

# **SAN ANTONIO WATER SYSTEM**

REPORT ON FEDERAL AWARDS

For the Year Ended December 31, 2020

# SAN ANTONIO WATER SYSTEM

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND  
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN  
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

INDEPENDENT AUDITORS' REPORT

Board of Trustees  
San Antonio Water System  
San Antonio, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities and the aggregate remaining fund information of San Antonio Water System ("SAWS"), a component unit of the City of San Antonio, Texas, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise SAWS' basic financial statements and have issued our report thereon dated March 31, 2021.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered SAWS' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SAWS' internal control. Accordingly, we do not express an opinion on the effectiveness of SAWS' internal control.

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

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

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether SAWS' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

## **Purpose of this Report**

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

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Austin, Texas  
March 31, 2021

REPORT ON COMPLIANCE FOR THE MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL  
CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF  
FEDERAL AWARDS REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITORS' REPORT

Board of Trustees  
San Antonio Water System  
San Antonio, Texas

**Report on Compliance for the Major Federal Program**

We have audited San Antonio Water System's ("SAWS") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on SAWS' major federal program for the year ended December 31, 2020. SAWS' major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal program.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for SAWS' major federal program based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about SAWS' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of SAWS' compliance.

### **Opinion on the Major Federal Program**

In our opinion, SAWS complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended December 31, 2020.

### **Report on Internal Control Over Compliance**

Management of SAWS is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered SAWS' internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of SAWS' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Purpose of this Report**

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

## Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance

We have audited the financial statements of the business-type activities and the aggregate remaining fund information of San Antonio Water System, as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise San Antonio Water System's basic financial statements. We issued our report thereon dated March 31, 2021, which contained unmodified opinions on the financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.

*Baker Tilly US, LLP*

Austin, Texas  
March 31, 2021

**SAN ANTONIO WATER SYSTEM  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED DECEMBER 31, 2020**

<u>Federal Grantor/Pass-Through/Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Program/ Grant Number</u>	<u>Total Program/ Grant Award</u>	<u>Expenditures</u>
Environmental Protection Agency				
Pass Through:				
Texas Water Development Board				
Clean Water State Revolving Fund Cluster				
Capitalization Grants for State Revolving Funds (Clean Water State Revolving Fund)				
Series 2010A Junior Lien Revenue and Refunding Bonds	66.458	L090013	\$ 17,930,000	\$ -
Series 2012 Junior Lien Revenue Bonds	66.458	L110061	19,630,000	-
Drinking Water State Revolving Fund Cluster				
Capitalization Grants for State Revolving Funds (Drinking Water State Revolving Fund)				
Series 2013C Junior Lien Revenue Bonds	66.468	L1000196	26,370,000	-
Series 2014D Junior Lien Revenue Bonds	66.468	L1000303	22,400,000	-
Series 2015A Junior Lien Revenue Bonds	66.468	L1000354	75,920,000	-
Series 2016D Junior Lien Revenue Bonds	66.468	L1000547	12,500,000	-
Series 2018B Junior Lien Revenue Bonds	66.468	L1000652	10,500,000	577,786
Series 2019B Junior Lien Revenue Bonds	66.468	L1000887	33,550,000	11,796,445
Series 2020D Junior Lien Revenue Bonds	66.468	L1001135	11,805,000	99,889
 Total Expenditures of Federal Awards				 \$ 12,474,119



## SAN ANTONIO WATER SYSTEM

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended December 31, 2020

1. The accompanying schedule of expenditures of federal awards includes the federal grant activity of the San Antonio Water System (System) and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the financial statements.
  
2. The System is indebted to the Texas Water Development Board (TWDB) as a result of issuance of the City of San Antonio, Texas Water System Junior Lien Revenue and Refunding Bonds, Series 2010A; and Junior Lien Revenue Bonds, Series 2012, 2013C, 2014D, 2015A, 2016D, 2018B, 2019B, and 2020D. The bonds were sold under the federal cross cutter program for financing qualified System improvements related to wastewater, recycled water, and water delivery systems. The amounts reflected in the Schedule of Expenditures of Federal Awards (the "Schedule") represents expenditures incurred during the year ended December 31, 2020. The following table contains information about these bonds.

Bond	Federal CFDA Number	Interest Rate	Term Annual Maturities Through	Outstanding Balance at December 31, 2020 (Amounts in Thousands)
Series 2010A Junior Lien Bonds*	66.458	0.00% – 3.31%	May 15, 2040	\$ 0
Series 2012 Junior Lien Bonds	66.458	0.00% – 1.85%	May 15, 2042	14,950
Series 2013C Junior Lien Bonds	66.468	0.00% – 2.74%	May 15, 2033	17,870
Series 2014D Junior Lien Bonds	66.468	0.00% – 1.96%	May 15, 2034	16,085
Series 2015A Junior Lien Bonds	66.468	0.00% – 1.97%	May 15, 2045	65,015
Series 2016D Junior Lien Bonds	66.468	0.00% – 1.53%	May 15, 2046	11,180
Series 2018B Junior Lien Bonds	66.468	0.43% – 1.83%	May 15, 2048	9,915
Series 2019B Junior Lien Bonds	66.468	0.00% – 0.73%	May 15, 2049	29,780
Series 2020D Junior Lien Bonds	66.468	0.00% – 0.27%	May 15, 2050	11,805

\*Series 2010A Junior Lien Bonds were refunded in 2020

3. Of the federal expenditures presented in the Schedule, SAWS did not provide any federal awards to any subrecipients.
  
4. SAWS has elected to not use the 10 percent de minimis indirect cost rate allowed under the Uniform Guidance.

# SAN ANTONIO WATER SYSTEM

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended December 31, 2020

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### SECTION I – SUMMARY OF AUDITORS' RESULTS

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#### *FINANCIAL STATEMENTS*

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP: *unmodified*

Internal control over financial reporting:

- > Material weakness(es) identified?      \_\_\_\_\_ yes        x   no
- > Significant deficiency(ies) identified?      \_\_\_\_\_ yes        x   none reported

Noncompliance material to financial statements noted?

\_\_\_\_\_ yes        x   no

#### *FEDERAL AWARDS*

Internal control over major program:

- > Material weakness(es) identified?      \_\_\_\_\_ yes        x   no
- > Significant deficiency(ies) identified?      \_\_\_\_\_ yes        x   none reported

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

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

\_\_\_\_\_ yes        x   no

Auditee qualified as low-risk auditee?

  x   yes      \_\_\_\_\_ no

Identification of major federal program:

CFDA Number

Name of Federal Program

66.468

Capitalization Grants for Drinking Water State Revolving Funds

Dollar threshold used to distinguish between type A and type B programs:

          \$750,000

**SAN ANTONIO WATER SYSTEM**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2020

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**SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***

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None noted.

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**SECTION III – FEDERAL AWARDS FINDINGS AND QUESTIONED COSTS**

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None noted.

## **MANAGEMENT REPRESENTATIONS**



March 31, 2021

Baker Tilly US, LLP  
2801 Via Fortuna, Suite 300  
Austin, TX 78746

We are providing this letter in connection with your audits of the basic financial statements of the San Antonio Water System, a component unit of the City of San Antonio, Texas ("SAWS"), including SAWS Fiduciary Funds as of December 31, 2020 and 2019 and for the years then ended for the purpose of expressing opinions as to whether the financial statements present fairly, in all material respects, the financial position of SAWS and the respective changes in financial position and cash flows, where applicable, in conformity with accounting principles generally accepted in the United States of America. We confirm that we are responsible for the fair presentation of the previously mentioned financial statements in conformity with accounting principles generally accepted in the United States of America. We are also responsible for adopting sound accounting policies, establishing and maintaining internal control over financial reporting, and preventing and detecting fraud.

Certain representations in this letter are described as being limited to matters that are material. Items are considered material, regardless of size, if they involve an omission or misstatement of accounting information that, in the light of surrounding circumstances, makes it probable that the judgment of a reasonable person relying on the information would be changed or influenced by the omission or misstatement. An omission or misstatement that is monetarily small in amount could be considered material as a result of qualitative factors.

We confirm, to the best of our knowledge and belief, the following representations made to you during your audits.

*Financial Statements*

1. We have fulfilled our responsibilities, as set out in the terms of the audit engagement letter.
2. The financial statements referred to above are fairly presented in conformity with accounting principles generally accepted in the United States of America and include all properly classified funds and other financial information of the primary government and all funds required by accounting principles generally accepted in the United States of America to be included in the financial reporting entity.
3. We acknowledge our responsibility for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.
4. We acknowledge our responsibility for the design, implementation, and maintenance of internal control to prevent and detect fraud.
5. Significant assumptions we used in making accounting estimates, if any, are reasonable.
6. Related party relationships and transactions, including revenues, expenditures/expenses, loans, transfers, leasing arrangements, and guarantees, and amounts receivable from or payable to related parties have been appropriately accounted for and disclosed in accordance with the requirements of accounting principles generally accepted in the United States of America.

7. All events subsequent to the date of the financial statements and for which accounting principles generally accepted in the United States of America require adjustment or disclosure have been adjusted or disclosed. No other events, including instances of noncompliance, have occurred subsequent to the balance sheet date and through the date of this letter that would require adjustment to or disclosure in the aforementioned financial statements or in the schedule of findings and questioned costs.
8. All material transactions have been recorded in the accounting records and are reflected in the financial statements and the schedule of expenditures of federal awards.
9. The effects of all known actual or possible litigation, claims, and assessments have been accounted for and disclosed in accordance with accounting principles generally accepted in the United States of America.
10. Guarantees, whether written or oral, under which SAWS is contingently liable, if any, have been properly recorded or disclosed.

*Information Provided*

11. We have provided you with:
  - a. Access to all information, of which we are aware, that is relevant to the preparation and fair presentation of the financial statements, such as financial records and related data, documentation, and other matters and all audit or relevant monitoring reports, if any, received from funding sources.
  - b. Additional information that you have requested from us for the purpose of the audit.
  - c. Unrestricted access to persons within the entity from whom you determined it necessary to obtain audit evidence.
  - d. Minutes of the meetings of Board of Trustees or summaries of actions of recent meetings for which minutes have not yet been prepared.
12. We have disclosed to you results of our assessment of the risk that the financial statements may be materially misstated as a result of fraud.
13. We have no knowledge of any fraud or suspected fraud that affects the entity and involves:
  - a. Management,
  - b. Employees who have significant roles in internal control, or
  - c. Others where the fraud could have a material effect on the financial statements.
14. We have no knowledge of any allegations of fraud or suspected fraud affecting the entity received in communications from employees, former employees, regulators, or others.
15. We have no knowledge of known instances of noncompliance or suspected noncompliance with provisions of laws, regulations, contracts, or grant agreements, or abuse, whose effects should be considered when preparing financial statements other than those disclosed to you.
16. We have disclosed to you the identity of the entity's related parties and all the related-party relationships and transactions of which we are aware.
17. We have provided all water supply agreements, have analyzed such agreements and concluded that reporting as commitments under U.S. GAAP is appropriate.

*Other*

18. There have been no communications from regulatory agencies concerning noncompliance with, or deficiencies in, financial reporting practices.

19. We have taken timely and appropriate steps to remedy any fraud, noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that you have reported to us.
20. We have a process to track the status of audit findings and recommendations.
21. We have identified to you any previous financial audits, attestation engagements, and other studies related to the audit objectives and whether related recommendations have been implemented.
22. We have provided our views on reported findings, conclusions, and recommendations, as well as our planned corrective actions, for our (your) report.
23. SAWS has no plans or intentions that may materially affect the carrying value or classification of assets, liabilities, or net position.
24. We are responsible for compliance with federal, state, and local laws, regulations, and provisions of contracts and grant agreements applicable to us, including tax or debt limits, debt contracts, and IRS arbitrage regulations; and we have identified and disclosed to you all federal, state, and local laws, regulations and provisions of contracts and grant agreements that we believe have a direct and material effect on the determination of financial statement amounts or other financial data significant to the audit objectives, including legal and contractual provisions for reporting specific activities in separate funds.
25. There are no:
  - a. Violations or possible violations of budget ordinances, federal, state, and local laws or regulations (including those pertaining to adopting, approving and amending budgets), provisions of contracts and grant agreements, tax or debt limits, and any related debt covenants whose effects should be considered for disclosure in the financial statements or as a basis for recording a loss contingency, or for reporting on noncompliance, except those already disclosed in the financial statement, if any.
  - b. Other liabilities or gain or loss contingencies that are required to be accrued or disclosed by accounting principles generally accepted in the United States of America.
  - c. Rates being charged to customers other than the rates as authorized by the applicable authoritative body.
  - d. Violations of restrictions placed on revenues as a result of bond resolution covenants such as revenue distribution or debt service funding.
26. SAWS has satisfactory title to all owned assets, and there are no liens or encumbrances on such assets nor has any asset been pledged as collateral.
27. SAWS has complied with all aspects of contractual agreements that would have a material effect on the financial statement in the event of noncompliance.
28. The financial statements properly classify all funds and activities.
29. Components of net position (net investment in capital assets; restricted; and unrestricted) are properly classified and, if applicable, approved.

30. We believe that we have properly identified all derivative instruments and any embedded derivative instruments that require bifurcation. SAWS' hedging activities, if any, are in accordance with its documented and approved hedging and risk management policies. SAWS follows the valuation, accounting, reporting and disclosure requirements outlined in GASB Statement No. 53. We believe the timing, nature, and amounts of all forecasted transactions are probable of occurring. The fair values of all derivatives and hedged items have been determined based on prevailing market prices or by using financial models that we believe are the most appropriate models for valuing such instruments and that incorporate market data and other assumptions that we have determined to be reasonable and appropriate at year end.
31. Provisions for uncollectible receivables, if any, have been properly identified and recorded.
32. Interfund, internal, and intra-entity activity and balances have been appropriately classified and reported.
33. Deposits and investments are properly classified, valued, and disclosed (including risk disclosures, collateralization agreements, valuation methods, and key inputs, as applicable).
34. Provision, when material, has been made to reduce excess or obsolete inventories to their estimated net realizable value.
35. Capital assets, including infrastructure and intangible assets, are properly capitalized, reported, and, if applicable, depreciated/amortized. Any known impairments have been recorded and disclosed.
36. Tax-exempt bonds issued have retained their tax-exempt status.
37. We have appropriately disclosed SAWS' policy regarding whether to first apply restricted or unrestricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position are available and have determined that net position were properly recognized under the policy. We have also disclosed our policy regarding which resources (that is, restricted, committed, assigned or unassigned) are considered to be spent first for expenditures for which more than one resource classification is available.
38. We acknowledge our responsibility for the required supplementary information (RSI). The RSI is measured and presented within prescribed guidelines and the methods of measurement and presentation have not changed from those used in the prior period. We have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the RSI.
39. With respect to the supplementary information, (SI):
  - a. We acknowledge our responsibility for presenting the SI in accordance with accounting principles generally accepted in the United States of America, and we believe the SI, including its form and content, is fairly presented in accordance with accounting principles generally accepted in the United States of America. The methods of measurement and presentation of the SI have not changed from those used in the prior period, and we have disclosed to you any significant assumptions or interpretations underlying the measurement and presentation of the supplementary information.
  - b. If the SI is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the supplementary information no later than the date we issue the supplementary information and the auditor's report thereon.
40. We assume responsibility for, and agree with, the findings of specialists in evaluating the pension plans and other postemployment net liabilities, self-insurance program and arbitrage rebate liability and have adequately considered the qualifications of the specialists in determining the amounts and disclosures used in the financial statements and underlying accounting records. We did not give or cause any instructions to be given to specialists with respect to the values or amounts derived in an attempt to bias their work, and we are not otherwise aware of any matters that have had impact on the independence or objectivity of the specialists.



41. We have implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, and believe that all liabilities, deferred outflows and deferred inflows have been identified and properly classified in the financial statements and any other required classifications and RSI have been computed in compliance with the Standard.
42. We are responsible for the estimation methods and assumptions used in measuring assets and liabilities reported or disclosed at fair value, including information obtained from brokers, pricing services or third parties. Our valuation methodologies have been consistently applied from period to period. The fair value measurements reported or disclosed represent our best estimate of fair value as the measurement date in accordance with the requirements of GASB Statement No. 72 – *Fair Value Measurement*. In addition our disclosures related to fair value measurements are consistent with the objectives outlined in GASB Statement No. 72. We have evaluated the fair value information provided to us by brokers, pricing services or other parties that has been used in the financial statements and believe this information to be reliable and consistent with the requirements.
43. We have evaluated and identified any legally enforceable asset retirement obligations. We assume responsibility for measuring the asset retirement obligations. We have adequately determined the amounts and disclosures used in the financial statements and underlying accounting records.
44. All activities that meet the criteria in GASB Statement No. 84 for presentation as fiduciary activities have been identified and presented as such.
45. Any direct borrowings, direct placements, lines of credit or debt default clauses have been identified and properly disclosed.
46. Management has evaluated the effects of Winter Storm Uri and has appropriately disclosed all known financial impacts.
47. With respect to federal award programs:
  - a. We are responsible for understanding and complying with and have complied with the requirements of the Single Audit Act Amendments of 1996, *OMB's Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), including requirements relating to preparation of the schedule of expenditures of federal awards (SEFA).
  - b. We acknowledge our responsibility for presenting the SEFA in accordance with the requirements of the Uniform Guidance and we believe the SEFA, including its form and content, is fairly presented in accordance with the Uniform Guidance. The methods of measurement and presentation of the SEFA have not changed from those used in the prior period and we have disclosed to you any significant assumptions and interpretations underlying the measurement and presentation of the SEFA.
  - c. If the SEFA is not presented with the audited financial statements, we will make the audited financial statements readily available to the intended users of the SEFA no later than the date we issue the SEFA and the auditors' report thereon.
  - d. We have identified and disclosed to you all of our government programs and related activities subject to the Uniform Guidance and included in the SEFA, expenditures made during the audit period for all awards provided by federal agencies in the form of grants, federal cost reimbursement contracts, loans, loan guarantees, property (including donated surplus property), cooperative agreements, interest subsidies, insurance, food commodities, direct appropriations, and other direct assistance.

- e. We are responsible for understanding and complying with, and have complied with the requirements of laws, regulations, and the provisions of contracts and grant agreements related to each of our federal programs and have identified and disclosed to you the requirements of laws, regulations, and the provisions of contracts and grant agreements that are considered to have a direct and material effect on each major federal program.
- f. We are responsible for establishing and maintaining, and have established and maintained, effective internal control over compliance for federal programs that provide reasonable assurance that we are administering our federal awards in compliance with laws, regulations, and the provisions of contracts and grant agreements that could have a material effect on our federal programs. We believe the internal control system is adequate and is functioning as intended. Also, no changes have been made in the internal control over compliance or other factors to the date of this letter that might significantly affect internal control, including any corrective action taken with regard to control deficiencies reported in the schedule of findings and questioned costs.
- g. We have made available to you all contracts and grant agreements (including amendments, if any) and any other correspondence with federal agencies or pass-through entities relevant to the programs and related activities.
- h. We have received no requests from a federal agency to audit one or more specific programs as a major program.
- i. We have complied with the direct and material compliance requirements including when applicable, those set forth in the OMB Compliance Supplement relating to federal.
- j. We have disclosed any communications from grantors and pass-through entities concerning possible noncompliance with the direct and material compliance requirements, including communications received from the end of the period covered by the compliance audit to the date of the auditors' report.
- k. Amounts claimed or used for matching were determined in accordance with relevant guidelines in the Uniform Guidance.
- l. We have disclosed to you our interpretation of compliance requirements that may have varying interpretations.
- m. We have made available to you all documentation related to the compliance with the direct and material compliance requirements, including information related to federal program financial reports and claims for advances and reimbursements.
- n. We have disclosed to you the nature of any subsequent events that provide additional evidence about conditions that existed at the end of the reporting period affecting noncompliance during the reporting period.
- o. We are not aware of any instances of noncompliance with direct and material compliance requirements that occurred subsequent to the period covered by the auditors' report.
- p. No changes have been made in internal control over compliance or other factors that might significantly affect internal control subsequent to the date as of which compliance was audited.
- q. Federal program financial reports and claims for advances and reimbursements are supported by the books and records from which the financial statements have been prepared.
- r. The copies of federal program financial reports provided you are true copies of the reports submitted, or electronically transmitted, to the respective federal agency or pass-through entity, as applicable.

- s. We have charged costs to federal awards in accordance with applicable cost principles.
- t. We are responsible for and have accurately prepared the summary schedule of prior audit findings to include all findings required to be included by the Uniform Guidance and we have provided you with all information on the status of the follow-up on prior audit findings by federal awarding agencies and pass-through entities, including all management decisions.
- u. We are responsible for and have accurately prepared the auditee section of the Data Collection Form as required by the Uniform Guidance.
- v. We are responsible for preparing and implementing a corrective action plan for each audit finding.

Sincerely,

San Antonio Water System

Signed:  \_\_\_\_\_

Robert R. Puente, President/Chief Executive Officer

Signed:  \_\_\_\_\_

Doug Evanson, Sr. Vice President/Chief Financial Officer

Signed:  \_\_\_\_\_

Cecilia Velasquez, Director of Financial Services/Controller