

City of El Paso, Texas

Accountant's Report on Applying
Agreed-Upon Procedures – TCEQ Local Government Financial Test

March 1, 2018



City of El Paso, Texas
March 1, 2018

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Agreed-Upon Procedures 1**

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Independent Accountant's Report on Applying Agreed-Upon Procedures

The Honorable Mayor, City Council and City Manager
City of El Paso, Texas
El Paso, Texas

We have performed the procedures enumerated in the attachment to this report, which were agreed to by the management of the City of El Paso, Texas (City), solely to assist you with respect to evaluating management's assertion about the City's compliance with the financial assurances of the Local Government Financial Test as required by Texas Administrative Code Title 30, Part 1, Chapter 37, Rule 37.271 as of and for the year ended August 31, 2017. The management of the City is responsible for its compliance with these regulations. The sufficiency of these procedures is solely the responsibility of the City. Consequently, we make no representation regarding the sufficiency of the procedures described in the attachment to this report for the purpose for which this report has been requested or for any other purpose.

The findings obtained, if any, are described in the attachment to this report.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or a review, the objective of which would be the expression of an opinion or conclusion, respectively, on the City's compliance with the financial assurances. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the City and its management, and is not intended to be and should not be used by anyone other than these specified parties.

BKD, LLP

March 1, 2018
Dallas, Texas

City of El Paso, Texas
Engagement Findings
March 1, 2018

Presented in this section are all of our findings from performing the procedures described in the *Engagement Scope and Procedures* section of this report. No exceptions resulted from performance of the procedures.

City of El Paso, Texas
Engagement Scope and Procedures
March 1, 2018

1. We recalculated the ratio of cash plus marketable securities to total expenditures and verified that the ratio is greater than or equal to 0.05. We also compared the amounts that comprise the numerator and denominator to the related amounts in the Comprehensive Annual Financial Report (CAFR) of the City as of and for the year ended August 31, 2017.
2. We recalculated the ratio of annual debt service to total expenditures and verified that the ratio is less than or equal to 0.20. We also compared the amounts that comprise the numerator and denominator to the related amounts in the CAFR of the City as of and for the year ended August 31, 2017.
3. We obtained a copy of the City's *Independent Auditor's Report* included in the CAFR to determine whether the financial statements as of and for the years ended August 31, 2017 and 2016, were prepared in accordance with accounting principles generally accepted in the United States of America and that an unmodified opinion was issued.
4. We recalculated the computation of excess revenues over expenditures for the years ending August 31, 2017 and 2016, and verified that the City has not operated at a deficit equal to 5.0% or more of the total annual revenue for each of those periods. In addition, we clerically tested the amounts that comprise the total annual revenue and expenditures and compared them to the related amounts in the CAFR of the City for the years ended August 31, 2017 and 2016.

City of El Paso, Texas
Engagement Scope and Procedures (Continued)
March 1, 2018

1) Ratio of Cash And Marketable Securities to Total Expenditures

Cash and marketable securities	\$ 172,587,406 *
Total expenditures	\$ 712,502,596 *
Ratio of cash and marketable securities to total expenditures	0.24
Requirement (greater than or equal to)	0.05
Does the ratio meet the requirement?	Yes

2) Ratio of Annual Debt Service to Total Expenditures

Annual debt service	\$ 117,410,324 *
Total expenditures	\$ 712,502,596 *
Ratio of annual debt service to total expenditures	0.16
Requirement (less than or equal to)	0.20
Does the ratio meet the requirement?	Yes

3) A Copy of The Independent Auditor's Report on the City's CAFR was Obtained to Verify that an Unmodified Opinion was Issued and that the CAFR was Prepared in Accordance With Accounting Principles Generally Accepted in the United States of America for the Years Ended August 31, 2017 and 2016.

4) Computation of Excess Revenue Over Expenditures by Fund

	Years Ending	
	8/31/2017	8/31/2016
Total annual revenues	\$ 752,706,538 *	\$ 722,057,140 *
Total annual expenditures	<u>712,502,596 *</u>	<u>681,961,202 *</u>
Excess of revenue over expenditures	<u>\$ 40,203,942</u>	<u>\$ 40,095,938</u>
Percent excess divided by annual revenue	5.3%	5.6%
<i>Requirement</i> : Cannot operate at a deficit of greater than 5% for current or previous year. Has the requirement been met?		Yes

* Amounts agreed to August 31, 2017 and 2016, audited *Comprehensive Annual Financial Reports* without exception.