



# COUNTY OF EL PASO, TEXAS

## 2019 Comprehensive Annual Financial Report (CAFR UPDATE)

### April 23, 2020

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# OVERVIEW

Directly linked to the County Strategic Plan

## Goal 1- Financially Sound County Government

1/2/20 - Received GFOA Certificate of Achievement for Excellence in Financial Reporting for FY18 (30<sup>th</sup> consecutive year awarded)

### Items for Discussion:

1. External Audit Results-Gibson, Ruddock, Patterson, LLP (GRP)
2. Government-wide Financials(Primary Government)
3. General Fund



# External Audit Results

- External Auditor's Opinion Letter - **No Significant Audit Findings**
- Management Letter comments - Prior Year Comments:

## **1. Other Post-employment Benefits (OPEB)**

- **OPEB** – claims invoices from the third-party administrator lacked specific details.
  - This situation no longer exists. The third party administrator began providing a detailed listing of claims paid to retirees in Fiscal year 2019-2020.

## **2. Procurement**

- **Procurement** – in one instance, transcription and translation services provided by one vendor were not procured using a proper procurement method.
  - This situation no longer exists. Transcription and translation services were procured using a cooperative in fiscal year 2019-2020.



# External Audit Results

## ➤ Management Letter comments - Current Year Comments

### **1. Cash Disbursements**

Observation: a number of purchases were made from one company, but the related payments were recorded to two separate active vendors with different EINs.

Recommendation: it is recommended that the vendor file be examined for duplicate and/or expired vendor files and that payments be reviewed for agreement to the appropriate vendor information on the prospective invoice to avoid duplicate payments.

Response: in these instances, there was a direct affiliation between the two vendors, the parent company and wholly owned subsidiary. The parent company is responsible for manufacturing and the subsidiary distribution. The purchase order and related payment were issued to the parent company though the invoice pertained to the subsidiary in one instance. The Auditor's office will coordinate with Purchasing to the purchase order vendor information is reconciled to the respective invoice prior to the start of the payment process in these instances.



# External Audit Results

➤ Management Letter comments - Current Year Comments cont'd.

## **2. Procurement**

a. Observation: it was noted that two contracts had expired approximately three months prior to the award of a new bid which could have resulted in the County's temporary inability to obtain goods or services.

Recommendation: a schedule of contract expiration dates be established along with the date when the procurement process should be started to replace the existing contract.

Response: the services related to this matter were provided by amending one contract and utilization of the month-to-month service option on the other prior to the award of a new bid.



# External Audit Results

## ➤ Management Letter comments - Current Year Comments cont'd.

### 2. Procurement cont'd

b. Observation: the State purchasing laws require that Commissioners Court approve the County's participation in each purchasing cooperative. However, the auditors were not provided with the approval dates and documentation for participation in certain purchasing cooperatives.

Recommendation: That documentation is maintained of the Commissioners Court approval for participation in each purchasing cooperative.

Response: the County's participation in cooperatives has previously been approved by Commissioners Court on an individual cooperative basis for a related purchase. The official approval of certain cooperatives when the County initially began participating in cooperatives could not be located in the Commissioners Court Minutes. The Purchasing Department will present a master list of all known cooperatives, previously approved on an individual purchase basis to commissioners court for their approval. New cooperatives approved thereafter will be added to the master list.





# External Audit Results

➤ Management Letter comments - Current Year Comments cont'd.

## 2. Procurement cont'd

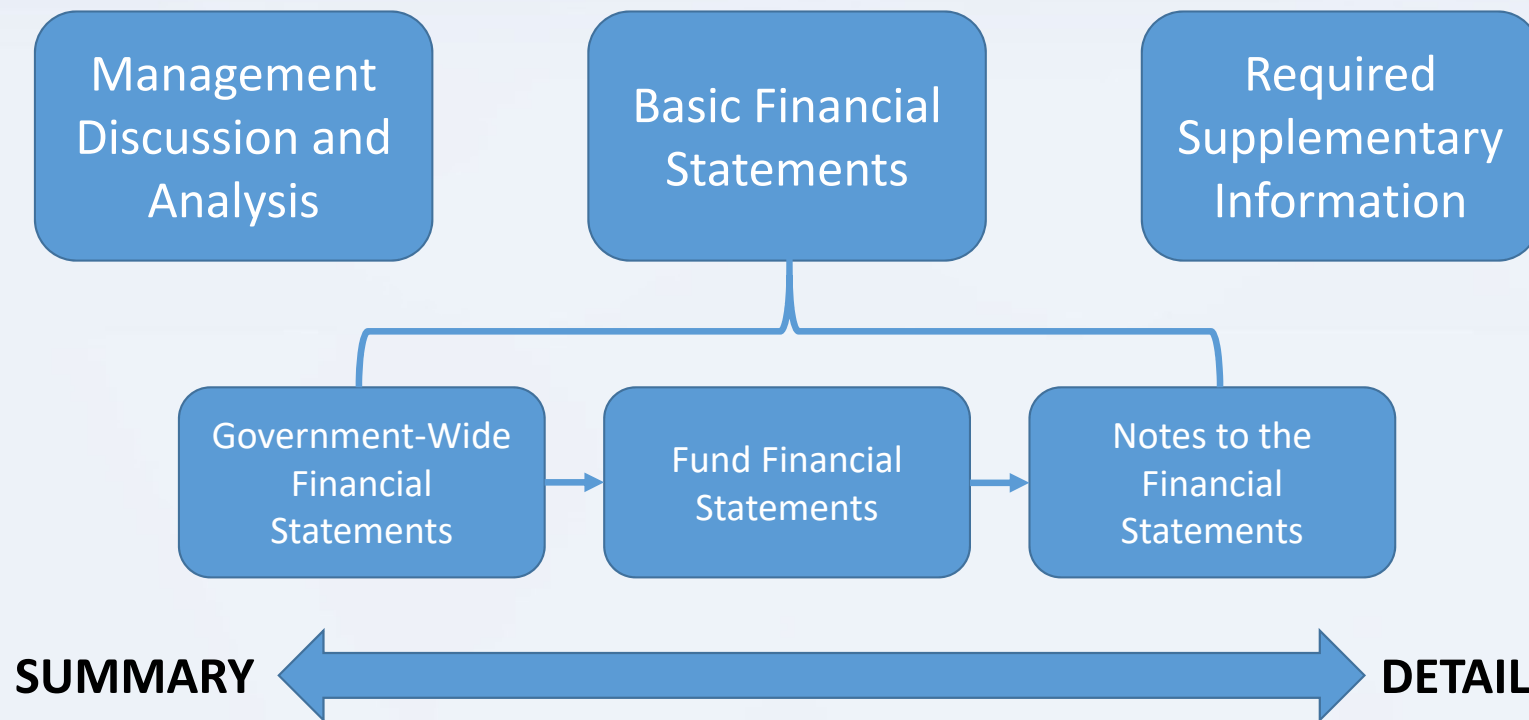
c. Observation: That for three Sole Source vendors, evidence was not provided that the Sole Source determination was properly documented in the Commissioners Court minutes as required by the *Texas Local Government Code §262.024(c)*.

Recommendation: that management ensure appropriate steps are taken to ensure the County is in Compliance with applicable laws related to Sole Source providers.

Response: Vendor Sole Source determination verbiage is now read into the Commissioners Court meeting minutes as part of the sole source approval process. Previously, a signed memo of verification was presented to Commissioners Court as support for the Sole Source determination, but not read into the meeting minutes.



# CAFR Structure







# Government-wide Financials

**Net Position: Total Assets and Deferred Outflows of Resources minus Total Liabilities and Deferred Inflows of Resources**

- Over time, net position serves as indicator of overall financial health
- Net position decreased from \$85.2 million to \$70.8 million
- Total assets and deferred outflows of resources increased by \$48.1 million
- Total liabilities and deferred inflows of resources increased by \$62.4 million; primarily due to an increase in pension liability

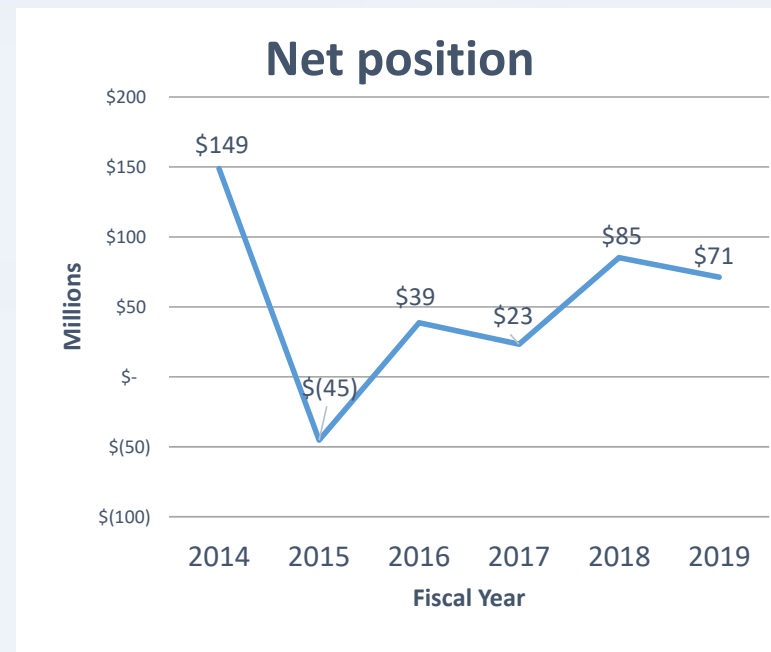


# Government-wide Financials

## GASB Effects on Net Position

GASB Pronouncements that have had significant impact on Net Position.

- 2015 implementation of GASB 68 decrease net position by reporting long term pension liabilities
- 2017 implementation of GASB 75 decreased net position by reporting long-term OPEB liabilities





# Government-wide Financials

## What effects Net Pension Liability

- Net Pension Liability is affected by both actual changes in the pension fund and projected assumptions of future liabilities.
  - Actual changes that affect the liability are:
    - employer/employee contributions,
    - investment earnings, and
    - current payouts.
  - Projected actuarial assumptions (change yearly) based on:
    - projected employee life expectancy,
    - length of service,
    - changes in salary over time, and
    - projected earnings over time.



## General Fund - Fund Balance

The General Fund - Fund Balance increased \$5.6 million; primarily due to an increase in property taxes.

<b>General Fund Balance</b>	<b>2019</b>	<b>2018</b>
Non Spendable	\$13,185	\$10,609
Assigned	2,956,087	4,153,404
Unassigned		
Emergency Reserve	29,365,723	37,945,572
Budget Reserve	51,871,419	37,772,839
Unreserved	7,866,711	6,627,030
Total Unassigned	89,103,853	82,345,441
<b>Total General Fund Balance</b>	<b>\$92,073,125</b>	<b>\$86,509,454</b>



# Governmental Fund Financials

## How did the Fund Balance increase while Net Position decreased?

- Government-wide reporting provides information on current and long term obligations, including capital assets and long-term liabilities – Useful in assessing the County’s overall financial health.
- Governmental Fund reporting provides information on near term inflows, outflows, and balances of spendable resources – Useful in assessing the County’s ability to meet short term requirements.

The County maintains 59 individual governmental funds. The largest governmental fund is the General Fund.



# General Fund Highlights

## Revenue Highlights

- Overall revenues increased by \$13.8 million from the prior year and **\$8.6 million** over final budgeted amount.
- Key increases over budget were in:
  - Ad valorem taxes \$1.7 million or 1.02%, \$10.7 million over prior year actual
  - Sales taxes \$3.2 million or 6.76%, of which \$2.3 million was transferred to debt service as excess sales tax per statute (Tax Code §323.505)
  - Intergovernmental \$1.2 million or 20.30%, and
  - Charges for services \$2.4 million or 6.90%, (Federal prisoner was \$1.6 million or 8.60% over budget), without Fed prisoner \$810K or 4.93%.
- Other revenue categories provide a net increase of \$65.7 thousand





# General Fund Highlights

## Expenditure Highlights

- Overall expenditures increased by \$9.98 million over the prior year.
- Overall expenditures were under budget by \$70.4 million or 20.6%
- Key under budget functions
  - General Government \$53.9 million or 47.5%,
  - Capital outlays (all functions) \$4.9 million or 72.1%,
  - Resource development \$3.5 million or 62.4%,
  - Public safety \$3.7 million or 2.9%, and
  - Administration of justice \$2.6 million or 3.7%.



# General Fund Trend Analysis

## General Fund

### Change over Prior Years

	<u>FY2019</u>	<u>FY2018</u>	<u>FY2017</u>	<u>FY2016</u>
<b>REVENUES</b>				
Taxes	\$13,421,195	\$6,494,603	\$10,312,493	\$5,803,901
Licenses and permits	10,015	16,263	11,974	(10,058)
Intergovernmental revenues	935,222	(258,784)	1,353,100	249,204
Charges for services	(1,303,996)	330,794	(5,073,576)	7,341,466
Fines and Forfeitures	(439,219)	(870,028)	429,691	297,610
Interest	1,120,778	895,491	700,572	205,827
Miscellaneous	23,334	237,553	(1,008,659)	(879,572)
<b>Total Revenues</b>	<u>13,767,329</u>	<u>6,845,892</u>	<u>6,725,595</u>	<u>13,008,378</u>



# General Fund Trend Analysis

## General Fund Change over Prior Years

	FY2019	FY2018	FY2017	FY2016
<b>EXPENDITURES</b>				
General Government	2,861,822	5,883,578	(4,563,328)	10,013,347
Administration of justice	2,745,814	3,673,512	3,643,627	3,159,121
Public safety	1,345,319	3,954,764	9,019,705	(5,663,939)
Health and welfare	337,914	74,950	216,852	(710,122)
Resource development	1,262,899	150,645	384,386	8,787
Culture and recreation	120,881	743,561	1,315,281	591,284
Public works	102,703	51,864	29,096	50,031
Capital outlays	1,198,264	120,517	313,342	89,724
<b>Total expenditures</b>	<b>9,975,616</b>	<b>14,653,391</b>	<b>10,358,961</b>	<b>7,538,233</b>



# General Fund Trend Analysis

## General Fund

### Change over Prior Year

	<b>FY2019</b>	<b>FY2018</b>	<b>FY2017</b>	<b>FY2016</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	20,429	210,430	271,798	(25,803)
Transfers out	(1,643,993)	3,573,365	(4,189,160)	(389,626)
Capital leases	(67,028)	67,028	(307,368)	215,751
<b>Total other financing sources(uses)</b>	<b>(1,690,592)</b>	<b>3,850,823</b>	<b>(4,224,730)</b>	<b>(199,678)</b>
Net change in fund balances	2,101,121	(3,956,676)	(7,858,096)	5,270,467
<b>Fund balances - beginning</b>	<b>3,435,530</b>	<b>7,498,084</b>	<b>14,802,185</b>	<b>9,861,241</b>
Prior period adjustment	14,795	(93,497)	545,402	(336,616)
Net change in reserve for inventories	12,225	(12,381)	8,593	7,093
<b>Fund balances - ending</b>	<b>5,563,671</b>	<b>3,435,530</b>	<b>7,498,084</b>	<b>14,802,185</b>



# General Fund Trend Analysis

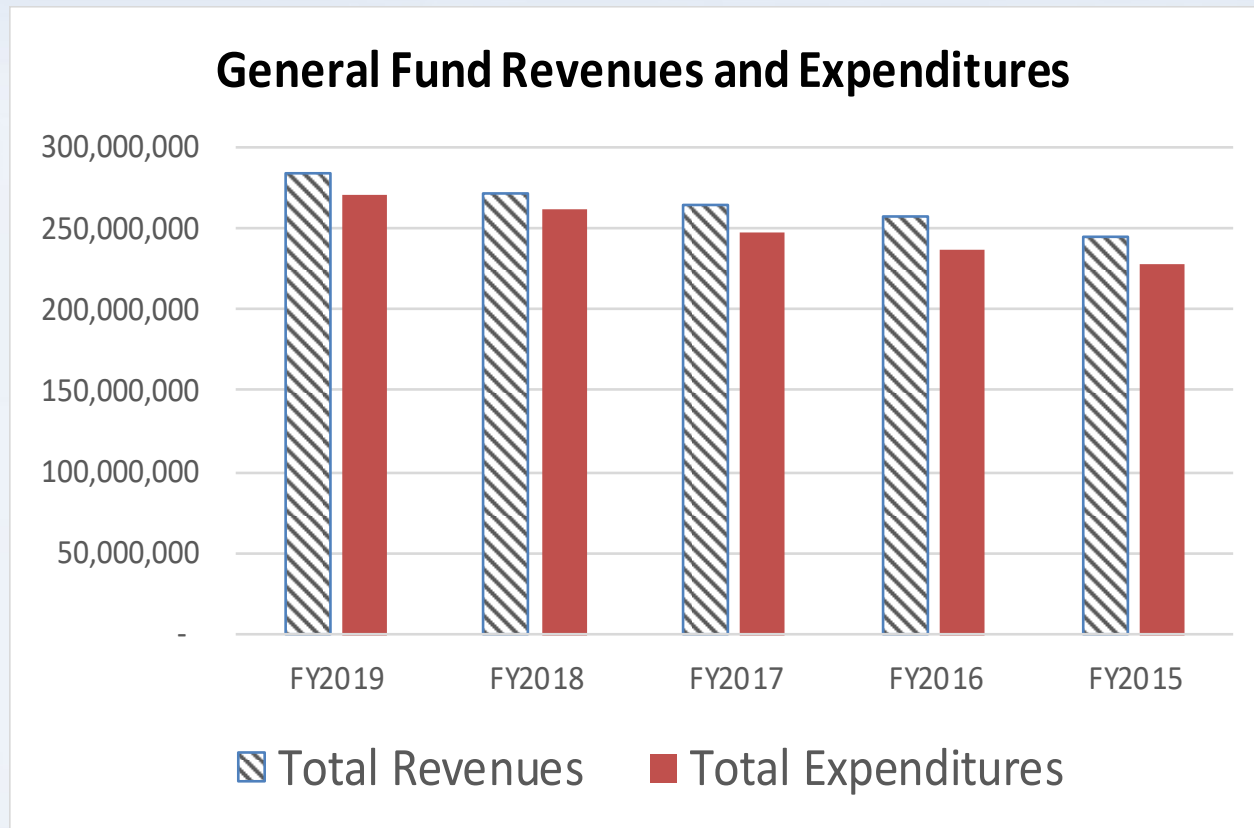
## General Fund

### Change over Prior Years

	<b>FY2019</b>	<b>FY2018</b>	<b>FY2017</b>	<b>FY2016</b>
<b>Total Revenues</b>	\$13,767,329	\$6,845,892	\$6,725,595	\$13,008,378
<b>Total Expenditures</b>	(9,975,616)	(14,653,391)	(10,358,961)	(7,538,233)
<b>Total other financing sources(uses)</b>	(1,690,592)	3,850,823	(4,224,730)	(199,678)
<b>Beginning Fund Balance net of adjustments</b>	3,462,550	7,392,206	15,356,180	9,531,718
<b>Ending Fund Balance</b>	\$5,563,671	\$3,435,530	\$7,498,084	\$14,802,185



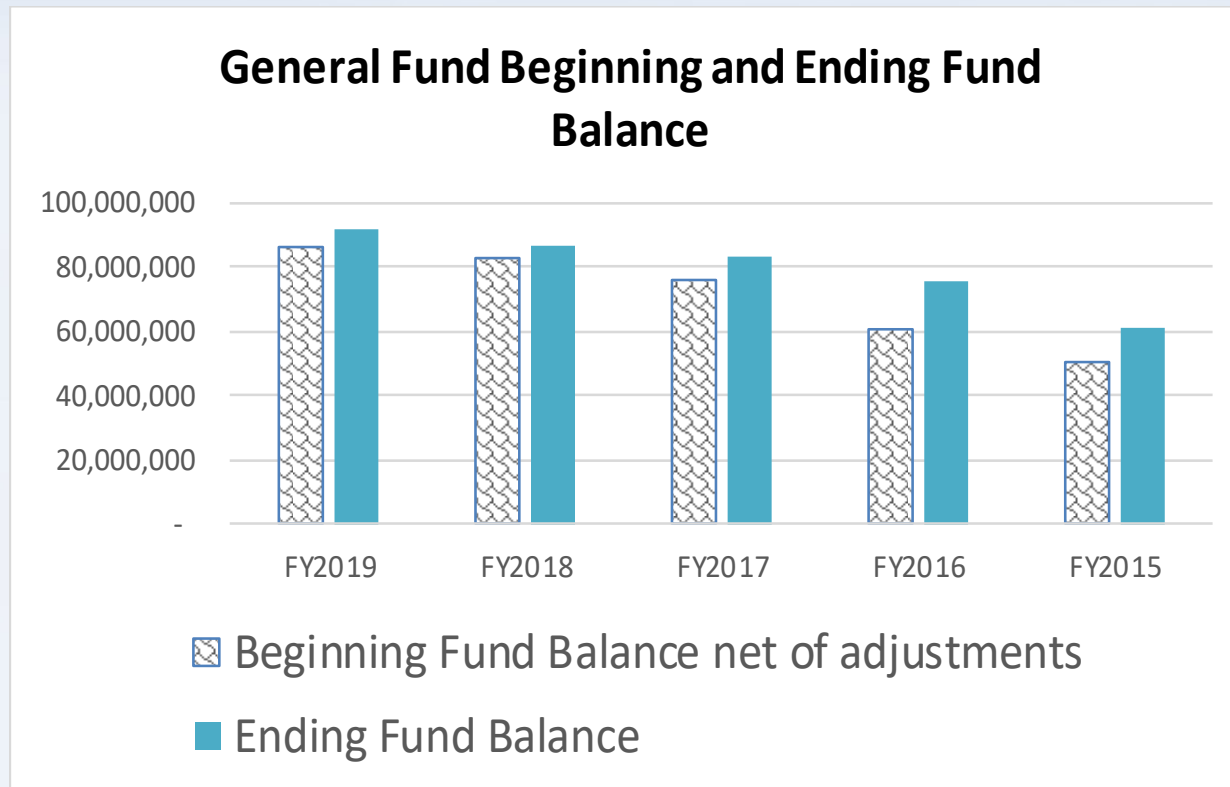
# General Fund Analysis





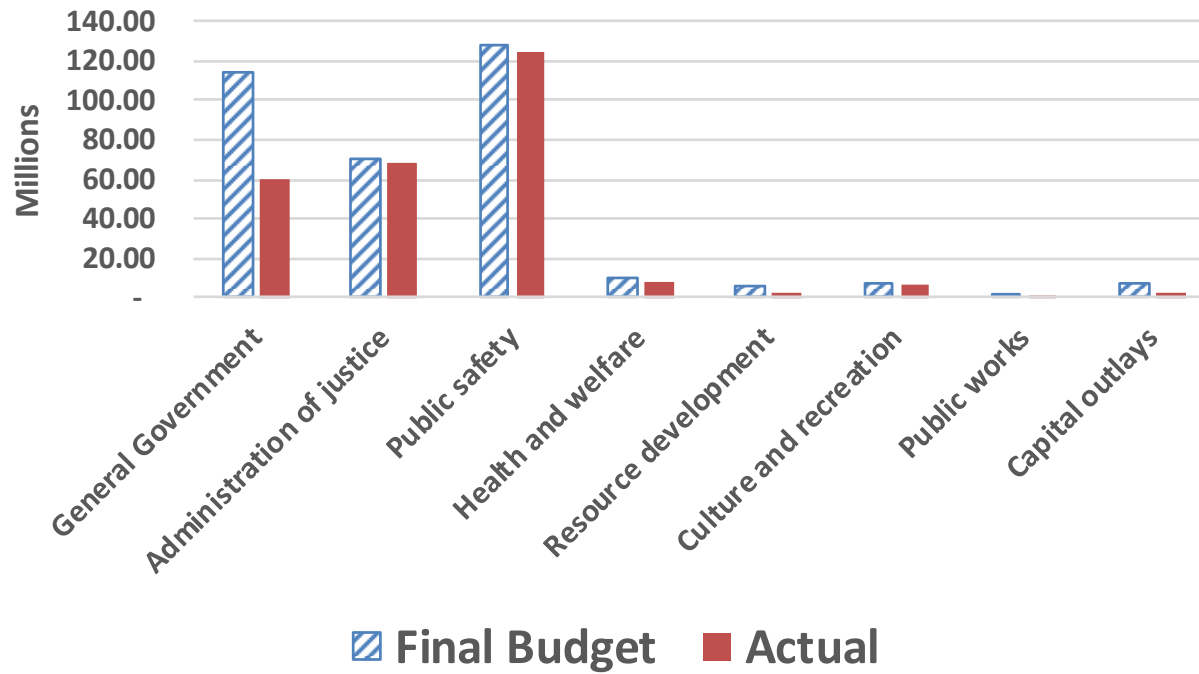


# General Fund Analysis





## General Fund Expenditures Budget to Actual





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# Questions