Integrity  Innovative  Collaborative  Professional  Responsive  Respectful  Ethical  Transparent  Customer first!  Effective & efficient

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CAFR
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended September 30, 2016

FY 2016
County of El Paso, Texas

PRIDE = Professional • Results • Innovation • Dedication • Ethical
COUNTY OF EL PASO

2016 Comprehensive Annual Financial Report
(CAFR UPDATE)
April 10, 2017

Prepared by:
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and County Auditor’s Staff
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OVERVIEW

Items for Discussion:

1. External Audit Results-Gibson, Ruddock, Patterson, LLC (GRP)
2. Entity-wide Financials (What’s Changed)
3. Entity-Wide Statements
4. FY 2016 GF Fund Balance Analysis
5. Revenue Estimate Variances–General Fund
6. Appropriation Variances-General Fund
7. Revenue/Sources – General Fund
8. Expenditures/Uses – General Fund
9. Trends, Past and Future
10. Impacts for future years
External Audit Results

External Auditor’s Opinion Letter

- No Significant Audit Findings
- Management Letter Comments

Prior Year Comment:

- TCDRS-Observation-employee's gender and age information did not agree
- Status-The 2014 Census Report had three instances in which the names did not agree exactly with the 2014 Census Report.

2015 Census DATA Report-discrepancies-gender and age differences to be corrected-reflected in 2016 Census Report

Current Year Comments

- Observation-OMB Compliance Supplement (Davis-Bacon Act), contracts under CDBG federal program, sample of contracts/sub-contractors included Wage Rate Requirement elements, but did not make specific reference to the Wage Rate or Davis Bacon requirements

Recommendation-contracts with subcontractors include specific language referencing the Wage Rate or Davis Bacon requirements to ensure compliance with this requirement.
Entity-Wide Statements

- **Net Position**
  - Assets and deferred outflows of resources (Governmental and business type activities) exceeded liabilities and deferred inflows by $38.6 Million
  - Total Net Position increased by $83.8 Million or (185.29) %.
  - Gain in net position attributed to 2\textsuperscript{nd} year continued implementation of GASB 68 and significantly due to the change in actuarial valuations of pension liability.
Entity-Wide Statements

FY2016 Compared to FY2015

- **Assets and Deferred Outflows of Resources:**
  - Assets = $484.9M → $1.5 M or .32%.
  - Deferred Outflows = $99.2 M → $67.5 M or 213.4%

- **Liabilities and Deferred Inflows of Resources:**
  - Liabilities = $541 M → ($18.8) M or (3.36)%.
    - ($223.1 Mil relates to Net Pension Liability vs $233.8 in FY2015, Decrease of ($10.7) M or (4.59)%)  
  - Deferred Inflows = $4.4, → $4.1 M or 1,310.6%
    - (Mainly attributed to Pension)
Entity-Wide Statements

FY2016 Compared to FY2015

Net Position:

- Total Net = $38.6 M ↑ $83.8 M or (185.29)%.
- Investment in Capital Asset (net of Debt) = $66.4M ↑ $10.2 M or 18.23% (due project completions)
- Restricted Net Position = $73.3M ↓ ($12.8)M or (14.89)%.
  - CP=$44.8M, SR=$27.9M, ET=$185.3K and DS=$298.4K
- Unrestricted = ($101.1)M up from ($187.5)M in FY15 or an increase of $86.4 Mil
Entity-Wide Statements

Compared to FY2015

- **Total Program & General Revenues**
  - **Total Revenue** = $326.6M, $13.3M or 4.23%.
    - Program Rev = a net $97.9M, $8.1M or 8.99%.
      - (Charges for Services, Operating and Capital Grants and Contribution)
    - General Rev = $228.8M, $5.2M or 2.32%.
      - (Property Taxes, Other Taxes and Other Rev)
  - **Total Expense** = $242.3M, $74.4M or 23.49%.

- **Total Expense (Excluding Pension Adjustment)**
  - Expense = $311.8M, $7.7M or 2.54%
Entity-Wide Statements

- Prior Period Adjustments = ($552.4K)
  - Governmental Activities = ($552.4)M
  - Business-Type Activities = $0
  (Comparative total PPA in 2015 = ($190.8) Mil.

- Net Position = $38.6M
  - Governmental Activities = $28.8M, an increase of $86.6 Mil in comparison to ($55.7M) in FY15
  - Business-Type Activities = $9.8M, a decrease of ($225.4K) in comparison to $10.4M in FY15
FY 2016 General Fund Fund Balance Analysis

General Fund- Fund Balance

FY 2016 Beginning balance $60.8M

- Revenues and Transfers-In
  (Incr. $13.2 mil or 5.38%) $258.4M

- Expenditures, Transfers-Out
  (Increase $7.9 mil or 3.4%) ($243.4M) $15.4M

- Adjustments: (Capital Leases/PP Adj, Chg in Inv.,)
  (Net Change in Fund Balance) ($630K) $14.77M

FY 2016 Ending balance $75.6M
General Fund
Components of Fund Balance
by Fiscal Year

<table>
<thead>
<tr>
<th>Year</th>
<th>Unassigned (Thousands)</th>
<th>Assigned (Thousands)</th>
<th>Nonspendable (Thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>$26,764</td>
<td>$5,824</td>
<td>$5</td>
</tr>
<tr>
<td>2011</td>
<td>$35,058</td>
<td>$11,521</td>
<td>$13</td>
</tr>
<tr>
<td>2012</td>
<td>$38,318</td>
<td>$11,939</td>
<td>$15</td>
</tr>
<tr>
<td>2013</td>
<td>$35,673</td>
<td>$14,142</td>
<td>$10</td>
</tr>
<tr>
<td>2014</td>
<td>$33,221</td>
<td>$17,685</td>
<td>$6</td>
</tr>
<tr>
<td>2015</td>
<td>$45,162</td>
<td>$15,602</td>
<td>$10</td>
</tr>
<tr>
<td>2016</td>
<td>$16,649</td>
<td>$58,922</td>
<td>$5</td>
</tr>
</tbody>
</table>

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Revenue Estimate Variances—General Fund

<table>
<thead>
<tr>
<th>General Fund Revenue</th>
<th>FY2016 Revenue Estimate</th>
<th>FY2016 Actuals</th>
<th>Variances</th>
<th>Variance as % of Estimate</th>
<th>Variance as % of Total Variance</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Revenues</td>
<td>$197,929,484</td>
<td>$199,858,858</td>
<td>$1,929,374</td>
<td>0.97%</td>
<td>19.90%</td>
</tr>
<tr>
<td>Licenses and Permits</td>
<td>$245,000</td>
<td>$246,993</td>
<td>$1,993</td>
<td>0.81%</td>
<td>0.02%</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>$4,686,567</td>
<td>$5,081,094</td>
<td>$394,527</td>
<td>8.42%</td>
<td>4.07%</td>
</tr>
<tr>
<td>Charges for Services</td>
<td>$37,621,793</td>
<td>$43,911,913</td>
<td>$6,290,120</td>
<td>16.72%</td>
<td>64.88%</td>
</tr>
<tr>
<td>Fines and Forfeitures</td>
<td>$5,003,000</td>
<td>$5,382,249</td>
<td>$379,249</td>
<td>7.58%</td>
<td>3.91%</td>
</tr>
<tr>
<td>Interest Earnings</td>
<td>$100,000</td>
<td>$318,139</td>
<td>$218,139</td>
<td>218.14%</td>
<td>2.25%</td>
</tr>
<tr>
<td>Miscellaneous Revenues</td>
<td>$2,098,450</td>
<td>$2,357,381</td>
<td>$258,931</td>
<td>12.34%</td>
<td>2.67%</td>
</tr>
<tr>
<td>Other Financing Sources</td>
<td>$1,005,000</td>
<td>$1,228,204</td>
<td>$223,204</td>
<td>22.21%</td>
<td>2.30%</td>
</tr>
<tr>
<td><strong>Total revenues and other sources</strong></td>
<td><strong>$248,689,294</strong></td>
<td><strong>$258,384,831</strong></td>
<td><strong>$9,695,537</strong></td>
<td><strong>3.90%</strong></td>
<td><strong>100.00%</strong></td>
</tr>
</tbody>
</table>

**Total Net Variance excluding Fed Prisoner revenue $5,766,790**

Note: Actual revenues exceeded the 2016 Revenue Estimate of $248.7M by $9.7M or approximately 3.90% (1.68% excluding Fed Prisoner Revenues)
Favorable appropriation variances were experienced in all functions of the County’s general fund.

Overall favorable appropriation variances totaled $22.2M which represents 8.39% of the adopted general fund budget with carryover.

Favorable Variances represent budgetary savings, cost reduction and/or avoidance and continues to be a SIGNIFICANT contributing FACTOR to stabilization of fund balance reserves.
General Fund Appropriations, Expenditures and Variances
(Amounts in Millions)

- Total Approp.: $22.22
- Transfers out: $3.01
- Capital: $0.51
- Operating: $9.10
- Personnel: $9.60
- Variances: $191.00
- Actual Expenditure: $45.13
- Final Appropriation: $200.61

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Appropriation Variances-General Fund

General Fund Appropriation Variance $22.22 Mil. or 8.39% (Amounts in Millions)

- Transfers out, $3.01, 13.56%
- Capital, $0.51, 2.29%
- Operating, $9.10, 40.93%
- Personnel, $9.60, 43.22%
Revenue Sources—General Fund

General Fund Revenues

- Tax Revenues, $199,858,858, 77.35%
- Licenses and Permits, $246,993, 0.10%
- Charges for Services, $43,911,913, 16.99%
- Intergovernmental, $5,081,094, 1.97%
- Fines and Forfeitures, $5,382,249, 2.08%
- Miscellaneous Revenues, $2,357,381, 0.91%
- Other Financing Sources, $1,228,204, 0.48%
- Interest Earnings, $318,139, 0.12%

Taxes = Property $152.6M, Sales $44.8M, Other $2.4M

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Expenditures – General Fund

General Fund Expenditures

- Administration of Justice, $58,327,167, 23.99%
- Public Safety, $109,799,208, 45.17%
- General Government, $55,525,646, 22.84%
- Other Financing Uses, $6,727,922, 2.77%
- Health and Welfare, $7,779,818, 3.20%
- Public Works, $108,205, 0.04%
- Culture and Recreation, $4,230,559, 1.74%
- Resource Development, $343,077, 0.14%
- Capital Outlays, $253,040, 0.10%

Expenditures
- General Fund

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Trends, Past and Future

County Auditor's Financial Forecast
As of March 31, 2017 (Unaudited)

Note: Projections include uncertified non-tax revenues and known unfunded projected expenditure impacts due to new facilities in future years, if any. FY2018 and beyond, appraisal roll growth is projected at 2% and expenditures growth is capped at 5%.
Impacts for future years

- Actively monitor economic impacts on revenue trends and possible future negative/positive legislative impacts. (Tax Caps/No C.O. Debt?)
- Continually assess revenue enhancement to collect current and past assessments.
- Work with project managers to ensure timely use of existing bond proceeds for eligible projects.
- Continue financial updates to Comm. Court (Neubrain Forecasting Implementation-monthly revenue forecasting updates in FY2017)
- Continue implementation of ERP (Financial, Oct. 2016, HR-April transitioning and Payroll-July 2017 Go-Live)
Impacts for future years

- **GASB 68**
  - While the in 2015 the CAFR appeared to show the County was financially weaker, the FY2016 CAFR depicts an overall gain of $83.8 Million.
  - Counties are encouraged to establish a formal funding policy separate from financial reporting calculations.
  - Incorporate a Fringe Benefits Funding Policy into the County’s Financial Policies.
  - Pursuant to State law, employers participating in the system must pay 100% of their actuarially determined required contributions on an annual basis which TCDRS will continue to provide and **ADJUST** at the participant county’s direction.
Comments and Questions