CAFR
COMPREHENSIVE ANNUAL FINANCIAL REPORT
For the Fiscal Year Ended September 30, 2018
FY 2018
County of El Paso, Texas

Building on our legacy, illuminating innovation, succeeding beyond borders.
est. 1850
COUNTY OF EL PASO

2018 Comprehensive Annual Financial Report
(CAFR UPDATE)
May 6, 2019

Prepared by:
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and County Auditor’s Staff
El Paso County Courthouse Building
800 East Overland Street, Room 406
El Paso, TX 79901
www.epcounty.com
OVERVIEW

Directly linked to the County Strategic Plan

Goal 1 - Financially Sound County Government

Items for Discussion:

1. External Audit Results-Gibson, Ruddock, Patterson, LLC (GRP)
2. Entity-wide Financials (What’s Changed)
3. FY 2018 GF Fund Balance Analysis
4. Revenue Estimate Variances–General Fund
5. Appropriation Variances-General Fund
6. Revenue/Sources – General Fund
7. Expenditures/Uses – General Fund
8. Trends, Past and Future
9. Impacts for future years
External Audit Results

External Auditor’s Opinion Letter

- No Significant Audit Findings
- Management Letter Comments

Prior Year Comment:

Cash Receipts – Tax Office

1. Observation: In three instances, we noted that the daily cash deposit record was not signed by a second individual from the Ysleta branch tax office.

Status: This situation no longer exists.

State Compliance - Investments

2. Observation: Per the Public Funds Investment Act, the governing body shall at least annually, review, revise and adopt a list of qualified brokers that are authorized to engage in investment transactions. Our inquiries and review indicate that Commissioner’s Court approves the County’s Investment Policy each year. However, it appears that the list of brokers was not separately adopted for fiscal year 2017.

Status: This situation was addressed at the beginning of fiscal year 2019
External Audit Results

External Auditor’s Opinion Letter

- Management Letter Comments
  Current Year Comments

Other Post-employment Benefits (OPEB)

1. Observation: While performing procedures to substantiate the various components related to the Other Post-employment Benefit amounts reported, it was noted that the claims invoices from the third-party administrator lacked specific details.

Recommendation: We recommend that management request detailed invoices from the third-party administrator which distinguish between claims from active employees and retirees which would allow for additional review and control procedures to be performed on a monthly basis.
External Audit Results

External Auditor’s Opinion Letter
- Management Letter Comments

Current Year Comments-Continued

**Procurement**

2. Observation: While performing our tests over the procurement system, it was noted that in one instance, the transcription and translation services provided by one vendor were not procured using a proper procurement method.

**Recommendation:** To ensure compliance with State requirements, we recommend additional training related to procurement requirements be provided to the appropriate personnel.
Entity-Wide Statements

- **Net Position**
  - Assets and deferred outflows of resources (Governmental and business type activities) exceeded liabilities and deferred inflows by $85.2 Million.
  - Total Net Position increased by $61.9 Million or 265.24%.
  - Increase in net position attributed to 4th year continued implementation of GASB 68 and the first year implementation of GASB 75 and significantly due to the change in actuarial valuations of pension and OPEB liability.
Entity-Wide Statements

Net Position (Graphic of 3 Year Trend)

El Paso County Net Position
September 30, 2018 with comparative 2017 and 2016

- Net Invested in capital assets: $66.37, $66.07, $73.28, $77.56
- Restricted: $63.39, $71.32
- Unrestricted: $38.58, $23.31
- Total Fund Balance: $23.31, ($49.55), ($120.32), $85.16
## FY 2018 General Fund Fund Balance Analysis

**General Fund - Fund Balance**

<table>
<thead>
<tr>
<th>Description</th>
<th>FY 2018 Ending balance</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2018 Beginning balance</td>
<td>$83.07M</td>
</tr>
<tr>
<td><strong>Revenues and Transfers-In</strong></td>
<td>$272.2M</td>
</tr>
<tr>
<td>(Incr. $7.1 mil or 2.69%)</td>
<td></td>
</tr>
<tr>
<td><strong>Expenditures, Transfers-Out</strong></td>
<td>($268.7M)</td>
</tr>
<tr>
<td>(Increase $11.1 mil or 4.30%)</td>
<td></td>
</tr>
<tr>
<td><strong>Adjustments:</strong></td>
<td>($39.9)K</td>
</tr>
<tr>
<td>(Cap. Leases/PP Adj., Chg. in Inv.,)</td>
<td></td>
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<tr>
<td>(Net Change in Fund Balance)</td>
<td>$3.43M</td>
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</tbody>
</table>

**FY 2018 Ending balance** $86.50M
Revenue Estimate Variances—General Fund

<table>
<thead>
<tr>
<th>General Fund Revenue</th>
<th>FY2018 Revenue Estimate</th>
<th>FY2018 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>$214,893,048</td>
<td>$216,665,954</td>
<td>$1,772,906</td>
<td>0.83%</td>
<td>18.63%</td>
</tr>
<tr>
<td>Licenses and Permits</td>
<td>$247,650</td>
<td>$275,230</td>
<td>$27,580</td>
<td>11.14%</td>
<td>0.29%</td>
</tr>
<tr>
<td>Intergovernmental</td>
<td>$6,200,852</td>
<td>$6,175,410</td>
<td>($25,442)</td>
<td>-0.41%</td>
<td>-0.27%</td>
</tr>
<tr>
<td>Charges for Services</td>
<td>$32,179,393</td>
<td>$39,169,131</td>
<td>$6,989,738</td>
<td>21.72%</td>
<td>73.45%</td>
</tr>
<tr>
<td>Fines and Forfeitures</td>
<td>$5,668,580</td>
<td>$4,941,912</td>
<td>($726,668)</td>
<td>-12.82%</td>
<td>-7.64%</td>
</tr>
<tr>
<td>Interest Earnings</td>
<td>$1,370,250</td>
<td>$1,914,202</td>
<td>$543,952</td>
<td>39.70%</td>
<td>5.72%</td>
</tr>
<tr>
<td>Miscellaneous Revenues</td>
<td>$1,136,830</td>
<td>$1,586,275</td>
<td>$449,445</td>
<td>39.53%</td>
<td>4.72%</td>
</tr>
<tr>
<td>Other Financing Sources</td>
<td>$985,000</td>
<td>$1,470,092</td>
<td>$485,092</td>
<td>49.25%</td>
<td>5.10%</td>
</tr>
<tr>
<td><strong>Total revenues and other sources</strong></td>
<td><strong>$262,681,603</strong></td>
<td><strong>$272,198,206</strong></td>
<td><strong>$9,516,603</strong></td>
<td><strong>3.62%</strong></td>
<td><strong>100.00%</strong></td>
</tr>
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</table>

**Total Net Variance excluding Fed Prisoner revenue**: $6,622,640 (1.17%)

Note: Actual revenues exceeded the 2018 Revenue Estimate of $262.7 Mil. by $9.5 Mil. or approximately 3.62% (1.17% when excluding Federal Prisoner Rev. Var.)
Appropriation Variances-General Fund by (In Millions)

- General Govt, $17.75, 54.94%
- Admin of Justice, $3.16, 9.80%
- Public Safety, $3.49, 10.80%
- Health and Welfare, $0.91, 2.83%
- Resource Develop, $0.12, 0.36%
- Culture and Rec, $0.75, 2.32%
- Transfers Out, $3.90, 12.08%
- Capital Outlays, $2.19, 6.79%
- Public Works, $0.03, 0.10%
General Fund Revenue Sources-FY2018 Actuals

- **Tax Revenues**: $216,665,954, 79.60%
- **Other Financing Sources**: $1,470,092, 0.54%
- **Miscellaneous Revenues**: $1,586,275, 0.58%
- **Interest Earnings**: $1,914,202, 0.70%
- **Fines and Forfeitures**: $4,941,912, 1.82%
- **Charges for Services**: $39,169,131, 14.39%
- **Licenses and Permits**: $275,230, 0.10%
- **Intergovernmental**: $6,175,410, 2.27%

**Taxes** = Property $160.5M, Sales $48.4M, Other $7.8M
FY2018 General Fund Taxes Revenues Only as a % of Total Revenue = 79.60%

- Motor Vehicle Sales Tax, $5,151,677, 1.89%
- Sales and Use Tax, $48,353,155, 17.76%
- Bingo, $28,841, 0.01%
- Mixed Beverage, $2,655,423, 0.98%
- Property Taxes, $160,476,858, 58.96%
Trends, Past and Future

County Auditor's Financial Forecast
As of March 31, 2019 (Unaudited)

- Estimated Fund Balance Reserve (DEFICIT)
- Revenues
- Expenditures
- Budgets
- Fund Bal. to Balance Budget
- Estimated Net Change Revenue Over (Under) Expend.
- Estimated Net Change Revenue Over (Under) Expend.
- Fund Balance-Designated Emergency Reserve

Millions (General Fund Only)

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<td></td>
<td>$32</td>
<td>$46</td>
<td>$50</td>
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<td>$51</td>
<td>$61</td>
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<td>$83</td>
<td>$96</td>
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Impacts for future years

- Actively monitor economic impacts on revenue trends and possible future negative/positive legislative impacts. (Tax Caps HB/SB 2 and exposure to restrictive Debt Issuance Legislation)

- 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 and expenditure of unallocated bond funds.

- Continue financial updates to Comm. Court (Neubrain Forecasting Implementation-monthly revenue forecasting and updates in FY2019 as needed for the FY2020 in certifying revenues to the Court)
Impacts for future years

- **GASB 68 and 75**
  - While the FY2018 CAFR depicts an overall rebound of $61.95 Million in comparison to the FY2017 decline of ($14.7) Million, the County will need to monitor such trends as it strives for future balanced budgets.
  - As previously discussed, Counties are encouraged to establish a formal funding policy separate from financial reporting calculations.
  - Continue focus should continue to monitor the County’s Fringe Benefits Funding Policy as part of 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