulate a total of 400 vacation leave hours. Vacation is recorded as an expense and related liability in the year earned. As of February 28, 2019 and 2018, EPWater's total vacation leave liability was \$3,438,752 and \$3,222,589, respectively.

Vacation payable for the Water and Wastewater Utility is as follows:

	<u>2019</u>	<u>2018</u>
Total payable, beginning of year	\$ 3,065,726	\$ 2,955,692
Vacation earned	2,245,565	2,019,656
Vacation used	<u>(2,006,450)</u>	<u>(1,909,622)</u>
Total payable, end of year	<u>\$ 3,304,841</u>	<u>\$ 3,065,726</u>

Vacation payable for the Municipal Drainage Utility is as follows:

	<u>2019</u>	<u>2018</u>
Total payable, beginning of year	\$ 156,863	\$ 162,011
Vacation earned	54,198	94,727
Vacation used	<u>(77,150)</u>	<u>(99,875)</u>
Total payable, end of year	<u>\$ 133,911</u>	<u>\$ 156,863</u>

(Continued)



**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES**  
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**NOTES TO FINANCIAL STATEMENTS**

February 28, 2019 and 2018

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Sick leave is earned at a rate of 15 days per year for permanent, full time EPWater employees, with an unlimited accumulation of days. Sick pay is recorded as an expense in the year incurred. EPWater does not record any liability for sick pay as employees are not reimbursed upon termination.

Deferred Outflows and Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement category represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/reduction of net pension liability) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement category represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources (revenue) until that time.

EPWater has the following items that qualify for reporting in these categories:

Deferred charges or gains on bond refunding - A deferred charge or gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

Deferred pension contributions - These contributions are deferred and reduce net pension liability in the subsequent fiscal year.

Difference in expected and actual pension experience - This difference is deferred and amortized over the average remaining service life of all participants in the pension plan and recorded as a component of pension expense beginning with the period in which they are incurred.

Difference in projected and actual earnings on pension assets - This difference is deferred and amortized as a component of pension expense on a closed basis over a five-year period beginning with the period in which the difference occurred.

Change in assumptions - For pensions and OPEB, this difference is deferred and amortized over the average remaining service life of all participants in the pension plan and OPEB. It is recorded as a component of pension and OPEB expense beginning with the period in which they are incurred.

Change in proportionate share - this difference is deferred and amortized over the average remaining service life of all participants in the pension plan and recorded as a component of pension expense beginning with the period that first experienced a change in the proportionate share.

(Continued)

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES  
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**NOTES TO FINANCIAL STATEMENTS**

February 28, 2019 and 2018

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Pensions - For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the City of El Paso Employees Retirement Trust (CERT) and additions to/deductions from CERT fiduciary net position have been determined on the same basis as they are reported by the CERT. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GASB 75 - In fiscal year 2019, EPWater implemented *GASB Statement No. 75, Accounting and Financial Reporting for Post-Employment Benefits Other than Pensions*, which establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expenses. EPWater's financial statement as of February 28, 2019 are presented in accordance with the guidance provided by this statement. See Note 31, Prior Period Adjustment, for more information regarding implementation of this pronouncement.

Reclassifications - Certain amounts presented for the prior year data have been reclassified in order to be consistent with the current year's presentation.

**2. CITY ORDINANCE NO. 752**

On May 22, 1952, City Ordinance No. 752 created the Public Service Board - El Paso Water Utilities for the purpose of providing water and wastewater services that are reported in the Water and Wastewater Utility Fund. This ordinance authorized the issuance of a series of Revenue Bonds entitled "City of El Paso, Texas, Water and Sewer Revenue Bonds Series 1952 (the Series 1952 Bonds)," and the City reserved the right and option in the 1952 resolution to issue, under certain conditions, additional bonds on a parity as to lien and right with the Series 1952 Bonds. This bond ordinance has been amended as a result of subsequent bond issues, but still contains the following key covenants.

Ordinance No. 752, as amended, requires that gross revenues of the System be applied in sequence to: (a) current expenses of maintenance and operations; (b) debt service and reserve requirements; (c) capital expenditures, or unexpected or extraordinary repairs or replacements, or for any other lawful purpose. The following funds have been established to account for the application of the gross revenues: (i) Water and Sewer Revenue Bonds Waterworks and Sewage Fund; (ii) Water and Sewer Revenue Bonds Interest and Sinking Fund; (iii) Water and Sewer Revenue Bonds Reserve Fund; and (iv) Water and Sewer Improvement Fund. All revenues of every nature received through operations of the System shall be paid into the Waterworks and Sewage Fund. The Bond Funds are required to contain an amount of money and investments equal to the principal and interest requirements during the fiscal year.

Ordinance No. 752 also requires that EPWater maintain rates sufficient to produce or yield revenues to produce in each fiscal year an amount adequate to pay all expenses incurred for the operations and maintenance of the System as such expenses shall accrue during the year and to produce an additional amount equal to 150% of the aggregate amount required to be paid in such year for principal and interest and redemption premiums on bonds payable from the Bond Funds.

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES**  
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February 28, 2019 and 2018

**2. CITY ORDINANCE NO. 752 (Continued)**

Ordinance No. 752 also provides that EPWater will permit no free water or services to be supplied to the City or to any other user. However, the ordinance requires that 10% of the total amounts received by EPWater from the sale of water be paid to the City Treasurer. The money received by the City Treasurer may be expended by the City under the direction of the City Council for any purpose for which revenues of the System may legally be used under the laws of the State of Texas.

**3. CITY ORDINANCE NO. 016668 ESTABLISHMENT OF A MUNICIPAL DRAINAGE UTILITY SYSTEM**

On June 19, 2007, the City of El Paso adopted Ordinance No. 016668 establishing a Municipal Drainage Utility System. The ordinance states that the Public Service Board - El Paso Water Utilities shall have complete authority and control of the management and operation of the Municipal Drainage Utility on behalf of the City. The Municipal Drainage Utility is necessary and essential to ensure that the management and control of the storm water runoff adequately protects the health, safety, and welfare of the citizens of the City. EPWater assumed full responsibility and control of the Municipal Drainage Utility as of March 1, 2008. City personnel, equipment, and all assets of the Drainage System including infrastructure and land were transferred to EPWater. EPWater began billing drainage fees to fund the operating and capital expenses of the Municipal Drainage Utility as of March 1, 2008.

The Ordinance further states that the Board shall prepare a Master Stormwater Management Plan which was approved by the City Council and took effect in March of 2009. In developing the Stormwater Plan, the Board took into account the use of open space as natural drainage and to the extent reasonably possible preserve the City's open spaces, greenways, arroyos and wilderness areas in their natural state. The Board shall also allocate an amount equal to 10% of the System's annual drainage utility fee revenues for Green Projects which have the potential dual purposes of stormwater management and preservation of the City's open spaces, greenways, arroyos and wilderness areas. Since March 1, 2008, \$18,881,916 has been set aside from 10% of revenues for Green Projects and as of February 28, 2019, \$13,242,815 has been spent including the purchase of 202.658 acres for \$2,465,000 on March 31, 2010, 140.799 acres for \$2,750,000 on July 14, 2015, 69.63 acres for \$1,666,416 on November 6, 2017, and eight Park-Pond Conversions throughout the city for \$1,800,000.

The Ordinance also requires that a drainage utility fee be imposed on each improved parcel within the City for services and facilities provided by the System, except as to exemptions provided for by law or by the ordinance. At least once a year beginning with the City's Fiscal Year ending August 31, 2009, the Board shall present to the City Council a report on the status of the System.

Ordinance No. 016668 also requires that the revenues collected from drainage utility fees must be segregated and completely identifiable from other City or Board accounts. The Board has adopted a debt service coverage ratio of 1.25 times for all Municipal Drainage Utility bonds which is included in the bond ordinances for such bonds.

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES**  
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**NOTES TO FINANCIAL STATEMENTS**

February 28, 2019 and 2018

**4. CASH, CASH EQUIVALENTS, AND INVESTMENTS**

The cash, cash equivalents, and investments of EPWater must be deposited and invested under the terms of a contract, contents of which are set out in the depository contract. EPWater accepts as collateral to secure its deposited funds, to the extent not insured by the Federal Deposit Insurance Corporation ("FDIC"), allowable pledged book-entry securities (Eligible Securities) of any type permitted by the provisions of the Public Funds Collateral Act, Title 10, Chapter 2257 of the Texas Government Code, which are eligible to be held in a Securities Account at a Federal Reserve Bank under Federal Reserve Bank Operating Circular 7. The depository bank places these allowable government securities as collateral for safekeeping and trust with EPWater's agent bank in an amount sufficient to protect EPWater deposits on a day-to-day basis during the period of the contract.

The carrying amount of cash for the Water and Wastewater Utility at February 28, 2019 and 2018, was \$11,448,923 and \$9,026,123, respectively, and the bank balances totaled \$16,437,472 and \$12,659,621, respectively. The carrying amount of cash for the Municipal Drainage Utility at February 28, 2019 and 2018 was \$342,111 and \$1,499,196, respectively, and the bank balances totaled \$954,101 and \$2,031,928, respectively. As of February 28, 2019, \$250,000 of the bank balances were covered by FDIC and the remaining balance was secured by government securities with a fair value of \$18,073,124. As of February 28, 2018, \$250,000 of the bank balances were covered by FDIC and the remaining balance was secured by government securities with a fair value of \$19,716,971.

Cash, cash equivalents and investments for the Water and Wastewater Utility consist of the following:

	<b>February 28, 2019</b>			
	<b>Cash and Cash Equivalents</b>			<b>Investments</b>
	<b>Cash</b>	<b>Cash Equivalents</b>	<b>Total</b>	
Unrestricted assets	\$ 4,485,074	\$ 25,373,869	\$ 29,858,943	\$ 2,975,082
Restricted assets				
Bond requirements	-	67,076,517	67,076,517	27,128,227
Construction and improvements	6,963,849	91,684,824	98,648,673	14,669,062
Total restricted assets	6,963,849	158,761,341	165,725,190	41,797,289
Total	\$ 11,448,923	\$ 184,135,210	\$ 195,584,133	\$ 44,772,371

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES  
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**NOTES TO FINANCIAL STATEMENTS**

February 28, 2019 and 2018

**4. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

	February 28, 2018			
	Cash and Cash Equivalents			Investments
	Cash	Cash Equivalents	Total	
Unrestricted assets	\$ 8,409,984	\$ 14,625,106	\$ 23,035,090	\$ 9,494,521
Restricted assets				
Bond requirements	-	51,349,773	51,349,773	33,916,717
Construction and improvements	616,139	187,350,236	187,966,375	12,000,000
Total restricted assets	616,139	238,700,009	239,316,148	45,916,717
Total	\$ 9,026,123	\$ 253,325,115	\$ 262,351,238	\$ 55,411,238

Cash, cash equivalents and investments for the Municipal Drainage Utility consist of the following:

	February 28, 2019			
	Cash and Cash Equivalents			Investments
	Cash	Cash Equivalents	Total	
Unrestricted assets	\$ -	\$ 3,863,819	\$ 3,863,819	\$ -
Restricted assets				
Bond requirements	-	7,116,349	7,116,349	5,266,881
Construction and improvements	342,111	26,989,012	27,331,123	1,000,000
Total restricted assets	342,111	34,105,361	34,447,472	6,266,881
Total	\$ 342,111	\$ 37,969,180	\$ 38,311,291	\$ 6,266,881

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES**  
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**NOTES TO FINANCIAL STATEMENTS**

February 28, 2019 and 2018

**4. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

	February 28, 2018			
	Cash and Cash Equivalents			Investments
	Cash	Cash Equivalents	Total	
Unrestricted assets	\$ 1,032,326	\$ 2,198,097	\$ 3,230,423	\$ -
Restricted assets				
Bond requirements	-	5,674,472	5,674,472	3,097,035
Construction and improvements	466,870	41,075,022	41,541,892	-
Total restricted assets	466,870	46,749,494	47,216,364	3,097,035
Total	\$ 1,499,196	\$ 48,947,591	\$ 50,446,787	\$ 3,097,035

The **Public Funds Investment Act** (Government Code Chapter 2256) contains specific provisions in the areas of investment practices, management reports, and establishment of appropriate policies. Among other things, it requires EPWater to adopt, implement, and publicize an investment policy. That policy must address the following areas: (1) safety of principal and liquidity, (2) portfolio diversification, (3) allowable investments, (4) acceptable risk levels, (5) expected rates of return, (6) maximum allowable stated maturity of portfolio investments, (7) maximum average dollar-weighted maturity allowed based on the stated maturity date for the portfolio, (8) investment staff quality and capabilities, (9) and bid solicitation preferences for certificates of deposit.

Texas statutes and ordinances of the City of El Paso authorize EPWater to expend funds for the operation of EPWater, including the purchase of investments. EPWater is permitted to invest available funds in (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas; (2) certificates of deposit, (3) certain municipal securities, (4) money market mutual funds, (5) investment pools, (6) other obligations, the principal and interest of which are unconditionally guaranteed or insured by the State of Texas or the United States; obligations of states, agencies, counties, cities, and other political subdivisions of any state having a rating of not less than A or its equivalent, and (7) fully collateralized repurchase agreements having a defined termination date and secured by obligations of the United States or its agencies and instrumentalities.

The Act also requires EPWater to have independent auditors perform test procedures related to investment practices as provided by the Act. EPWater's management asserts that they are in substantial compliance with the requirements of the Act and with local policies.

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES**  
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February 28, 2019 and 2018

**4. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

EPWater participates in TEXPOOL, which is a government investment pool in the State of Texas. The State Comptroller of Public Accounts maintains oversight responsibility for TEXPOOL. This responsibility includes the ability to influence operations, designation of management and accountability for fiscal matters. There is also the TEXPOOL Advisory Board which advises on TEXPOOL's Investment Policy and approves any fee increases. The Advisory Board is composed equally of participants in TEXPOOL and other persons who are qualified to advise TEXPOOL. The TEXPOOL Portfolios are comprised of two investment alternatives: TEXPOOL and TEXPOOL PRIME. Federated Investors manage the daily operations of the pool under a contract with the Comptroller. TEXPOOL has elected to continue reporting assets at amortized cost.

EPWater also participates in TexSTAR which is an investment service created by local governments for local governments. TexSTAR was organized in conformity with the interlocal cooperation Act, Chapter 791 of the Texas Government Code, and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code. These acts provide for the creation of public funds investment pools such as TexSTAR and authorize eligible governmental entities to invest their public funds in investment pools. So long as the Fund continues to utilize amortized accounting, although all securities are marked to market daily using the fair value method, amortized cost, which generally approximates the market value of the securities, has been deemed to be a proxy for fair value. For financial reporting purposes, TexSTAR uses the fair value method to report its investments. The stated objective of TexSTAR is to maintain a stable \$1 per unit net asset value. The amortized cost approximates fair value as of February 28, 2018. Section 2256.016(g)(1) of the Public Funds Investment Act requires TexSTAR to establish and maintain an advisory board composed of Participants in TexSTAR and other persons who do not have a business relationship with TexSTAR. Members are appointed and serve at the will of the Board. The names of the Advisory Board members are available on the TexSTAR website at [www.texstar.org](http://www.texstar.org). The business and affairs of TexSTAR are managed by the Board in accordance with the bylaws (the "*Bylaws*"). The Bylaws set forth procedures governing the selection of, and action taken by, the Board. Board oversight of TexSTAR is maintained through various reporting requirements.

During fiscal year 2017-2018, EPWater also participated in the Insured Deposit Portal Account (IDP), which is a money market program that provides next day liquidity and is fully FDIC insured. All banks within the IDP program are only those classified as "well capitalized" by the FDIC and are carefully screened and monitored. The current capacity for IDP is limited to \$50 million.

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**4. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

The Water and Wastewater Utility investments at February 28, 2019 and 2018 are categorized as summarized below:

February 28, 2019							
Investment Type	Value	Original Maturities - EPWater Position		EPWater's	Pool's	Credit Rating Standard & Poor's	Percent of Grand Total
		Less than 1 year	1-5 years	Weighted Avg Maturity (days)	Weighted Avg Maturity (days)		
<b>Government Investment Pools Account</b>							
TexPool	\$ 4,593,262	\$ 4,593,262	\$ -	1	24	AAA	2.01%
TexPool Prime	57,931,730	57,931,730	-	1	22	AAA	25.31%
TexSTAR	42,527,002	42,527,002	-	1	33	AAA	18.58%
Total Pools	105,051,994	105,051,994	-				45.90%
<b>Money Market Funds</b>							
Fidelity Investment Money Market Funds	67,076,516	67,076,516	-	1	17	AAA	29.30%
Fidelity Treasury Port-I	12,006,700	12,006,700	-	1	18	AAA	5.25%
Total Money Market Funds	79,083,216	79,083,216	-				34.55%
<b>Securities</b>							
Federal Agency Discounts							
Federal Home Loan Bank Discount Note	2,493,554	2,493,554	-	43		AA	1.09%
Federal National Mortgage Association	1,633,325	1,633,325	-	223		AA	0.71%
Federal Agency Coupons							
Federal Home Loan Bank	7,625,016	6,633,477	991,539	114		AA	3.33%
Federal Home Loan Mortgage Corporation	6,719,497	5,365,612	1,353,885	115		AA	2.94%
Federal National Mortgage Association	2,985,136	-	2,985,136	240		AA	1.30%
FARMER MAC	7,000,000	7,000,000	-	168		AA	3.06%
Certificate of Deposit*	5,000,000	4,000,000	1,000,000	147		Not Rated	2.18%
Municipal Bonds	11,315,843	4,253,727	7,062,116	220		AA	4.94%
Total Securities	44,772,371	31,379,695	13,392,676	162			19.55%
Portfolio Total	\$ 228,907,581	\$ 215,514,905	\$ 13,392,676	32			100.00%

\*Certificates of Deposit are not rated but are fully collateralized or FDIC insured.



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**4. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

February 28, 2018							
Investment Type	Value	Original Maturities - EPWater Position		EPWater's	Pool's	Credit Rating Standard & Poor's	Percent of Grand Total
		Less than 1 year	1-5 years	Weighted Avg Maturity (days)	Weighted Avg Maturity (days)		
<b>Government Investment Pools and IDP</b>							
IDP*	\$ 23,094,075	\$ 23,094,075	\$ -	1	-	Not Rated	7.48%
TexPool	255,488	255,488	-	1	26	AAA	0.08%
TexPool Prime	73,114,755	73,114,755	-	1	34	AAA	23.68%
TexSTAR	41,941,247	41,941,247	-	1	28	AAA	13.58%
Total Pools and IDP	138,405,565	138,405,565	-				44.82%
<b>Mutual Funds for Safekeeping</b>							
Fidelity Investment Money Market Funds	51,349,774	51,349,774	-	1	32	AAA	16.64%
Fidelity Treasury Port-I Money Market Funds	63,569,776	63,569,776	-	1	32	AAA	20.59%
Total Mutual Funds	114,919,550	114,919,550	-				37.23%
<b>Securities</b>							
Federal Agency Discounts							
Federal Home Loan Bank Discount Note	30,937,554	30,937,554	-	20		AA	10.02%
Certificate of Deposit**	15,000,000	15,000,000	-	67		Not Rated	4.86%
Municipal Bonds	9,473,684	9,473,684	-	33		AA	3.07%
Total Securities	55,411,238	55,411,238	-	35			17.95%
Portfolio Total	\$ 308,736,353	\$ 308,736,353	\$ -	6			100.00%

\* IDP is not rated but is FDIC insured.

\*\*Certificates of Deposit are not rated but are fully collateralized or FDIC insured.

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**4. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

The Municipal Drainage Utility investments at February 28, 2019 and 2018 are categorized as summarized below:

February 28, 2019							
Investment Type	Value	Original Maturities - EPWater Position		EPWater's	Pool's	Credit Rating Standard & Poor's	Percent of Grand Total
		Less than 1 year	1-5 years	Weighted Avg Maturity (days)	Weighted Avg Maturity (days)		
<b>Government Investment Pools Account</b>							
TexPool	\$ 963,612	\$ 963,612	\$ -	1	24	AAA	2 18%
TexPool Prime	18,245,561	18,245,561	-	1	22	AAA	41 27%
TexStar	11,643,658	11,643,658	-	1	33	AAA	26 34%
Total Pools	30,852,831	30,852,831	-				69 79%
<b>Money Market Funds</b>							
Advantage Fund #008	7,116,349	7,116,349	-	1	21	AAA	16 10%
Total Money Market Funds	7,116,349	7,116,349	-				16 10%
<b>Securities</b>							
Federal Agency Discounts							
Federal Home Loan Bank Discount Note	114,600	114,600	-	182		AA	0 26%
Federal Agency Coupons							
Federal Home Loan Bank Federal Home Loan Mortgage Corporation	39,999	39,999	-	253		AA	0 09%
Federal National Mortgage Association	1,759,585	1,759,585	-	141		AA	3 98%
FARMER MAC	40,672	-	40,672	327		AA	0 09%
Certificate of Deposit*	1,000,000	1,000,000	-	168		AA	2 26%
Municipal Bonds	1,000,000	1,000,000	-	56		Not Rated	2 26%
	2,312,025	2,286,711	25,314	125		AA	5 17%
Total Securities	6,266,881	6,200,895	65,986	1			14 11%
Portfolio Total	\$ 44,236,061	\$ 44,170,075	\$ 65,986	18			100 00%

\*Certificates of Deposit are not rated but are fully collateralized or FDIC insured.

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**4. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

February 28, 2018							
Investment Type	Value	Original Maturities - EPWater Position		EPWater's	Pool's	Credit Rating Standard & Poor's	Percent of Grand Total
		Less than 1 year	1-5 years	Weighted Avg. Maturity (days)	Weighted Avg. Maturity (days)		
<b>Government Investment Pools and IDP</b>							
IDP*	\$ 6,163,529	\$ 6,163,529	\$ -	1	-	Not Rated	11.84%
TexPool	852,766	852,766	-	1	26	AAA	1.64%
TexPool Prime	30,216,023	30,216,023	-	1	34	AAA	58.06%
TexStar	6,040,801	6,040,801	-	1	28	AAA	11.61%
Total Pools and IDP	43,273,119	43,273,119	-				83.15%
<b>Mutual Funds for Safekeeping</b>							
Advantage Money Market Fund #008	5,674,472	5,674,472	-	1	44	AAA	10.90%
Total Mutual Funds	5,674,472	5,674,472	-				10.90%
<b>Securities</b>							
Federal Agency Discounts:							
Federal Home Loan Bank Discount Note	3,097,035	3,097,035	-	26		AA	5.95%
Total Securities	3,097,035	3,097,035	-	1			5.95%
Portfolio Total	\$ 52,044,626	\$ 52,044,626	\$ -	2			100.00%

\* IDP is not rated but is FDIC insured.

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**4. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

**Disclosures about Fair Value of Assets**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1**            Unadjusted inputs using quoted prices in active markets for identical investments.
- Level 2**            Other significant observable inputs other than level 1 prices, including, but are not limited to, quoted prices for similar investments, inputs other than quoted prices that are observable for investments (such as interest rates, prepayment speeds, credit risk, etc.) or other market corroborated inputs.
- Level 3**            Significant inputs based on the best information available in the circumstances, to the extent observable inputs are not available.

**Recurring Measurements**

The following tables present the fair value measurements of assets for the Water and Wastewater Utility recognized in the accompanying statements of net position measured at fair value on a recurring basis and the level within the fair value hierarchy at which the assets are measured at February 28, 2019 and 2018:

<b>February 28, 2019</b>		<b>Fair Value Measurements Using</b>			
<b>Investments by Fair Value</b>	<b>Level</b>	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Securities</b>					
U.S. Agencies		\$ 28,456,528	\$ -	\$ 28,456,528	\$ -
Municipal Bonds		11,315,843	-	11,315,843	-
Total Securities		<u>\$ 39,772,371</u>	<u>\$ -</u>	<u>\$ 39,772,371</u>	<u>\$ -</u>
<b>February 28, 2018</b>		<b>Fair Value Measurements Using</b>			
<b>Investments by Fair Value</b>	<b>Level</b>	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>
<b>Securities</b>					
U.S. Agencies		\$ 30,937,554	\$ -	\$ 30,937,554	\$ -
Municipal Bonds		9,473,684	-	9,473,684	-
Total Securities		<u>\$ 40,411,238</u>	<u>\$ -</u>	<u>\$ 40,411,238</u>	<u>\$ -</u>

Per GASB No. 72, non-negotiable certificates of deposit are not subject to fair value and are not subject to the fair value level disclosures.

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**4. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

The following tables present the fair value measurements of assets for the Municipal Drainage Utility recognized in the accompanying statements of net position measured at fair value on a recurring basis and the level within the fair value hierarchy at which the assets are measured at February 28, 2019 and 2018:

<b>February 28, 2019</b>		<b>Fair Value Measurements Using</b>			
<b>Investments by Fair Value Level</b>	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Securities</b>					
U.S. Agencies	\$ 2,954,856	\$ -	\$ 2,954,856	\$ -	
Municipal Bonds	2,312,025	-	2,312,025	-	
Total Securities	<u>\$ 5,266,881</u>	<u>\$ -</u>	<u>\$ 5,266,881</u>	<u>\$ -</u>	
<b>February 28, 2018</b>		<b>Fair Value Measurements Using</b>			
<b>Investments by Fair Value Level</b>	<b>Fair Value</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	
<b>Securities</b>					
U.S. Agencies	\$ 3,097,035	\$ -	\$ 3,097,035	\$ -	
Total Securities	<u>\$ 3,097,035</u>	<u>\$ -</u>	<u>\$ 3,097,035</u>	<u>\$ -</u>	

Securities classified as Level 2 are valued using market closing prices under the market approach.

**Credit Risk**

Credit risk is the risk of loss due to failure of an issuer not fulfilling its obligations.

EPWater minimizes credit risk by limiting investments to the safest types of securities as authorized by the investment policy and described on page 47, and by pre-qualifying the financial institutions and broker/dealers with which EPWater will do business with.

**Concentration of Credit Risk**

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

EPWater minimizes concentration of credit risk by diversifying the investment portfolio so that potential losses on individual securities will be minimized. In addition, they also invest in securities with varying maturities, and are continuously investing a portion of the portfolio in readily available funds such as local government investment pools (LGIPs) and money market funds.

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**4. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

Diversification by investment type shall be established by the following maximum percentages of investment type to the total EPWater portfolio:

U.S. Government Securities	100%
State, Agencies, Counties, Cities, and other	50%
Certificates of Deposit	50%
Money Market Mutual Funds	80%
Eligible Investment Pools	100%

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, EPWater will not be able to recover deposits or collateral securities that are in the possession of an outside party. For investments, the custodial credit risk, is the risk that, in the event of the failure of the counterparty to a transaction, EPWater will not be able to recover the value of the investment or collateral securities that are in the possession of an outside party.

EPWater minimizes depository custodial credit risk by depositing and investing under the terms of a contract, contents of which are set out in the depository contract. The depository bank places approved pledged securities for safekeeping and trust with EPWater's agent bank in an amount sufficient to protect EPWater funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

EPWater minimizes investment custodial credit risk by requiring that all collateral securities be held by a third party institution. EPWater requires full collateralization of all EPWater investments, other than investments which are obligations of the U.S. government and its agencies and instrumentalities, or by the Federal Reserve Bank, except the collateral for certificates of deposits in banks. The collateral for certificates of deposits in banks will be registered in EPWater's name in the bank's trust department or, alternatively, in a Federal Reserve Bank account in EPWater's name.

**Interest Rate Risk**

Interest rate risk is the risk that changes in the market interest rates will adversely affect the fair value of investments.

EPWater minimizes interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. It is also minimized by investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools. The core of investments are limited to relatively low risk securities in anticipation of earning a fair return relative to the risk being assumed. The operating funds portfolio should have a weighted average maturity less than 270 days with a maximum of two years.

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**4. CASH, CASH EQUIVALENTS, AND INVESTMENTS (Continued)**

**Foreign Currency Risk**

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

EPWater does not directly invest in foreign securities; however, the money market funds might invest a minimal amount of the fund's portfolio in foreign securities.

**5. RECEIVABLES**

No reserve has been provided for doubtful accounts as EPWater charges directly to income those accounts determined to be uncollectible. The accounts written off for the Water and Wastewater Utility during the years ended February 28, 2019 and 2018, totaled \$952,639 and \$661,817, respectively. The write-off for the Municipal Drainage Utility for fiscal year ending February 28, 2019 and 2018, totaled \$104,162 and \$51,520, respectively. Management is of the opinion that any additional losses resulting from the collection of receivables will not be material.

The Public Service Board - El Paso Water Utilities uses the cycle method of billing customers for services. Under this method, customer billings are made by specified cycles established for the service area and each cycle billed on a specific day each month. For financial reporting purposes, billings made in March which relate to services provided for the month of February are included in customer accounts receivable as unbilled charges. These amounts are summarized as follows for the fiscal years included in the accompanying financial statements:

	<u>2019</u>	<u>2018</u>
Water and Wastewater Utility		
Water	\$ 2,707,302	\$ 2,695,398
Wastewater	<u>2,920,896</u>	<u>2,795,766</u>
Total unbilled accounts receivable	<u>\$ 5,628,198</u>	<u>\$ 5,491,164</u>

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES**  
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**6. INTERFUND BALANCES AND CHARGES**

Interfund Balances - The following interfund balances are the result of normal operations and are periodically cleared out. Management intends to pay these balances within one year.

		<b>February 28, 2019</b>	
		<u>Due from Other Funds</u>	<u>Due to Other Funds</u>
Water and Wastewater Utility		\$ 46,473	\$ -
Municipal Drainage Utility		-	46,473
Total		<u>\$ 46,473</u>	<u>\$ 46,473</u>

		<b>February 28, 2018</b>	
		<u>Due From Other Funds</u>	<u>Due to Other Funds</u>
Water and Wastewater Utility		\$ 28,551	\$ -
Municipal Drainage Utility		-	28,551
Total		<u>\$ 28,551</u>	<u>\$ 28,551</u>

Interfund Charges - The following eliminations were done in order to eliminate duplicate transactions at the overall entity level for revenue and expenses between the two funds.

		<b>February 28, 2019</b>	
		<u>Water and Wastewater Utility</u>	<u>Municipal Drainage Utility</u>
Drainage fee revenue		\$ -	\$ 157,670
Rent revenue - water and wastewater		24,000	-
Operation and maintenance - drainage		-	(6,069)
Operations and maintenance - water and reclaimed water		(77,032)	-
Operations and maintenance - wastewater		(72,890)	-
General, administrative and engineering		1,414,321	-
Indirect cost allocation		-	(1,440,000)
Total		<u>\$ 1,288,399</u>	<u>\$ (1,288,399)</u>



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**6. INTERFUND BALANCES AND CHARGES (Continued)**

	February 28, 2018	
	Water and Wastewater Utility	Municipal Drainage Utility
Drainage fee revenue	\$ -	\$ 152,823
Rent revenue	24,000	-
Operation and maintenance - drainage	-	(8,395)
Operations and maintenance - water and reclaimed water	(73,553)	-
Operations and maintenance - wastewater	(70,861)	-
General, administrative and engineering	878,986	-
Indirect cost allocation	-	(903,000)
Total	<u>\$ 758,572</u>	<u>\$ (758,572)</u>

Indirect Cost Allocation - The indirect cost allocation from the Water and Wastewater Utility to the Municipal Drainage Utility is to pay for indirect costs that the Water and Wastewater Utility incurs related to the general and administrative functions to manage the Municipal Drainage Utility. For fiscal years 2019 and 2018, the budgeted and actual indirect cost were \$1,440,000 and \$903,000, respectively. During the budget process the indirect cost allocation will be adjusted based on estimated indirect costs.

**7. WATER AND WASTEWATER UTILITY GOVERNMENT GRANTS RECEIVABLE**

The Water and Wastewater Utility had \$672,730 and \$859,804 in government grants receivable for years ended February 28, 2019 and 2018, respectively. EPWater received funding from the Texas Water Development Board through the Economically Distressed Areas Program and in accordance with Texas Water Code, Chapter 16, Section 16.356. EPWater did not use any revenue received from fees collected from water supply or sewer service constructed in whole or in part from funds from the economically distressed areas program account for purposes other than utility purposes.

<u>Government Grant Projects</u>	<u>2019</u>	<u>2018</u>
<u>Federal Grants</u>		
North Central Reclaimed - EPA#XP96638401	\$ 547,169	\$ 571,700
CERRO Process Water Recovery from RO Concentrate Wells - USBR #R14AP00086	-	64,127
Aquifer Storage and Recovery - USBR R17AP00323	-	144,900
<u>Non Federal Grants</u>		
Agricultural Water Conservation Fund Demonstration Grant - TWDB Project #1813582260	125,561	-
Montana Vista Collector - TWDB Project #10438 G1000480	-	79,077
Totals	<u>\$ 672,730</u>	<u>\$ 859,804</u>

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**8. LAND RECEIVABLES - CITY OF EL PASO**

During the fiscal year ending February 28, 2017, EPWater transferred land totaling 42.7209 acres to the City of El Paso's land inventory. The City of El Paso has agreed to pay EPWater \$4,275,542 when the City of El Paso completes the sale of a parcel of land for economic development. In addition, the City has agreed to pay EPWater \$4,949,500 for a parcel of land in 15 equal payments commencing September 30, 2020. As of February 28, 2019, the full amount of \$9,225,042 owed from the City of El Paso is reported as a non-current asset. The following is a list of the payments due from the City.

<u>Future Payments</u> <u>Year ended February</u>	<u>Amount</u>
2021	\$ 329,967
2022	329,967
2023	329,967
2024	329,967
2025	329,967
2026 - 2030	1,649,835
2031 - 2035	<u>1,649,830</u>
Total Future Payments	4,949,500
Due upon sale of land	<u>4,275,542</u>
Total Receivable	<u><u>\$ 9,225,042</u></u>

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**9. CAPITAL ASSETS**

Components of the capital assets for the Water and Wastewater Utility are summarized as follows:

	Beginning Balance 03/01/2018	Additions	Transfers	Deletions	Ending Balance 02/28/2019
Utility plant, not being depreciated:					
Land and right-of-way	\$ 224,302,145	\$ 61,526	\$ 54,719,030	\$ 116,339	\$ 278,966,362
Construction work in progress	86,353,500	185,775,984	(89,828,638)	-	182,300,846
Total utility plant, not being depreciated:	310,655,645	185,837,510	(35,109,608)	116,339	461,267,208
Utility plant and irrigation water rights being depreciated:					
Irrigation water rights contracts	11,775,127	456,205	-	-	12,231,332
Buildings and shops	39,901,549	1,109	144,806	-	40,047,464
Vehicles	24,916,340	-	1,925,481	564,678	26,277,143
Equipment and tools	49,925,503	42,656	889,706	96,399	50,761,466
Water system	1,225,932,287	9,611,773	18,099,924	1,428,080	1,252,215,904
Wastewater system	855,193,111	4,468,619	14,049,689	3,360	873,708,059
Total utility plant, being depreciated:	2,207,643,917	14,580,362	35,109,606	2,092,517	2,255,241,368
Less accumulated depreciation for:					
Irrigation water rights contracts	(1,569,506)	(160,044)	-	-	(1,729,550)
Buildings and shops	(12,804,042)	(1,510,759)	-	-	(14,314,801)
Vehicles	(16,147,279)	(2,727,759)	-	(564,678)	(18,310,360)
Equipment and tools	(39,427,104)	(2,975,702)	-	(96,399)	(42,306,407)
Water system	(519,554,571)	(34,927,497)	-	(1,428,080)	(553,053,988)
Wastewater system	(435,517,265)	(23,019,925)	-	(3,360)	(458,533,830)
Total accumulated depreciation	(1,025,019,767)	(65,321,686)	-	(2,092,517)	(1,088,248,936)
Total utility plant and irrigation water rights being depreciated, net	1,182,624,150	(50,741,324)	35,109,606	-	1,166,992,432
Utility plant	\$1,493,279,795	\$ 135,096,186	\$ -	\$ 116,339	\$1,628,259,640

Total depreciation charged to operations for the year ended February 28, 2019 was \$65,321,686.

As of February 28, 2019, EPWater owns a total of 166,644.18 acres of land which includes 25,129.23 acres in El Paso County, 74,678.68 acres in Hudspeth, Presidio, Jeff Davis, and Culberson County, 65,967.82 acres in Dell City, and 868.45 acres in New Mexico.

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**NOTES TO FINANCIAL STATEMENTS**

February 28, 2019 and 2018

**9. CAPITAL ASSETS (Continued)**

Components of the capital assets for the Water and Wastewater Utility are summarized as follows:

	Beginning Balance 03/01/2017	Additions	Transfers	Deletions	Ending Balance 02/28/2018
Utility plant, not being depreciated:					
Land and right-of-way	\$ 186,616,113	\$ 542,172	\$ 37,143,860	\$ -	\$ 224,302,145
Construction work in progress	73,469,182	116,065,210	(103,180,892)	-	86,353,500
Total utility plant, not being depreciated:	260,085,295	116,607,382	(66,037,032)	-	310,655,645
Utility plant and irrigation water rights being depreciated:					
Irrigation water rights contracts	11,526,703	248,424	-	-	11,775,127
Buildings and shops	39,287,855	81,412	532,282	-	39,901,549
Vehicles	20,836,244	-	5,716,970	1,636,874	24,916,340
Equipment and tools	47,672,687	1,535,238	1,080,376	362,798	49,925,503
Water system	1,178,097,025	8,861,502	40,850,152	1,876,392	1,225,932,287
Wastewater system	833,154,492	4,182,955	17,857,252	1,588	855,193,111
Total utility plant, being depreciated:	2,130,575,006	14,909,531	66,037,032	3,877,652	2,207,643,917
Less accumulated depreciation for:					
Irrigation water rights contracts	(1,414,160)	(155,346)	-	-	(1,569,506)
Buildings and shops	(11,312,818)	(1,491,224)	-	-	(12,804,042)
Vehicles	(15,569,486)	(2,214,667)	-	(1,636,874)	(16,147,279)
Equipment and tools	(36,924,663)	(2,865,239)	-	(362,798)	(39,427,104)
Water system	(487,593,788)	(33,837,175)	-	(1,876,392)	(519,554,571)
Wastewater system	(413,084,959)	(22,433,894)	-	(1,588)	(435,517,265)
Total accumulated depreciation	(965,899,874)	(62,997,545)	-	(3,877,652)	(1,025,019,767)
Total utility plant and irrigation water rights being depreciated, net	1,164,675,132	(48,088,014)	66,037,032	-	1,182,624,150
Utility plant	\$1,424,760,427	\$ 68,519,368	\$ -	\$ -	\$1,493,279,795

Total depreciation charged to operations for the year ended February 28, 2018 was \$62,997,545.

As of February 28, 2018, EPWater owns a total of 158,640.12 acres of land which includes 26,185.08 acres in El Paso County, 74,678.68 acres in Hudspeth, Presidio, Jeff Davis, and Culberson County, 56,907.91 acres in Dell City, and 868.45 acres in New Mexico.

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**NOTES TO FINANCIAL STATEMENTS**

February 28, 2019 and 2018

**9. CAPITAL ASSETS (Continued)**

Components of the capital assets for the Municipal Drainage Utility are summarized as follows:

	Beginning Balance 03/01/2018	Additions	Transfers	Deletions	Ending Balance 02/28/2019
Drainage Work in Progress, not being depreciated					
Land and right-of-way	\$ 22,427,770	\$ -	\$ 5,581,842	\$ -	\$ 28,009,612
Construction work in progress	24,270,347	24,010,400	(22,256,776)	-	26,023,971
Total drainage Work in Progress, not being depreciated:	46,698,117	24,010,400	(16,674,934)	-	54,033,583
Drainage System, being depreciated:					
Drainage implementation costs	544,106	-	-	-	544,106
Buildings and shops	101,432	-	-	-	101,432
Vehicles	5,723,580	-	699,072	-	6,422,652
Equipment and tools	1,052,648	-	-	-	1,052,648
Drainage system	130,461,930	404,009	15,975,861	-	146,841,800
Total Drainage system, being depreciated:	137,883,696	404,009	16,674,933	-	154,962,638
Less accumulated depreciation for:					
Drainage implementation costs	(544,106)	-	-	-	(544,106)
Buildings and shops	(32,117)	(4,057)	-	-	(36,174)
Vehicles	(4,864,888)	(396,858)	-	-	(5,261,746)
Equipment and tools	(1,004,193)	(26,963)	-	-	(1,031,156)
Drainage system	(10,819,651)	(2,823,677)	-	-	(13,643,328)
Total accumulated depreciation	(17,264,955)	(3,251,555)	-	-	(20,516,510)
Total Drainage System, being depreciated, net	120,618,741	(2,847,546)	16,674,933	-	134,446,128
Drainage System	\$167,316,858	\$ 21,162,854	\$ -	\$ -	\$188,479,711

Total depreciation charged to operations for the year ended February 28, 2019 was \$3,251,555.

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**NOTES TO FINANCIAL STATEMENTS**

February 28, 2019 and 2018

**9. CAPITAL ASSETS (Continued)**

Components of the capital assets for the Municipal Drainage Utility are summarized as follows:

	Beginning Balance 03/01/2017	Additions	Transfers	Deletions	Ending Balance 02/28/2018
Drainage Work in Progress, not being depreciated					
Land and right-of-way	\$ 12,817,414	\$ 43,326	\$ 9,567,030	\$ -	\$ 22,427,770
Construction work in progress	13,997,387	31,081,279	(20,808,319)	-	24,270,347
Total drainage Work in Progress, not being depreciated:	26,814,801	31,124,605	(11,241,289)	-	46,698,117
Drainage System, being depreciated:					
Drainage implementation costs	544,106	-	-	-	544,106
Buildings and shops	96,718	-	4,714	-	101,432
Vehicles	5,398,486	20,992	414,681	110,579	5,723,580
Equipment and tools	1,052,648	-	-	-	1,052,648
Drainage system	119,315,347	324,689	10,821,894	-	130,461,930
Total Drainage system, being depreciated:	126,407,305	345,681	11,241,289	110,579	137,883,696
Less accumulated depreciation for:					
Drainage implementation costs	(544,106)	-	-	-	(544,106)
Buildings and shops	(28,154)	(3,963)	-	-	(32,117)
Vehicles	(4,641,220)	(334,247)	-	(110,579)	(4,864,888)
Equipment and tools	(977,230)	(26,963)	-	-	(1,004,193)
Drainage system	(8,285,699)	(2,533,952)	-	-	(10,819,651)
Total accumulated depreciation	(14,476,409)	(2,899,125)	-	(110,579)	(17,264,955)
Total Drainage System, being depreciated, net	111,930,896	(2,553,444)	11,241,289	-	120,618,741
Drainage System	\$138,745,697	\$ 28,571,161	\$ -	\$ -	\$167,316,858

Total depreciation charged to operations for the year ended February 28, 2018 was \$2,899,125.

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**NOTES TO FINANCIAL STATEMENTS**

February 28, 2019 and 2018

**9. CAPITAL ASSETS (Continued)**

Water and Wastewater Utility construction work in progress at February 28, 2019 and 2018, composed of the following:

	<b>February 28, 2019</b>	
	<b>Estimated Cost</b>	<b>Cost Incurred To Date</b>
<u>Water Projects</u>		
Land Acquisition - Hudspeth County	\$ 20,858,002	\$ 185,288
Jonathan Rogers WTP Upgrade-Ozone Generator - Construction	20,361,600	12,877,852
Well Construction, Plugging, & Test Holes	17,040,374	8,597,052
Emergency Back-Up Power	14,300,280	13,339,168
Vista Del Este & Ranchos Real Tanks	6,656,000	1,872,931
Franklin East 1A 3MG Elevated Tank - Construction	6,641,575	4,891,343
Canal Plant Discharge Lines - Construction	5,767,000	4,091,552
Ranchos Real Tank - Construction	5,575,000	1,018,302
North 2-Elevated Storage Tank - Construction	5,317,000	5,173,724
Field Operations Yard - Construction	5,117,950	-
Vehicles & Heavy Equipment Purchases	5,083,741	-
Jackson Reservoir 2.5 MG - Construction	4,880,000	3,419,251
Pumping System Furnish & Install	4,789,206	1,169
Memphis Elevated Storage Tank - Construction	4,685,947	4,646,655
Ventana's Elevated Storage Tank - Construction	4,208,639	4,063,213
Kay Bailey Hutchison Desalination Plant Improvement - Construction	4,020,733	3,915,411
Strahan Road Water Transmission Main Phase I	3,426,709	3,260,737
Customer Information System Replacement	3,400,000	183,729
North 2 to Franklin East 1A, 1B Waterline Phase I - Construction	2,910,000	2,886,464
George Dieter - Montwood & Rex Baxter 24" Main Replacement	2,863,336	1,445,364
Desert South Blvd 16" Waterline Replacement - Construction	2,800,000	930,604
Planned Water Line Replacement Phase VIII - Construction	2,675,633	2,664,143
Roseway 24" Water Line Replacement - Construction	2,550,000	4,227
Pershing Drive 16" Trans Mountain Phase II - Construction	2,550,000	2,447,379
Advanced Water Treatment Plant - Engineering	2,468,229	2,151,071
Jonathan Rogers WTP Transmission Pipeline Surge Protection Tanks - Construction	2,430,102	341,202
CERRO Process Water Recovery - Construction	2,255,064	2,178,643
North 2 to Franklin East 1A, 1B Waterline Phase II - Construction	2,250,000	2,153,259
Vista Del Sol Water Main Extension - Construction	2,041,710	2,020,660
Exterior Revetment Replacement - Construction	2,000,000	1,200,679
Canal WTP Raw Water Intake Screens	1,938,000	13,512
JDF Injection Test Wells	1,834,662	1,423,544
Field Operations Yard - Engineering	1,832,272	1,114,294
Water Construction On-Call Service Program	1,818,501	890,730
Montana East 16" Water Main Extension	1,803,000	1,119,881
Airport & Well Field Improvement	1,800,000	998,871

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February 28, 2019 and 2018

**9. CAPITAL ASSETS (Continued)**

	<b>February 28, 2019</b>	
	<b>Estimated Cost</b>	<b>Cost Incurred To Date</b>
Tim Floyd 16" Water Main - Construction	1,781,000	569,410
TXDOT US 62 Montana Global Reach to Tierra Este	1,774,000	1,004,873
North 2 Pump Station - Construction	1,768,700	-
Mission Ridge Water Main Installation	1,653,204	1,632,753
Jonathan Rogers WTP 20 MGD Expansion - Engineering	1,644,516	1,243,719
Yandell/Wyoming Poplar - Raynor Construction	1,600,000	77,675
Edgemere Water Main Extension Phase IV-Construction	1,433,002	1,382,808
Surface Injection Facilities (SIF) Tanks - Construction	1,371,057	3,334
Kay Bailey Hutchison Desalination Plant Interstage Booster Pumps	1,224,000	1,440
Vista Del Este Elevated Water Storage Tank - Engineering	1,137,092	466,171
Kay Bailey Hutchison Desalination Improvements	1,081,090	758,551
Alameda Avenue - Presa to Loop 375	1,077,720	814,870
PolyOrtho Phosphate Treatment - Construction	1,020,000	-
Plant Small Upgrades & Rehabilitation	1,000,000	865,207
Canutillo 5 Streets	1,000,000	792,961
Other Water Projects Under \$1,000,000	53,291,397	26,635,765
<b>Subtotal - Water Projects</b>	<b>256,807,043</b>	<b>133,771,441</b>
<b><u>Wastewater Projects</u></b>		
Haskell R. Street WWTP Headworks Effluent Piping Improvements - Construction	5,712,424	3,612,202
Haskell R. Street WWTP Digester #1 Cover and Mixer - Construction	5,097,502	4,677,044
Haskell R. Street WWTP Odor Control - Construction	4,768,924	185,699
Haskell R. Street WWTP Primary Clarifiers 1, 2 & 4 - Construction	4,478,233	3,584,187
Canutillo Bosque Wastewater Lift Station/Force Main - Construction	4,144,086	-
Boone Interceptor Phase II - Construction	3,770,000	2,193,000
Process Automation SCADA - Sewer	3,658,000	2,780,718
Roberto R. Bustamante WWTP Headworks Switchgear Replacement - Construction	3,500,053	588,854
Doniphan Collector Construction	3,009,000	-
Fred Hervey WRP Digester #2 Mixer Improvements - Construction	2,965,000	2,293,222
Lift Station Reconstruction - Inglewood - Roseway - LeBarron Construction	2,904,000	645,713
Haskell R. Street WWTP Primary Clarifier Rehabilitation - Construction	2,737,000	2,659,843
Sanitary Sewer Construction On-Call Service Program	2,639,300	932,719
Haskell R. Street WWTP Odor Control - Construction	2,470,629	498,977
Canutillo Vacuum Wastewater Collection System Replacement - Construction	2,213,400	1,915,179
Emergency 18" Sanitary Sewer Main Replacement	1,478,000	1,069,547
Air Release Valves & Force Mains/Lift Stations-Westside-Construction	1,428,000	81
Roberto R. Bustamante WWTP Aeration Basin Inlet Gate Replacement-Project	1,355,000	1,005,994



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**NOTES TO FINANCIAL STATEMENTS**

February 28, 2019 and 2018

**9. CAPITAL ASSETS (Continued)**

	<b>February 28, 2019</b>	
	<b>Estimated Cost</b>	<b>Cost Incurred To Date</b>
Fred Hervey WRP Blowers 1&3 - Construction	1,204,700	623,243
Small Plant Upgrades	1,150,853	619,977
Canutillo Bosque Wastewater Lift Station/Force Main - Construction	1,146,233	18,228
Upper Valley Outfall Relocation - Construction	1,117,229	1,071,762
Dallas Conduit Clearing of Utilities Phase II - Construction	1,011,600	935,735
Pellicano Wastewater Improvements Loop 375 County Project - Construction	1,000,000	-
Other Sewer Projects Under \$1,000,000	31,807,261	16,382,838
Subtotal-Wastewater Projects	96,766,427	48,294,762
<u>Reclaimed Water Projects</u>		
Other Reclaimed Projects Under \$1,000,000	497,480	234,643
Subtotal - Reclaimed Water Projects	497,480	234,643
Totals	<u>\$ 354,070,950</u>	<u>\$ 182,300,846</u>
	<b>February 28, 2018</b>	
	<b>Estimated Cost</b>	<b>Cost Incurred To Date</b>
<u>Water Projects</u>		
Land Acquisition - Hudspeth County	\$ 73,756,400	\$ -
Jonathan Rogers WTP Upgrade-Ozone Generator - Construction	17,520,000	4,157
Field Operations Yard-Construction	14,900,950	-
Emergency Back-Up Power	14,050,280	149,683
Well Construction, Plugging, & Test Holes	7,731,040	3,041,577
Franklin East 1A 3MG Elevated Tank - Construction	6,351,189	269,731
Canal Plant Discharge Lines - Construction	5,767,000	-
North 2-Elevated Storage Tank - Construction	5,317,000	5,137,144
Vista Del Sol Water Main Extension - Construction	4,978,056	2,000,111
Memphis-Elevated Storage Tank - Construction	4,685,947	4,214,569
Kay Bailey Hutchison Desalination Plant Improvement - Construction	4,206,733	2,926,252
Jackson Reservoir 2.5 MG - Construction	4,160,000	444
Ventana's Elevated Storage Tank - Construction	4,148,639	3,965,757
North 2 to Franklin East 1A, 1B Waterline Phase I - Construction	2,854,805	2,437,906
Desert South Blvd 16" Waterline Replacement - Construction	2,800,000	3,384
Strahan Road Water Transmission Main Phase I	2,721,612	2,544,337
El Paso Streetcar - Construction	2,600,000	2,479,712
Roseway 24" Water Line Replacement - Construction	2,550,000	-

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**NOTES TO FINANCIAL STATEMENTS**

February 28, 2019 and 2018

**9. CAPITAL ASSETS (Continued)**

	February 28, 2018	
	Estimated Cost	Cost Incurred To Date
Pershing Drive 16" Trans Mountain Phase II - Construction	2,500,000	1,139,844
Planned Water Line Replacement Phase VIII - Construction	2,465,752	284,080
Airport & Well Field Improvement	2,441,000	-
Advanced Water Treatment Plant - Engineering	2,330,315	437,314
CERRO Process Water Recovery - Construction	2,255,064	704,604
North 2 to Franklin East 1A, 1B Waterline Phase II - Construction	2,250,000	3,635
Edgemere Water Main Extension Phase IV-Construction	1,962,332	1,480,263
JDF Injection Test Wells	1,834,662	1,349,913
Field Operations Yard - Engineering	1,832,272	928,309
Water Construction On-Call Service Program	1,818,501	2,346
Montana East 16" Water Main Extension	1,803,000	1,020,269
Dell City to EL Paso Easement - Engineering	1,667,797	-
Mission Ridge Water Main Installation	1,653,204	1,632,753
Jonathan Rogers WTP Transmission Pipeline Surge Protection Tanks - Construction	1,607,101	43,037
Vehicles & Heavy Equipment Purchases	1,487,591	-
Tim Floyd 16-Inch Water Main - Construction	1,150,000	-
JDF Injection Test Wells	1,116,726	164,167
Alameda Avenue - Presa to Loop 375	1,077,720	805,692
Canutillo 5 Streets	1,000,000	175,866
Other Water Projects Under \$1,000,000	40,052,897	20,155,424
Subtotal - Water Projects	255,405,585	59,502,280
<u>Wastewater Projects</u>		
Haskell R. Street WWTP Digester #1 Cover - Construction	5,001,497	908,019
Haskell R. Street WWTP Odor Control - Construction	4,751,585	83,944
Haskell R. Street WWTP Primary Clarifiers - Construction	4,037,325	2,147,957
Boone Interceptor Phase II - Construction	3,770,000	-
Fred Hervey WRP Bed Liner Replacement - Construction	3,127,024	203,002
Fred Hervey WRP Digester Mixer - Construction	2,965,000	385,710
Haskell R. Street WWTP Primary Clarifier Bio-Scrubber- Construction	2,737,000	2,259,040
Sanitary Sewer Construction On-Call Service	2,700,000	808
Haskell R. Street WWTP Odor Control - Construction	2,470,629	416,601
Plant Small Upgrades	2,345,433	1,994,443
Canutillo Vacuum Wastewater Collection System Phase I- Construction	2,065,000	213,016
Process Automation SCADA - Sewer	2,000,000	1,281,493
CD/Bond Sewer Projects	1,940,430	-
Fred Hervey WRP Blowers 1&3 - Construction	1,200,000	339,894
Canutillo Bosque WW LS/FM - Construction	1,146,233	18,216

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February 28, 2019 and 2018

**9. CAPITAL ASSETS (Continued)**

	<u>February 28, 2018</u>	
	<u>Estimated Cost</u>	<u>Cost Incurred To Date</u>
Upper Valley Outfall - Construction	1,117,229	287,295
Dallas Conduit Clearing of Utilities Phase II - Construction	1,011,600	837,377
Haskell R. Street WWTP Effluent Piping - Construction	1,000,000	5,292
Other Sewer Projects Under \$1,000,000	<u>28,743,057</u>	<u>14,183,993</u>
Subtotal-Wastewater Projects	<u>74,129,042</u>	<u>25,566,100</u>
<u>Reclaimed Water Projects</u>		
Mesa Park Interchange-24-inch Reclaimed - Construction	1,235,023	1,197,760
Other Reclaimed Projects Under \$1,000,000	<u>428,000</u>	<u>87,360</u>
Subtotal - Reclaimed Water Projects	<u>1,663,023</u>	<u>1,285,120</u>
Totals	<u>\$ 331,197,650</u>	<u>\$ 86,353,500</u>

Municipal Drainage Utility construction work in progress as of February 28, 2019 and 2018 composed of the following:

	<u>February 28, 2019</u>	
	<u>Estimated Cost</u>	<u>Cost Incurred To Date</u>
<u>Drainage Projects</u>		
Various Open Space Projects	\$ 6,616,352	\$ -
Thomas Manor Park Pond & Pump Station Improvement - Construction	5,721,782	2,650,327
Kentucky Dam - Dam 5 - Construction	3,482,000	3,225,402
Copia Pond - Construction	3,106,985	2,403,032
Clardy Fox Street & Drainage Improvement - Construction	2,551,062	2,551,062
West Hills Unit 23 Storm - Construction	2,403,125	1,793,734
SAC 1 - Land Acquisition	1,820,000	-
Silver Springs Arroyo Dam - Construction	1,758,480	821,501
Grand Tetons Drive Pond Improvement - Construction	1,655,269	1,238,098
Ridge View/High Ridge Channel Improvements - Construction	1,554,041	1,217,684
Thomas Manor Pump Station & Force Main Improvement - Engineering	1,504,661	962,475
Mesa Hills Control Basin-Construction	1,338,024	641,908
Louisiana Dam (Dam 3) Improvements - Construction	1,200,000	1,119,867
Dallas Street Outfall Basin	1,200,000	63,555
Other Drainage Projects Under \$1,000,000	<u>13,698,261</u>	<u>7,335,326</u>
Total Drainage Projects	<u>\$ 49,610,042</u>	<u>\$ 26,023,971</u>

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**NOTES TO FINANCIAL STATEMENTS**

February 28, 2019 and 2018

**9. CAPITAL ASSETS (Continued)**

	February 28, 2018	
	Estimated Cost	Cost Incurred To Date
<u>Drainage Projects</u>		
Gateway East Pond Expansion Phase II - Construction	\$ 5,903,520	\$ 5,690,578
Various Open Space Projects	5,798,612	-
Thomas Manor Pump Station - Construction	5,721,782	146,624
La Placita Ave Repairs - Construction	3,966,891	3,966,891
Kentucky Dam - Dam 5 - Construction	3,482,000	3,285,035
Copia Pond - Construction	2,972,683	3,584
Will Ruth Pond - Land Acquisition	2,716,388	-
West Hills Unit 23 Storm - Construction	2,403,125	543,984
Franklin Conduit Repairs	1,718,500	779,695
Fairbanks Sediment Catch - Construction	1,637,850	1,587,716
Grand Tetons Drive Pond Improvement - Construction	1,632,150	760,349
Ridge View/High Ridge Improvement - Construction	1,554,041	399,493
Thomas Manor Pump Station - Engineering	1,424,441	663,350
Louisiana Dam (Dam 3) Improvement - Construction	1,200,000	121,732
Mesa Hills Control Basin-Construction	1,010,024	1,299
Other Drainage Projects Under \$1,000,000	12,304,606	6,320,017
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Total Drainage Projects	\$ 55,446,613	\$ 24,270,347
	<hr/>	<hr/>

**PUBLIC SERVICE BOARD - EL PASO WATER UTILITIES**  
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**NOTES TO FINANCIAL STATEMENTS**

February 28, 2019 and 2018

**10. LONG-TERM LIABILITIES**

Long-term liabilities activity for the Water and Wastewater Utility for the years ended February 28, 2019 and 2018 was as follows:

	Beginning Balance 03/01/2018	Additions	Reductions	Ending Balance 02/28/2019	Due Within One Year	Long-term Portion
<b>Water and Wastewater Utility:</b>						
Water and Sewer Revenue Bonds	\$ 749,710,000	\$ 26,670,000	\$ 37,370,000	\$ 739,010,000	\$ 42,360,000	\$ 696,650,000
Unamortized premiums net of discounts	69,366,920	3,697,917	4,413,984	68,650,853	4,566,791	64,084,062
Land notes payable	914,885	-	914,885	-	-	-
Commercial Paper payable	10,000,000	35,000,000	30,000,000	15,000,000	-	15,000,000
Other governments payable	2,208,428	-	154,307	2,054,121	161,396	1,892,725
Net Pension Liability	37,581,946	5,601,256	4,831,794	38,351,408	-	38,351,408
Total OPEB Liability (GASB 75)	17,148,426	1,707,434	462,189	18,393,671	-	18,393,671
Self-insurance claims	968,610	4,728,381	4,796,962	900,029	238,627	661,402
Accrued vacation	3,065,726	2,245,565	2,006,450	3,304,841	1,936,844	1,367,997
<b>Total Long-term liabilities</b>						
Water and Wastewater Utility	<u>\$ 890,964,941</u>	<u>\$ 79,650,553</u>	<u>\$ 84,950,571</u>	<u>\$ 885,664,923</u>	<u>\$ 49,263,658</u>	<u>\$ 836,401,265</u>

	Beginning Balance 03/01/2017	Additions	Reductions	Ending Balance 02/28/2018	Due Within One Year	Long-term Portion
<b>Water and Wastewater Utility:</b>						
Water and Sewer Revenue Bonds	\$ 665,715,000	\$ 133,880,000	\$ 49,885,000	\$ 749,710,000	\$ 37,370,000	\$ 712,340,000
Unamortized premiums net of discounts	61,603,525	11,924,122	4,160,727	69,366,920	4,383,423	64,983,497
Land notes payable	1,786,222	-	871,337	914,885	914,885	-
Commercial Paper payable	22,500,000	15,500,000	28,000,000	10,000,000	-	10,000,000
Other governments payable	2,355,957	-	147,529	2,208,428	154,307	2,054,121
Net Pension Liability	41,023,517	4,787,264	8,228,835	37,581,946	-	37,581,946
Other Post-Employment Benefits (GASB 45)	9,489,755	820,987	-	10,310,742	-	10,310,742
Self-insurance claims	1,035,328	4,102,828	4,169,546	968,610	517,178	451,432
Accrued vacation	2,955,692	2,019,656	1,909,622	3,065,726	1,898,673	1,167,053
<b>Total Long-term liabilities</b>						
Water and Wastewater Utility	<u>\$ 808,464,996</u>	<u>\$ 173,034,857</u>	<u>\$ 97,372,596</u>	<u>\$ 884,127,257</u>	<u>\$ 45,238,466</u>	<u>\$ 838,888,791</u>

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**10. LONG-TERM LIABILITIES (Continued)**

Long-term liabilities activity for the Municipal Drainage Utility for the years ended February 28, 2019 and 2018 was as follows:

	Beginning Balance 03/01/2018	Additions	Reductions	Ending Balance 02/28/2019	Due Within One Year	Long-term Portion
<b>Municipal Drainage Utility:</b>						
Drainage Revenue Bonds	\$ 102,468,000	\$ -	\$ 2,144,000	\$ 100,324,000	\$ 4,689,000	\$ 95,635,000
Unamortized premiums net of discounts	14,381,520	-	758,310	13,623,210	758,309	12,864,901
Accrued vacation	156,863	54,198	77,150	133,911	93,148	40,763
Direct Purchase Revolving Notes	-	2,500,000	-	2,500,000	-	2,500,000
Net Pension Liability	2,189,770	326,159	278,725	2,237,204	-	2,237,204
Total OPEB Liability (GASB 75)	1,337,361	133,158	36,045	1,434,474	-	1,434,474
Total Long-term liabilities Municipal Drainage Utility	<u>\$ 120,533,514</u>	<u>\$ 3,013,515</u>	<u>\$ 3,294,230</u>	<u>\$ 120,252,799</u>	<u>\$ 5,540,457</u>	<u>\$ 114,712,342</u>
	Beginning Balance 03/01/2017	Additions	Reductions	Ending Balance 02/28/2018	Due Within One Year	Long-term Portion
<b>Municipal Drainage Utility:</b>						
Drainage Revenue Bonds	\$ 96,607,000	\$ 48,940,000	\$ 43,079,000	\$ 102,468,000	\$ 2,144,000	\$ 100,324,000
Unamortized premiums net of discounts	7,287,388	7,584,744	490,612	14,381,520	758,309	13,623,211
Accrued vacation	162,011	94,727	99,875	156,863	89,386	67,477
Net Pension Liability	2,897,485	253,668	961,383	2,189,770	-	2,189,770
Other Post-Employment Benefits (GASB 45)	415,276	71,663	-	486,939	-	486,939
Total Long-term liabilities Municipal Drainage Utility	<u>\$ 107,369,160</u>	<u>\$ 56,944,802</u>	<u>\$ 44,630,870</u>	<u>\$ 119,683,092</u>	<u>\$ 2,991,695</u>	<u>\$ 116,691,397</u>

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**11. REVENUE BONDS**

**Water and Wastewater Utility**

Water and Sewer Revenue Bonds payable for the Water and Wastewater Utility Fund, in the amount of \$739,010,000 and \$749,710,000, as of February 28, 2019 and 2018, respectively, are equally and ratably secured by and payable from an irrevocable first lien on and pledge of the net revenue of the Water and Wastewater Utility Fund which is presented in Note 15. The pledge of net revenue is in effect until the bonds are extinguished in 2039. The general purpose of the debt is to improve the water and wastewater services EPWater provides to area residents. The Revenue Bonds payable as of February 28, 2019 and 2018 include the following individual issues:

	Amounts Outstanding 2/28/18	Issued	Retired/ Refunded	Amounts Outstanding 2/28/19	Due Within One Year
\$1,000,000 2003A Series due in annual installments of \$50,000 with interest at 0.00%. Final payment due 2024.	\$ 350,000	\$ -	\$ 50,000	\$ 300,000	\$ 50,000
\$14,000,000 2008A Series with final installment of \$800,000 and interest of 3.00% paid in fiscal year 2019.	800,000	-	800,000	-	-
\$22,000,000 2008B Series with final installment of \$1,260,000 and interest of 3.00% paid in fiscal year 2019.	1,260,000	-	1,260,000	-	-
\$35,000,000 2008C Series with final installment of \$1,785,000 and interest of 5.00% paid in fiscal year 2019.	1,785,000	-	1,785,000	-	-
\$22,115,000 2010 Series due in annual installments of \$555,000 to \$1,575,000 with interest due at 3.50% to 4.50%. Final payment due 2030.	11,915,000	-	1,455,000	10,460,000	1,505,000
\$42,580,000 2010A Series due in annual installments of \$1,075,000 to \$5,855,000 with interest due at 3.00% to 5.00%. Final payment due in 2027.	31,805,000	-	1,035,000	30,770,000	1,075,000
\$14,680,000 2011 Series due in annual installments of \$100,000 to \$3,360,000 with interest due at 3.00% to 5.00%. Final payment due 2031.	12,940,000	-	3,400,000	9,540,000	3,000,000

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**11. REVENUE BONDS (Continued)**

	Amounts Outstanding 2/28/18	Issued	Retired/ Refunded	Amounts Outstanding 2/28/19	Due Within One Year
\$52,780,000 2012 Series due in annual installments of \$3,745,000 to \$4,705,000 with interest due at 3.00% to 5.00%. Final payment due 2028.	45,850,000	-	3,245,000	42,605,000	3,745,000
\$75,715,000 2012A Series due in annual installments of \$1,865,000 to \$6,575,000 with interest due at 2.50% to 5.00%. Final payment due 2033.	59,925,000	-	5,125,000	54,800,000	5,290,000
\$64,900,000 2014 Series due in annual installments of \$1,910,000 to \$5,405,000 with interest due at 4.00% to 5.00%. Final payment due 2034.	60,570,000	-	1,835,000	58,735,000	1,920,000
\$131,650,000 2015 Series due in annual installments of \$1,405,000 to \$12,100,000 with interest due at 3.25% to 5.00%. Final payment due 2035.	112,415,000	-	9,820,000	102,595,000	12,100,000
\$18,600,000 2015A Series due in annual installments of \$670,000 to \$1,330,000 with interest due at 3.00% to 5.00%. Final payment due 2035.	17,060,000	-	640,000	16,420,000	670,000
\$50,000,000 2015B Series due in annual installments of \$2,230,000 to \$2,995,000 with interest due at 0.72% to 2.41%. Final payment due 2035.	45,395,000	-	2,210,000	43,185,000	2,230,000
\$48,565,000 2015C Series due in annual installments of \$1,900,000 to \$3,200,000 with interest due at 3.97% to 5.00%. Final payment due 2035.	45,590,000	-	1,805,000	43,785,000	1,900,000
\$68,670,000 2016 Series due in annual installments of \$2,345,000 to \$5,085,000 with interest due at 3.11% to 5.00%. Final payment due 2037.	68,670,000	-	1,425,000	67,245,000	3,300,000
\$100,000,000 2016A Series due in annual installments of \$2,000,000 to \$7,000,000 with interest due at 0.64% to 2.12%. Final payment due 2036.	99,500,000	-	500,000	99,000,000	2,000,000



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**11. REVENUE BONDS (Continued)**

	Amounts Outstanding 2/28/18	Issued	Retired/ Refunded	Amounts Outstanding 2/28/19	Due Within One Year
\$83,880,000 2017 Series due in annual installments of \$775,000 to \$5,505,000 with interest due at 3.00% to 5.00%. Final payment due 2038.	83,880,000	-	730,000	83,150,000	3,325,000
\$50,000,000 2017A Series due in annual installments of \$250,000 to \$4,000,000 with interest due at 0.63% to 2.29%. Final payment due 2037.	50,000,000	-	250,000	49,750,000	250,000
\$26,670,000 2018 Series due in annual installments of \$1,015,000 to \$2,790,000 with interest due at 5.00%. Final payment due 2039.	-	26,670,000	-	26,670,000	-
Total bonds outstanding	749,710,000	<u>\$ 26,670,000</u>	<u>\$ 37,370,000</u>	739,010,000	<u>\$ 42,360,000</u>
Less current maturities	<u>37,370,000</u>			<u>42,360,000</u>	
Total long term portion	<u><u>\$ 712,340,000</u></u>			<u><u>\$ 696,650,000</u></u>	

Interest costs incurred on revenue bonds totaled \$26,927,261 in 2019 of which \$537,725 was capitalized and \$25,633,718 in 2018 of which \$341,238 was capitalized.

**Water and Wastewater Utility Fund Annual Revenue Bond Debt Service Requirements**

Year Ending February	Principal	Interest	Total
2020	\$ 42,360,000	\$ 26,811,687	\$ 69,171,687
2021	43,500,000	25,606,618	69,106,618
2022	42,940,000	23,981,517	66,921,517
2023	44,815,000	22,274,571	67,089,571
2024	46,525,000	20,416,553	66,941,553
2025 - 2029	242,340,000	72,796,616	315,136,616
2030 - 2034	176,295,000	32,024,014	208,319,014
2035 - 2039	98,805,000	7,060,613	105,865,613
2040	1,430,000	35,750	1,465,750
	<u><u>\$ 739,010,000</u></u>	<u><u>\$ 231,007,939</u></u>	<u><u>\$ 970,017,939</u></u>

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**11. REVENUE BONDS (Continued)**

On January 8, 2015, the Public Service Board - El Paso Water Utilities issued \$131,650,000 in Water and Sewer Revenue Refunding Bonds, Series 2015 with an average interest rate of 4.45% to refund \$25,000,000 of Water and Sewer Commercial Paper notes with an average interest rate of 0.10% and to advance refund the following outstanding bonds:

Series	Amount	Average Coupon
2005B	\$ 26,430,000	5.25%
2005C	6,245,000	3.62%
2006	10,555,000	4.72%
2006A	21,010,000	4.26%
2007	25,320,000	4.85%
2008C	26,885,000	5.30%

The liabilities associated with these bonds were removed from the related payables. As of February 28, 2019 and 2018, \$0 and \$26,885,000 of bonds remained outstanding with estimated escrow balances of \$0 and \$27,455,696, respectively. The refunding of the 2005B, 2005C, 2006, 2006A, 2007 and 2008C reduced debt service by \$11,082,719 and resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$10,276,163.

On August 16, 2016, the Public Service Board - El Paso Water Utilities issued \$68,670,000 in Water and Sewer Revenue Improvement and Refunding Bonds, Series 2016 with an average interest rate of 4.59% to finance water and sewer construction projects throughout the City of El Paso, refund \$20,000,000 of Water and Sewer Commercial Paper notes with an average interest rate of 0.45% and to advance refund the following outstanding bonds:

Series	Amount	Average Coupon
2008A	\$ 10,935,000	3.71%
2008B	17,190,000	3.71%

The liabilities associated with these bonds were removed from the related payables. As of February 28, 2019 and 2018, \$0 and \$28,125,000 of the bonds remained outstanding with an estimated escrow balances of \$0 and \$28,941,436, respectively. The refunding of the 2008A and 2008B reduced debt service by \$2,075,828 and resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$2,179,894.

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**11. REVENUE BONDS (Continued)**

On October 19, 2017, the Public Service Board - El Paso Water Utilities issued \$83,880,000 in Water and Sewer Revenue Refunding Bonds, Series 2017 with an average interest rate of 4.82% to finance water and sewer construction projects throughout the City of El Paso, refund \$28,000,000 of Water and Sewer Commercial Paper Notes with an average interest rate of 0.95%, and refund the following outstanding bonds:

Series	Amount	Average Coupon
2008	\$ 3,440,000	4.63%
2010	12,020,000	4.88%

The refunding of the 2008 and 2010 bonds reduced debt service by \$1,424,277 and resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$1,149,913. The refunded bonds were redeemed on October 25, 2017.

On November 28, 2017, the Public Service Board - El Paso Water Utilities issued \$50,000,000 in Water and Sewer Systems Revenue Bonds, Series 2017A, issued through the Texas Water Development Board State Water Implementation Fund of Texas (SWIFT) program with an average interest rate of 1.95% to purchase water rights land in Hudspeth County, Texas.

On December 18, 2018, the Public Service Board - El Paso Water Utilities issued \$26,670,000 in Water and Sewer Revenue Refunding Bonds, Series 2018 with an average interest rate of 5.00% to refund \$30,000,000 of Water and Sewer Commercial Paper Notes with an average interest rate of 1.72%.

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**11. REVENUE BONDS (Continued)**

**Municipal Drainage Utility**

Municipal Drainage Revenue Bonds payable for the Municipal Drainage Utility Fund in the amount of \$100,324,000 and \$102,468,000 as of February 28, 2019 and 2018 are equally and ratably secured by and payable from an irrevocable first lien on and pledge of the net revenue of the Municipal Drainage Utility Fund which is presented in Note 15. The pledge of net revenue is in effect until the bonds are extinguished in 2039. The general purpose of the debt is to improve the drainage services EPWater provides to area residents. The Revenue Bonds payable as of February 28, 2019 include the following individual issues:

	Amounts Outstanding 2/28/18	Issued	Retired/ Refunded	Amounts Outstanding 2/28/19	Due Within One Year
\$2,163,000 2009A Series due in annual installments of \$107,000 to \$109,000 with interest at 0.00%. Final payment due 2031.	\$ 1,508,000	\$ -	\$ 109,000	\$ 1,399,000	\$ 109,000
\$14,075,000 2012 Series due in annual installments of \$585,000 to \$995,000 with interest due at 3.00% to 5.00%. Final payment due 2032.	11,640,000	-	560,000	11,080,000	585,000
\$22,240,000 2015 Series due in annual installments of \$815,000 to \$1,665,000 with interest due at 2.00% to 5.00%. Final payment due 2035.	20,590,000	-	800,000	19,790,000	815,000
\$19,790,000 2016 Series due in annual installments of \$695,000 to \$1,565,000 with interest due at 2.00% to 5.00%. Final payment due 2036.	19,790,000	-	675,000	19,115,000	695,000
\$48,940,000 2017 Series due in annual installments of \$820,000 to \$4,815,000 with interest due at 4.00% to 5.00%. Final payment due 2039.	48,940,000	-		48,940,000	2,485,000
Total bonds outstanding	102,468,000	\$ -	\$ 2,144,000	100,324,000	\$ 4,689,000
Less current maturities	3,704,000			4,689,000	
Total long term portion	<u>\$ 98,764,000</u>			<u>\$ 95,635,000</u>	

Interest costs incurred on revenue bonds totaled \$4,624,356 in 2019 of which \$754,862 was capitalized, and \$4,598,759 in 2018 of which \$632,071 was capitalized.

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**11. REVENUE BONDS (Continued)**

Municipal Drainage Utility Fund Annual Revenue Bond Debt Service Requirements

Year Ending February	Principal	Interest	Total
2020	\$ 4,689,000	\$ 4,532,506	\$ 9,221,506
2021	4,934,000	4,331,931	9,265,931
2022	5,208,000	4,110,309	9,318,309
2023	5,488,000	3,862,912	9,350,912
2024	5,818,000	3,585,662	9,403,662
2025 - 2029	34,626,000	13,252,254	47,878,254
2030 - 2034	25,366,000	5,857,128	31,223,128
2035 - 2039	12,995,000	1,352,250	14,347,250
2040	1,200,000	24,000	1,224,000
	<u>\$ 100,324,000</u>	<u>\$ 40,908,952</u>	<u>\$ 141,232,952</u>

On November 21, 2017, the Public Service Board - El Paso Water Utilities issued \$48,940,000 in Municipal Drainage Utility System Revenue Bonds, Series 2017 Bonds with an average interest rate of 4.63% to finance drainage projects and improvements throughout the City of El Paso, and refund \$39,375,000 of NADBANK Build America bonds Series 2009 with an average coupon of 5.38%. The refunding of the 2009 bonds reduced debt service by \$3,240,138 and resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$2,709,423. The refunded bonds were redeemed on November 30, 2017.

Arbitrage - The Tax Reform Act of 1986 instituted certain arbitrage restrictions with respect to the issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of all tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service (IRS) at least every five years. Arbitrage is evaluated and estimated on an annual basis by a third party arbitrage rebate service company. The company has estimated no liability for EPWater as of February 28, 2019 and 2018.

EPWater is required to comply with various requirements in the ordinances authorizing the bond issuances. Management of EPWater has indicated they are in compliance with all significant requirements.

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**12. LAND NOTES PAYABLE**

During the fiscal year ending February 29, 2004, EPWater purchased a parcel of land totaling 8,833.83 acres that was financed through a note instrument. The note was for a total of \$9,971,186 with an interest rate of 5% for the first year and adjusted by the change in rate of a 10 year U.S. Treasury Note on September 1<sup>st</sup> of each year thereafter. This note is for a period of 15 years with payments due in September that fluctuate in amount based upon the interest rate. The \$9,971,186 purchase also included a lease back of the property for a period of 15 years and an annual lease payment of \$400,000. The final payment on the note was made September 1, 2018 and as of February 28, 2019 the principal and interest amount outstanding is zero.

**13. COMMERCIAL PAPER**

In October 1997, EPWater through the City of El Paso approved a Commercial Paper Program in the amount of \$50,000,000. The purpose of the Commercial Paper Program is to provide funds for the interim financing of a portion of the costs of capital improvements to the system.

The borrowings under the Commercial Paper Program are equally and ratably secured by and are payable from (i) the proceeds from the sale of bonds or additional borrowing under the Commercial Paper Program and (ii) borrowing under and pursuant to the revolving credit agreement.

On August 1, 2015, EPWater through the City of El Paso and Bank of America, N.A. entered into a revolving credit agreement pursuant to which Bank of America, N.A. is obligated under the Credit Agreement to loan to the City amounts not to exceed \$40,000,000 for the purpose of paying amounts due on the Commercial Paper Program. Any borrowing under the Credit Agreement is equally and ratably secured by and payable from the above-described sources pledged for payment of the Commercial Paper Program and from a pledge of the Net Revenues of the Water and Wastewater Utility, such pledge being subordinate to the pledge of Net Revenues securing all Senior Lien Obligations. Management intends to continue the remarketing of the tax exempt commercial paper notes as it intends to maintain a portion of its debt in variable rates. On August 14, 2018, the first amendment to the credit agreement was executed to extend the contract until August 23, 2021 and reduced the commitment fee rate from .040% to .037%.

Since the commercial paper represents activity that is the result of EPWater's long term financing plan, the amounts outstanding are presented as long term. The "paper" can be sold in \$100,000 increments and matures from one to 270 days. As of February 28, 2018, there was \$10,000,000 outstanding and as of February 28, 2019, the following amounts were outstanding:

	2019	Maturity Date	Coupon Rate
\$	5,000,000	05/09/2019	1.84%
	<u>10,000,000</u>	04/02/2019	1.66%
\$	<u>15,000,000</u>		

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**14. REVOLVING NOTE**

EPWater through the City of El Paso and Bank of America, N.A. entered into a Note Purchase Agreement in June 2018 with an available commitment of \$25,000,000. Any borrowing under this agreement is equally and ratably secured from a pledge of the Net Revenues of the Municipal Drainage Utility, such pledge being subordinate to the pledge of Net Revenues securing all Senior Lien Obligations.

The borrowings under the agreement are ratably secured by and are payable from (i) the proceeds from the sale additional bonds hereafter issued and to be used to pay outstanding Notes, (ii) borrowings under the agreement, (iii) the amounts held in the Note Payment Fund until the amounts deposited therein are used for authorized purposes, (iv) the Net Revenues, such lien and pledge of Net Revenues, however, being subordinated to the prior and superior lien on and pledge of securing the payment of borrowings made under and pursuant to the agreement, (v) the amounts remaining on deposit in the Note Construction Fund after the payment of all project costs; and the principal of and interest on the Notes and any amounts due under the agreement shall be and hereby equally and ratably secured by and payable from a lien on and pledge of the sources hereby identified.

Since these notes represent activity that is the result of EPWater's Municipal Drainage Utility's long-term financing plan, the amounts outstanding are presented as long term. As of February 28, 2018, there was \$0 outstanding and as of February 28, 2019 the following amount was outstanding:

<u>2019</u>	<u>Maturity Date</u>	<u>Coupon Rate</u>
<u>\$ 2,500,000</u>	06/14/2019	2.59%

**15. OTHER GOVERNMENT PAYABLES**

During the fiscal year ending February 28, 2010, EPWater entered into a wholesale contract with Fort Bliss to provide water services for a 20 year period effective June 1, 2009. The El Paso Water Utility is to credit Fort Bliss \$3,300,000 with an interest rate of 4.5% totaling \$5,010,583 over 20 years (\$20,877 monthly) for the engineering/environmental analysis in connection with the Desalination Plant. The following is a list of the principal and interest payments due to Fort Bliss as of February 28, 2019:

<u>Year Ending February</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 161,396	\$ 89,133	\$ 250,529
2021	168,810	81,719	250,529
2022	176,565	73,964	250,529
2023	184,676	65,853	250,529
2024	193,160	57,369	250,529
2025 - 2029	1,107,348	145,298	1,252,646
2030	62,166	467	62,633
	<u>\$ 2,054,121</u>	<u>\$ 513,803</u>	<u>\$ 2,567,924</u>

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**16. REVENUE PLEDGED AND DEBT SERVICE COVERAGE**

Water and Wastewater Utility

The bond ordinances require EPWater to maintain revenues in each fiscal year, after deductions for maintenance and operation expenses, in an amount equal to at least 1.5 times the debt service requirements in such year for the Water and Wastewater Utility Fund. The computations of this ratio are summarized below for the years ended February 28, 2019 and 2018.

Revenues available for debt service are determined as follows:

	<u>2019</u>	<u>2018</u>
Water and wastewater revenue	\$ 241,293,997	\$ 221,917,190
Operating revenue deductions	<u>107,172,635</u>	<u>98,829,194</u>
Net water and wastewater revenue	<u>134,121,362</u>	<u>123,087,996</u>
Other revenues available for debt service:		
Interest income	4,978,549	2,450,878
IRS Tax Credit Build America Bonds	-	121,044
Property rentals	3,158,095	2,041,465
Administration fees - City Environmental Services	641,378	634,446
Other miscellaneous operating revenue	1,349,760	8,533,671
Gain on sale of miscellaneous assets	356,577	342,691
Other miscellaneous expenses	<u>(2,263,697)</u>	<u>(8,583,307)</u>
Net other revenues available for debt service	<u>8,220,662</u>	<u>5,540,888</u>
Revenues available for debt service	<u><u>\$ 142,342,024</u></u>	<u><u>\$ 128,628,884</u></u>

Comparison of pledged revenues to debt requirements:

	<u>2019</u>	<u>2018</u>
Revenues available for debt service	<u>\$ 142,342,024</u>	<u>\$ 128,628,884</u>
Debt service requirements		
Principal	37,370,000	34,425,000
Interest	<u>26,627,009</u>	<u>24,626,110</u>
Total requirements	<u>\$ 63,997,009</u>	<u>\$ 59,051,110</u>
Debt service ratio	<u><u>2.22</u></u>	<u><u>2.18</u></u>

As calculated above, the approximate amount of pledged revenue for the years ended February 28, 2019 and 2018 were \$142,342,024 and \$128,628,884, respectively.

The proportion of the specific revenue stream that has been pledged to cover the debt requirements to the total revenue was 55.64% and 53.12% for the years ended February 28, 2019 and 2018, respectively.

The bonds, both principal and interest, are secured by a first lien and pledge of the net revenues of the Water and Wastewater Fund.