

**COUNTY OF EL PASO, TEXAS**  
**ANNUAL FINANCIAL AND COMPLIANCE REPORTS**  
**WITH INDEPENDENT AUDITOR'S REPORT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2015**



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ANNUAL FINANCIAL AND COMPLIANCE REPORTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2015

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## **FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

County Judge and Members of Commissioners Court  
County of El Paso, Texas

### **Report on the Financial Statements**

We have audited the accompanying primary government financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the budgetary comparison statements of the County of El Paso, Texas (County), as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

### ***Auditor's Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the aggregate discretely presented component units, which report assets of \$685,772,814, net position of \$185,765,568, and revenues of \$556,029,874. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the aggregate discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the budgetary comparison statements of the County as of September 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As described in Note I to the financial statements, in 2015 the County of El Paso, Texas (County) adopted new accounting guidance, GASB Statement no. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents on pages 6 through 23 and pages 99 through 103, respectively, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Supplementary Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The schedule of expenditures of federal and state awards, as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and the State of Texas Single Audit Circular*, is presented for purposes of additional analysis and is not required part of the basic financial statements.

The schedule of expenditures of federal and state awards 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. Such information has been subjected to the auditing procedures applied in the audit of the basic 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, based on our audit, procedures performed as described above, the schedule of expenditures of federal and state awards is fairly stated in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our reported dated March 31, 2016, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.



El Paso, Texas  
March 31, 2016

## **MANAGEMENT'S DISCUSSION & ANALYSIS**



## **Management's Discussion and Analysis**

As management of the County of El Paso (County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 through 10 of this report.

### **Financial Highlights**

Combined County liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources from governmental and business type activities at the close of fiscal year 2015 by (\$45,236,688) which represents total net position. Of this amount, (\$55,669,655) or (123.06) percent relates to governmental-type activities while \$10,432,967 or 23.06 percent represents business-type activities. The significance of the negative net position is attributable to implementation of GASB 68/71 Accounting and Financial Reporting for Pensions and Pension Transition for Contributions Made Subsequent to the Measurement date, respectively. The implementation of these standards requires governments to calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize amounts for all benefits provided through the plan which include the net pension asset or liability, deferred outflows of resources, deferred inflows of resources and pension expense. Due to the implementation of these standards, beginning net position has been restated and its effect disclosed in note 3-Q to the financial statements.

Total net position is comprised of restricted and unrestricted assets and net investment in capital assets. Net investment in capital assets totaled \$56,135,205 or (124.09) percent of total net position. Restricted assets represent funds subject to constraints that are imposed externally by creditors, debt covenants, grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets totaled \$86,102,229 or (190.34) percent of total net position of which \$85,780,466 relates to the primary government and \$321,763 relates to business type activities. Unrestricted net position on the other hand may be used to meet the county's ongoing obligations to citizens and creditors and totaled (\$187,474,122) or 414.43 percent of total net position.

The County's fiscal year 2015 operations resulted in total net position decreasing by (\$194,083,121) or (130.39) percent. This was attributable to a decrease of (\$193,706,797) or (140.33) percent in the governmental-type and a decrease in business-type activities of (\$376,324) or (3.48) percent. Explanation of these changes is depicted hereafter in this management discussion and analysis.

### **Overview of the Financial Statements**

Discussion and analysis here is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-Wide Financial Statements.** The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. The implementation of GASB 68 created a new category in the statement of net position for deferred outflows of resources; in prior years, this item was shown as a reduction of long-term liabilities. The statement of net position presents information on all of the County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The significance of implementation of GASB 68 is that the previously defined GASB Annual Required Contribution (ARC) has been eliminated under Statements 67 and 68 and is no longer relevant for financial reporting purposes.

Under GASB 68, employers who grant cost-of-living adjustments (COLAs) with a certain frequency are considered as granting COLAs that are repeating or 'substantively automatic' for purposes of GASB calculations, which can significantly increase future pension liability projections. As of the measurement date, COLAs for El Paso County are considered to be substantively automatic under GASB 68 and therefore are included in the actuarial calculations for El Paso County. In response to this change and for the future, the County will focus on establishing and managing a formal funding policy that is separate from financial reporting calculations. Additional details regarding the County's pension benefit plan are discussed in the notes to the financial statements.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the County that are primarily supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges similar to business-type activities. The governmental activities of the County include general government, administration of justice, public safety, health and welfare, community services, resource development, culture and recreation and public works. The business-type activities of the County include the Water Systems and Solid Waste Project. The County Water Systems includes the East Montana Water Project, the Mayfair/Nuway Water Project, the Colonia Revolución Water Project and the Square Dance Waste Water Project.

The government-wide financial statements include not only the County itself (known as the primary government), but also the discretely presented component units of the County, which include the Hospital District, known as University Medical Center (UMC), and Emergency Services Districts 1 and 2. The component units are included in this CAFR because the El Paso County Commissioners Court, the County's governing body, has the legal duty to exercise financial accountability over them by appointing their board members, approving their budgets and setting their tax rates as discussed in the letter of transmittal. Copies of any of the Districts' separately issued financial reports can be obtained directly from the Districts. The government-wide financial

statements can be found on exhibits 1 and 2 of this report. Discretely presented Component Units are presented on exhibits 11 and 12.

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. El Paso County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, it is our hope that readers will better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains multiple individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, grant funds, capital projects 2007 and capital projects 2012. Data from the other non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its general fund, special revenue and debt service funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on Exhibits 3-6 of this report.

**Proprietary Funds.** The County maintains two different types of proprietary funds - Enterprise and Internal Service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for its County Solid Waste Project and County Water Systems consisting of East Montana Water Project, Mayfair/Nuway Water Project, Colonia Revolución Water Project, and Square Dance Waste Water Project. The internal service fund is an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its employee health benefits and workers compensation. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise fund financial statements provide separate information for the County Water and Waste Water Systems and the County Solid Waste Project. The internal service funds are also presented in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on Exhibits 7-9 of this report.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on Exhibit 10 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

**Other Information.** The combining statements regarding non-major governmental funds are presented following the notes to the financial statements. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the County's changes in net pension liability and employer contributions to the plan. Combining and individual fund statements and schedules are presented following the supplementary information of this report.

### **Government-Wide Financial Analysis**

As previously noted, net position may serve over time as a useful indicator of a government's financial position. In the case of the County, due to implementation of GASB 68, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by (\$45,236,688) at the close of fiscal year 2015. By far the largest component of the County's net position represents restricted net position totaling \$86,102,229 or (190.34) percent of total net position and represents resources that are subject to external restrictions on how they may be used. Restricted assets are comprised of capital project funds totaling \$57,488,313 or 66.77 percent, special revenue funds totaling \$27,890,913 or 32.39 percent, enterprise funds totaling \$281,646 or .33 percent of restricted assets. Also included are debt service funds totaling \$441,357 or .51 percent of total restricted net position. The second largest category relates to net investment in capital assets (e.g., land, buildings, machinery, and equipment) totaling \$56,135,205 or (124.09) percent of total net position, which is net of any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The remaining balance of (\$187,474,122) represents unrestricted net position and the negative is due to prior period adjustments totaling (\$190,996,916) directly related to the recognition of actuarial pension liability of which (\$190,803,872) relates to governmental activities and (\$193,044) relates to business-type activities.

Furthermore, as of September 30, 2015, the County's net position for governmental activities decreased by (\$193,706,979) or (140.33) percent and business-type activities decreased by (\$376,324) or (3.48) percent for a net overall decrease of (\$194,083,121) or (130.39) percent from the previous fiscal year. Net investments in capital assets from governmental and business-type activities increased by \$32,121,958 or 133.77 percent. There was a net decrease of (\$30,559,906) or (26.20) percent in restricted assets reported, composed of a decrease of (\$30,540,359) related to governmental activities and a decrease of (\$19,547) related to business-type activities. Unrestricted net position totaled (\$187,474,122) and was down by (\$195,645,173) or (2,394) percent, which included a decline of (\$195,611,229) related to governmental activities and a decrease of (\$33,944) related to business-type activities.

On a global perspective, the County's total assets from governmental and business-type activities increased by \$7,070,879 or 1.49 percent. This increase was the culmination of a multitude of changes at the fund level, but more so, at the entity-wide level. Discussion here will focus on selective information to give the reader a basic understanding of changes by evaluating changes in the statement of net position and the associated changes in revenues and expenses. Detailed analysis and explanation will be focused on significant changes, which occurred throughout the various levels within these financial statements.

The overall decrease in net position of the County can be better understood when evaluating the changes to net position, total assets and deferred outflows of resources minus total liabilities and deferred inflows of resources. Total assets amounted to \$482,897,481 an increase of \$7,070,879 or 1.49 percent, while liabilities totaled \$559,462,895, an increase of \$232,252,890 or 70.98 percent. Further analysis reflects that the majority of all assets relate to governmental activities totaling \$470,418,502 and represents 97.42 percent of total assets. Overall, capital assets (net of related depreciation) totaled \$276,141,870 and increased by \$21,417,671 or 8.41 percent from the prior year, mainly due to County facilities being constructed. Capital assets are comprised for the most part of land, roads, equipment, buildings and construction in progress.

El Paso County, Texas Net Position						
	Governmental		Business-type		Total	
	Activities		Activities			
	FY2015	FY2014	FY2015	FY2014	FY2015	FY2014
Current and other assets	\$ 204,126,626	\$ 218,702,220	\$ 2,628,985	\$ 2,400,183	\$ 206,755,611	\$ 221,102,403
Capital assets	266,291,876	244,519,370	9,849,994	10,204,829	276,141,870	254,724,199
Total assets	470,418,502	463,221,590	12,478,979	12,605,012	482,897,481	475,826,602
Deferred outflows of resources	31,608,188	229,836	30,589		31,638,777	229,836
Long-term liabilities outstanding	524,151,703	293,590,721	1,816,304	1,612,000	525,968,007	295,202,721
Other liabilities	33,234,591	31,823,563	260,297	183,721	33,494,888	32,007,284
Total liabilities	557,386,294	325,414,284	2,076,601	1,795,721	559,462,895	327,210,005
Deferred inflows of resources	310,051		-		310,051	-
Net position:						
Net investment in capital assets	47,865,209	15,420,418	8,269,996	8,592,829	56,135,205	24,013,247
Restricted	85,780,466	116,320,825	321,763	341,310	86,102,229	116,662,135
Unrestricted	(189,315,330)	6,295,899	1,841,208	1,875,152	(187,474,122)	8,171,051
Total net position	\$ (55,669,655)	\$ 138,037,142	\$ 10,432,967	\$ 10,809,291	\$ (45,236,688)	\$ 148,846,433

For entity-wide reporting purposes under GASB 34, capital expenditures made at the fund level must be reversed from expenses at the entity-wide level financial statements and reflected as capital assets net of depreciation. For this reason, you may observe fund level expenditure amounts in excess of what is reported at the entity-wide level or vice versa. Total assets increased by \$7,070,879 or 1.49 percent and the most significant impact to total assets represented an increase

in capital assets related to construction in progress for a net amount of \$21,068,359 or 92.93 percent attributed mostly to the on-going construction and renovation of county facilities. The second most significant impact to total assets was experienced with a decrease in cash and cash equivalents of (\$16,081,068) or (8.70) percent attributed to the draw down utilization of bond proceeds as projects progressed. Receivables also increased by \$1,724,995 or 4.79 percent due to an increase in billings to the granting agencies for pending reimbursement. The significance of this can be further evaluated by shifting attention away from assets and liabilities and focusing on the changes to the component of total net position, which is discussed immediately following discussion on total liabilities.

Overall, entity-wide liabilities were \$559,462,895 and increased by \$232,252,890 or 70.98 percent. Further analysis reflects the majority of liabilities relate to governmental activities totaling \$557,386,294 or 99.63 percent and business type activities totaling \$2,076,601 or .37 percent. Compared to fiscal year 2014, liabilities increased in the areas of net pension liability by \$233,813,156 or 100 percent due to implementation of GASB 68, claims payable by \$1,261,125 or 157.95 percent, claims and judgments by \$614,580 or 28.73 percent and compensated absences (combined current and non-current) by \$3,320,328 or 10.99 percent. Other Benefits (OPEB) increased by \$2,382,803 or 7.69 percent due to the County's continuing policy of funding retiree health benefits on a pay-as-you-go basis. Decreases included vouchers payable by (\$1,479,994) or (10.55) percent and long term bonds payable totaling (\$10,778,628) or (4.88) percent. For additional information regarding compensated absences and other post-employment benefits, please see notes 1-K and 3-J, respectively.

County of El Paso, Texas Changes in Net Position						
	Governmental		Business-type		Total	
	Activities		Activities			
	FY2015	FY2014	FY2015	FY2014	FY2015	FY2014
Revenues:						
Program revenues:						
Charges for services	\$ 61,399,995	\$ 51,540,552	\$ 1,711,990	\$ 1,569,769	\$ 63,111,985	\$ 53,110,321
Operating grants and contributions	26,675,411	34,862,554	-	-	26,675,411	34,862,554
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	168,604,596	158,910,813			168,604,596	158,910,813
Other taxes	49,895,477	47,670,825			49,895,477	47,670,825
Other	5,073,299	5,018,380	\$2,312	1,435	5,075,611	5,019,815
Total revenues	311,648,778	298,003,124	1,714,302	1,571,204	313,363,080	299,574,328
Expenses:						
General government	58,709,978	48,578,771			58,709,978	48,578,771
Administration of justice	62,705,622	61,014,982			62,705,622	61,014,982
Public safety	145,221,244	136,339,472			145,221,244	136,339,472
Health and welfare	12,665,274	12,301,853			12,665,274	12,301,853
Community services	2,090,491	2,587,829			2,090,491	2,587,829
Resource development	404,143	410,259			404,143	410,259
Culture and recreation	8,232,189	9,042,763			8,232,189	9,042,763
Public works	14,712,518	12,575,526			14,712,518	12,575,526
Interest on long-term debt	9,943,837	10,602,053			9,943,837	10,602,053
Enterprise fund			1,939,322	1,661,786	1,939,322	1,661,786
Total expenses	314,685,296	293,453,508	1,939,322	1,661,786	316,624,618	295,115,294
Increase (decrease) in net position before transfers	(3,036,518)	4,549,616	(225,020)	(90,582)	(3,261,538)	4,459,034
Transfers	-	(100,000)	-	100,000	-	-
Change in net position	(3,036,518)	4,449,616	(225,020)	9,418	(3,261,538)	4,459,034
Net position October 1	138,037,142	136,219,343	10,809,291	10,799,873	148,846,433	147,019,216
Prior period adjustment	(190,670,279)	(2,631,817)	(151,304)	-	(190,821,583)	(2,631,817)
Net position September 30	\$ (55,669,655)	\$ 138,037,142	\$ 10,432,967	\$ 10,809,291	\$ (45,236,688)	\$ 148,846,433

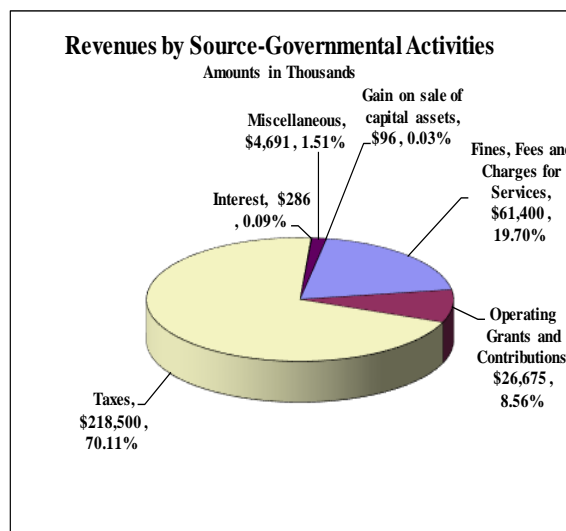
The decrease in the County’s overall net position by (\$194,083,121) or (130.39) percent is due to the implementation of GASB 68 requiring government agencies to post actuarially projected net pension asset or liability for the first time in fiscal year 2015, which resulted in a corresponding prior period adjustment to the prior year ending net position totaling (\$190,803,872) relating to governmental activities and (\$193,044) relating to business-type activities. Other factors impacting overall net position represent the degree to which expenditures totaling \$316,624,618 outpaced revenues totaling \$313,363,080.

Overall, revenues grew by \$13,788,752 or 4.60 percent mainly due to an increase in the maintenance and operations and debt service levies, charges for services, and growth in sales tax revenue. Expenses grew by \$21,509,324 or 7.29 percent attributed in part to personnel costs associated to cost of living and fringe benefits increases for all employees, but most significantly by expenditure of capital bond funds for existing construction projects and the recognition of projected pension expense in the current year.

From here forward in the discussion, please note that the increases and decreases in entity-wide expenses in the various functions of county government are the result of a combination of financial impacts, such as depreciation expense, compensated absences, other post-employment benefits (OPEB), pension expense, allocation of profit/loss of the internal service funds back to departments and the conversion of capital outlays which are reflected at the entity-wide level as expenses by function.

**Governmental Activities**

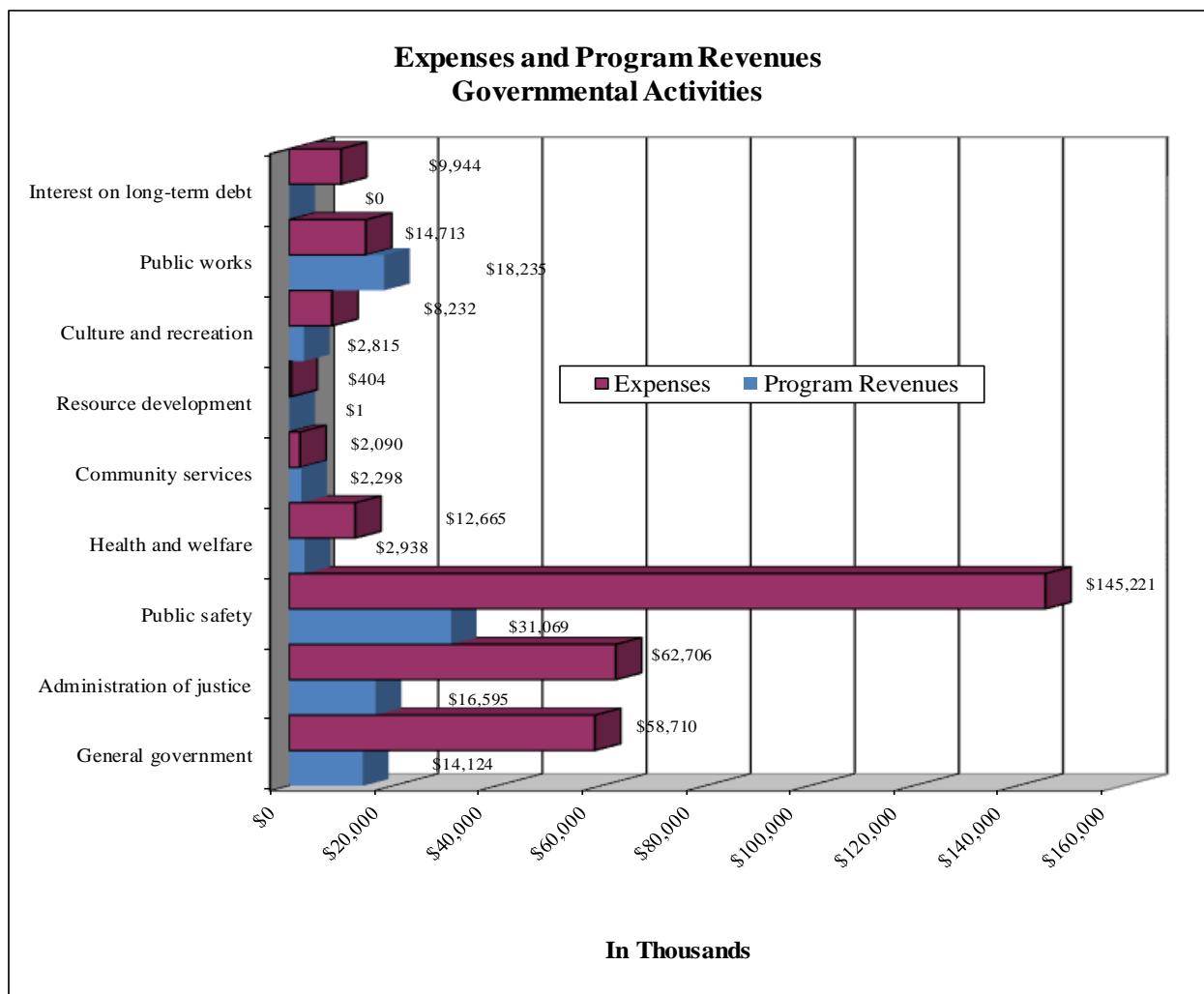
Governmental activities during fiscal year 2015 resulted in a decrease in net position of (\$193,706,797) or (140.33) percent which represents 99.81 percent of the total decrease for the primary government. Comparative fiscal year 2015 and 2014 data relating to these changes is show in the table on the prior page and is discussed below. Total revenues from governmental activities increased by \$13,645,654 or 4.58 percent over the previous year. Charges for services grew by \$9,859,443 or 19.13 percent; property taxes increased by \$9,693,783 or 6.10 percent; other taxes comprised of sales and uses taxes, hotel taxes, and mixed beverage alcohol taxes increased by \$2,224,652 or 4.67 percent. The increase in property taxes is attributable to increases in existing taxable property values, growth in new properties added to the tax rolls and an increase to the tax rate. In 2013 the Commissioners Court opted to raise the tax rate in fiscal year to \$0.408870 from \$0.361196 per \$100 of assessed valuation, and in 2014 it was necessary to raise the rate to \$0.433125. Additionally, these increases were offset by a decrease in operating grants and contributions by (\$8,187,143) or (23.48) percent.



Expenses in governmental activities increased by \$21,231,788 or 7.24 percent and comprise 98.71 percent of the overall entity-wide increase of \$21,509,324. Significant increases were evident in most areas such as in public safety by \$8,881,772 or 6.51 percent, general government by \$10,131,207 or 20.86 percent, administration of justice by \$1,690,640 or 2.77 percent, public

works by \$2,136,992 or 16.99 percent and health and welfare by \$363,421 or 2.95 percent. These increases were due in part to the increased spending on capital projects, personnel and associated benefits growth and recognition of pension related expenses. Decreases were experienced in interest on long-term debt by (\$658,216) or (6.21) percent, culture and recreation by (\$810,574) or (8.96) percent and community services by (\$497,338) or (19.22) percent.

Changes mentioned previously within each of the functions above are the result of a combination of factors both at the fund level and more materially at the entity-wide level as explained in the discussion of the changes in the statement of net position. More specific information can be found in the fund level discussion. Factors affecting expenses that are recognized in governmental activities and not presented in the individual government funds can be found on Exhibits 3.1 and 4.1 of the basic financial statements.



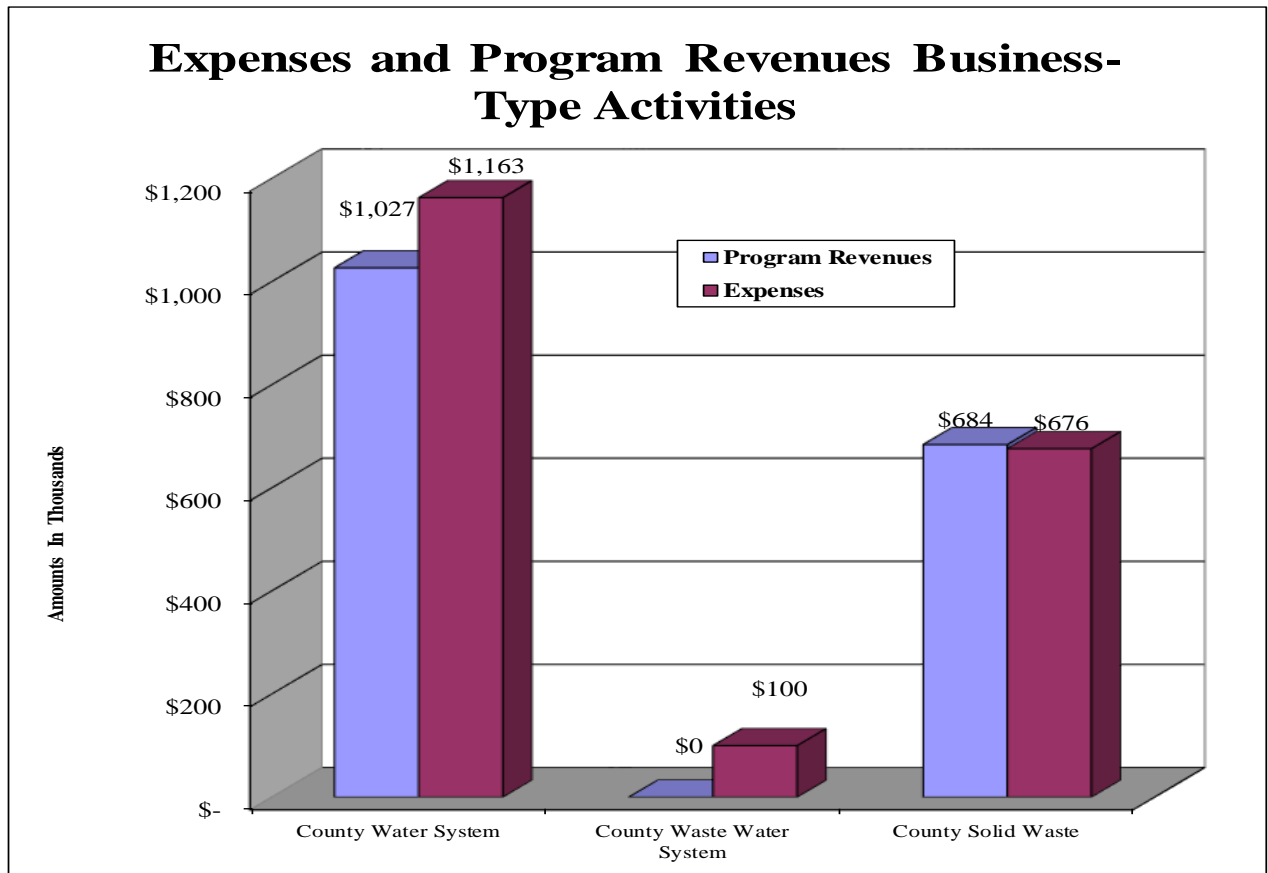
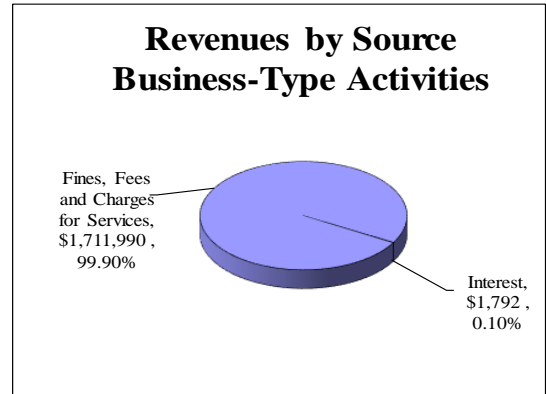
### Business-type Activities

Business-type activities resulted in a decrease in net position of (\$376,324) or (3.48) percent and accounted for 0.19 percent of the total change in the primary government's net position. Comparative fiscal year 2015 and 2014 data relating to these changes is reflected on Exhibit 7 of this report.



Overall revenues increased by \$143,098 or 9.11 percent for a total of \$1,714,302. Charges for services increased by \$142,221 or 9.06 along with an increase in interest earnings by \$877 or 61.11 percent due to an increase in interest rates.

Expenses in this area totaled \$1,939,322 an increase of \$277,536 or 16.70 percent and is mainly related to water system operations and allocation of pension expense applicable to the enterprise operations.



## Financial Analysis of the Government's Funds

### Governmental Funds

The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the County's governmental funds reported combined ending fund balances of \$147,748,464 a decrease of (\$20,770,097) or (12.33) percent in comparison with the prior year. Unassigned fund balance constitutes \$45,161,962 or 30.57 percent of total fund

balance, which is available for spending at the government's discretion. The remainder of fund balance is non-spendable, restricted, committed or assigned to indicate that it has already been earmarked. The majority of the restricted amount is attributable to capital projects, debt service, grants, and special revenue funds whose restrictions are stipulated by bond covenants, external resource providers or enabling legislation. The committed amount represents the Commissioners Court's formal action to use the funds for capital improvements within the County. The assigned amount is attributable to funds set aside to cover outstanding encumbrances at year end and an amount to balance the 2016 fiscal year's budget.

The general fund is the chief operating fund of the County. Fund balance totaled \$60,773,655, an increase of \$9,861,241 or 19.37 percent. At the end of the fiscal year, \$45,161,962 was unassigned while \$14,372,817 represents the amount assigned to balance the general fund budget for fiscal year 2016. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures or annual operating revenues. The Commissioners Court utilized unassigned reserves in balancing the fiscal year 2016 operating budget in order to cover an expenditure level that exceeded the corresponding estimated revenues certified in the budget by the County Auditor. In comparison to fiscal year 2014, the amount required to cover this gap decreased by (\$2,261,958) or (13.60) percent.

Grant funds ended the fiscal year with a fund balance of \$3,437,196, an increase of \$220,348 or 6.85 percent. This increase is mainly attributed to HIDTA program income.

The Capital Projects 2007 reported as a major fund ended the fiscal year with a fund balance of \$2,428,969 and decreased by (\$687,353) or (22.06) percent due to the completion or near completion of the projects which were covered with these funds. This fund is presented as a major fund only for consistency purposes even though it does not meet the criteria for such presentation. The Capital Projects 2012 reflects a fund balance of \$46,696,006 and decreased by (\$33,643,424) or (41.88) percent due to the completion or near completion of the projects which were covered with these funds.

The debt service fund ended the fiscal year with a fund balance of \$1,595,583, an increase of \$86,772 or 5.75 percent, due to excess sales tax, all of which is restricted for the payment of debt service.

The special revenue funds in the aggregate ended the year with a fund balance of \$24,453,717, an increase of \$2,788,131 or 12.87 percent compared to the previous year. This increase is mainly due to the Transportation Fee Fund for an extra auto license fee of \$10 that was added to auto registrations in El Paso County to fund road improvement and construction projects through the Camino Real Regional Mobility Authority starting in January 2014.

### **General Fund Trends**

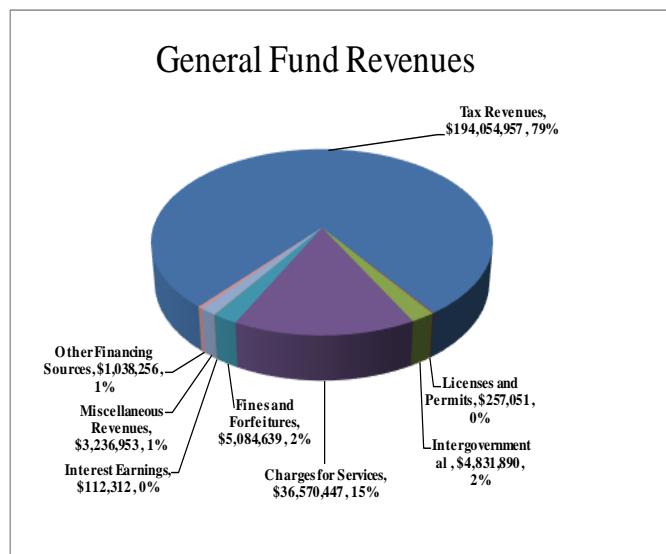
A myriad of factors contributed to the general fund's financial position. Factors included actual revenues and other financing sources over expenditures and other financing uses in the amount of \$10,019,722. Actual revenues before transfers in totaled \$244,148,249 an increase of \$13,777,196 or 5.98 percent over fiscal year 2014. Further analysis reflects that various revenues increased by \$14.4 million which was offset by declines in other revenue accounts totaling \$750,984. Increases to revenues were primarily due to an increase in the taxes category totaling \$11.1 million or 6.09 percent and was comprised of ad valorem property taxes which grew by \$9.2 million or 6.63 percent, mainly due to a two penny tax rate increase in the 2015 tax rate and the addition of new

property values to the tax rolls. Other increases included charges for services of \$2,294,465 or 6.69 percent and miscellaneous revenues of \$729,002 or 29.07 percent, fines and forfeitures of \$192,386 or 3.93 percent and interest earnings of \$23,521 or 26.49 percent.

General Fund Revenues	2015 Actuals	2014 Actuals	Amount Increase (Decrease) from FY2014	Percent Increase (Decrease)	2015 actual as a % of Total Revenues and Other Financing Sources
Tax Revenues	\$194,054,957	\$182,906,799	\$11,148,158	6.09%	79.15%
Licenses and Permits	257,051	263,119	(6,068)	-2.31%	0.10%
Intergovernmental	4,831,890	5,436,158	(604,268)	-11.12%	1.97%
Charges for Services	36,570,447	34,275,982	2,294,465	6.69%	14.92%
Fines and Forfeitures	5,084,639	4,892,253	192,386	3.93%	2.07%
Interest Earnings	112,312	88,791	23,521	26.49%	0.05%
Miscellaneous Revenues	3,236,953	2,507,951	729,002	29.07%	1.32%
Other Financing Sources	1,038,256	1,178,904	(140,648)	-11.93%	0.42%
<b>Total revenues and other sources</b>	<b>\$245,186,505</b>	<b>\$231,549,957</b>	<b>\$13,636,548</b>	<b>5.89%</b>	<b>100.00%</b>

Further analysis of the general fund reflects that revenue increases were netted by revenue declines in intergovernmental of (\$604,268) or (11.12) percent, other financing sources of (\$140,648) or (11.93) percent and licenses and permits of (\$6,068) or (2.31) percent.

It is note-worthy to mention that various factors and actions by the County during the fiscal year had the effect of mitigating erosion of the fund balance and unspent budgeted amounts within the general fund. Emphasis and focus by the Commissioners Court, elected officials and department heads in fiscal year 2015 remained on efficient operations and cost saving measures. This included the continual monitoring of attrition, thorough evaluation and analysis of staffing resource requests and implementation of reorganization of staffing resources consistent with the County’s fiscal policies and procedures.



Comparison of the general fund appropriations reflects an increase in fiscal year 2015 of \$8,836,523 or 3.60 percent over fiscal year 2014 for a total of \$254,580,186. As depicted in the chart on the next page, actual expenditures and transfers-out in fiscal year 2015 increased by \$4,737,099 or 2.06 percent bringing the total of general fund expenditures and transfers out to \$235,166,783.

This moderate overall growth was mainly attributed to a two percent cost of living and step increases afforded to County employees and an increased cost of related fringe benefits such as employee health premiums and matching employer retirement benefit contributions. Additionally, these increases were netted overall by various expenditure declines throughout the budget. One example of such expenditure savings was in the area of public safety which declined by

(\$1,572,756) or (1.34) percent. Further analysis depicts that in the area of the County sheriff and jails, a decline in expenditures overall occurred totaling (\$2.8) million when compared to fiscal year 2014. This decline was due to various current and prior year cost savings initiatives undertaken by the County such as renegotiation of a collective bargaining agreement that went into effect in fiscal year 2015, but the majority of these savings were mainly attributed to action taken in the current fiscal year effectuating a reduction in overtime expenditures in the Sheriff's Department due to an operational change initiated by the County Sheriff implementing a new 12 hour shift work day which resulted in increased resource efficiencies. Other areas of decline included other financing uses totaling (\$352,356) or (5.27) percent mainly due to a decline in the amount of excess sales tax required to be transferred from general fund to debt service. Furthermore, culture and recreation overall declined by (\$175,159) or (4.59) percent mainly attributable to ongoing construction at the County's Sportspark baseball complex and other cost reductions at the Ascarate Park and Golf Course.

General Fund Expenditures	2015 Actuals	2014 Actuals	Amount Increase (Decrease) from FY2014	Percent Increase (Decrease)	2015 actual as a % of Total Expenditures and Other Financing Uses
<b>Current:</b>					
General Government	\$45,512,299	\$39,913,724	5,598,575	14.03%	19.35%
Administration of Justice	55,168,046	54,199,753	968,293	1.79%	23.46%
Public Safety	115,463,147	117,035,903	(1,572,756)	-1.34%	49.10%
Health and Welfare	8,489,940	8,165,658	324,282	3.97%	3.61%
Resource Development	334,290	301,208	33,082	10.98%	0.14%
Culture and Recreation	3,639,275	3,814,434	(175,159)	-4.59%	1.55%
Public Works	58,174	15,719	42,455	270.09%	0.02%
Capital Outlays	163,316	292,633	(129,317)	-44.19%	0.07%
Other Financing Uses	6,338,296	6,690,652	(352,356)	-5.27%	2.70%
<b>Total Expenditures (Uses)</b>	<b>\$235,166,783</b>	<b>\$230,429,684</b>	<b>\$4,737,099</b>	<b>2.06%</b>	<b>100.00%</b>

### General Fund Budgetary Highlights

The fiscal year 2015 adopted budget of \$252,957,809 did not increase during the fiscal year other than for carryover appropriations totaling \$1,622,377 bringing the original budget total to \$254,580,186. This budget included \$16,634,775 of fund balance reserves to balance the fiscal year 2015 budget gap of appropriations in excess of estimated revenues. The only changes were for reallocations within expenditure classifications and between classifications as approved by the Court.

### General Fund Budgetary Variance Highlights

Analysis of budget actual trends in Exhibit 5 depicts that actual revenues were \$8,818,290 more than estimates and occurred with all areas experiencing positive variances. Further analysis of this variance depicts increases in property taxes of \$225,064 or .15 percent, sales tax of \$3,628,564 or 9.01 percent, bingo of \$3,906 or 7.51 percent, mixed beverage of \$236,402 or 11.53 percent, licenses and permits of \$14,051 or 5.78 percent, intergovernmental of \$88,898 or 1.87 percent, charges for services of \$2,899,001 or 8.61 percent, fines and forfeitures of \$494,639 or 10.78 percent, interest of \$12,312 or 12.31 percent and miscellaneous revenues of \$1,215,453 or 60.13 percent. Other financing sources representing transfers-in resulted in a negative variance of (\$46,436) or (4.68) percent due to residual matching funds remaining after close-out of respective grants.

Favorable appropriation variances were experienced in all functions of the County's general fund as the Commissioners Court and County departments remained frugal and the Court enforced cost reduction policies such as monitoring staffing vacancies and instituting reorganization and restructuring of departments, no appropriation transfers between categories of personnel, operating and capital without sufficient justification for approval by the Court and encouraging efficiencies in business practices.

Overall favorable appropriation variances totaled \$19,494,769 which represents 7.85 percent of the adopted general fund budget with carryover. The most significant favorable variances were experienced in the areas of general government, public safety, administration of justice and health and welfare which totaled \$7,010,091, \$6,100,558, \$3,555,638 and \$1,121,521 or 35.96, 31.29, 18.24, and 5.75 percent of the total overall appropriation variances respectively. The majority of these variances in general government related to appropriations for various contingencies and more specifically within the general and administrative account totaling \$4,459,970 due to maintenance of operating contingency accounts for which expenditures did not materialize. In the area of public safety the majority of this variance related to the Sheriff's Department totaling \$5,098,278 mainly due to favorable collective bargaining contract changes and the implementation of a 12 hour work day shift which resulted in significantly reducing overtime costs. In the area of administration of justice the most significant change occurred in the council of judges totaling \$1,132,701, district attorney totaling 802,019, county attorney totaling \$287,683, public defender totaling \$256,628 and numerous other departments. Favorable variances overall included unspent personnel and fringe benefit appropriations throughout the budget because of continued due diligence oversight of the County's hiring policy and other departmental cost saving initiatives. In regard to operating appropriations, the favorable variance was mainly due to frugal use of operating and contingency funds under the control of the Commissioners Court and collaborative efforts of elected officials and department heads. The appropriation variance for transfers-out totaled \$259,869 and relates to leveraging county matching funds to secure state and federal grant funding.

## **Capital Asset and Debt Administration**

### **Capital assets**

The County's capital assets for governmental and business type activities as of September 30, 2015, amounted to \$276,141,870 net of accumulated depreciation. This investment in capital assets includes land, easements, artwork, buildings, improvements, equipment, vehicles, roads, bridges, leased equipment, and IT systems and construction in progress. The total change in the County's capital assets for the current fiscal year was a net increase of \$21,417,671 or 8.41 percent, comprised of an increase of \$21,772,506 or 8.90 percent in governmental activities and a decrease of (\$354,835) or (3.48) percent in the business-type activities.

Major capital asset activity occurring in fiscal year 2015 included the expansion of the Eastside Jail Annex; renovations at the Sportspark Complex; Tornillo-Guadalupe Land Port and Toll Facility System in Far East El Paso and ongoing implementation of an Enterprise Resource Planning (ERP) financial system. Other increases to capital assets include the completion the Colonia Revolución Water System; replacement of the Eastside Jail Annex roof and the completion of the Eastside County Annex facility in East El Paso. Additional information on the County's capital assets can be found in note 3-C and Exhibits G1- G3.

El Paso County, Texas						
Summary of Capital Assets (Net of Depreciation)						
Categories	Governmental Activities		Business-type Activities		Totals	
	2015	2014	2015	2014	2015	2014
Land	\$17,531,461	\$17,505,119	\$19,770	\$19,770	\$17,551,231	\$17,524,889
Easements	110,000	110,000			110,000	110,000
Artwork	56,255	56,255			56,255	56,255
Buildings	124,446,202	124,117,389			124,446,202	124,117,389
Improvements	6,593,517	6,978,031			6,593,517	6,978,031
Equipment	19,702,456	21,261,153	\$9,807,689	\$9,701,468	29,510,145	30,962,621
Furniture and Fixtures	173,308	179,862			173,308	179,862
Infrastructure	8,494,885	5,736,278			8,494,885	5,736,278
Vehicles	7,455,231	7,280,780	22,535	25,111	7,477,766	7,305,891
Roads	30,704,593	31,521,029			30,704,593	31,521,029
Bridges and culverts	7,181,786	7,441,645			7,181,786	7,441,645
Leased equipment	103,511	119,997			103,511	119,997
IT Systems in progress	2,625,813	2,111,365			2,625,813	2,111,365
Construction in progress	41,112,858	20,100,467	-	458,480	41,112,858	20,558,947
Total assets	\$266,291,876	\$244,519,370	\$9,849,994	\$10,204,829	\$276,141,870	\$254,724,199

### Long-term Debt

El Paso County's Outstanding Debt						
Type of Debt	Governmental Activities		Business-Type Activities		Totals	
	2015	2014	2015	2014	2015	2014
General obligation bonds	\$63,360,000	\$45,980,000			\$63,360,000	\$45,980,000
Certificates of obligation bonds	141,870,000	170,340,000			141,870,000	170,340,000
Revenue bonds			\$1,580,000	\$1,612,000	1,580,000	1,612,000
Total	\$205,230,000	\$216,320,000	\$1,580,000	\$1,612,000	\$206,810,000	\$217,932,000

At the end of the fiscal year, the County had total bonded debt outstanding of \$206,810,000 as reflected above. Of this amount, \$205,230,000 comprises debt backed by the full faith and credit of the government. The remainder of the County's debt represents revenue bonds secured solely by specified revenue sources. During the current fiscal year the County's total debt decreased by (\$11,122,000) or (5.10) percent due to the retirement of debt.

In December 2011, the Commissioners Court issued new debt to refinance some of its existing debt, taking advantage of favorable interest rates. In July 2012, the Commissioners Court issued Certificates of Obligation for a multitude of projects, including the ongoing construction of the port of entry, expansion of the jail annex, and acquisition of software and hardware for the County's information and technology systems. During 2015, the County issued General Obligation Refunding Bonds, Series 2015 for the purpose of advance refunding a portion of the County's Certificates of Obligation, Series 2012; and General Obligation Refunding Bonds, Taxable Series 2015A for the purpose of advance refunding a portion of the County's Taxable Certificates of Obligation, Series 2007A.

On March 7, 2016, the County issued General Obligation Refunding Bonds, Series 2016A in the par amount of \$48,805,000 to advance refund a portion of the County's Certificates of Obligation, Series 2001, Series 2007 and Series 2012 and General Obligation Refunding Bonds, Series 2007 and Series 2011 for the purpose of debt service savings. This refunding resulted in a present value savings of 8.8 percent on the refunded bonds and a present value savings of 9.47 percent on the refunding bonds, and a net present value savings of \$4,623,892. The bonds were issued at a net premium of \$7,645,207.

On March 15, 2016, the County issued General Obligation Refunding Bonds, Taxable Series 2016B in the par amount of \$40,735,000 to advance refund a portion of the County's Certificates of Obligation, Series 2007 and General Obligation Refunding Bonds, Series 2007 for the purpose of debt service savings and also for the purpose of reducing or eliminating the amount of tax-exempt debt currently allocated to certain County-owned facilities. This refunding resulted in a present value savings of 5.15 percent on the refunded bonds and a present value savings of 4.72 percent on the refunding bonds, and a net present value savings of \$1,926,280.

At the time of the above recent issuances, both Moody's Investors Service and Fitch Ratings reaffirmed a stable outlook for El Paso County with ratings of Aa2 and AA, respectively. These ratings reflect the County's diverse and moderately growing economic base, well managed financial operations with emphasis on long-range financial goals of maintaining ample reserves, and a manageable debt position.

This optimistic outlook is based on the actions exhibited by the Commissioners Court in establishing expenditure controls in fiscal years 2009 through 2013 and moderate expenditure growth in 2014 and expenditure reduction efforts in 2015. Assuming the local economy continues to remain stable, this outlook is based on the premise that trends in revenue enhancements will outpace the growth in expenditures over the next few fiscal years, which should support the County's revenues and expenditures staying relatively in alignment for the future. Furthermore, future gains of budgetary alignment will be dependent upon the actions of the Commissioners Court, statutory mandates imposed by the State and the impact of economic conditions in the El Paso region. More detailed information on the County's indebtedness may be found in note 3-F.

### **Economic Factors and Next Year's Budgets and Rates**

- According to the Texas Workforce Commission's October 2015 issue of Texas Labor Market Review, the statewide unemployment rate was 4.4 percent in September 2015. In comparison, the same time last year the rate was 4.9 percent. El Paso's unemployment rate for September was 5.1 percent in comparison to 6.3 percent in September 2014. El Paso's employment grew by a .95 percent and a gain of 2,800 jobs. The reason for the rate decrease was the sharp growth in new job creation that exceeded the growth in the unemployed population.
- Over the past fiscal year, between September 2014 and September 2015, El Paso added 2,800 jobs overall. Further analysis reflects 4,100 job gains netted with 1,300 employment losses. Some of the various job gains occurred in construction 100, transportation 400, and the service sectors 3,600. The major decline occurred in the total trade sector which lost 700 jobs. Other job reductions were experienced in financial and government service sectors, which combined lost a total of 100 and 500 jobs respectively.
- El Paso's cultural and business ties as a border region with Mexico drive its economy. The renewed attraction of El Paso County as a favorable business environment, coupled with continued moderately low interest rates, continues to stimulate local construction activity. The El Paso labor market experienced very favorable gains in new jobs resulting from continued economic development initiatives.
- Assessed property values have averaged approximately 5.18 percent growth over the past five years.

- For fiscal year 2011 the tax rate was set at \$0.363403 and decreased to \$0.361196 per \$100 of assessed valuation in 2012 as a result of increased property valuations and the addition of new property to the tax base. The tax rate was increased to \$0.408870 in fiscal year 2013, and to \$0.433125 in 2014. The tax rate was increased most significantly due to increase in the I&S tax rate for the repayment of the 2012 bond issue and due to a capital policy change to fund short-term capital outlays from the maintenance and operations tax rate equal to one penny rather than thru the issuance of debt.
- For fiscal year 2015, the tax rate was increased to \$0.452694 in a continued effort to align revenues with expenditure trends.
- The overall fund balance of the general fund experienced stabilization and growth between fiscal years 2011 and 2014, increasing approximately \$14 million or 42.9 percent in fiscal year 2011, slight growth by \$3.7 million in fiscal year 2012, marginally declining by (\$446,881) or (.89) percent in 2013, increasing by \$1,087,654 or 2.18 percent in 2014, and substantially growing by \$9,861,241 in fiscal year 2015.
- Sales and use tax revenues grew in 2010 after a decline in 2009 and has reflected positive continued growth through fiscal year 2015. On a positive note, inflationary trends in the region have continued trending favorably compared to the national levels.
- The Commissioners Court will continue its focus of containing general fund expenditure growth while enhancing revenue growth in order to keep up with inflation.

All of these factors were considered in preparing the County's budget for the 2016 fiscal year.

The focus of the County remains on conservative fiscal management while addressing public service needs and State mandates. As of September 30, 2015, the Federal Funds rate was between zero and .25 percent and the Discount rate remained at .75 percent. Interest for the twelve months ended September 2015 was \$288,117, up \$46,496 or 19.24 percent when compared to \$241,621 the prior fiscal year, due mainly to a decrease of principal to invest over the prior year.

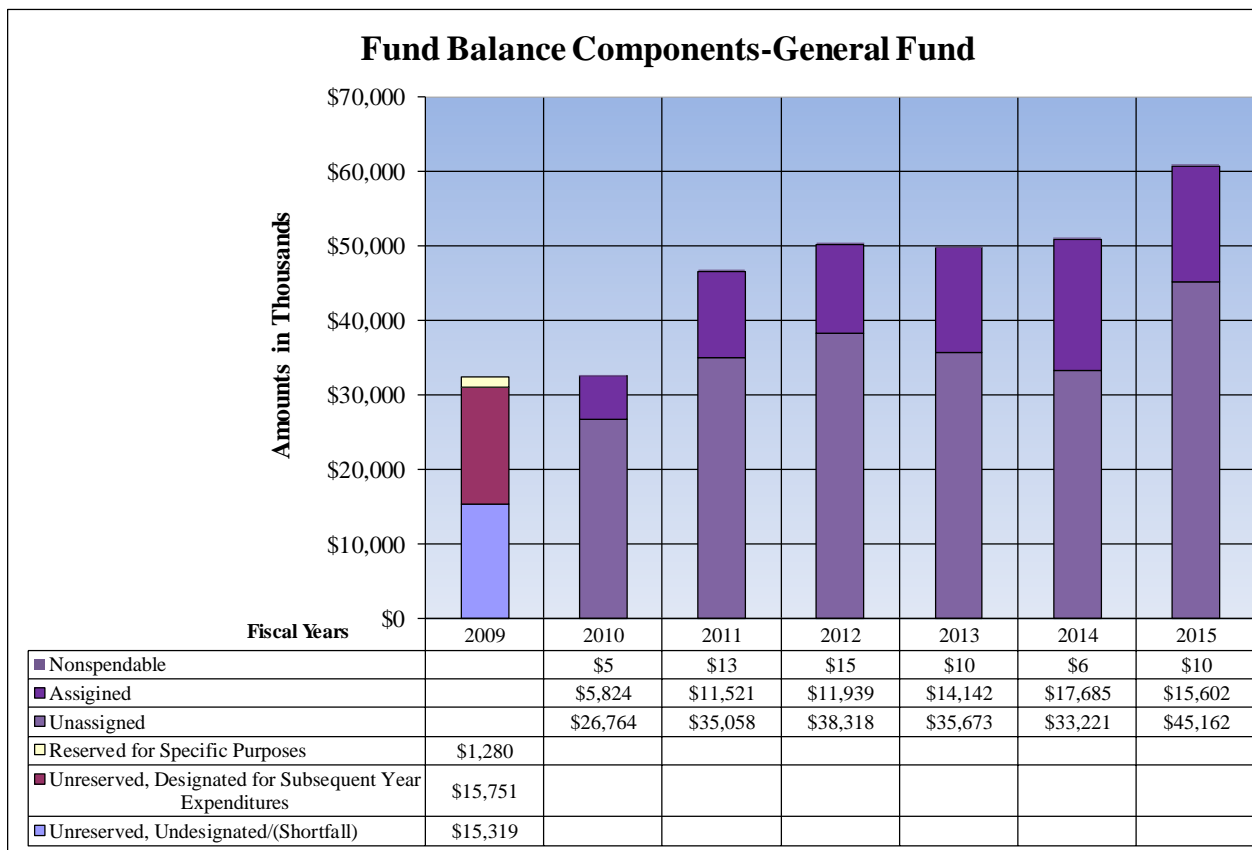
Unquestionably, the County faces continued challenges associated with meeting the steadily increasing demands for additional services and infrastructures for its rapidly growing population. The Commissioners Court members will continue to evaluate and analyze ways to streamline the County's operations by consolidating activities internally and with other governmental entities and downsizing, wherever possible, to achieve maximum cost effectiveness for the taxpayers. To date, inter-local governmental agreements have been the most popular method for consolidating activities with other governmental entities.

For the future, it is anticipated that in fiscal year 2016, the Court will continue to face funding challenges. Some of these challenges will include identification of new sources or increases to revenues through aggressive collection efforts of amounts due to the County and possible shifting of financial funding responsibilities from the State to the County. Other challenges include public health and welfare, public safety and culture and recreation in response to community needs. Healthcare benefit costs for County employees and retirees due to the trend of increasing health care costs, County workforce wages and fringe benefits and continuation of contractual collective bargaining salary adjustments for the Sheriff's Department remain major concerns. Further challenges facing the Court in the future are the increasing space needs, inflation and various other funding mandates placed upon the County as it continues to grow.



At its discretion, the Court will continue to utilize some amount of fund balance, which is healthy in the sense that it keeps the County from building up excessive reserves and reduces a future burden on taxpayers. The Court decreased its use of fund balance in the fiscal year 2016 budget by (\$2,261,958) compared to the amount used in fiscal year 2015. This action reflects the County’s continued focus on fiscal and budgetary restraint in fiscal year 2016. County government will continually strive to effectuate steady increases in revenue while costs are on the rise. In terms of overall financial condition, the County’s present financial position is similar to most communities across the nation and will require that the Commissioners Court continue their focus on ensuring revenues and expenditures remain in alignment, while continually assessing the maintenance of adequate reserves at a minimum of no less than first quarter operating costs. The graph below is presented to reflect the change in the presentation of fund balance pursuant to the requirements of GASB 54 (Fund Balance Reporting and Governmental Fund Type Definitions), which the County implemented in fiscal year 2010. This graph depicts how the general fund’s fund balances have increased or decreased over a period of years.

Although it is healthy to utilize some amount of fund balance to balance a subsequent fiscal year budget and current designations are utilized to ensure statutory compliance of a balanced budget, caution should be exercised not to become dependent upon fund balance to support future expenditure growth in order to assure maintenance of reasonable fund balance reserves in accordance with County financial policies. Emphasis must be placed on generating adequate operational revenues to meet planned operational expenditures and it is paramount to maintaining sound financial stability and maintenance of realistic fund balance reserves. Departments will be challenged with continually assessing possible increased efficiencies in order to operate within



their budgets. In order to maintain the County's favorable financial condition, more than ever, monitoring of expenditures will continue to be vital in forecasting budget inadequacies and identifying potential excesses.

The fiscal year 2016 budget adopted by the County totaled \$322,858,582, a net decrease of (\$46.56) million or (12.6) percent in comparison to the fiscal year 2015 adopted budget as amended. Due to some organizational restructuring and a shift of the budget officer function from the County Auditor's Office to the Budget and Fiscal Policy Department during fiscal year 2015, the County did not produce a published budget presentation package. Henceforth, for fiscal year 2016, the Budget and Fiscal Policy Department prepared an official 2016 Budget Presentation Package for submission to the Government Finance Officers Association's Budget Presentation Award Program and the formal adopted budget can be found on the County's web page as reflected below.

<http://www.epcounty.com/auditor/publications/default.htm>

This financial report is designed to provide a general overview of the County's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the El Paso County Auditor, 800 East Overland Avenue, Room 406, El Paso, Texas, 79901. This report can also be accessed through the County's web page as reflected above.

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## **BASIC FINANCIAL STATEMENTS**

County of El Paso, Texas  
Statement of Net Position  
September 30, 2015

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
Cash and cash equivalents	\$166,570,184	\$2,203,237	\$168,773,421	\$67,359,492
Investments				2,094,133
Receivables (net of allowance for uncollectible)	37,546,869	161,951	37,708,820	56,560,585
Inventories	9,573		9,573	7,206,000
Prepaid				11,157,600
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents		263,797	263,797	
Other assets				132,061,750
Capital Assets (net of accumulated depreciation):				
Land	17,531,461	19,770	17,551,231	16,446,123
Easements	110,000		110,000	
Artwork	56,255		56,255	
Buildings	124,446,202		124,446,202	308,948,201
Improvements	6,593,517		6,593,517	
Equipment	19,702,456	9,807,689	29,510,145	1,379,854
Furniture and fixtures	173,308		173,308	42,970,000
Infrastructure	8,494,885		8,494,885	
Vehicles	7,455,231	22,535	7,477,766	5,619,076
Roads	30,704,593		30,704,593	
Bridges and culverts	7,181,786		7,181,786	
Leased equipment	103,511		103,511	
Construction in progress	43,738,671		43,738,671	33,970,000
Total assets	<u>470,418,502</u>	<u>12,478,979</u>	<u>482,897,481</u>	<u>685,772,814</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Bond refunding	1,338,171		1,338,171	9,487,000
Pensions	30,270,017	30,589	30,300,606	9,250,000
Total deferred outflows of resources	<u>31,608,188</u>	<u>30,589</u>	<u>31,638,777</u>	<u>18,737,000</u>
<b>LIABILITIES</b>				
Vouchers payable	12,428,445	120,455	12,548,900	83,075,586
Retainage payable	2,168,641		2,168,641	
Claims payable	2,059,551		2,059,551	
Payroll liabilities	9,816,225	8,485	9,824,710	7,506
Due to others	138,191	110,500	248,691	
Due to other funds				
Due to other units	938,448		938,448	
Due to other governments	1,535,253	13,740	1,548,993	
Salaries and benefits payable				
Unearned revenue	201,781		201,781	
Accrued interest payable	1,194,343	7,117	1,201,460	342,882
Claims and judgments	2,753,713		2,753,713	
Noncurrent liabilities:				
Due within one year				
Bonds	10,990,000	33,000	11,023,000	7,951,000
Notes				310,277
Capital leases	39,756		39,756	1,352,330
Self-insured obligations				1,439,000
Contingent liabilities	450,000		450,000	
Compensated Absences	11,997,112		11,997,112	
Due in more than one year				
Bonds(net of related costs)	208,368,020	1,547,000	209,915,020	387,459,000
Notes				4,460,736
Capital leases	57,011		57,011	11,140,421
Self-insured obligations				708,000
Contingent liabilities	3,740,000		3,740,000	
Compensated absences	21,548,603		21,548,603	
Net Pension Liability	233,576,852	236,304	233,813,156	20,005,508
OPEB liability	33,384,349		33,384,349	
Total liabilities	<u>557,386,294</u>	<u>2,076,601</u>	<u>559,462,895</u>	<u>518,252,246</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pensions				492,000
Bond refunding	310,051		310,051	
Total deferred inflows of resources	<u>310,051</u>		<u>310,051</u>	<u>492,000</u>
<b>NET POSITION</b>				
Net investment in capital assets	47,865,209	8,269,996	56,135,205	128,377,490
Restricted for:				
Capital Projects	57,488,313		57,488,313	
Grants	3,437,196		3,437,196	
Legislative	24,453,717		24,453,717	
Debt service	401,240	40,117	441,357	6,820,000
Enterprise fund:		281,646	281,646	
Health care				800,000
Unrestricted	(189,315,330)	1,841,208	(187,474,122)	49,768,078
Total net position	<u>(\$55,669,655)</u>	<u>\$10,432,967</u>	<u>(\$45,236,688)</u>	<u>\$185,765,568</u>

County of El Paso, Texas  
Statement of Activities  
For the Year Ended September 30, 2015

Functions/Programs	Expenses	Program Revenues			Net (expense) Revenue and Changes in Net Position			Component Units
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			
					Governmental Activities	Business-type Activities	Total	
<b>Primary government:</b>								
Governmental Activities:								
General government	\$58,709,978	\$12,379,994	\$1,743,947		(\$44,586,037)		(\$44,586,037)	
Administration of justice	62,705,622	9,981,368	6,613,932		(46,110,322)		(46,110,322)	
Public safety	145,221,244	18,313,939	12,755,306		(114,151,999)		(114,151,999)	
Health and welfare	12,665,274	115,324	2,822,949		(9,727,001)		(9,727,001)	
Community services	2,090,491	-	2,298,284		207,793		207,793	
Resource development	404,143	-	1,043		(403,100)		(403,100)	
Culture and recreation	8,232,189	2,814,568	-		(5,417,621)		(5,417,621)	
Public works	14,712,518	17,794,802	439,950		3,522,234		3,522,234	
Interest on long-term debt	9,943,837	-	-		(9,943,837)		(9,943,837)	
Total governmental activities	314,685,296	61,399,995	26,675,411		(226,609,890)		(226,609,890)	
Business-type activities:								
County Water System	1,162,912	1,027,686	-			(\$135,226)	(135,226)	
County Waste Water System	100,000	-	-			(100,000)	(100,000)	
County Solid Waste	676,410	684,304	-			7,894	7,894	
Total business-type activities	1,939,322	1,711,990	-			(227,332)	(227,332)	
Total primary government	\$316,624,618	\$63,111,985	\$26,675,411		(\$226,609,890)	(\$227,332)	(\$226,837,222)	
<b>Component units:</b>								
Hospital district	\$545,684,000	\$258,660,000	\$210,214,000					(\$76,810,000)
Emergency Services District 1	1,929,415	61,390	29,854					(1,838,171)
Emergency Services District 2	6,197,284	99,991	219,348	\$460,818				(5,417,127)
Total component units	\$553,810,699	\$258,821,381	\$210,463,202	\$460,818				(\$84,065,298)
General revenues:								
Taxes:								
Property					\$168,604,596		\$168,604,596	\$90,358,573
Hotel/Motel					3,655,087		3,655,087	-
Sales					43,898,082		43,898,082	4,025,018
Bingo					55,906		55,906	-
Mixed beverage					2,286,402		2,286,402	-
Interest					286,326	\$1,792	288,118	237,345
Miscellaneous					4,690,786	520	4,691,306	(8,300,618)
Gain on sale of capital assets					96,187		96,187	(35,845)
Total general revenues and transfers					223,573,372	2,312	223,575,684	86,284,473
Change in net position					(3,036,518)	(225,020)	(3,261,538)	2,219,175
Net position - beginning					138,037,142	10,809,291	148,846,433	195,964,393
Prior period adjustment					(190,670,279)	(151,304)	(190,821,583)	(12,418,000)
Net position - ending					(\$55,669,655)	\$10,432,967	(\$45,236,688)	\$185,765,568

The notes to the financial statements are an integral part of this statement.

County of El Paso, Texas  
Balance Sheet  
Governmental Funds  
September 30, 2015

	General	Special Revenue Grants	County Capital Projects 2007	County Capital Projects 2012	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$67,753,452	\$2,588	\$2,526,722	\$52,720,307	\$36,519,864	\$159,522,933
Receivables (net of allowances for uncollectible):						
Taxes	18,348,248					18,348,248
Accounts	8,387,758	5,491,766			636,395	14,515,919
Interest					199	199
Inventory of supplies	9,573					9,573
Total assets	<u>\$94,499,031</u>	<u>\$5,494,354</u>	<u>\$2,526,722</u>	<u>\$52,720,307</u>	<u>\$37,156,458</u>	<u>\$192,396,872</u>
<b>Liabilities and fund balances</b>						
Liabilities:						
Vouchers payable	\$4,724,580	\$1,317,039	\$97,753	\$4,207,231	\$2,081,842	\$12,428,445
Retainage Payable				1,817,070	351,571	2,168,641
Payroll liability	8,971,001	620,098			223,031	9,814,130
Due to others	48,292				78,876	127,168
Due to other units	938,448					938,448
Due to other governments	1,526,753				8,500	1,535,253
Unearned revenue	81,760	120,021				201,781
Total liabilities	<u>16,290,834</u>	<u>2,057,158</u>	<u>97,753</u>	<u>6,024,301</u>	<u>2,743,820</u>	<u>27,213,866</u>
<b>Deferred inflows of resources</b>						
Unavailable revenue- property taxes	17,434,542					17,434,542
Total deferred inflows of resources	<u>17,434,542</u>					<u>17,434,542</u>
Fund Balances:						
Nonspendable:						
Inventory	9,573					9,573
Restricted:						
Temporary budgetary stabilization					8,690,935	8,690,935
Building construction/renovation			34,399	7,939,468	153,232	8,127,099
Bridge construction			453,220	22,829,684		23,282,904
General assistance					5,169,535	5,169,535
Parks			1,674,080		615,688	2,289,768
Public safety					301,366	301,366
Records management					790,011	790,011
Road construction/maintenance					2,016,645	2,016,645
Software/IT improvements			173,539	1,404,606		1,578,145
Debt service					1,595,583	1,595,583
Other purposes		3,437,196	5,621	551,443	3,764,973	7,759,233
Committed:						
Capital projects					6,594,707	6,594,707
Assigned:						
Imprest and change funds	135,460					135,460
Temporary budgetary stabilization	14,372,817					14,372,817
Other purposes	1,093,843		88,110	13,970,805	4,719,963	19,872,721
Unassigned:	45,161,962					45,161,962
Total fund balances	<u>60,773,655</u>	<u>3,437,196</u>	<u>2,428,969</u>	<u>46,696,006</u>	<u>34,412,638</u>	<u>147,748,464</u>
Total liabilities, deferred inflows, and fund balances	<u>\$94,499,031</u>	<u>\$5,494,354</u>	<u>\$2,526,722</u>	<u>\$52,720,307</u>	<u>\$37,156,458</u>	<u>\$192,396,872</u>

The notes to the financial statements are an integral part of this statement.

**El Paso County, Texas**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Position**  
**September 30, 2015**

Total fund balances for governmental funds		\$147,748,464
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Land	17,531,461	
Easements	110,000	
Artwork	56,255	
Buildings, net of accumulated depreciation	124,446,202	
Improvements, net of accumulated depreciation	6,593,517	
Equipment, net of accumulated depreciation	19,702,456	
Furniture and fixtures, net of accumulated depreciation	173,308	
Infrastructure, net of accumulated depreciation	8,494,885	
Vehicles, net of accumulated depreciation	7,455,231	
Roads, net of accumulated depreciation	30,704,593	
Bridges and culverts, net of accumulated depreciation	7,181,786	
Leased equipment, net of accumulated depreciation	103,511	
Construction in progress	43,738,671	
Total capital assets	266,291,876	266,291,876
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Unavailable revenue property taxes		17,434,542
Receivable for court costs, net of allowance for uncollectible accounts		4,517,091
Compensated Absences		(33,545,715)
OPEB liability		(33,384,349)
Net Pension Liability		(203,306,835)
Internal service fund is used to charge the health care costs for county employees, dependants, and retirees.		5,139,994
Long-term liabilities, including bonds payable, that are not due and payable in the current period and therefore not reported in the funds.		
Accrued interest on bonds	(1,194,343)	
General long-term debt	(205,230,000)	
Capital leases	(96,767)	
Contingent liabilities	(4,190,000)	
Claims and judgments	(2,753,713)	
Deferred bond premium	(13,099,900)	
Total long-term liabilities	(226,564,723)	(226,564,723)
Total net position of governmental activities		(\$55,669,655)

The notes to the financial statements are an integral part of this statement.



County of El Paso, Texas  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2015**

	General	Special Revenue Grants	County Capital Projects 2007	County Capital Projects 2012	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes	\$194,054,957				\$23,688,709	\$217,743,666
Licenses and permits	257,051					257,051
Intergovernmental revenues	4,831,890	\$20,649,848			1,193,673	26,675,411
Charges for services	36,570,447				18,217,831	54,788,278
Fines and Forfeitures	5,084,639				266,361	5,351,000
Interest	112,312	49,670	\$1,719	\$75,545	42,797	282,043
Miscellaneous	3,236,953	937,912		116,241	359,157	4,650,263
Total Revenues	<u>244,148,249</u>	<u>21,637,430</u>	<u>1,719</u>	<u>191,786</u>	<u>43,768,528</u>	<u>309,747,712</u>
<b>EXPENDITURES</b>						
Current:						
General Government	45,512,299	70,620			1,820,692	47,403,611
Administration of justice	55,168,046	3,619,756			1,137,070	59,924,872
Public safety	115,463,147	13,036,977			1,664,445	130,164,569
Health and welfare	8,489,940	3,569,930			130,214	12,190,084
Community services		1,986,998				1,986,998
Resource development	334,290	4,493				338,783
Culture and recreation	3,639,275				3,564,375	7,203,650
Public works	58,174	283,922			11,362,770	11,704,866
Debt Service:						
Principal					10,320,000	10,320,000
Interest					10,034,816	10,034,816
Bond issuance costs					326,936	326,936
Capital outlays	163,316	740,769	689,072	33,835,210	3,515,039	38,943,406
Total expenditures	<u>228,828,487</u>	<u>23,313,465</u>	<u>689,072</u>	<u>33,835,210</u>	<u>43,876,357</u>	<u>330,542,591</u>
Excess (deficiency) of revenues over (under) expenditures	<u>15,319,762</u>	<u>(1,676,035)</u>	<u>(687,353)</u>	<u>(33,643,424)</u>	<u>(107,829)</u>	<u>(20,794,879)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	946,639	2,293,930			5,560,986	8,801,555
Transfers out	(6,338,296)	(291,465)			(2,171,794)	(8,801,555)
Premium (discount) on bonds issued					3,852,777	3,852,777
Refunding bonds issued					23,925,000	23,925,000
Payment to refunded bond escrow agent					(27,413,618)	(27,413,618)
Capital leases	91,617					91,617
Sale of capital assets					96,187	96,187
Total other financing sources and uses	<u>(5,300,040)</u>	<u>2,002,465</u>			<u>3,849,538</u>	<u>551,963</u>
Net change in fund balances	<u>10,019,722</u>	<u>326,430</u>	<u>(687,353)</u>	<u>(33,643,424)</u>	<u>3,741,709</u>	<u>(20,242,916)</u>
Fund balances - beginning	<u>50,912,414</u>	<u>3,216,848</u>	<u>3,116,322</u>	<u>80,339,430</u>	<u>30,933,547</u>	<u>168,518,561</u>
Prior year adjustment	(134,464)	(106,082)			(262,618)	(503,164)
Net change in reserve for inventories	(24,017)					(24,017)
Fund balances - ending	<u>\$60,773,655</u>	<u>\$3,437,196</u>	<u>\$2,428,969</u>	<u>\$46,696,006</u>	<u>\$34,412,638</u>	<u>\$147,748,464</u>

The notes to the financial statements are an integral part of this statement.

**County of El Paso, Texas**  
**Reconciliation of the Statement of Revenues,**  
**Expenditures, and Changes in Fund Balances of Governmental Funds**  
**To the Statement of Activities**  
**For the Year Ended September 30, 2015**

Amount reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (\$20,242,916)

Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered an other source of financing, but in the statement of net position, the lease obligation is reported as a liability. (91,617)

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Debt issued:			
Refunding bonds issued		(23,925,000)	
Premium on bonds issued		(3,852,777)	
Deferred outflow on refunding		(52,922)	
Repayments			
To escrow agent		27,413,618	
Bond premium(loss)		739,356	
Deferred inflow on debt		16,637	
Principal payments		<u>10,320,000</u>	
Net adjustment			10,658,912

Court cost receivables, net of allowance for uncollectible amounts 1,003,666

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.

Unavailable revenue property taxes		756,407	
Additional contingent liabilities		(1,155,000)	
Additional Compensated Absences		(3,320,328)	
Additional Other Post Employment Benefits		(2,382,803)	
Pension expense		(203,306,835)	
Depreciation expense		(17,483,323)	
The net effect of various transactions involving capital assets (i.e., sales and retirements) is to increase net assets			
Additions	48,230,487		
Retirements	(11,996,726)		
Accumulated depreciation related to retirements	<u>3,022,068</u>	39,255,829	
Unpaid claims workers comp		(614,580)	
Change in purchasing inventory		(24,017)	
Expenses related to capital lease payments and retirements		104,990	
Accrued interest on bonds		<u>90,979</u>	
			(188,078,681)

Internal service fund is used to charge the health care costs for county employees, dependants, and retirees.		<u>2,910,246</u>
Prior period adjustments		190,803,872
Change in net position of governmental activities		<u><u>(\$3,036,518)</u></u>

The notes to the financial statements are an integral part of this statement.

**County of El Paso, Texas**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**General Fund**  
**For the Year Ended September 30, 2015**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes:				
Property	\$147,589,503	\$147,589,503	\$147,814,567	\$225,064
Sales	40,269,518	40,269,518	43,898,082	3,628,564
Bingo	52,000	52,000	55,906	3,906
Mixed beverage	2,050,000	2,050,000	2,286,402	236,402
Licenses and permits	243,000	243,000	257,051	14,051
Intergovernmental	4,742,992	4,742,992	4,831,890	88,898
Charges for services	33,671,446	33,671,446	36,570,447	2,899,001
Fines and forfeitures	4,590,000	4,590,000	5,084,639	494,639
Interest	100,000	100,000	112,312	12,312
Miscellaneous	2,021,500	2,021,500	3,236,953	1,215,453
Total revenues	<u>235,329,959</u>	<u>235,329,959</u>	<u>244,148,249</u>	<u>8,818,290</u>
<b>EXPENDITURES</b>				
Current:				
General government				
Personnel	43,821,071	35,524,987	31,674,920	3,850,067
Operating	17,945,478	17,021,420	13,861,396	3,160,024
Total general Government	<u>61,766,549</u>	<u>52,546,407</u>	<u>45,536,316</u>	<u>7,010,091</u>
Administration of justice				
Personnel	48,092,928	51,153,627	48,826,778	2,326,849
Operating	7,560,055	7,570,057	6,341,268	1,228,789
Total Administration of justice	<u>55,652,983</u>	<u>58,723,684</u>	<u>55,168,046</u>	<u>3,555,638</u>
Public safety				
Personnel	96,059,828	101,055,065	96,291,202	4,763,863
Operating	19,601,738	20,508,640	19,171,945	1,336,695
Total Public safety	<u>115,661,566</u>	<u>121,563,705</u>	<u>115,463,147</u>	<u>6,100,558</u>
Health and welfare				
Personnel	4,521,780	4,716,480	4,515,501	200,979
Operating	4,915,862	4,894,981	3,974,439	920,542
Total Health and welfare	<u>9,437,642</u>	<u>9,611,461</u>	<u>8,489,940</u>	<u>1,121,521</u>
Resource development				
Personnel	342,405	330,076	315,073	15,003
Operating	46,702	40,928	19,217	21,711
Total Resource development	<u>389,107</u>	<u>371,004</u>	<u>334,290</u>	<u>36,714</u>
Culture and recreation				
Personnel	2,349,045	2,200,601	1,987,233	213,368
Operating	1,983,961	2,014,520	1,652,042	362,478
Total Culture and recreation	<u>4,333,006</u>	<u>4,215,121</u>	<u>3,639,275</u>	<u>575,846</u>
Public works				
Personnel				
Operating	64,816	94,816	58,174	36,642
Total Public works	<u>64,816</u>	<u>94,816</u>	<u>58,174</u>	<u>36,642</u>
Capital outlays	1,075,000	1,221,075	163,316	1,057,759
Total expenditures	<u>248,380,669</u>	<u>248,347,273</u>	<u>228,852,504</u>	<u>19,494,769</u>
Excess of revenues over expenditures	<u>(13,050,710)</u>	<u>(13,017,314)</u>	<u>15,295,745</u>	<u>28,313,059</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	993,075	993,075	946,639	(46,436)
Transfers out	(6,199,517)	(6,232,913)	(5,973,044)	259,869
Capital leases			91,617	91,617
Total other financing sources and uses	<u>(5,206,442)</u>	<u>(5,239,838)</u>	<u>(4,934,788)</u>	<u>305,050</u>
Net change in fund balances	<u>(18,257,152)</u>	<u>(18,257,152)</u>	<u>10,360,957</u>	<u>28,618,109</u>
Fund balances - beginning	64,580,935	64,580,935	64,580,935	
Prior period adjustment			(134,464)	(134,464)
Fund balances - ending	<u>\$46,323,783</u>	<u>\$46,323,783</u>	<u>\$74,807,428</u>	<u>\$28,483,645</u>

The notes to the financial statements are an integral part of this statement.

**County of El Paso, Texas**  
**Special Revenue Fund - Grant Funds**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the Year Ended September 30, 2015**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$16,464,920	\$42,394,013	\$20,649,848	(\$21,744,165)
Interest			49,670	49,670
Miscellaneous	72,821	1,178,202	937,912	(240,290)
<b>Total revenues</b>	16,537,741	43,572,215	21,637,430	(21,934,785)
<b>Expenditures:</b>				
<b>General government:</b>				
Personnel	60,704	126,438	69,022	57,416
Operating	3,200	4,945	1,598	3,347
<b>Total general government</b>	63,904	131,383	70,620	60,763
<b>Administration of justice:</b>				
Personnel	1,381,380	5,721,991	2,953,844	2,768,147
Operating	31,454	879,066	665,912	213,154
<b>Total administration of justice</b>	1,412,834	6,601,057	3,619,756	2,981,301
<b>Public safety:</b>				
Personnel	9,456,607	18,486,767	8,499,623	9,987,144
Operating	3,621,832	8,244,399	4,537,354	3,707,045
<b>Total public safety</b>	13,078,439	26,731,166	13,036,977	13,694,189
<b>Health and welfare:</b>				
Personnel	38,335	1,013,912	879,792	134,120
Operating	20,992	2,700,750	2,690,138	10,612
<b>Total health and welfare</b>	59,327	3,714,662	3,569,930	144,732
<b>Resource development:</b>				
Personnel	113	113	113	
Operating	57,329	1,293,050	4,380	1,288,670
<b>Total resource development</b>	57,442	1,293,163	4,493	1,288,670
<b>Community services:</b>				
Personnel	157,427	573,643	202,590	371,053
Operating	2,556,132	7,332,376	1,784,408	5,547,968
<b>Total community services</b>	2,713,559	7,906,019	1,986,998	5,919,021
<b>Public works:</b>				
Personnel		171,788	61,482	110,306
Operating	168,637	1,231,108	222,440	1,008,668
<b>Total public works</b>	168,637	1,402,896	283,922	1,118,974
<b>Capital outlays</b>	472,310	1,293,050	740,769	552,281
<b>Total expenditures</b>	18,026,452	49,073,396	23,313,465	25,759,931
Excess (deficiency) of revenues over (under) expenditures	(1,488,711)	(5,501,181)	(1,676,035)	3,825,146
<b>Other financing sources (uses):</b>				
Transfers in	728,937	3,257,525	2,293,930	(963,595)
Transfers out	8,128	8,128	(291,465)	(299,593)
<b>Total other financing sources (uses)</b>	737,065	3,265,653	2,002,465	(1,263,188)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(751,646)	(2,235,528)	326,430	2,561,958
<b>Fund balance - beginning</b>	2,030,991	4,384,114	3,216,848	
<b>Prior period adjustments</b>			(106,082)	(106,082)
<b>Fund balance - ending</b>	\$1,279,345	\$2,148,586	\$3,437,196	\$2,455,876

The notes to the financial statements are an integral part of this statement.

County of El Paso, Texas  
Statement of Net Position  
Proprietary Funds  
September 30, 2015

Business-type Activities-Enterprise Funds							Governmental Activities - Internal Service Fund	
El Paso County Water Projects (Current Year)	El Paso County Water Projects (Prior Year)	El Paso County Waste Water System (Current Year)	El Paso County Waste Water System (Prior Year)	County Solid Waste (Current Year)	County Solid Waste (Prior Year)	Total Current Year		
<b>ASSETS</b>								
Current assets:								
Cash and cash equivalents	\$2,170,021	\$1,950,552	\$11	\$100,000	\$33,205	\$23,400	\$2,203,237	\$7,047,251
Accounts receivable	99,643	10,211			62,308	58,425	161,951	165,412
Restricted cash and cash equivalents								
Customer deposits	110,500	102,800					110,500	
East Montana 1997A interest and sinking fund	15,707	17,257					15,707	
Total current assets	2,395,871	2,080,820	11	100,000	95,513	81,825	2,491,395	7,212,663
Noncurrent assets:								
Restricted cash, cash equivalents, and investments:								
East Montana 1997B construction fund	36,470	36,470					36,470	
East Montana Reserve fund	101,120	101,068					101,120	
Total restricted assets:	137,590	137,538					137,590	
Capital assets:								
Equipment, water system	14,212,503	13,754,024					14,212,503	
Vehicles	42,734	42,734					42,734	
Land	19,770						19,770	
Construction in Progress		458,480						
Less accumulated depreciation	(4,425,013)	(4,070,179)					(4,425,013)	
Total capital assets, net of accumulated depreciation	9,849,994	10,185,059					9,849,994	
Total noncurrent assets	9,987,584	10,322,597					9,987,584	
Total assets	12,383,455	12,403,417	11	100,000	95,513	81,825	12,478,979	7,212,663
<b>DEFERRED OUTFLOWS OF RESOURCES</b>								
Pensions	30,589						30,589	
Total deferred outflows of resources	30,589						30,589	
<b>LIABILITIES</b>								
Current liabilities								
Accounts payable	63,013	5,056			57,442	\$2,902	120,455	
Customer deposits payable	110,500	102,800					110,500	
Claims payable								2,059,551
Payroll Liability	8,485	5,096					8,485	2,095
Due to others								11,023
Due to other governments	9,549	8,487			4,191	3,502	13,740	
Current liabilities payable from restricted assets:								
East Montana Water Project 1997A payable	20,000	20,000					20,000	
Mayfair/Nuway Water System Bonds 2012 payable	5,000	4,000					5,000	
Colonia Revolucion Water Project Bonds payable	8,000	8,000					8,000	
Accrued interest payable	7,117	5,878					7,117	
Total current liabilities	231,664	159,317			61,633	56,404	293,297	2,072,669
Noncurrent liabilities:								
East Montana Water Project 1997A payable	800,000	820,000					800,000	
Mayfair/Nuway Water System Bonds 2012 payable	263,000	268,000					263,000	
Colonia Revolucion Water Project Bonds payable	484,000	492,000					484,000	
Net Pension Liability	236,304						236,304	
Total noncurrent liabilities	1,783,304	1,580,000					1,783,304	
Total liabilities	2,014,968	1,739,317			61,633	56,404	2,076,601	2,072,669
<b>DEFERRED INFLOWS OF RESOURCES</b>								
Pensions								
Total deferred inflows of resources								
<b>NET POSITION</b>								
Net investment in capital assets	8,269,996	8,592,829					8,269,996	
Restricted for:								
Debt	40,117	37,878					40,117	
East Montana Water Project	81,047	18,639					81,047	
County Solid Waste					33,880	25,421	33,880	
Square Dance Waste Water			11	100,000			11	
County Water System Reserve Fund	101,120	101,068					101,120	
County Water System Repair Reserve Fund	3,000	400					3,000	
East Montana 1997B construction fund	36,470	36,470					36,470	
East Montana 1997A interest and sinking	15,660	12,138					15,660	
Mayfair/Nuway interest and sinking	6,417	6,016					6,417	
Colonia Revolucion 2013 interest and sinking	4,041	3,280					4,041	
Unrestricted:								
County Water System	1,841,208	1,875,152					1,841,208	
Internal Service fund								5,139,994
Total net position	\$10,399,076	\$10,683,870	\$11	\$100,000	\$33,880	\$25,421	\$10,432,967	\$5,139,994

The notes to the financial statements are an integral part of this statement.

County of El Paso, Texas  
Statement of Revenues, Expenses, and  
Changes in Fund Net Position  
Proprietary Funds  
For the Year Ended September 30, 2015

Business-type Activities-Enterprise Funds								Governmental Activities - Internal Service Fund
El Paso County Water Projects (Current Year)	El Paso County Water Projects (Prior Year)	El Paso County Waste Water System (Current Year)	El Paso County Waste Water System (Prior Year)	County Solid Waste (Current Year)	County Solid Waste (Prior Year)	Total Current Year		
<b>OPERATING REVENUES</b>								
Charges for services	\$1,027,686	\$911,642			\$684,304	\$658,127	\$1,711,990	
Miscellaneous		\$210			\$520		520	
Employee premiums								\$6,998,209
Employer premiums								13,689,084
Retiree premiums								1,277,732
Cobra								37,220
Stop loss reimbursements								266,497
Other								260,326
Total operating revenues	<u>1,027,686</u>	<u>911,852</u>			<u>684,824</u>	<u>658,127</u>	<u>1,712,510</u>	<u>22,529,068</u>
<b>OPERATING EXPENSES</b>								
Personnel expenses	168,602	119,832					168,602	
Operating expenses	55,468	128,219					55,468	
Depreciation	354,834	335,902					354,834	
Public utilities	430,532	359,086					430,532	
Professional services	94,052		100,000		676,410	644,584	870,462	
Claims								16,749,149
Administrative								2,873,957
Total operating expenses	<u>1,103,488</u>	<u>943,039</u>	<u>100,000</u>		<u>676,410</u>	<u>644,584</u>	<u>1,879,898</u>	<u>19,623,106</u>
Operating income (loss)	<u>(75,802)</u>	<u>(31,187)</u>	<u>(100,000)</u>		<u>8,414</u>	<u>13,543</u>	<u>(167,388)</u>	<u>2,905,962</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>								
Interest revenue	1,736	1,196	11		45	29	1,792	4,283
Interest expense	(59,424)	(52,413)					(59,424)	
Total nonoperating revenues (expenses)	<u>(57,688)</u>	<u>(51,217)</u>	<u>11</u>		<u>45</u>	<u>29</u>	<u>(57,632)</u>	<u>4,283</u>
Income(loss) before contributions and transfers	<u>(133,490)</u>	<u>(82,404)</u>	<u>(99,989)</u>		<u>8,459</u>	<u>13,572</u>	<u>(225,020)</u>	<u>2,910,245</u>
Bond issuance costs		(21,750)						
Transfers from other funds				100,000				
Change in Net Position	<u>(133,490)</u>	<u>(104,154)</u>	<u>(99,989)</u>	<u>100,000</u>	<u>8,459</u>	<u>13,572</u>	<u>(225,020)</u>	<u>2,910,245</u>
Total net position, beginning	10,683,870	10,788,024	100,000		25,421	11,849	10,809,291	1,592,991
Prior period adjustment	(151,304)						(151,304)	636,758
Total net position, ending	<u>\$10,399,076</u>	<u>\$10,683,870</u>	<u>\$11</u>	<u>\$100,000</u>	<u>\$33,880</u>	<u>\$25,421</u>	<u>\$10,432,967</u>	<u>\$5,139,994</u>

The notes to the financial statements are an integral part of this statement.

County of El Paso, Texas  
 Statement of Cash Flows  
 Proprietary Funds  
 For the Year Ended September 30, 2015

	Business-type Activities-Enterprise Funds						Governmental Activities - Internal Service Fund
	El Paso County Water Projects (Current Year)	El Paso County Water Projects (Prior Year)	El Paso County Waste Water System (Current Year)	El Paso County Waste Water System (Prior Year)	County Solid Waste (Current Year)	County Solid Waste (Prior Year)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Receipts from customers	5947,016	5994,168			\$681,630	\$595,203	\$1,628,646
Payments for personnel expenses	40,502	(119,201)					40,502
Payments for operating expenses	2,489	(125,084)			4,540	(5299)	7,029
Payments for utilities	(430,532)	(359,086)					(430,532)
Payments for professional services	(94,052)				(676,410)	(644,584)	(770,462)
Receipts from employee premiums							\$7,000,678
Receipts from employer premiums							13,525,593
Receipts from retiree premiums							1,277,732
Receipts from cobra premiums							37,220
Receipts from stop loss reimbursements							266,497
Receipts from miscellaneous services							260,326
Payments for claims							(15,488,024)
Payments for administrative expenses							(2,873,957)
Net cash provided (used) by operating activities	465,423	300,797			9,760	(49,680)	475,183
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>							
Transfers from other funds				100,000			
Net cash provided (used) by noncapital financing activities				100,000			
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Interest paid	(58,184)	(52,541)					(58,184)
Principal repayments	(32,000)	(20,000)					(32,000)
Construction in progress		(25,755)					
Net cash provided (used) by capital and related financing activities	(90,184)	(98,296)					(90,184)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Receipt of interest	1,736	1,196	11		45	29	1,792
Net cash provided (used) by investing activities	1,736	1,196	11		45	29	1,792
Net increase(decrease) in cash and cash equivalents	376,975	203,697	11	100,000	9,805	(49,651)	386,791
Cash and cash equivalents, beginning of year	2,208,147	2,004,451			23,400	73,051	2,231,547
Prior period adjustment	(151,304)						(151,304)
Cash and cash equivalents, end of year	\$2,433,818	\$2,208,148	\$11	\$100,000	\$33,205	\$23,400	\$2,467,034
							\$7,047,251
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>							
Operating income (loss)	(\$75,802)	(\$31,187)			\$8,414	\$13,543	(\$67,388)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							\$2,905,962
Depreciation	354,834	335,902					354,834
(Increase) decrease in accounts receivable	(89,432)	(10,211)			(3,883)	(\$58,425)	(93,315)
(Increase) decrease in due from other funds							
Increase (decrease) in customer deposits	7,700	4,050					7,700
Increase (decrease) in vouchers payable	57,957	2,925			4,540	(299)	62,497
Increase (decrease) in claims liability							1,261,125
Increase (decrease) in payroll liability	3,389	631					3,389
Increase (decrease) in pension liability	205,715						205,715
Increase (decrease) in due to other funds							
Increase (decrease) in due to other governments	1,062	(1,313)			689	(4,499)	1,751
Total adjustments	541,225	331,984			1,346	(63,223)	542,571
Net Cash Provided (Used) by Operating Activities	\$465,423	\$300,797			\$9,760	(\$49,680)	\$475,183
							\$4,006,065

The notes to the financial statements are an integral part of this statement.

**County of El Paso, Texas**  
**Statement of Fiduciary Assets and Liabilities**  
**Fiduciary Funds**  
**September 30, 2015**

	<b>Agency Funds</b>
<b>Assets</b>	
Cash and cash equivalents	\$35,574,943
Accounts receivable	113,112
Restricted-funds custodial capacity cash equivalents	7,350,507
<b>Total Assets</b>	<b>\$43,038,562</b>
 <b>Liabilities</b>	
Accounts payable	\$1,263,689
Payroll liabilities	3,288,254
Due to other funds	
Due to others	26,242,885
Due to other governmental agencies	12,243,734
<b>Total Liabilities</b>	<b>\$43,038,562</b>
<b>Net Position</b>	

The notes to the financial statements are an integral part of this statement.



**County of El Paso, Texas**  
**Statement of Net Position - Component Units**  
**September 30, 2015**

	Component Units			Total
	Hospital	Emergency Services		
	District	District #1	District #2	
<b>ASSETS</b>				
Cash and cash equivalents	\$62,410,000	\$693,254	\$4,256,238	\$67,359,492
Investments	883,000	1,211,133		2,094,133
Receivables (net of allowance for uncollectible)	54,999,000	234,988	1,326,597	56,560,585
Inventories	7,206,000			7,206,000
Prepaid	11,088,000	20,518	49,082	11,157,600
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents				
Other assets	132,058,000		3,750	132,061,750
Capital Assets (net of accumulated depreciation):				
Land	15,059,000	179,764	1,207,359	16,446,123
Buildings	295,170,000	4,901,840	8,876,361	308,948,201
Equipment		361,504	1,018,350	1,379,854
Furniture and fixtures	42,970,000			42,970,000
Vehicles		1,570,609	4,048,467	5,619,076
Construction in progress	33,970,000			33,970,000
Total assets	<u>655,813,000</u>	<u>9,173,610</u>	<u>20,786,204</u>	<u>685,772,814</u>
<b>Deferred Outflows of Resources</b>				
Loss on Bond Refunding	9,487,000			9,487,000
Pensions	9,250,000			9,250,000
Total deferred outflows of resources	<u>18,737,000</u>	<u>-</u>	<u>-</u>	<u>18,737,000</u>
<b>LIABILITIES</b>				
Vouchers payable	82,375,000	363,103	337,483	83,075,586
Payroll liabilities		7,506		7,506
Accrued interest payable		28,032	314,850	342,882
Noncurrent liabilities:				
Due within one year				
Bonds	7,951,000			7,951,000
Notes		310,277		310,277
Capital leases		38,930	1,313,400	1,352,330
Self-insured obligations	1,439,000			1,439,000
Contingent liabilities				-
Compensated Absences				-
OPEB liability				-
Due in more than one year				
Bonds(net of related costs)	387,459,000			387,459,000
Notes		4,460,736		4,460,736
Capital leases		328,647	10,811,774	11,140,421
Self-insured obligations	708,000			708,000
Contingent liabilities				-
Compensated absences				-
Net pension liability	19,994,000		11,508	20,005,508
OPEB liability				-
Other long term liabilities				-
Total liabilities	<u>499,926,000</u>	<u>5,537,231</u>	<u>12,789,015</u>	<u>518,252,246</u>
<b>Deferred Inflows of Resources</b>				
Pensions	492,000			492,000
Total deferred outflows of resources	<u>492,000</u>	<u>0</u>	<u>0</u>	<u>492,000</u>
<b>NET POSITION</b>				
Net investment in capital assets	123,477,000	1,875,127	3,025,363	128,377,490
Restricted for:				
Debt service	6,820,000			6,820,000
Health care	800,000			800,000
Unrestricted	43,035,000	1,761,252	4,971,826	49,768,078
Total net position	<u>174,132,000</u>	<u>\$3,636,379</u>	<u>\$7,997,189</u>	<u>185,765,568</u>

The notes to the financial statements are an integral part of this statement.

**County of El Paso, Texas**  
**Statement of Revenue, Expenses, and Changes in Net Position**  
**Component Units**  
**For the Year Ended September 30, 2015**

	<u>Component Units</u>			<u>Total</u>
	<u>Hospital District</u>	<u>Emergency Services</u>		
		<u>District #1</u>	<u>District #2</u>	
<b>Revenues</b>				
Program Revenues:				
Charges for services	\$258,660,000	\$61,390	\$99,991	\$258,821,381
Operating grants and contributions	210,214,000	29,854	219,348	210,463,202
Capital grants, contributions and other		0	460,818	460,818
Total program revenues	<u>468,874,000</u>	<u>91,244</u>	<u>780,157</u>	<u>469,745,401</u>
<b>Expenses</b>	<u>(545,684,000)</u>	<u>(1,929,415)</u>	<u>(6,197,284)</u>	<u>(553,810,699)</u>
Net program revenues(expenses)	<u>(76,810,000)</u>	<u>(1,838,171)</u>	<u>(5,417,127)</u>	<u>(84,065,298)</u>
General revenues:				
Taxes:				
Property	\$85,751,000	1,681,863	2,925,710	90,358,573
Sales			4,025,018	4,025,018
Interest	228,000	8,348	997	237,345
Miscellaneous	(8,308,000)		7,382	(8,300,618)
Gain (loss) on sale of capital assets			(35,845)	(35,845)
Total general revenues and transfers	<u>77,671,000</u>	<u>1,690,211</u>	<u>6,923,262</u>	<u>86,284,473</u>
Change in net position	861,000	(147,960)	1,506,135	2,219,175
Net position - beginning	185,689,000	3,784,339	6,491,054	195,964,393
Prior period adjustment	(12,418,000)			(12,418,000)
Net position - ending	<u>\$174,132,000</u>	<u>\$3,636,379</u>	<u>\$7,997,189</u>	<u>\$185,765,568</u>

The notes to the financial statements are an integral part of this statement.

**COUNTY OF EL PASO, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2015**

**Note 1. Summary of Significant Accounting Policies**

The financial statements of the County have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The County's most significant accounting policies are described below.

**A. Reporting Entity**

The County of El Paso is a public corporation and a political subdivision of the State of Texas. The governing body of the County is the Commissioners Court. The Commissioners Court is composed of five elected officials, the County Judge and four County Commissioners.

The financial statements of the County, the reporting entity, include all governmental activities, departments, agencies, organizations and functions of the County for which the governing body is financially accountable. In evaluating and determining how to define the financial reporting entity, all likely units have been considered. As such the County is not included in any other governmental entity as defined by GASB Statement 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Nos. 14 and 34*.

The decisions to include or exclude a potential component unit in the reporting entity were made by applying standards contained in GAAP. The key consideration for including or excluding a potential component unit is the primary governing body's financial accountability. A primary government is financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing board and if it is able to impose its will or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the primary government.

In conformity with the criteria discussed above, the financial statements of the El Paso County Hospital District (Hospital District), Emergency Services District #1 (ESD1), and Emergency Services District #2 (ESD2), have been included in the financial reporting entity as discretely presented component units. The El Paso County Commissioners Court appoints their governing bodies, approves their budgets, sets their tax rates and approves their issuance of bonded debt. These units are reported on a separate statement and summarized in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

The Hospital District operates University Medical Center, a non-profit organization. Complete financial statements for the Hospital District can be obtained from its administrative office at: University Medical Center, 4815 Alameda Avenue, El Paso, Texas 79905, (915) 521-7610.

## Note 1. Summary of Significant Accounting Policies (Continued)

### A. Reporting Entity (Continued)

Emergency Services District 1 (ESD1) provides emergency services for the town of Horizon City and other communities within a 10-mile radius of the town. ESD1 provides services through the Horizon Fire Department, including training for the 47 active members, of which 17 are Emergency Medical Technicians (EMT) certified at the basic level and six are certified at the paramedic level. The department has 11 certified Firefighters. ESD1 utilizes dispatching services in conjunction with Horizon City Police Department. Complete financial statements can be obtained from the Office of the Board of Commissioners, President, 14151 Nunda, Horizon City, Texas 79928 and can be found on their website at <http://epcesd1.com/transparency.html>.

El Paso County Emergency Services District 2 (ESD2) contracts with six volunteer fire departments to provide emergency services for the areas of Clint, Fabens, Montana Vista, San Elizario, Socorro and Upper Valley. Currently ESD2 covers approximately 419 square miles and serves a population of approximately 107,000 citizens. ESD2 volunteers are trained as both certified Firefighters and EMTs providing both basic and advanced life support. ESD2 has a paid Fire Marshal's Division with four (4) Fire Marshals certified by the Texas Commission on Fire Protection (TCFP) and by the Texas Commission on Law Enforcement (TCOLE) who enforce the fire code, educate the citizens on fire protection and conduct fire investigations. Complete financial statements can be obtained from the El Paso County Emergency Services District #2 – District Office at 100 S. San Elizario Rd., Suite N, Clint, Texas 79836 and can be found on their website at <http://www.epcountyesd2.org/>

### B. Government-wide and fund financial statements

The government-wide financial statements report financial information of the primary government and its component units for all non-fiduciary activities. The effects of inter-fund activities have been removed from the government-wide financial statements, except where the elimination would distort the financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separate from business-type activities, which rely on fees and charges for a significant portion of their revenues.

The statement of net position focuses on the net position of the governmental and business type activities of the primary government and its component unit, where the net position equals the assets and deferred outflows of resources less liabilities and deferred inflows of resources. The statement of activities focuses on the direct expenses of a given function that are offset by program revenues. *Direct expenses* are those expenses that are clearly identifiable with a specific function. *Program revenues* include 1) charges for services and 2) operating and capital grants and contributions. Taxes and other revenue items not included in program revenues are reported as *general revenues*.

Separate financial statements are provided for the Governmental, Proprietary and Fiduciary funds, even though the latter are excluded from the government-wide financial statements.

## Note 1. Summary of Significant Accounting Policies (Continued)

### C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary and fiduciary fund financial statements, except agency funds which have no measurement focus. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when the related cash flows occur. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

All governmental funds are reported using a current financial resources measurement focus. Ordinarily, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are included on the balance sheet with this measurement focus. The operating statements of the funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The modified accrual basis of accounting is used by all governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). In the case of the County, "measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or within 60 days thereafter, to pay liabilities of the current period. Expenditures are generally recognized under the accrual basis of accounting when the related fund liability is incurred.

Revenues susceptible to accrual include property taxes, fines, forfeitures, special assessments, licenses, interest income and charges for services. Sales and use taxes collected and held by the State at fiscal year-end on behalf of the County are also recognized as revenue. Permits are not susceptible to accrual because generally they are not measurable.

Unavailable and unearned revenues arise when potential revenues do not meet both the measurable and available tests for recognition in the current period. Unavailable and unearned revenues also come about when resources are received by the County before the County is legally entitled to them. In succeeding periods, when both revenue recognition criteria are met, or when the County has a legal claim to the resources, the deferred inflows for unavailable revenue or the liability for unearned revenue is removed from the statements and revenue is recognized.

The County reports the following major governmental funds:

The General Fund is the primary operating fund of the County. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

## **Note 1. Summary of Significant Accounting Policies (Continued)**

### **C. Measurement focus, basis of accounting, and financial statement presentation (Continued)**

Special Revenue-Grants Funds are used to account for funds received from federal, state and local agencies for specific programs and services for the community. Federal funds include those received from the U. S. Department of Health and Human Services, U. S. Department of Justice, U. S. Department of Homeland Security, Office of National Drug Control Policy, U. S. Department of Agriculture, among others. State funds include those received from the Office of the Governor, Texas Department of Transportation, Texas Department of Public Safety, Texas Attorney General, Texas Department of Housing and Community Affairs, and others. Local funds are from the City and other local agencies.

The County Capital Projects 2007 is used to account for the financial resources secured through the sale of certificates of obligation to fund a multitude of county projects, to include flood control, water and sewer improvements; constructing and improving recreational facilities; improvements to the Justice Information Software, County Rural Parks, County Courthouse, Archive Building, Juvenile Justice Center, Downtown Jail, and Jail Annex; and other County capital needs.

The County Capital Projects 2012 is used to account for the financial resources secured through the sale of certificates of obligation to fund a multitude of county projects, to include the Tornillo-Guadalupe Land Port of Entry bridge, renovations to existing and construction of new County facilities, improvements to the County's Information Technology Systems, enhancements to the Sheriff's Department radio and emergency communication systems, and the replacement of vehicles for the Sheriff's Department and other County departments.

The County reports enterprise funds as major proprietary funds. The enterprise funds account for the activities of the County Water Systems (East Montana, Mayfair/Nuway, and Colonia Revolucion Water Projects), County Sewer System (Square Dance Sewer project), and County Solid Waste. User charges are used to pay off the debt on the revenue bonds for the East Montana Water Project, plus the operating expenses for enterprise funds.

Individual fund data for each of the non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The County reports the following non-major governmental funds:

*Special Revenue Funds* account for specific revenue sources that are restricted or committed for specified purposes other than debt service or capital projects.

*Debt Service Funds* account for financial resources that are restricted, committed, or assigned to expenditure for principal and interest on long-term obligation debt of the County.

*Capital Projects Funds* account for financial resources that are restricted, committed, or assigned to expenditure for major capital outlays.

## Note 1. Summary of Significant Accounting Policies (Continued)

### C. Measurement focus, basis of accounting, and financial statement presentation (Continued)

The County additionally reports the following fund types:

*Internal Service Funds* account for the health benefits provided to County employees, retirees and dependents. The workers' compensation benefits fund is also accounted for in the Internal Service Funds. Contributions to the funds are made as charges to the departments for covered employees along with contributions from employees and retirees to the health fund.

*Agency Funds* are used to account for the assets that are held in a trustee capacity or as an agent for individuals, private organizations, other governmental units, and/or other funds. These include the following:

*County Payroll Fund* is used as a clearing account for the bi-weekly employee payroll.

*IRS Section 125 Fund* is used to account for the employees' contributions to a cafeteria plan under the provisions of the *Internal Revenue Code Section 125*.

*County Employees' Retirement Fund* is used as a clearing account for the County and employees' contributions to the Texas County and District Retirement System.

*Social Security Fund* is used as a clearing account for the F.I.T. and F.I.C.A. employee withholdings and employer contributions.

*Child Support Fund* is used as a clearing account for County employees' deductions for court ordered child support payments.

*West Texas Community Supervision and Corrections Fund* is used to account for the activities of the State Adult Probation Department.

*County Attorney Bad Check Trust Fund* is used to account for the collections and disbursement of insufficient fund checks filed with the County Attorney by area merchants.

*Sheriff's Task Force Seizures Fund* is used to account for funds seized by various initiatives of the Sheriff's Department and held pending disposition by the Courts.

*District Attorney Seizures Fund* is used to account for multi-agency seizures held pending disposition by the Courts.

*Other Elected Officials Fund* is used to account for the collections of various county officials pending the allocation to the County, other governmental entities or individuals.

## **Note 1. Summary of Significant Accounting Policies (Continued)**

### **C. Measurement focus, basis of accounting, and financial statement presentation (Continued)**

Interfund activities have been eliminated from the government-wide financial statements. Amounts reported as *program revenues* include 1) charges for services (i.e., application fees, fines, court fees, processing fees, etc.), 2) operating grants and contributions, 3) capital grants and contributions. Other revenues that are not related to a specific activity or function are reported as *general revenues*. General revenues include all taxes, grants and contributions not restricted to a specific program or function, and any unrestricted investment earnings.

The proprietary fund distinguishes between operating and non-operating revenues and expenses. Operating revenues and expenses result from providing services in connection with the proprietary fund's principal operations. The East Montana Water Project recognizes tap and water service fees as operating revenues. The County Solid Waste Project recognizes waste collection fees as operating revenues. Revenues and expenses not considered as operating are classified as non-operating.

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

### **D. Budgets**

Annual budgets are approved and utilized for the general fund, special revenue and grant funds, and debt service funds. Annual budgets for the debt service funds are adopted by fund type in the aggregate. Annual budgets are adopted for the special revenue grant funds at the aggregate level by function. Budgets for grants are employed as a management control device in order to comply with granting agencies' provisions. Appropriations expire at fiscal year-end with the exception of grant funds and capital projects.

Formal budgetary integration is employed for the general fund, special revenue and grant funds and debt service funds. Capital projects funds are ordinarily more project oriented than period oriented, thus, project-length budgets for all capital projects funds are utilized and appropriations at year-end carry forward to subsequent years until the project completion. Budgets for all funds are prepared on the modified accrual basis. Formal budgetary integration is not employed in the Internal Service Fund.

The County has one special revenue fund that was not included in the adopted budget. This fund is the County Attorney Bad Check Operating Account, which is legally controlled at the discretion of the County Attorney.

The annual adopted budget for fiscal year 2015 totaled \$311,757,136. Throughout the year, the Commissioners Court amended the budget for an aggregate increase total of \$57,662,604. These increases represented statutorily provided increases for additional funding by granting agencies and intergovernmental agreements bringing the overall budget total to \$558,236,490, including re-appropriations. The appropriation changes included revisions as follows:



**Note 1. Summary of Significant Accounting Policies (Continued)**

**D. Budgets (Continued)**

County of El Paso, Texas  
Schedule of Amended Funding Amounts  
For the period ending September 30, 2015

Date of Amendment	General Fund	Special Revenue Fund	Enterprise Fund	Debt Service Fund	Capital Projects Fund	Grants	Total Funding Amounts
October 5, 2014	\$252,957,809	\$31,894,054	\$2,757,680	\$20,387,583	\$3,760,010	\$0	\$311,757,136
Total amendments		104,993	19,069	27,777,778	200,000	29,560,764	57,662,604
Subtotal	\$252,957,809	\$31,999,047	\$2,776,749	\$48,165,361	\$3,960,010	\$29,560,764	\$369,419,740
Carry over							
Re-appropriation	17,148,538	11,859,868	1,164,128		93,103,961	65,540,255	188,816,750
Totals	<u>\$270,106,347</u>	<u>\$43,858,915</u>	<u>\$3,940,877</u>	<u>\$48,165,361</u>	<u>\$97,063,971</u>	<u>\$95,101,019</u>	<u>\$558,236,490</u>

A reconciliation of budgeted and non-budgeted fund balance is as follows:

	<u>General Fund</u>
Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual	\$74,807,428
Revenues: Non-Budgeted	
Expenditures: Non-budgeted	<u>(24,017)</u>
Revenues over (under) Expenditures	24,017
Other financing sources (uses): Non-budgeted	(365,252)
Excess (deficiency) of revenues and Other financing sources over (under) Expenditures and other financing uses	(341,235)
Change in reserve for inventory	(24,017)
Prior years differences	<u>(13,668,521)</u>
Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$60,773,655</u>

The non-budgeted expenditure in the general fund is a change in the reserve for inventory of \$24,017, which represents the amount of inventory consumed during the year, and \$365,252 of excess sales taxes transferred from the general fund to the debt service fund.

## Note 1. Summary of Significant Accounting Policies (Continued)

### E. Deposits and Investments

Cash and cash equivalents as reported by the County and the component units represent cash on hand, demand deposits, negotiable order of withdrawal (NOW) accounts, and short-term investments with original maturities of three months or less from the date of acquisition.

County policy and State law require that all monies deposited in a depository bank be completely insured by the Federal Deposit Insurance Corporation or fully collateralized with securities of the United States or its agencies.

Governmental Accounting Standards Board Statement Number 40 “*Deposit and Investment Risk Disclosures, an amendment to GASB Statement Number 3*”, establishes and modifies disclosure requirements related to investment risks associated with credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. To limit the concentration of credit risk, the County has an established policy, whereby the maximum aggregate for all investments in obligations of U. S. Agencies and Instrumentalities shall not exceed 100 percent. The County has also established interest rate risk policies that limit the maximum maturity of any one security to 10 years or less.

The County is not exposed to foreign currency risk since County policy prohibits investment in any foreign investments.

Governmental Accounting Standards Board Statement (GASB) Number 59 became effective for fiscal years beginning after June 15, 2010. Statement No. 59 requires external investment pools that operate in conformity with the Securities and Exchange Commission (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended, to report investments using the net asset value per share method calculated on a basis other than fair value, such as “amortized cost” method that provides a net asset value per share that approximates fair value. To qualify as a 2a7-like pool, the pool should satisfy all SEC requirements of rule 2a7, including that a group of individuals fulfills the functions of a board of directors.

Investments reported on the balance sheet are stated at amortized fair value. All of the County’s investments are purchased with maturities of ten years or less. In accordance with the Public Funds Investment Act, all County investments are in United States Treasury Securities, agency securities, TexPool, TexPool Prime, certificates of deposit or commercial paper through an authorized investment pool. All certificates of deposit are fully insured by the Federal Deposit Insurance Corporation and/or fully collateralized with United States Treasury or agency securities. United States Treasury Securities are backed by the full faith and credit of the United States.

Agencies have no expressed liability assumed by the U.S. Government; however, the agencies are required to maintain secured advances, guaranteed mortgages, U.S. Government securities or cash in an amount equal to the amount of the consolidated bonds and discount notes outstanding. Securities pledged to the County as collateral are held by a third party bank in the County’s name.

## **Note 1. Summary of Significant Accounting Policies (Continued)**

### **E. Deposits and Investments (Continued)**

#### TexPool and TexPool Prime

The State Comptroller of Public Accounts exercises oversight responsibility over TexPool and TexPool Prime, the Texas Local Government Investment Pool. Oversight includes the ability to significantly influence operations, designation of management and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other individuals who do not have a business relationship with TexPool. The Advisory Board members review the investment policy and management fee structure.

Currently, TexPool and TexPool Prime are rated AAAM by Standard & Poor's. As a requirement to maintain the weekly rating, portfolio information must be submitted to Standard & Poor's, as well as the office of the State Comptroller of Public Accounts for review.

TexPool and TexPool Prime operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, as amended. TexPool and TexPool Prime qualify as 2a7-like pools and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method in accordance with the provisions of GASB Statement 59. The pools are subject to regulatory oversight by the Texas State Comptroller, although they are not registered with the SEC.

TexPool invests in obligations of the United States Government, its agencies or instrumentalities, fully collateralized repurchase agreements or reverse repurchase agreements, or no-load money market funds that are registered with and regulated by the SEC. TexPool Prime invests in obligations of the United States Government, its agencies or instrumentalities, fully collateralized repurchase agreements or reverse repurchase agreements, no-load money market funds that are registered with and regulated by the SEC, certificates of deposit issued by national or state banks or credit unions, including savings banks, provided that such bank or credit union are domiciled in Texas, or commercial paper that matures in 270 days or less from the date of its issuance.

### **F. Receivables and Payables**

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" for the current portion of the inter-fund loan or "advances to/from other funds" for the non-current portion of inter-fund loans. All other transactions that occur between individual funds for goods or services provided are classified as "due to/from other funds".

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in the applicable governmental fund, which indicates that they do not represent available financial resources and are not available for appropriation.

## **Note 1. Summary of Significant Accounting Policies (Continued)**

### **F. Receivables and Payables (Continued)**

Property tax receivables are shown net of an allowance for uncollectable accounts. Property taxes are levied October 1<sup>st</sup> and become delinquent on February 1<sup>st</sup>, at which time penalties and interest are assessed. The allowance for uncollectable property taxes is set at one percent of the outstanding delinquent taxes at September 30, 2015.

### **G. Inventories and prepaid items**

All inventories are valued at cost, which approximates market, using the first-in/first-out (FIFO) method. Inventories of the governmental funds are recorded as expenditures when consumed rather than when purchased. Payments made to vendors for goods or services that will benefit periods beyond year-end are classified as prepaid items.

### **H. Restricted Assets**

Certain proceeds of the County Water System Projects are classified as restricted assets on the balance sheet and are maintained separate on the books. Those resources are for the repayment of the related debt, customer deposits, and to maintain the required reserves. The reserve fund is used to cover any deficiencies from operations that could adversely affect debt service payments.

The government-wide statement of net position reports \$86,102,229 of restricted assets, of which \$24,453,717 is restricted by enabling legislation.

### **I. Capital Assets**

Capital assets, which include property, plant and equipment, and infrastructure assets, are reported in the appropriate governmental or business-type activities columns in the government-wide financial statements. Capital assets are those assets with a value of \$5,000 or more and with useful lives of over one year. Also, the value of existing capitalized assets is increased for any additions regardless of the amount, when the useful life is extended or the functionality of the asset is improved. Assets are recorded at historical cost or estimated historical cost if purchased or constructed.

Donated capital assets are stated at their fair market value on the date donated. When no historical records are available, capital assets are valued at estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the assets or substantially extend the life of the assets are not capitalized.

Improvements and major outlays are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets for the enterprise fund related to the East Montana Water System are depreciated using the 120 percent declining balance over 40 years in accordance with the bond covenant.

**Note 1. Summary of Significant Accounting Policies (Continued)**

**I. Capital Assets (Continued)**

All other capital assets are depreciated in accordance with the County depreciation method listed below. Capital assets under construction are not depreciated until construction is completed.

Capital assets of the County are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30
Moveable & Fixed Equipment	3-10
Furniture	10
Roads	20
Vehicles	5
Heavy Vehicles	7-10
Improvements	20
Bridges	35
Infrastructure	15-30

Assets of the Hospital District are depreciated on a straight-line basis over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building & Improvements	8-40
Moveable & Fixed Equipment	3-15

Assets of ESD1 are depreciated on a straight-line basis over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building & Improvements	5-40
Heavy trucks	10
Equipment	3-10

Assets of ESD2 are depreciated on a straight-line basis over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building & Improvements	40
Transportation Equipment	5-10
Equipment	5-10

## **Note 1. Summary of Significant Accounting Policies (Continued)**

### **J. Deferred outflows/inflows of resources**

In addition to assets, the statement of net position and/or balance sheet will periodically report a separate section for deferred outflows of resources. The deferred outflow of resources represents a consumption of net position that relates to a future period and will not be recognized as an outflow of resources until then; the effect is positive, similar to an asset but is not an asset. The County has two deferred outflows of resources, the first, for a deferred charge for the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the life of the refunding bonds. The second, for a deferred charge on pensions for differences between the net difference between projected and actual earnings on plan investments and contributions subsequent to the measurement date.

The Hospital District has two deferred outflows, the first is a charge for the difference in the carrying value of the refunded debt and its reacquisition price, which is being amortized over the life of the refunding bonds. The second, on pensions for the net difference between projected and actual earnings on plan investments and contributions subsequent to the measurement date.

In addition to liabilities, the statement of net position will periodically report a separate section for deferred inflows of resources. This deferred inflow of resources represents an acquisition of net position that applies to a future period and will not be recognized as an inflow of resources until that time similar to a liability but is not a liability. The County has two types of deferred inflow of resources, which arise under the modified accrual basis of accounting that qualify for reporting in this category. One item, unavailable revenues-property taxes is reported only in the governmental funds balance sheet. The second, is a deferred inflow on pensions for the difference between expected and actual experience on the plan reported on the statement of net position.

The Hospital District has only two types of deferred inflow of resources, which arise under the modified accrual basis of accounting that qualify for reporting in this category. The first item, unavailable revenues-property taxes is reported only in the governmental funds balance sheet. The second, is a deferred inflow on pensions for the difference between expected and actual experience on the plan reported on the statement of net position.

The ESD1 has only one type of deferred inflow of resources, which arises under the modified accrual basis of accounting that qualifies for reporting in this category. The item, unavailable revenues-property taxes is reported only in the governmental funds balance sheet.

The ESD2 has only one type of deferred inflow of resources, which arises under the modified accrual basis of accounting that qualifies for reporting in this category. The item, unavailable revenues-property taxes is reported only in the governmental funds balance sheet.

**Note 1. Summary of Significant Accounting Policies (Continued)**

**J. Deferred outflows/inflows of resources (Continued)**

The fiduciary net position of the Texas County and District Retirement System (TCDRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TCDRS's fiduciary net position. The Plan's fiduciary net position has been determined on the same basis as that used by the Plan. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The fiduciary net position of the Texas Emergency Services Retirement System (TESRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, and information about assets, liabilities and additions to/deductions from TESRS's fiduciary net position. The Plan's fiduciary net position has been determined on the same basis as that used by the Plan. Benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**K. Compensated Absences**

Regular full-time employees accumulate vacation leave at varying rates depending on their years of service with the County as follows:

<u>Number of Years of Service</u>	<u>Vacation Leave Days Earned Per Year</u>
Up to 5 years	10
5 to 15 years	15
Over 15 years	20

Vacation leave may be accumulated up to a maximum of two times the annual vacation benefit (20, 30 or 40 days depending on the number of years of service). Employees lose, without pay, unused vacation leave, which exceeds this limit. Regular part-time employees accumulate vacation leave at half the rate of regular full-time employees. On September 30, 2015, the County's total liability for vested vacation leave totaled \$14,890,824.

Each regular full-time employee earns sick leave at the rate of 15 working days per year and may accumulate a maximum sick leave balance of 90 working days. Outstanding sick leave balances are canceled, without recompense, upon termination, resignation, retirement or death except in the case of sheriff's officers. In accordance with the provisions of Governmental Accounting Standard Board, Statement No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

## **Note 1. Summary of Significant Accounting Policies (Continued)**

### **K. Compensated Absences (Continued)**

A liability in the amount of \$18,654,891 has been established for the accumulated vested sick leave benefits of the El Paso County Sheriff's deputies and detention officers. This is in accordance with the provisions of the contract agreement between the County and the El Paso County Sheriff's Association, whereby the County shall buy back any unused sick leave at the end of an officer's career. An officer will be paid at the rate of one day's pay for one day's sick leave up to 90 days and thereafter at the rate of one day's pay for every three days of sick leave.

Vested vacation and sick leave benefits are not expected to be liquidated with expendable and available financial resources and therefore, are reported as long term liabilities in the government wide statements. The accrued accumulated vested benefits liability for the current year is \$33,545,715 of which \$11,997,112 is reported as due within one year. The general fund or the appropriate special revenue fund is used to liquidate any liabilities for compensated absences.

### **L. Long-term Obligations**

For the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the appropriate governmental activities, business-type activities or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

Bond premiums, discounts, and issuance costs are recognized in the fund financial statements of governmental fund types during the current period. The bond face amount and any premiums are reported as other financing resources while any discounts are reported as other financing uses. Bond issuance costs are reported in either the capital projects or debt service fund depending on whether the bond is a new issue or refunding issue, regardless of whether or not the costs were withheld from the bond proceeds received.

### **M. Fund Balances**

The County Commissioners Court annually approved financial policies which included a policy for maintaining a minimum fund balance of 10 to 15 percent of the total general fund adopted operating budget in any one fiscal year, or at a minimum, a balance equal to the projected cash needs for the first fiscal quarter to meet operating obligations. Use of this reserve is limited to an unanticipated emergency, calamity, natural disaster or the loss/shortfall of a major revenue source.

The County implemented the requirements of GASB 54 – Fund Balance Reporting and Governmental Fund Type Definitions for fiscal year 2010. The County categorized its fund balances in five classifications and in the hierarchy to which the government is bound to honor constraints on specific purposes for which amounts in those funds can be spent.



## Note 1. Summary of Significant Accounting Policies (Continued)

### M. Fund Balances (Continued)

**Nonspendable** – These balances represent amounts that are not in spendable form or are legally or contractually required to be maintained intact, such as inventories.

**Restricted Fund Balance** – Represents amounts that are restricted to specific purposes, with constraints placed on the use of resources by (a) external creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Fund balance on the debt service funds will be restricted for the payment of principal and interest on the debt service obligation. Any funds that are remaining after all debt is extinguished will be transferred to the general fund to be used for any general purpose.

The restricted other purposes amount of \$3,764,973 reported as other governmental funds consists of \$3,764,973 special revenue funds restricted for various programs and projects.

**Committed Fund Balance** – These balances represent amounts that are restricted for purposes which County Commissioners Court, the County's highest level of decision-making authority, have designated their use. These amounts are committed through the adoption of a court order. These amounts can only be re-allocated by the same formal action that was taken to originally commit those amounts. Funds allocated through the use of general fund monies for capital assets are categorized as committed.

**Assigned Fund Balance** – Represents amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The governing body may delegate its authority to assign amounts to another body or officials, for example a budget or finance director. The Commissioners Court, when it is appropriate for fund balance to be assigned, delegates the authority to the County Auditor. Assignments may occur subsequent to fiscal year end.

The assigned other purposes amount of \$1,093,843 in the general fund is for carryover encumbrances from prior year for general operating purposes. The other purposes amount of \$4,719,963 in other governmental funds consists of \$999,711 for capital projects and \$3,720,252 for special revenue projects. Both are carryover encumbrances from the prior year.

**Unassigned Fund Balance** – Represents the residual amount in the general fund that has not been restricted, committed, or assigned to specific purposes.

It is the County's policy to use restricted funds first, when expenditures are incurred for purposes for which both restricted and unrestricted funds are available. In the case of unrestricted funds, the County will consider first reducing committed funds, then assigned, and followed by unassigned when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

## **Note 1. Summary of Significant Accounting Policies (Continued)**

### **N. Comparative Data/reclassifications**

Comparative total data for the previous year have been presented in selected accompanying financial statements in order to afford an understanding of changes in the County's position and operations. Comparative data, nonetheless, have not been presented in all statements because such inclusion would make certain statements unduly complex and difficult to comprehend. Also, certain amounts in the Enterprise Funds presented for the prior year data have been reclassified consistent with the current year's presentation.

### **O. Use of Estimates**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

### **Q. New Accounting Pronouncement**

The County has implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, which establishes standards for measuring and recognizing liabilities, deferred outflows and deferred inflows of resources, and expense/expenditures. In addition, the County implemented GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, which requires, at transition, that a government recognize a beginning deferred outflow of resources for its pension contributions, if any, made subsequent to the measurement date of the beginning net pension liability. The provisions of GASB Statement No. 71, are required to be applied simultaneously with the provisions of GASB statement No. 68.

The County's financial statements as of September 30, 2015 are presented in accordance with the guidance provided by these statements. See Note 3Q, Prior Period Adjustment for more information regarding the implementation of this new pronouncement.

The, GASB has issued Statement No. 72, *Fair Value Measurement and Application*; Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to certain Provisions of GASB Statements 67 and 68*; GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*; GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*; GASB Statement No. 76; *The Hierarchy of Generally Accepted Accounting Principles for State and Local Government*; and GASB Statement No. 77; *Tax Abatement Disclosures*, which will require adoption in the future, if applicable. These statements may or may not have a material effect on the County's financial statements once implemented. The County will be analyzing the effects of these pronouncements and plans to adopt them as applicable by their effective dates.

## **Note 1. Summary of Significant Accounting Policies (Continued)**

### **Q. New Accounting Pronouncement (Continued)**

In December 2015, GASB issued Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, Accounting and Financial Reporting for Pensions. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This statement is not effective until the fiscal year ending June 30, 2016.

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. The objective of this Statement is to address accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools, as amended. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015.

In January 2016, GASB issued Statement No. 80, *Blending Requirements for Certain Component Units*. The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended. This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016.

## **Note 2. Legal Compliance - Budgets**

Budgets are adopted by Commissioners Court on a modified accrual basis. Under Texas law, county governments may prepare annual budgets under one of three subchapters. Prior to fiscal year 2015, the County Auditor served as the Budget Officer for the Commissioners Court of the County pursuant to *Texas Local Government Code § 111.031*. Effective fiscal year 2015 which began October 1, 2014, the County began operating under *Local Government Code § 111.061, Subchapter C, Alternate Method of Budget Preparation in counties with a population of more than 125,000*. Pursuant to *Local Government Code § 111.062*, the Commissioners Court may appoint a county budget officer to prepare a county budget for the fiscal year. Due to this change, the County Commissioners budgeted for various new departments and positions such as the Office of the Chief Administrator including a department of Budget and Fiscal Policy and created chief positions of County Chief Administrator and a Budget Executive Director (Budget Officer).

## **Note 2. Legal Compliance – Budgets (Continued)**

The Budget Officer prepares a proposed budget utilizing spending requests received from the various County departments and agencies and makes recommendations to the Commissioners Court under the direction and in collaboration with the County Administrator. This proposed budget contains the County Auditor's certified estimate of revenues. Pursuant to the Texas Local Government Code, § 111.072, § 111.034(b)(4) and § 111.039(b), only the County Auditor may estimate revenues. The Commissioners Court may not legally adopt an annual operating budget containing appropriations in excess of the available funds at the beginning of the fiscal year and the anticipated revenues for the fiscal year as estimated by the County Auditor.

Public hearings pertaining to the proposed budget are conducted on an as needed basis by Commissioners Court after preliminary budget workshops are conducted with the Budget Officer and consideration by the County Administrator. During these hearings, department heads and elected officials are provided opportunity to present their requests and to further explain and/or justify their requests. Before determining the final budget, Commissioners Court with the assistance of the Budget Officer and County Administrator, while establishing overall spending priorities for the County, may increase or decrease the amounts requested by the different departments and/or agencies.

Pursuant to Texas Local Government Code, § Sec. 111.066 the Budget Officer files a copy of the proposed budget with the County Clerk and the County Auditor; Sec. 111.091, upon the adoption and certification of a general or special county budget, the County Auditor shall open an appropriation account for each main budgeted or special item in the budget. Furthermore, the County Auditor with oversight of all appropriation accounts and payments drawn against those appropriation and is required to periodically inform the Commissioners Court of the condition of the appropriation accounts and ensure that expenses do not exceed departmental appropriations.

After approval of the budget, Commissioners Court may authorize transfers of appropriations within the various expenditure levels during the year. Such transfers, however, may not increase the overall budget total and are screened for consideration consistent with the County's fiscal policies. The County budget may be increased during the course of the fiscal year for newly received bond proceeds, grants, state aid, intergovernmental contracts or unanticipated revenue received after adoption of the budget as certified by the County Auditor.

The legal level of budgetary control requires that all expenditures shall be made in strict compliance with the budget. The legal level of budgetary control for the general fund and special revenue funds is effectively controlled at the category (personnel, operations, capital outlays) level by department, while control for the debt service funds and capital projects funds is at the fund level. Any budgetary changes impacting appropriations at these levels may be made only with the formal approval of the Commissioners Court.

### Note 3. Detailed notes on all funds

#### A. Deposits and Investments

At year-end, the carrying amounts of the County's deposits were \$211,962,668 consisting of cash and cash equivalents. Of this amount, \$1,467,525 represents custodial funds from the County Clerk's Probate Account, \$5,882,982 represents funds held in the District Clerk's Custodial Account and \$263,797 represents restricted assets for business-type activities. The bank balance of \$179,503,304 was covered by \$250,000 federal depository insurance with the remaining bank balance fully collateralized with securities held in the County's name in a joint custody account with the County's depository bank, Frost National Bank.

The carrying amount of the deposits for the Hospital District, the discretely presented component unit, was \$193,171,000, consisting of cash and cash equivalents. At September 30, 2015, the Medical Center had \$2.0 million of cash that was uninsured and uncollateralized. At September 30, 2014, the Medical Center's deposits were either insured or collateralized in accordance with state law.

The carrying amount of the deposits for the ESD1, the discretely presented component unit, was \$754,147, consisting of cash and cash equivalents. The bank balance was covered by \$250,000 federal deposit insurance and the remaining bank balance collateralized with securities held in the District's name by the depository bank's trust department.

The carrying amount of the deposits for the ESD2, the discretely presented component unit, was \$4,557,403, consisting of cash and cash equivalents. The bank balance was covered by \$250,000 federal deposit insurance and the remaining bank balance collateralized with securities held in the District's name by the depository bank's trust department.

As of September 30, 2015, the County had the following investments.

<b>Investment Type</b>	<b>Fair Value</b>	<b>Weighted Average Maturity (Years)</b>
TexPool investment pool	\$21,247,100	0.09
TexPool Prime investment pool	<u>7,451,604</u>	0.34
Total	<u>\$28,698,704</u>	0.16

As of September 30, 2015, the Hospital District had the following investments.

<b>Unrestricted Investment Type</b>	<b>Fair Value</b>	<b>Weighted Average Maturity (Years)</b>
U.S. Agencies	<u>\$ 883,124</u>	0.88
Total	<u>\$ 883,124</u>	0.88
<b>Restricted Investment Type</b>	<b>Fair Value</b>	<b>Weighted Average Maturity (Years)</b>
Repurchase Agreements	\$122,714,038	0.58
Certificates of Deposit	<u>700,000</u>	0.66
Total	<u>\$ 123,414,038</u>	0.58

**Note 3. Detailed notes on all funds (Continued)**

**A. Deposits and Investments (Continued)**

ESD1 had the following investments as of September 30, 2015:

<b>Unrestricted Investment Type</b>	<b>Fair Value</b>
Certificates of Deposits	\$1,211,133
U.S. Agencies	
Total	<u>\$1,211,133</u>

*Interest rate risk.* In accordance with the County’s investment policy, the County has established interest rate risk policies that limit the maximum maturity of any one security to 10 years or less. The County has been able to minimize its exposure to interest rate risk through its depository contract, which set a minimum interest rate that the depository would pay that is above the current short-term market rates.

The Hospital District has established interest rate risk policies that limits the maximum maturity of any one security to 5 years or less, except for the tobacco settlement fund for which the maximum maturity is 10 years.

ESD1 and ESD2 do not have a formal investment policy that limits investment maturities as a means of managing their exposure to fair value losses arising from increasing interest rates.

*Credit risk.* The Public Funds Investment Act *Government Code §2256.009(b)* limits allowable investments to obligations of, or guaranteed by, governmental entities, certificates of deposit, share certificates, repurchase agreements, bankers acceptances or commercial paper not to exceed 270 days, mutual funds not to exceed 90 days, guaranteed investment contracts, and investment pools. The County and Hospital District further limit investments to United States Treasury bills, bonds and notes, certificates of deposit, United States Agency securities (GNMA, SBA, EXIM BANK, FMHA, GSA, FNMA, FHLB, FHLMC, and FFCB), repurchase agreements (County not to exceed 4 days, Hospital District repurchase agreements must have a defined termination date), commercial paper through an authorized investment pool, and an investment pool authorized through Commissioners Court.

ESD1 and ESD2 have no investment policy that would further limit its investment choices except state law.

El Paso County Investment at September 30, 2015	Standard & Poor’s Rating
Local Government Investment Pools	AAAm
Component Unit Investment at September 30, 2015	Standard & Poor’s Rating
Federal Home Loan Bank	AA+
Local Government Investment Pools	AAAm

**Note 3. Detailed notes on all funds (Continued)**

**A. Deposits and Investments (Continued)**

*Concentration of credit risk.* To limit the concentration of credit risk, the County has an established policy, whereby the maximum aggregate for all investments in obligations of U. S. Agencies and Instrumentalities shall not exceed 100 percent. The County is not exposed to foreign currency risk since the County prohibits investment in any foreign investments.

Hospital District investments shall be diversified by limiting concentration of specific security types, issuers, and by staggering maturity dates.

ESD1 and ESD2 places no limit on the amount the district may invest in any one issuer.

*Custodial credit risk – deposits.* This is the risk that in the event of a bank failure, the County’s or Hospital District’s deposits may not be returned to the respective entity. The County and Hospital District protect their deposits by requiring the respective entity’s depository bank to fully collateralize the amount in excess of federal depository insurance, with securities held in the respective entity’s name in a joint custody account with the respective entity’s depository bank at a third party financial institution.

ESD1 and ESD2 Do not have a policy for custodial credit risk.

*Custodial credit risk – investments.* For an investment, this is the risk that in the event of the failure of the issuer, the County or Hospital District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The County and Hospital District reduce this risk by purchasing securities that are backed by the full faith and credit of the United States or an implied backing of the full faith and credit of the United States. Both the County’s and Hospital District’s investment policies strictly limit the entity’s exposure to riskier types of securities such as commercial paper by limiting the maximum maturity and maximum investment.

**B. Receivables**

Receivables as of September 30, 2015 for the general, major special revenue grant funds, and other governmental, including applicable allowances for uncollectable accounts, are as follows:

	<u>General</u>	<u>Major Special Revenue-Grant Funds</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Receivables:				
Taxes	\$18,533,584			\$18,533,584
Accounts	8,387,758	\$4,879,193	\$636,395	13,903,346
Interest			199	199
Notes-		612,573		612,573
Less: allowance for uncollectable	(185,336)			(185,336)
Net total receivables	<u>\$26,736,006</u>	<u>\$5,491,766</u>	<u>\$636,594</u>	<u>\$32,864,366</u>

**Note 3. Detailed notes on all funds (Continued)**

**B. Receivables (Continued)**

Property taxes receivables are reported net of unrealizable amounts. The taxes receivable account represents uncollected tax levies of the past twenty years on real property and the last four years on personal property in accordance with State statute. The allowance for estimated uncollectable taxes is one percent of the total delinquent taxes receivable, including penalties and interest, as of September 30, 2015. Based on a five-year trend of the taxes receivable, including penalties and interest, the County deferred approximately 94.55 percent until collection of those revenues. In calculating the taxes revenue, a period of 60 days is used to measure availability since the taxes for any current tax year are materially received well into the next fiscal year. Expenditure accruals are also being recognized 60 days after the fiscal year end.

On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties and interest ultimately imposed for the year on the property, whether or not the taxes are imposed in the year the lien attaches. Property taxes are levied as of October 1 on property values assessed as of the same date. The tax levy is billed on or shortly after October 1 and is considered due upon receipt by the taxpayers. The tax levy must be paid by January 31. Taxes become delinquent if not paid before February 1.

Governmental funds report unearned revenue in connection with receivables for revenues that are considered not available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (general fund)	\$17,434,542	
Court costs and fines (general fund)		81,760
Draw-downs prior to meeting eligibility requirements (grants)		<u>120,021</u>
Total deferred /unearned revenue for governmental funds	<u>\$17,434,542</u>	<u>\$201,781</u>

**C. Capital assets**

Capital assets activity for the year ended September 30, 2015, was as follows:

**Primary Government**

	<u>Beginning Balance</u>	<u>Prior Period Adjustments</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>					
<b>Capital assets, not being depreciated:</b>					
Artwork	\$56,255				\$56,255
Land	\$17,505,119		26,342		17,531,461
Easements	110,000				110,000
Information Technology System in progress	2,111,365		514,448		2,625,813
Construction in progress	<u>20,100,467</u>		<u>29,674,275</u>	<u>(\$8,661,884)</u>	<u>41,112,858</u>
Total capital assets, not being depreciated	<u>39,883,206</u>		<u>30,215,065</u>	<u>(\$8,661,884)</u>	<u>61,436,387</u>



### Note 3. Detailed notes on all funds (Continued)

#### C. Capital assets (Continued)

##### Capital assets, being depreciated:

Bridges and culverts	9,896,369				9,896,369
Buildings	266,439,358	(5,247)	8,185,652	(165,777)	274,453,986
Equipment	46,822,649	(5,832)	3,101,711	(1,771,784)	48,146,744
Furniture and fixtures	1,021,182	(3,228)	28,956		1,046,910
Improvements	13,905,741		221,597		14,127,338
Infrastructure	6,726,107		3,087,755		9,813,862
Leased equipment	339,965		82,032	(24,164)	397,833
Roads	50,432,029	5,247	1,493,311		51,930,587
Vehicles	20,873,434		1,823,468	(1,373,117)	21,323,785
Total capital assets, being depreciated	<u>416,456,834</u>	<u>(9,060)</u>	<u>18,024,482</u>	<u>(3,334,842)</u>	<u>431,137,414</u>

##### Less accumulated depreciation for:

Bridges and culverts	(2,454,724)		(259,859)		(2,714,583)
Buildings	(142,321,969)		(7,696,123)	10,308	(150,007,784)
Equipment	(25,561,496)		(4,639,281)	1,756,489	(28,444,288)
Furniture and fixtures	(841,320)	188	(32,470)		(873,602)
Improvements	(6,927,710)		(606,111)		(7,533,821)
Infrastructure	(989,829)		(329,148)		(1,318,977)
Leased equipment	(219,968)		(92,477)	18,123	(294,322)
Roads	(18,911,000)		(2,314,994)		(21,225,994)
Vehicles	(13,592,654)	896	(1,513,944)	1,237,148	(13,868,554)
Total accumulated depreciation	<u>(211,820,670)</u>	<u>1,084</u>	<u>(17,484,407)</u>	<u>3,022,068</u>	<u>(226,281,925)</u>

Total capital assets, being depreciated, net 204,636,164 (7,976) 540,075 (312,774) 204,855,489

Governmental activities capital assets, net \$244,519,370 (\$7,976) \$30,755,140 (\$8,974,658) \$266,291,876

	Beginning Balance	Prior Period Adjustments	Increases	Decreases	Ending Balance
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##### Business-type Activities:

##### Capital assets, not being depreciated:

Land	\$19,770				\$19,770
Construction in progress	458,480			(\$458,480)	
Total capital assets, not being depreciated	<u>\$478,250</u>			<u>(\$458,480)</u>	<u>\$19,770</u>

##### Capital assets, being depreciated:

Vehicles	42,734				42,734
Water systems	13,754,023		458,480		14,212,503
Total capital assets, being depreciated	<u>13,796,757</u>		<u>458,480</u>		<u>14,255,237</u>

##### Less accumulated depreciation for:

Vehicles	(17,623)		(2,576)		(20,199)
Water systems	(4,052,556)		(352,258)		(4,404,814)
Total accumulated depreciation	<u>(4,070,179)</u>		<u>(354,834)</u>		<u>(4,425,013)</u>

Total capital assets, being depreciated, net 9,726,578  103,646  9,830,224

Business-type activities capital assets, net \$10,204,828  \$103,646 (\$458,480) \$9,849,994

**Note 3. Detailed notes on all funds (Continued)**

**C. Capital assets (Continued)**

Depreciation expenses charged to functions/programs of the primary government are as follows:

<b>Governmental activities:</b>	
General Government	\$5,849,590
Administration of Justice	101,951
Public Safety	5,514,721
Health and Welfare	156,834
Community Service	87,943
Resource Development	171
Culture and Recreation	1,540,177
Public Works	<u>4,233,020</u>
Total depreciation expense governmental activities	<u>\$17,484,407</u>
<b>Business-type activities:</b>	
Vehicles	\$2,576
Water systems	<u>352,258</u>
Total depreciation expense Business-type activities	<u>\$354,834</u>

Prior Period adjustments were to correct errors in posting of assets.

**Construction and Technology Computer Systems Commitments**

The County has several active projects as of September 30, 2015. The projects include, among others, the Sportspark Complex Renovations, New Jail Annex Unit, Courthouse Plumbing System, Tornillo-Guadalupe Port of Entry Toll System, Ascarate Park Toll Booth, and the Tyler Munis Enterprise System.

The County's year-end commitments are as follows:

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
<b>Governmental Activities</b>		
Sportspark Complex Renovations	7,480,990	2,177,412
New Jail Annex Unit	31,519,171	15,051,526
Courthouse Mechanical Plumbing System	815,693	1,625
Tornillo Guadalupe Port of Entry Toll System	1,131,890	557,701
Ascarate Park Toll Booth	<u>165,114</u>	<u>84,886</u>
Total	<u>\$41,112,858</u>	<u>\$17,873,150</u>
<b>Information Technology Systems Commitments</b>		
Tyler Munis Enterprise System	<u>\$2,625,813</u>	<u>\$2,869,187</u>
Total	<u>\$2,625,813</u>	<u>\$2,869,187</u>

**Note 3. Detailed notes on all funds (Continued)**

**C. Capital assets (Continued)**

**Component units**

Capital asset activity for the Hospital District for the year ended September 30, 2015 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfer Disposals/ Retirements</u>	<u>Ending Balances</u>
<b>Capital assets, not being depreciated:</b>				
Land	\$11,575,000	\$3,484,000		\$15,059,000
Construction in progress	<u>15,789,000</u>	<u>18,181,000</u>		<u>33,970,000</u>
Total capital assets, not being depreciated	<u>27,364,000</u>	<u>21,665,000</u>		<u>49,029,000</u>
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	412,901,000	8,654,000		421,555,000
Movable and fixed equipment	<u>236,990,000</u>	<u>7,348,000</u>	(\$429,000)	<u>243,909,000</u>
Total capital assets, being depreciated	<u>649,891,000</u>	<u>16,002,000</u>	<u>(429,000)</u>	<u>665,464,000</u>
<b>Less accumulated depreciation for:</b>				
Buildings, improvements and equipment	(298,836,000)	(30,283,000)	419,000	(328,700,000)
Total accumulated depreciation	<u>(298,836,000)</u>	<u>(30,283,000)</u>	<u>419,000</u>	<u>(328,700,000)</u>
Total capital assets, being depreciated, net	<u>351,055,000</u>	<u>(14,281,000)</u>	<u>(10,000)</u>	<u>336,764,000</u>
Hospital District capital assets, net	<u>\$378,419,000</u>	<u>\$7,384,000</u>	<u>(\$10,000)</u>	<u>\$385,793,000</u>

The Hospital District construction in progress at September 30, 2015, primarily represents the capitalized interest from the 2013 revenue bond debt issuance along with certain other costs incurred to fund approximately \$150 million of capital improvements, including outpatient medical clinics, renovate existing hospital inpatient floors and purchase equipment for the main campus. These projects will occur through 2018 and will be paid for with unexpended proceeds of the 2013 Combination Tax and Revenue Certificates of Obligation bonds.

Capital asset activity for the ESD1 for the year ended September 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfer Disposals/ Retirements</u>	<u>Ending Balances</u>
<b>Capital assets, not being depreciated:</b>				
Land	<u>\$179,764</u>			<u>\$179,764</u>
Total capital assets, not being depreciated	<u>\$179,764</u>			<u>179,764</u>
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	5,077,531	\$4,434		5,081,965
Heavy Trucks	3,510,073			3,510,073
Equipment	<u>1,062,498</u>	<u>124,322</u>	(\$9,447)	<u>1,177,373</u>
Total capital assets, being depreciated	<u>9,650,103</u>	<u>128,756</u>	<u>(9,447)</u>	<u>9,769,412</u>
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	(52,891)	(127,234)		(180,125)
Heavy Trucks	(1,666,285)	(273,180)		(1,939,465)
Equipment	<u>(726,497)</u>	<u>(98,818)</u>	9,447	<u>(815,869)</u>
Total accumulated depreciation	<u>(2,445,674)</u>	<u>(499,232)</u>	<u>\$9,447</u>	<u>(2,935,459)</u>
Total capital assets, being depreciated, net	<u>7,204,429</u>	<u>(370,476)</u>		<u>6,833,953</u>
ESD1 capital assets, net	<u>\$7,384,193</u>	<u>(\$370,476)</u>		<u>\$7,013,717</u>

**Note 3. Detailed notes on all funds (Continued)**

**C. Capital assets (Continued)**

Total provision for depreciation of \$499,232 was charged to public safety of ESD1. Capital assets pledged as security for long-term debt had a cost of \$6,664,793.

Capital asset activity for the ESD2 for the year ended September 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfer Disposals/ Retirements</u>	<u>Ending Balances</u>
<b>Capital assets, not being depreciated:</b>				
Land	\$786,051	\$421,308	—	\$1,207,359
Total capital assets, not being depreciated	<u>786,051</u>	<u>421,308</u>	<u>—</u>	<u>1,207,359</u>
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	11,979,780	311,506	—	12,291,286
Transportation equipment	17,011,677	1,388,704	(\$692,000)	17,708,381
Other equipment	3,089,297	655,829	—	3,745,126
Total capital assets, being depreciated	<u>32,080,754</u>	<u>2,356,039</u>	<u>(692,000)</u>	<u>33,744,793</u>
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	(3,117,557)	(297,368)	—	3,414,925
Transportation Equipment	(12,456,163)	(1,832,319)	628,568	13,659,914
Other equipment	(2,319,268)	(407,508)	—	2,726,776
Total accumulated depreciation	<u>(17,892,988)</u>	<u>(2,537,195)</u>	<u>628,568</u>	<u>19,801,615</u>
Total capital assets, being depreciated, net	<u>14,187,766</u>	<u>(181,156)</u>	<u>(63,432)</u>	<u>13,943,178</u>
ESD2 capital assets, net	<u>\$14,973,817</u>	<u>\$240,152</u>	<u>(\$63,432)</u>	<u>\$15,150,537</u>

**D. Inter-fund receivables, payables, and transfers**

The inter-fund and intra-fund receivables and payables represent amounts that cover cash shortages that are within the pooled cash account. The intra-fund amounts have been eliminated for financial statement reporting. These balances will be eliminated in the subsequent period. The inter-fund transfers mainly represent amounts which are used to leverage County funds in securing federal and state grant funds and amounts which management has identified as excess in the corresponding funds.

The composition of inter-fund/intra-fund balances as of September 30, 2015, is as follows:

	<u>Due From</u>	<u>Due To</u>
<b><u>Special Revenue</u></b>		
Alternative Dispute Resolution	—	\$480
Elections Contract Services	\$35,275	—
Elections Chapter 19	—	35,275
Road and Bridge	<u>480</u>	<u>—</u>
	<u>35,755</u>	<u>35,755</u>
<b><u>Major Special Revenue-Grants</u></b>		
34 <sup>th</sup> Judicial Hospital District Prosecution Initiative	—	140,463
65 <sup>th</sup> District Family Drug Court	—	29,610
384 <sup>th</sup> District Drug Court	—	11,347
409 <sup>th</sup> District Drug Court	—	34,477
409 <sup>th</sup> District Drug Court EPISD	365	—
Access and Visitation	—	4,733
BCMHC Non-Traditional Services	4,834	—
Border Crime Initiative	—	42,801

**Note 3. Detailed notes on all funds (Continued)**

**D. Interfund receivables, payables, and transfers (Continued)**

	<u>Due From</u>	<u>Due To</u>
Border Crime Initiative Program Income		42,438
Byrne Justice Assistance Grant		50,896
Child Protective Services	100,294	
Colonia Road Projects		35,195
Colonia Self-Help Center		65,854
Connington Subdivision Project		30,669
COPS in Schools		21,462
DA Border Prosecution		84,070
DIMS Project	15,415	
Domestic Violence Unit		43,026
DWI Court Program		5,724
El Paso/NM Transit System		35,015
Emergency Food and Shelter	36,884	
Emergency Solution Grant Program		5,195
Explorer Post Task Force	924	
Homeland Security		35,720
Homeless and Housing Services Program		3,164
HIDTA Program Income	906,675	
Juvenile Board State Aid	74,012	
Life Safety Trainings	4,518	
Nutrition Meals	35,915	
ONDCP Multiple Initiatives		868,156
Operation Stonegarden		193,218
Organized Crime Drug Enforcement Task Force		85,540
Project Border Star		156,056
Project Hope		50,761
Prostitution Prevention Program		16,500
Protective Order Court		32,857
Public Defender Office Expansion		13,535
Public Defender Problem Solving Attorney	465	
Regional Public Transportation Plan		17,195
Rural Bus Auction Proceeds	1,130	
Rural Transit Assistance Program		48,953
Sheriff Crime Victim Services	1,275	
Sheriff Mental Health Stigma Aware	36,192	
Sheriff's Step		10,553
Sheriff's Training Academy		5,478
Sparks/West Way Sidewalk Improvement		1,878
Texas Juvenile Justice Department	40,484	
Texas Tobacco Enforcement Program	22,329	
TJPC Title IV-E Enhanced Billing	795,198	
Teen Intervention		12,569
Texas Capital Project	319,820	
Van Pool Program		44,522
Veterans Court		69,484
Victim of Crime Act		14,205
Victim Witness Services		13,239
Ysleta, Socorro, San Elizario Circular Route		<u>20,171</u>
<b>Subtotal</b>	<u>2,396,729</u>	<u>2,396,729</u>
<b>Grand Total</b>	<u>\$2,432,484</u>	<u>\$2,432,484</u>

The following are the transfers in and out as of September 30, 2015:

	<u>Transfers Out</u> <u>Actual</u>	<u>Transfers In</u> <u>Actual</u>
<b>General Fund</b>		
Access and visitation – Match	\$9,239	
Child Protective Services - Match	810,352	
Court Reporter		\$330,974
DIMS Project – Match	427,914	
Domestic Violence Unit – Match	130,442	
Excess Grant Match		286,465

**Note 3. Detailed notes on all funds (Continued)**

**D. Interfund receivables, payables, and transfers (Continued)**

	Transfers Out <u>Actual</u>	Transfers In <u>Actual</u>
Excess Sales Tax	365,252	
General & Administrative	3,684,114	203,000
Justice Court Manager		126,200
Juvenile Probation	11,033	
Nutrition – Match	275,000	
Protective Order – Match	87,360	
Public Defender Expansion	85,035	
Public Defender Problem Solving Match	36,544	
Rural Transit	239,590	
Sidewalk Improvement Match	1,878	
Sheriff Crime Victim	29,096	
Sheriff Victims of Crime	43,265	
Veterans Court	4,252	
Victim Witness Services	97,930	
<b>Subtotal</b>	<u>6,338,296</u>	<u>946,639</u>
<b><u>Major Special Revenue-Grants</u></b>		
409 <sup>th</sup> Hospital District Drug Court		8,574
Access and Visitation		9,239
Child Protective Services		810,352
DIMS Project		427,914
Domestic Violence Unit	670	130,442
El Paso/NM Transit System		8
Juvenile Accountability Incentive		2,459
Nutrition	275,000	275,000
Protective Order Court	816	87,360
Public Defender Expansion		85,035
Public Defender Problem Solving Attorney		36,544
Rural Bus Auction	5,000	
Rural Transit Assistance		5,000
Sheriff Crime Victim Services	1	29,096
Sparks/West Way Sidewalk Improvement		1,878
Veterans Court	1,409	4,252
Victims of Crime Act	8,569	43,265
Victim Witness Services		97,930
Ysleta, Socorro, San Eli Circular Route		239,582
<b>Subtotal</b>	<u>291,465</u>	<u>2,293,930</u>
<b><u>Non Major Special Revenue</u></b>		
County Tourist Promotion		958,469
Coliseum Tourist Promotion	958,469	
Courthouse Security	203,000	
Court reporter Service	330,974	
Juvenile Case Manager	126,200	
<b>Subtotal</b>	<u>1,618,643</u>	<u>958,469</u>
<b><u>Non Major Capital Projects</u></b>		
County Capital Improvements 2001		3,684,114
<b>Subtotal</b>		<u>3,684,114</u>
<b><u>Non-Major Debt Service</u></b>		
G.O. Refunding 2007		365,252
G.O. Refunding 2011	553,151	
G.O. Refunding 2015		310,412
Taxable G.O. Refunding 2015A		242,739
<b>Subtotal</b>	<u>553,151</u>	<u>918,403</u>
<b>Total Non-Major</b>	<u>2,171,794</u>	<u>5,560,986</u>
<b>Grand total</b>	<u>\$8,801,555</u>	<u>\$8,801,555</u>

**Note 3. Detailed notes on all funds (Continued)**

**E. Leases**

Operating Leases

The County has various lease commitments for office space, equipment and data processing software. These leases are considered to be operating leases, which are renewable on an annual basis. Lease expenditures for the year ending September 30, 2015 amounted to \$553,444.

Capital Leases

The County leases equipment through capital leasing arrangements in the governmental fund types. Payments during fiscal year ended September 30, 2015, amounted to \$104,990. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Asset:	<u>Governmental</u>
Machinery and equipment	Activities
Less: accumulated depreciation	\$397,833
Total	<u>294,322</u>
	<u>\$103,511</u>

The future minimum lease payments and the net present value of these minimum lease payments as of September 30, 2015 for the County are as follows:

	<u>Year ending</u>	<u>Governmental</u>
	<u>September 30</u>	<u>Activities</u>
	2016	\$39,756
	2017	19,087
	2018	17,939
	2019	16,534
	2020	<u>5,469</u>
Total minimum lease payments		98,785
Less: Interest		<u>2,018</u>
Present value of future		
Minimum lease payments		<u>\$96,767</u>

The annual capital lease payments as of September 30, 2015 for ESD1 are as follows:

<u>Year ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>September 30</u>			
2016	\$38,930	\$17,220	\$56,150
2017	40,753	15,397	56,150
2018	42,663	13,487	56,150
2019	44,661	11,489	56,150
2020	46,753	9,397	56,150
2021-2023	<u>153,817</u>	<u>14,634</u>	<u>168,451</u>
Total	<u>\$367,577</u>	<u>\$81,624</u>	<u>\$449,201</u>
Less amount due within one year	38,930		
Amount due after one year	<u>\$328,647</u>		

**Note 3. Detailed notes on all funds (Continued)**

**E. Leases (Continued)**

The capital lease obligation of ESD1, which was originated in November 2008, in the amount of \$850,000 with annual interest at 4.685 percent and annual payments of \$108,508 for the first five years and \$56,150 thereafter. The following vehicles Pierce Brush truck, Pierce Quint truck, and Chevy Tahoe secure the lease.

The annual capital lease payments as of September 30, 2015 for ESD2 are as follows:

<u>Year ending September 30</u>	<u>Governmental Activities</u>
2016	\$1,313,400
2017	1,292,104
2018	1,293,373
2019	1,336,288
2020	1,298,338
2021-2025	4,537,789
2026-2029	<u>1,053,855</u>
Total	<u>\$12,125,147</u>

The capital leases represent obligations of ESD2 for the acquisition of land, buildings, transportation and other equipment.

**F. Long-term Debt**

General and certificates of obligation bonds

The County issues general and certificate of obligation bonds as well as revenue bonds to provide the resources for the acquisition and construction of capital assets. These bonds have been issued for both governmental and business-type activities. The ending balance of the general and certificate of obligation bonds outstanding was \$205,230,000. The ending balance of the revenue bonds is \$1,580,000.

The general and certificate of obligation bonds are direct obligations of the County, payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the County in an amount sufficient to provide payment of principal and interest. All general and certificates of obligation bonds have principal maturities on February 15<sup>th</sup>. Interest is payable semi-annually on February and August 15<sup>th</sup>.

The general and certificates of obligation bonds currently outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount</u>
Certificates of Obligation, Series 2001	4.00 – 5.50%	2001	2022	\$9,940,000
Certificates of Obligation, Series 2007	4.00 – 5.00%	2007	2032	57,045,000
General Obligation Refunding, Series 2007	4.00 – 5.00%	2007	2022	36,610,000
Taxable Certificates of Obligation, Series 2007A	4.65 – 6.23%	2007	2032	1,080,000
General Obligation Refunding, Series 2011	2.125 – 5.25%	2011	2022	3,040,000
Certificates of Obligation, Series 2012	2.00 – 5.00%	2012	2032	73,805,000
General Obligation Refunding, Series 2015	5.00%	2015	2026	15,230,000
General Obligation Taxable Refunding, Series 2015A	0.650 – 3.671%	2015	2026	<u>8,480,000</u>
				<u>\$205,230,000</u>



**Note 3. Detailed notes on all funds (Continued)**

**F. Long-term Debt (continued)**

Annual debt service requirements to maturity for general and certificates of obligation bonds are as follows:

Year Ending September 30	Governmental Activities		Total
	Principal	Interest	
2016	\$10,990,000	\$9,554,746	\$20,544,746
2017	11,555,000	9,041,320	20,596,320
2018	11,290,000	8,529,238	19,819,238
2019	11,430,000	8,018,307	19,448,307
2020	12,040,000	7,481,008	19,521,008
2021-2025	57,900,000	29,073,134	86,973,134
2026-2030	61,290,000	15,061,550	76,351,550
2031-2032	28,735,000	1,456,125	30,191,125
	<u>\$205,230,000</u>	<u>\$88,215,428</u>	<u>\$293,445,428</u>

Revenue Bonds

The County also issued bonds where the County pledged income derived from the acquired or constructed assets to pay debt service. The revenue bonds have principal maturities on August 15<sup>th</sup>. Interest is payable semi-annually on February and August 15<sup>th</sup>. Revenue bonds outstanding are as follows:

Purpose	Interest Rates	Issue Date	Maturity Date	Amount
El Paso County Water System \$1,050,000 East Montana Waterworks System Revenue Bonds, Series 1997-A	4.875%	1997	2037	\$820,000
\$272,000 Mayfair/Nuway Water System Revenue Bonds, Series 2012	2.25%	2012	2052	268,000
\$500,000 Colonia Revolución Water System Revenue Bonds, Series 2013	2.25%	2013	2053	492,000
Total				<u>\$1,580,000</u>

Revenue bond debt service requirements to maturity are as follows:

Year Ending September 30	Principal	Interest	Total
2016	\$33,000	\$57,019	\$90,019
2017	33,000	55,781	88,781
2018	34,000	54,484	88,484
2019	34,000	53,194	87,194
2020	44,000	51,904	95,904
2021-2025	225,000	232,798	457,798
2026-2030	274,000	184,315	458,315
2031-2035	346,000	123,078	469,078
2036-2040	227,000	52,813	279,813
2041-2045	120,000	31,399	151,399
2046-2050	134,000	17,184	151,184
2051-2053	76,000	2,994	78,994
	<u>\$1,580,000</u>	<u>\$916,963</u>	<u>\$2,496,963</u>

### **Note 3. Detailed notes on all funds (Continued)**

#### **F. Long-term Debt (continued)**

##### Current Year

On February 17, 2015, the County issued General Obligation Refunding bonds, Series 2015 in the par amount of \$15,230,000 to refund a portion of the Certificates of Obligation, Series 2012 bonds maturing on February 15, 2024, 2025, and 2026, for a total par amount of \$17,290,000. This refunding resulted in a present value savings of 15.11 percent on the refunded bonds and a present value savings of 17.15 percent on the refunding bonds, and a net present value savings of \$2,612,295. The bonds were issued at a premium of \$3,852,777. The refunding reduced future debt service costs by \$3,107,231 and resulted in an economic gain of \$2,607,697. The liability associated with the bond was removed from the related payables. As of September 30, 2015, \$17,290,000 of the refunded bond remains outstanding with an estimated escrow balance of \$18,457,746.

On June 25, 2015, the County issued General Obligation Refunding Bonds, Taxable Series 2015A in the par amount of \$8,695,000 to refund a portion of Taxable Certificates of Obligation, series 2007A bonds maturing on February 15, 2019 through 2032, for a total par amount of \$7,405,000. This refunding resulted in a present value savings of 11.38 percent on the refunded bonds and a present value savings of 9.69 percent on the refunding bonds and a net present value savings of \$842,740. The bonds were issued at par. The refunding reduced future debt service costs by \$1,938,518 and resulted in an economic gain of \$840,166. The liability associated with the bond was removed from the related payables. As of September 30, 2015, \$7,405,000 of the refunded bond remains outstanding with an estimated escrow balance of \$8,359,106.

##### Prior Years

On July 18, 2012 the County issued \$98,955,000 El Paso County, Texas Certificates of Obligation, Series 2012. Proceeds of the Certificates will be for construction of the Tornillo-Guadalupe Land Port of Entry Bridge, road and related facilities, for constructing, acquiring, improving, renovating and equipping the County's Eastside Jail Annex, courthouse annexes in the northwest and east sections of the County, and certain buildings located in central El Paso to be used for County purposes, acquiring vehicles for the County Sheriff law enforcement, corrections, and other County departments, constructing roof and other improvements and repairs to County facilities, acquiring software, hardware and other necessary components for the County's information and technology systems, acquiring furniture, fixtures and equipment for the County Sheriff, law enforcement and corrections, facilities management, and other county departments, acquiring equipment, hardware, and software for a radio communication for countywide law enforcement communication integration with other law enforcement agencies, emergency service providers and 911 and improving the County's wireless communication systems, and for constructing, acquiring, improving, and equipping additional County administrative and departmental office space and parking facilities in downtown or central El Paso.

**Note 3. Detailed notes on all funds (Continued)**

**F. Long-term Debt (Continued)**

On December 15, 2011 the County issued \$11,315,000 El Paso County, Texas General Obligation Refunding Bonds, Series 2011. Proceeds from the sale of the Bonds will be used for the purpose of refunding a portion of the County's outstanding obligations and paying the costs of issuance of the Bonds. This refunding issue refunded \$5,360,000 of Certificates of Obligation, Series 2001 and \$6,415,000 of Certificates of Obligation, Series 2002 and was done to take advantage of favorable interest rates. The refunding resulted in a present value savings to the County of \$1,024,575.

On December 18, 2007, the County issued \$9,940,000 El Paso County, Texas, Taxable Certificates of Obligation Bonds, Series 2007A, \$59,835,000 El Paso County, Texas, tax-exempt Certificates of Obligation Bonds, Series 2007, and \$48,550,000 El Paso County, Texas, tax-exempt General Obligation Refunding Bonds, Series 2007. The Taxable Bonds were issued for the purpose of financing construction of new facilities and renovations of existing facilities at the County Sportspark. The tax exempt Certificates of Obligation Bonds were issued to finance the following within the County: Capital Equipment, Parks and Open Space, Major Building Projects, Major Technology Projects, and other Permanent Improvements. The General Obligation Refunding Bonds were issued to restructure the County's long-term debt structure taking advantage of favorable interest rates. This refunding issue refunded \$5,575,000 of the Combination Limited Tax and Surplus Obligations Series 1997, \$6,700,000 Certificates of Obligation Series 1998, \$9,745,000 General Obligation Refunding Bonds Series 1998, \$6,095,000 Certificates of Obligation Series 2001, and \$19,580,000 Certificates of Obligation Series 2002. This refunding resulted in a combined present value savings to the County of \$1,245,949.

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>						
Bonds payable:						
General obligation bonds	\$45,980,000		\$23,925,000	(\$6,545,000)	\$63,360,000	\$7,025,000
Certificates of obligation bonds	170,340,000			(28,470,000)	141,870,000	3,965,000
Bond Premium	<u>12,898,648</u>		<u>3,852,777</u>	<u>(2,623,405)</u>	<u>14,128,020</u>	
Total bonds payable	229,218,648		27,777,777	(37,638,405)	219,358,020	10,990,000
Capital leases	110,140		91,617	(104,990)	96,767	39,756
Claims and judgments	2,139,133		4,260,525	(3,645,945)	2,753,713	2,753,713
Contingent liabilities	3,035,000		4,190,000	(3,035,000)	4,190,000	450,000
Compensated absences	30,225,387		33,545,715	(30,225,387)	33,545,715	11,997,112
Net Pension Liability		\$190,803,872	48,532,838	(5,759,859)	233,576,852	
OPEB Liability	<u>31,001,546</u>		<u>2,382,803</u>		<u>33,384,349</u>	
Governmental activity						
Long-term liabilities	<u>\$295,729,854</u>	<u>\$190,803,872</u>	<u>\$120,781,276</u>	<u>(\$80,409,586)</u>	<u>\$526,905,416</u>	<u>\$26,230,581</u>

**Note 3. Detailed notes on all funds (Continued)**

**F. Long-term Debt (Continued)**

	<u>Beginning Balance</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business-type activities:</b>						
Bonds payable:						
Revenue Bonds	\$1,612,000			(\$32,000)	\$1,580,000	\$33,000
Total bonds payable	1,612,000			(32,000)	1,580,000	33,000
Net Pension Liability		\$193,044	\$49,019	(5,759)	236,304	
Business-type activity						
Long-term liabilities	<u>\$1,612,000</u>	<u>\$193,044</u>	<u>\$49,019</u>	<u>(\$37,759)</u>	<u>\$1,816,304</u>	<u>\$33,000</u>

In the case of the long-term liabilities other than debt, the general fund or corresponding special revenue funds typically have been used to liquidate such obligations in prior years.

No-commitment debt

No-commitment debt is debt issued by the component unit or debt issued in the County's name on behalf of another entity, for which the County is not responsible for the repayment of the debt.

The following is a summary of the long-term debt at September 30 for the Hospital District component unit:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-term debt					
Bonds payable	\$369,700,000		(\$6,210,000)	\$363,490,000	\$6,485,000
Bond premium and discount	<u>33,412,000</u>		<u>(1,492,000)</u>	<u>31,920,000</u>	<u>1,466,000</u>
Total long-term debt	<u>\$403,112,000</u>		<u>(\$7,702,000)</u>	<u>\$395,410,000</u>	<u>\$7,951,000</u>

In May 2013, the Hospital District issued \$134.3 million in Series 2013 Combination Tax and Revenue Certificates of Obligation. Proceeds of the bond funds, approximating \$150 million, finance the renovation and improvements of the Hospital Annex, construct and equip new clinics in the East, Northeast, Central and West areas of the county including an emergency facility in the Northeast, renovate existing hospital inpatient floors and the acquisition of certain medical equipment and machinery for the main hospital campus. Interest rates for the Series 2013 bonds range from 3% to 5%.

Also, in May 2013, the Hospital District refunded \$115.9 million of the \$120 million Series 2005 Combination Tax and Revenue Bonds with \$110.4 million of Series 2013 General Obligation Refunding Bonds. Interest rates on the 2013 refunding bonds range from 3% to 5%. The maturity schedule of the Series 2013 refunding bonds was consistently maintained with the Series 2005 bonds. As a result of the refunding, the Medical Center decreased its total debt service requirements by \$13.3 million (\$9.1 million present value) and incurred an accounting loss of approximately \$10.6 million. The accounting loss on the debt refunding is being amortized into interest expense using a straight-line method over the term of the debt issuance, which matures in 2035. The balance of the deferred loss on the debt refunding is \$9.5 million at September 30, 2015 and is included as a deferred outflow of resources in the accompanying balance sheets. The Series 2013 Combination Tax and Revenue Bonds, at the option of the Medical Center, provide for early redemption on bonds having stated maturities on and after August 15, 2024, in whole or in part, on August 15, 2023, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

**Note 3. Detailed notes on all funds (Continued)**

**F. Long-term Debt (Continued)**

In October 2009, the Hospital District refunded the Series 2002 Public Property Finance Contractual Obligations; and the Series 1998 General Obligation Refunding Bonds; with \$25.8 million Refunding Bonds, Series 2009 bond issue. The 2002 Public Property Finance Contractual Obligations redemption requirement was \$18.0 million and the Series 1998 General Obligation Refunding Bonds redemption requirement was \$8.4 million at the time of the closing. The original maturity schedule of the 2002 Public Property Finance Contractual Obligations and the Series 1998 General Obligation Refunding Bonds from 2010 to 2018 were maintained with a stated interest rate ranging from 2.0% to 3.5%. The Series 2009 are not subject to redemption prior to maturity. The Series 2009 bonds are direct obligations of the Hospital District and are payable from an ad valorem tax.

In May 2008, the Hospital District issued \$120.1 million in Series 2008A General Obligation Bonds. Proceeds of the bonds will finance the construction and equipping of a Children's Hospital with a state interest rate ranging from 4.00% to 4.25%.

The Series 2008A General Obligation Bonds at the option of the Hospital District, provide for the early redemption on obligations having stated maturities on or after August 15, 2019, in whole or in part on August 15, 2018, or any date thereafter, at par value thereof plus accrued interest to the date of redemption.

Bonds constitute direct obligation of the Hospital District, payable from the levy and collection of an ad valorem tax levied for the benefit of the Hospital District by the Court, within the limits prescribed by law, on all taxable property located within the Hospital District and any revenues or funds available to the Hospital District for its public purpose.

Debt service requirements to maturity for the long-term debt obligations of the Hospital District are summarized as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending September 30			
2016	\$6,485,000	17,580,000	24,065,000
2017	6,755,000	17,311,000	24,066,000
2018	7,050,000	17,013,000	24,063,000
2019	7,345,000	16,719,000	24,064,000
2020	7,695,000	16,370,000	24,065,000
2021-2025	44,500,000	75,829,000	120,329,000
2026-2030	56,520,000	63,808,000	120,328,000
2031-2035	71,485,000	48,834,000	120,319,000
2036-2040	90,115,000	30,211,000	120,326,000
2041-2043	<u>65,540,000</u>	<u>6,661,000</u>	<u>72,201,000</u>
	<u>\$363,490,000</u>	<u>\$310,336,000</u>	<u>\$673,826,000</u>

The long-term debt of the component unit is the obligation of the component unit and is fully covered by the property tax levy assessed by the Hospital District. These bonds are considered no-commitment debt since the County is not obligated in any way to pay any part of the principal or interest.

### **Note 3. Detailed notes on all funds (Continued)**

#### **G. Contingent Liabilities**

Amounts received or receivable from grant agencies are subject to audit and adjustment by the granting agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, or expenditures which may be disallowed by the grantor cannot be determined at this time although the County expects such amounts, if any, to be immaterial.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the County's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government. Presently, an amount of \$4,190,000 for probable losses has been accrued as a contingency and is reported at the government-wide financial statements. Of this amount, \$450,000 is reported due within one year and \$3,740,000 due in more than one year.

Rebatable arbitrage is evaluated and estimated on an annual basis by a third party arbitrage rebate service company. At September 30, 2015 there were no liabilities recorded as there were no amounts due within one year. The arbitrage rebate company estimated a possible additional liability of \$0 as of September 30, 2015, assuming the County does not use the bond funds within the specified period.

The Hospital District has certain pending and threatened litigation and claims incurred in the ordinary course of business; however, management believes that the probable resolution of such contingencies will not exceed the Hospital District's self-insurance reserves, and will not materially affect the financial position of the Hospital District or the results of its operations.

ESD1 was involved in litigation with the City of El Paso for compensation owed of \$123,405 as a result of annexation of land within the jurisdiction of ESD1. ESD1 was awarded \$25,675 in 2013, which was collected in 2014. The remaining amount of \$97,730 is still pending appeals. This amount has not been recorded as a receivable on the books of the ESD1.

ESD2 had no contingent liabilities.

#### **H. Deferred Compensation**

The County offers its employees a deferred compensation plan that permits them to defer a portion of their current salary until future years. Any contributions made to the deferred compensation plan, in compliance with Section 457 of the Internal Revenue Code, are not available to employees until termination of employment, retirement, death or an unforeseen emergency. Contributions to the plan are administered by Nationwide Retirement Solutions, VOYA and VALIC, as third party administrators. In accordance with the provisions of the IRC Section 457(g), the plan assets are in custodial accounts for the exclusive benefit of the plan participants and beneficiaries. The County provides neither administrative services nor investment advice to the plans. Therefore, in accordance with GASB 32, no fiduciary relationship exists between the County and the deferred compensation pension plans. At September 30, 2015, the plan assets were valued at \$25,287,967.

### Note 3. Detailed notes on all funds (Continued)

#### I. Employee Retirement Plan

##### Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees and part-time employees working at least 900 hours a year through an agent multiple-employer defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The plan is administered by a Board of Trustees appointed by TCDRS. Benefit provisions are contained in the plan document and were established and can be amended by the County's governing body within the options available in the state statutes governing TCDRS. The plan does not issue a separate report that includes financial statements and required supplementary information for the plan. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the County, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at age 60 and above with eight or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the County within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits are expected to be adequately financed by the County's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

The employees covered by the plan at December 31, 2014 are:

	<u>2014</u>
Inactive employees or beneficiaries currently Receiving benefits	1,042
Inactive employees entitled to but not yet Receiving benefits	1,401
Active employees	<u>2,882</u>
	<u>5,325</u>

**Note 3. Detailed notes on all funds (Continued)**

**I. Employee Retirement Plan (Continued)**

**Funding Policy**

The County has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The County contributed using the actuarially determined rate of 15.35% for the months of the accounting year in 2014, and 15.52% for the months of the accounting year in 2015.

The contribution rate payable by the employee members for calendar year 2015 is the rate of 7% as adopted by the governing body of the County. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

**Net Pension Liability**

The County's Net Pension Liability (NPL) was measured as of December 31, 2014, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability or asset was determined by an actuarial valuation as of that date.

**Actuarial Assumptions**

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	General wage inflation component of 3.5% and a merit, promotion and longevity component that on average approximates 1.4% per year for career employees.
Investment rate of return	8.10%
Cost-of-living adjustments	Cost-of-living adjustments for El Paso County are considered to be substantively automatic under GASB 68. Therefore, such increases have been assumed for future cost-of-living adjustments and are included in the GASB calculations. Accordingly, future cost-of-living adjustments have been included in the funding valuation assumption disclosed herein.

Mortality rates were based on the RP-2000 Healthy Annuitant Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on Scale AA.



### Note 3. Detailed notes on all funds (Continued)

#### I. Employee Retirement Plan (Continued)

The actuarial assumptions that determined the total pension liability as of December 31, 2014 were based on the results of an actuarial experience study for the period January 1, 2009 - December 31, 2012, except where required to be different by GASB 68. The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2015 information for a 7-10 year time horizon.

Note that the valuation assumption for long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013.

The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Benchmark	Target Allocation <sup>(1)</sup>	Geometric Real Rate of Return Expected Minus Inflation <sup>(2)</sup>
US Equities	Dow Jones U.S. Total Stock market Index	16.50%	5.35%
Private Equity	Cambridge Associates global Private Equity & Venture Capital Index <sup>(3)</sup>	12.00%	8.35%
Global Equities	MSCI World (net) Index	1.50%	5.65%
International Equities – Developed	50% MSCI World Ex USA (net) + 50% MSCI World Ex USA 100% Hedged to USD (net) Index	11.00%	5.35%
International Equities – Emerging	50% MSCI EM Standard (net) Index + 50% MSCI EM 100% Hedged to USD (net) Index	9.00%	6.35%
Investment Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	0.55%
High Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	3.75%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	5.00%	5.54%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	2.00%	5.80%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.00%	6.75%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	2.00%	4.00%
Commodities	Bloomberg Commodities Index	2.00%	-0.20%
Master Limited Partnerships (MLPs)	Alerian MLP Index	2.00%	5.30%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index <sup>(4)</sup>	3.00%	7.20%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index		
		<u>25.00%</u>	5.15%
		<u>100.00%</u>	

<sup>(1)</sup> Target asset allocation adopted at the April 2015 TCDRS Board meeting.

<sup>(2)</sup> Geometric real rates of return in addition to assumed inflation of 1.7%, per Cliffwater's 2015 capital market assumptions.

<sup>(3)</sup> Includes Vintage years 2006-present of Quarter Pooled Horizon IRRs.

<sup>(4)</sup> Includes vintage years 2007-present of Quarter pooled Horizon IRRs.

**Note 3. Detailed notes on all funds (Continued)**

**I. Employee Retirement Plan (Continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 8.1% at December 31, 2014. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that County contributions will be made at rate equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the total pension liability, plan fiduciary net position and the net pension asset for the year ended December 31, 2014 are:

Changes in Net Pension Liability / (Asset)	<u>Total Pension</u>	Increase (Decrease) <u>Fiduciary</u>	<u>Net Pension</u>
Balance as of December 31, 2013	\$869,276,047	\$659,961,306	\$209,314,741
Changes for the Year:			
Service Cost	29,172,832		29,172,832
Interest on total pension liability <sup>(1)</sup>	70,530,931		70,530,931
Effects of plan changes			
Effect of economic/demographic gains or losses	3,927,389		3,927,389
Effects of assumptions changes or inputs			
Refund of contributions	(1,870,000)	(1,870,000)	
Benefit payments	(24,291,836)	(24,291,836)	
Administrative expenses		(529,596)	529,596
Member contributions		11,207,319	(11,207,319)
Net investment income		44,436,493	(44,436,493)
Employer contributions		24,527,009	(24,527,009)
Other <sup>(2)</sup>		152,151	(152,151)
Balances as of December 31, 2014	<u>\$946,745,363</u>	<u>\$713,592,846</u>	<u>\$233,152,517</u>

<sup>(1)</sup> Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.

<sup>(2)</sup> Relates to allocation of system-wide items.

**Sensitivity Analysis**

The following present the net pension liability of the County, calculated using the discount rate of 8.1%, as well as what the County net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (7.10%) or 1 percentage point higher (9.10%) than the current rate.

	1% Decrease <u>7.10%</u>	Current Discount Rate <u>8.10%</u>	1% Increase <u>9.10%</u>
Total pension liability	\$1,078,948,740	\$946,745,363	\$838,374,892
Fiduciary net position	713,592,846	713,592,846	713,592,846
Net pension liability/ (asset)	<u>\$365,355,894</u>	<u>\$233,152,517</u>	<u>\$124,782,046</u>

**Note 3. Detailed notes on all funds (Continued)**

**I. Employee Retirement Plan (Continued)**

**Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions**

For the County’s accounting year ending September 30, 2015, the annual pension cost for the TCDRS plan for its employees was \$24,656,580, and the actual contributions were \$24,656,580. As of December 31, 2014, the county had deferred inflows and outflows of resources related to pensions are as follows:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience		\$3,272,825
Changes in assumptions		
Net difference between projected and actual earnings		7,932,094
Contributions made subsequent to measurement date		<u>18,975,195</u>
		<u><u>\$30,180,114</u></u>

Amounts currently reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended December 31:	
2015	\$2,637,588
2016	2,637,588
2017	2,637,588
2018	2,637,588
2019	654,565
Thereafter	0

**Funding Status and Funding Progress**

Prior to the adoption of GASB 68, and as of December 31, 2013, the plan was 82.17% funded. The funded status of the plan as of December 31, 2013, was as follows:

Actuarial accrued liability (AAL)	\$595,018,640
Actuarial value of plan assets	<u>488,946,349</u>
Unfunded AAL (UAAL)	\$106,072,291
Funded ratio	82.17%
Annual Covered payroll (actuarial) <sup>1</sup>	\$154,448,009
UAAL as percentage of covered payroll	68.68%

The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits and is presented as required supplementary information following the notes to the financial statements.

<sup>1</sup> Covered payroll based on actuarial valuations.

**Note 3. Detailed notes on all funds (Continued)**

**I. Employee Retirement Plan (Continued)**

**Retirement Plan - Component Units**

**Hospital District**

**Plan Description**

The Hospital District contributes to the Texas County and District Retirement System (TCDRS), an agent multiple-employer defined benefit pension plan covering substantially all employees. The Plan is administered by a board of trustees appointed by TCDRS. Benefit provisions are contained in the plan document and were established and can be amended by action of the Hospital District's governing body within the options available in the state statutes governing TCDRS. The Plan does not issue a separate report that includes financial statements and required supplementary information for the plan. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034 or from the website [www.tcdrs.org](http://www.tcdrs.org).

The Plan provides retirement, disability and survivor benefits to plan members and their beneficiaries. Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the Hospital District within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the commitment of the Hospital District to contribute to the plan. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer financed monetary credits to a monthly annuity using annuity purchase rates prescribed by TCDRS.

Members can retire at age 60 and above with eight or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after five years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

The employees covered by the TCDRS at December 31, 2014 are:

	<u>2014</u>
Inactive employees or beneficiaries currently	
Receiving benefits	509
Inactive employees entitled to but not yet	
Receiving benefits	2,456
Active employees	<u>2,549</u>
	<u>5,514</u>

**Note 3. Detailed notes on all funds (Continued)**

**I. Employee Retirement Plan (Continued)**

**Funding Policy**

The Hospital District's governing body has the authority to establish and amend the contribution requirements of the District and active employees.

The Hospital District establishes rates based on the annually determined rate plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both the employee members and the employer based on the covered payroll of employee members. Plan members are required to contribute 5% of their annually covered salary. Under the TCDRS Act, rates are based on an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the costs of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

The Hospital District is required to contribute the difference between the actuarially determined rate and the contribution rate of employees. For the plan year ended December 31, 2014, employees contributed approximately \$6.3 million, or 5.0% of annual pay, and the District contributed approximately \$8.3 million, or 6.6% of annual pay, to the Plan.

**Net Pension Liability**

The Hospital District's net pension liability as of September 30, 2015 was measured as of December 31, 2014 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0%
Salary increases	3.5%
Ad hoc cost of living adjustments	not included
Investment rate of return	8.1%, net of pension plan administrative expenses

Mortality rates for depositing members were based on the RP-2000 Active Employee Mortality Table with a four-year setback for females and a two-year set-forward for males, as appropriate, with adjustments for mortality improvements based on projection scale AA.

The actuarial assumptions used in the December 31, 2014, valuation were based on the results of an actuarial experience study for the period January 1, 2009 through December 31, 2012. The long-term expected rate of return on pension plan investments was based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information. The target allocation and best estimates of rates or return for each major asset class are summarized in the following table:

### Note 3. Detailed notes on all funds (Continued)

#### I. Employee Retirement Plan (Continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Equities		
U.S. Equities	16.5%	5.4%
International Equities—Developed	11%	5.4%
International Equities—Emerging	9%	6.4%
Global Equities	1.5%	5.7%
Hedge Funds	25%	5.2%
High-Yield Investments		
High-Yield Bonds	3%	3.8%
Opportunistic Credit	5%	5.5%
Distressed Debt	3%	6.8%
Direct Lending	2%	5.8%
Private Equity	12%	8.4%
Real Assets		
REITs	2%	4.0%
Commodities	2%	-0.2%
Private Real Estate Partnerships	3%	7.2%
Master Limited Partnerships	2%	5.3%
Investment-Grade Bonds	3%	0.6%
Total	<u>100%</u>	

#### Discount Rate

The discount rate used to measure the total pension liability was 8.1% at December 31, 2014. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that the District contributions will be made at rates equal to the difference between actuarially determined contributions rate and the employee rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on the pension plan investments was applied to all periods of the projected benefits payments to determine the total pension liability.

**Note 3. Detailed notes on all funds (Continued)**

**I. Employee Retirement Plan (Continued)**

Changes in the total pension liability, plan fiduciary net position and the net pension asset for the year end December 31, 2014 are:

	<b>Total Pension (a)</b>	<b>Plan Fiduciary (b)</b>	<b>Net Pension Liability (a)-(b)</b>
Balances at December 31, 2013	\$293,123,000	\$274,582,000	\$18,541,000
Changes for the year:			
Service cost	11,453,000		11,453,000
Interest on total pension liability	23,877,000		23,877,000
Effect of economic/demographic gains or losses	(656,000)		(656,000)
Refund of contributions	(1,337,000)	(1,337,000)	
Benefit payments	(6,751,000)	(6,751,000)	
Administrative expenses		(221,000)	221,000
Member contributions		6,339,000	(6,339,000)
Net investment income		18,629,000	(18,629,000)
Employer Contributions		8,342,000	(8,342,000)
Other changes		132,000	(132,000)
Net changes	<u>26,586,000</u>	<u>25,133,000</u>	<u>1,453,000</u>
Balances at December 31, 2014	<u>\$319,709,000</u>	<u>\$299,715,000</u>	<u>\$19,994,000</u>

The net pension liability has been calculated using a discount rate of 8.1%. The following table presents the net pension (asset) liability using a discount rate 1% higher and 1% lower than the current rate.

	<b>1% Decrease 7.1%</b>	<b>Current Discount Rate 8.1%</b>	<b>1% increase 9.1%</b>
Hospital District's net pension (asset) liability	<u>\$66,577,000</u>	<u>\$19,994,000</u>	<u>(\$17,722,000)</u>

**Pension Expense and Deferred Outflows of Resources and Deferred inflows of Resources Related to Pensions**

For the year ended September 30, 2015, the Hospital District recognized pension expense of approximately \$7.0 million. At September 30, 2015, the Hospital District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Discount Rate</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience		\$492,000
Net difference between projected and actual earnings on plan investments	\$3,274,000	
Contributions subsequent to the measurement date	5,968,000	
	<u>\$9,242,000</u>	<u>\$492,000</u>

**Note 3. Detailed notes on all funds (Continued)**

**I. Employee Retirement Plan (Continued)**

At September 30, 2015, the Hospital District reported approximately \$6.0 million as deferred outflows of resources related to pensions resulting from the Hospital District contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability at September 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources at September 30, 2015, related to pensions will be recognized in pension expense as follows:

Year ending September 30:	
2016	\$654,000
2017	654,000
2018	654,000
2019	820,000
	<u>\$2,782,000</u>

**Funding Status and Funding Progress**

Prior to adoption of GASB 68, and as of December 31, 2013, the plan was 86% funded. The actuarial accrued liability for benefits was \$253.5 million and the actuarial value of assets was \$218.8 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$34.7 million. The covered payroll (annual payroll of active employees covered by the plan) was \$120.2 million and the ratio of the UAAL to the covered payroll was 28.9% for the year ended December 31, 2013.

**Pension Plan Fiduciary Net Position**

Detailed information about the plan’s fiduciary net position is available in the separately issued financial report of TCDRS for the year ended December 31, 2014.

**Emergency Services District Two**

**Plan Description**

Effective January 1, 2015, ESD2 began participating in an agent multi-employer defined benefit pension plan. The plan is administered by the Texas County and District Retirement System (TCDRS). TCDRS was created in 1967 by the Texas counties and districts to provide their employees with retirement, disability and survivor benefits. TCDRS is governed by the Texas Legislature and overseen by an independent board of trustees, which is responsible for the administration of the system. TCDRS does not receive state funding. Each plan is funded independently by the county or district, its employees and by investment earnings. The plan provides pensions for all regular full time employees of the District.

**Pension Plan Fiduciary Net Position**

Detailed information about the plan’s fiduciary net position is available in the separately issued financial report of TCDRS for the year ended December 31, 2014.



### **Note 3. Detailed notes on all funds (Continued)**

#### **I. Employee Retirement Plan (Continued)**

##### **Benefits Provided**

TCDRS is not a one-size-fits-all system. Each employer maintains its own customized plan of retirement benefits. A percentage of each employee's paycheck is deposited into his or her TCDRS account on a monthly basis. The employee's savings grow, by law, at a rate of 7%, compounded annually. The employer contribution, based on elected matching, is also deposited in each employee's account. At retirement, the employee's account balance is combined with the employer matching and converted into a lifetime monthly benefit.

##### **Contributions**

TCDRS is a model for responsible, disciplined funding. TCDRS does not receive any state funding, as an agent, multiple-employer plan, each participating employer in the system funds its plan independently. A combination of three elements funds each employer's plan; employee deposits, employer contributions and investment income.

- The deposit rate for employees is 4%, 5%, 6%, or 7% of compensation, as adopted by the employer's governing body.
- Participating employers are required to contribute at actuarially determined rates to ensure adequate funding for each employer's plan. Employer contribution rates are determined annually and approved by the TCDRS Board of Trustees.
- Investment income funds a large part of the benefits employees earn.

Pursuant to state law, employers participating in the system must pay 100% of their actuarially determined required contributions on an annual basis.

Each employer has the opportunity to make additional contributions in excess of its required annual contribution rate either by adopting an elected rate that is higher than the required rate or by making additional contributions on an ad hoc basis. Employers may make additional contributions to pay down their liabilities faster, pre-fund benefit enhancements and/or buffer against adverse experience.

In addition, employers annually review their plans and may adjust benefits and costs based on their local needs and budgets. Although accrued benefits may not be reduced, employers may reduce future benefit accruals and immediately reduce costs. For the period January 1, 2015 through September 30, 2015, all employees contributed 7.00% of compensation and ESD2 made monthly contributions of 11.08%. ESD2 agreed to make monthly contributions to TCDRS at a rate that equals or exceeds the required rate annually determined by an independent actuarial firm hired by TCDRS. At retirement ESD2 will match 250% of employees' final account balance.

### **Note 3. Detailed notes on all funds (Continued)**

#### **I. Employee Retirement Plan (Continued)**

Employees will receive service time for the years worked prior to ESD2's participation in TCDRS. In addition to service time, ESD2 can provide monetary prior service credit. Monetary prior service credit shall be computed at 0%. ESD2 employees must work 8 years to be vested. Once vested, an employee has earned the right to receive a lifetime monthly retirement benefit and is eligible to retire at age 60. ESD2 also adopts the Rule of 75, which gives all vested employees the right to retire and receive a lifetime monthly benefit when the employee's age plus years of service equal 75 or greater. Additionally, any employee with 20 years of service, regardless of age, will also have the right to retire and receive a lifetime monthly benefit.

#### **Net Pension Liability**

ESD2's net pension liability and total pension liability used to calculate the net pension liability is determined by an actuarial valuation as of the previous calendar year. The governing board of ESD2 elected to begin participation in TCDRS effective the 1<sup>st</sup> day of January 2015, however, the latest actuarial valuation report available is for the year ended December 31, 2014, at which time ESD2 had not been participating in the plan. For this reason no pension liability deferred outflow or inflow amounts or additional disclosures are available for the year ended September 30, 2015.

#### **Emergency Services District One and Two**

ESD1 and ESD2 offer a retirement plan to eligible employees through the Texas Emergency Services Retirement System (TESRS). TESRS is an agency of the State of Texas and its financial records comply with state statutes and regulations. The nine member Board of Trustees, appointed by the Governor, establishes policy for the administration of the Texas Emergency Services Retirement System.

The TESRS was created as a standalone agency by the 83rd Legislature via the passage of SB 220, effective September 1, 2013, to assume the related functions of the abolished Office of the Fire Fighters' Pension Commissioner. While the agency is new, the System has been in existence since 1977. TESRS, which is under the authority of Title 8, Subtitle H, Chapters 861-865 of the Texas Government Code, provides death and disability benefits to active volunteer fire fighters and first responders, and a pension to members with vested service, as well as to their survivor/beneficiaries. For financial reporting purposes, the State of Texas is considered the primary reporting government. TESRS' financial statements are included in the State's Comprehensive Annual Financial Report. TESRS issues a publicly available Annual Financial Report, which includes financial statements, notes, and required supplementary information, which can be obtained at [www.tesrs.org](http://www.tesrs.org). The separately issued actuarial valuations which may be of interest are also available at the same link.

TESRS is included in the Fire Fighter's Pension Commissioner's annual financial reports as a pension trust fund. At August 31, 2015, there were 223 fire or emergency services departments participating in TESRS. Of that total, 197 were contributing member departments. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

**Note 3. Detailed notes on all funds (Continued)**

**I. Employee Retirement Plan (Continued)**

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule, and there is no maximum contribution rate. For the fiscal year ending September 30, 2015, as well as each of the two previous years, total contributions to TESRS by ESD1 totaled \$10,000 per year.

The County makes quarterly contributions to the TESRS on behalf of both Emergency Services Districts. The County's total contribution to TESRS for FY2015 was \$89,911.

The pension expense for ESD1 and ESD2 are based on their proportionate share of the collective pension expense based on TESRS' fiscal year ended August 31, 2015, as shown in the following table:

	<u>ESD1 Pension Expense</u>	<u>ESD2 Pension Expense</u>	<u>Total Pension Expense TESRS</u>
Service Cost	\$8,370	\$23,872	\$32,242
Interest	41,845	119,352	161,197
Projected earnings on pension plan investments	(35,218)	(100,450)	(135,668)
Amortization of differences between projected And actual earnings on plan investments	4,641	13,238	17,879
Pension plan administrative expense	<u>1,067</u>	<u>3,042</u>	<u>4,109</u>
	<u><u>\$20,705</u></u>	<u><u>\$59,054</u></u>	<u><u>\$79,759</u></u>

**Actuarial Assumptions**

The total pension liability in the August 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.50%
Salary increases	N/A
Investment rate of return	7.75%

Mortality rates were based on the RP-2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2018 by scale AA.

The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Net Real Rate of Return</u>
Equities		
Large cap domestic	32%	5.2%
Small cap domestic	10	5.8
Developed international	21	5.5
Emerging markets	6	5.4
Master limited partnership	5	7.1
Fixed income		
Domestic	21	1.4
International	5	1.6
Cash	<u>0</u>	0.0
Total	100%	
Weighted average		4.45%

**Note 3. Detailed notes on all funds (Continued)**

**I. Employee Retirement Plan (Continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.75%. No projection of cash flows was used to determine the discount rate because the August 31, 2014 actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years using the conservative level dollar amortization method. The UAAL was based on an actuarial value of assets that was \$7.9 million less than the plan fiduciary net position as of August 31, 2014. Because of the 30-year amortization period with the conservative amortization method and with a lower value of assets, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of the current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity Analysis**

The following presents the net pension liability of the TESRS, calculated using the discount rate of 7.75%, as well as what the County net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.75%) or 1 percentage point higher (8.75%) than the current rate.

	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Net pension liability/ (asset)	<u>\$888,778</u>	<u>\$507,959</u>	<u>\$288,512</u>

**Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions**

For the County's accounting year ending September 30, 2015, the annual pension cost for the TESRS plan for its employees was \$89,911, and the actual contributions were \$89,911. As of September 30, 2015, the county had deferred inflows and outflows of resources related to pensions are as follows:

	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>
Differences between expected and actual experience		\$0
Changes in assumptions		
Net difference between projected and actual earnings		93,306
Contributions made subsequent to measurement date		<u>7,152</u>
		<u>\$100,458</u>

Amounts currently reported as deferred outflows of resources related to pensions, excluding contributions made subsequent to the measurement date, will be recognized in pension expense as follows:

Year ended:	
2016	17,880
2017	17,880
2018	17,880
2019	39,666

### Note 3. Detailed notes on all funds (Continued)

#### J. Other Post-employment Health Care Benefits

*Plan Description.* The County provides post-retirement medical and prescription drug benefits for retirees as they reach normal retirement age. Dependent family members are included in the plan, if at the time of the employee's retirement they were covered by the County's health plan. The Plan is a single-employer, self-funded benefit plan administered by a third party administrator and the County purchases stop loss insurance for claims that exceed a determined threshold. The Plan does not issue a stand-alone financial report, as there are no assets legally segregated for the sole purpose of paying benefits under the Plan. As such, a separate, audited GAAP-basis postemployment benefit plan report is not available.

As of September 30, 2015, there were 2,278 active employees, 148 retirees, and their dependents receiving the benefits. The Plan provides for separate rate schedules for active employees, retirees and retirees over 65. The County in 2014 approved the Aetna Medicare Advantage Plan for retirees over 65, of which 98 are enrolled in the plan. The County also offers a Core and a Buy-up medical plan for both active employees and retirees. Retirees in the Core and Buy-up plans are expected to pay approximately 43.8 percent and 53.7 percent, respectively, of the total premium cost for insurance coverage. For fiscal year, ended September 30, 2015, retirees currently receiving benefits contributed \$630,670 and the County contributed \$647,062 toward the cost of health insurance premiums. Total benefits paid on behalf of retirees and their dependents during the fiscal year ended September 30, 2015 was \$703,595.

*Funding policy.* The County currently pays for post-employment health care benefits on a pay-as-you-go basis and these financial statements assume that this funding method will continue for the near future. The premium health rates for both retirees and active employees are annually analyzed by the Risk Pool Board with the collaboration of an outside benefits consulting firm and adjusted accordingly by the County Commissioners Court, the County's governing body.

*Annual OPEB Cost and Net OPEB Obligation.* The County's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45, which was implemented prospectively. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed 30 years. The following table reflects the components of the County's annual OPEB cost for the year, the amount actually contributed to the plan, and the net OPEB obligation at the end of the year.

Annual Required Contribution (ARC)	\$2,743,239
Interest on Net OPEB Obligation	1,395,070
Adjustment to annual required contribution	<u>(1,292,517)</u>
Annual OPEB cost	2,845,792
Contributions for year ended September 30, 2015	<u>(462,989)</u>
Increase in net OPEB obligation	2,382,803
Net OPEB obligation – Beginning of year	<u>31,001,546</u>
Net OPEB obligation – End of year	<u>\$33,384,349</u>
Percentage of Annual OPEB Cost paid	16.3%

**Note 3. Detailed notes on all funds (Continued)**

**J. Other Post-employment Health Care Benefits (continued)**

The County’s annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2015 and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/13	\$6,669,480	14.0%	\$28,648,428
9/30/14	\$2,758,107	14.7%	\$31,001,546
9/30/15	\$2,845,792	16.3%	\$33,384,349

**Funded Status**

Under the reporting parameters, the County’s retiree health care plan is 0.0% funded with an estimated actuarial accrued liability exceeding actuarial assets by \$26,748,051 at September 30, 2014. As of the most recent valuation, the ratio of the unfunded actuarial accrued liability to annual covered payroll of \$160,228,947 is 16.69%.

*Actuarial Methods and Assumptions*

The Projected Unit Cost Credit Cost Method is used to calculate the GASB ARC for the County’s Health care plan. Using the plan benefits, the present health premiums, and a set of actuarial assumptions, the anticipated future payments are projected. The actuarial cost method then provides for a systematic funding for these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the County and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the County and the County’s employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

*Actuarial Methods and Assumptions*

Inflation Rate	3.00% per annum
Investment rate of return	4.50% per annum, net of expenses
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level as a percentage of employee payroll
Amortization period	30-year open amortization
Payroll growth	3.00% per annum
Medical trend (pre-65)	Initial rate of 6.50%, declining to an ultimate rate of 4.60% after 10 years
Medical trend (post-65)	Initial rate of 8.00%, declining to an ultimate rate of 4.50% after 14 years

### **Note 3. Detailed notes on all funds (Continued)**

#### **J. Other Post-employment Health Care Benefits (Continued)**

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the annual required contributions of the County's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liability for benefits.

#### **K. Property Taxes**

##### **Levy and Collection**

Property is appraised and a lien on such appraised property becomes enforceable as of January 1, subject to certain established procedures relating to rendition, appraisal, appraisal review and judicial review. Property taxes are levied on October 1 of the assessment year, or as soon thereafter as practicable. Taxes are due and payable when levied. Taxes become delinquent on February 1 of the following year and are then subject to interest and penalty charges. The City of El Paso, under an inter-local governmental agreement, bills and collects property taxes for the County and certain other local governmental entities.

##### **Tax Rate**

The County's total tax rate for fiscal year 2015 was \$0.452694 per \$100 of assessed valuation, of which \$0.397928 was allocated for maintenance and operations, and \$0.054766 was allocated to the debt service funds. State law permits the County to levy property taxes up to \$0.80 per \$100 of assessed valuation for the general fund and up to \$0.15 per \$100 assessed valuation for the road and bridge fund.

##### **Legislation Affecting Property Tax Policies and Procedures**

In 1979, the State Legislature adopted a comprehensive property tax code which established a County-wide appraisal District in each County within the State of Texas. The Central Appraisal District (CAD), created in the County of El Paso, is responsible for the appraisal of taxable property and the equalization of appraised values of property for the taxing entities within the appraisal District. The CAD is governed by a board of directors appointed by the governing bodies of certain taxing entities within the appraisal District.

The property tax code:

- (1) requires that all taxing entities assess taxable property at 100% of appraised value;
- (2) includes procedures for valuation of certain eligible farm, ranch and timberlands on a "production capacity" basis which was mandated by a 1978 amendment to the State constitution;

**Note 3. Detailed notes on all funds (Continued)**

**K. Property Taxes (Continued)**

- (3) requires that the value of real property within the Appraisal District be reviewed at least once every three years; and
- (4) requires a taxing entity, other than a school or water District, to calculate two tax rates—the effective tax rate and the rollback tax rate; and
- (5) requires giving public notice and conducting a public hearing before adopting a tax rate that will exceed the rollback or the effective tax rate, whichever is lower.

**L. Federal and State Grants**

Federal and State grants available for expenditure for general governmental operating purposes are accounted for in the special revenue fund. The accounting periods of most grants are different from the County's accounting period. Because of those differences in accounting periods, columns reflecting those grants' actual expenditures and revenues have been added to the appropriate schedule of revenues and expenditures.

**M. Risk Management**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of property; errors and omissions; and natural disasters. The County has purchased commercial insurance to cover any claims up to a certain limit with deductibles ranging from \$25,000 to \$500,000 in both liability and property and has elected to self-insure against any risk over the covered amounts. The County has not experienced any claims exceeding the commercial insurance coverage in the past several years.

The County retains the risk of loss relating to workers compensation and unemployment liability. Contributions to cover any claims for unemployment are made to a third party administrator with the liability funded on a pay-as-you-go basis. Contribution adjustments are made throughout the year in order to maintain the reserves necessary to meet future claims determined on historical trends. Claims for workers compensation are processed through a third party administrator and also funded on a pay-as-you-go-basis. The estimated potential claims, which are reported in the accompanying financial statements, totaled \$2,753,713. This estimate includes amounts for non-incremental claim adjustment expenses related to specific claims. Changes in the balances of claims liabilities during the past year are as follows:

	Year Ended September 30, 2015	Year Ended September 30, 2014
Unpaid claims, beginning of fiscal year	\$2,139,133	\$2,195,057
Incurred claims (including incurred but not reported)	4,260,525	2,249,905
Claim payments	<u>(3,645,945)</u>	<u>(2,305,829)</u>
Unpaid claims, end of fiscal year	<u>\$2,753,713</u>	<u>\$2,139,133</u>



### **Note 3. Detailed notes on all funds (Continued)**

#### **M. Risk Management (Continued)**

The risk financing for the health benefits fund is accounted for as an internal service fund. Contributions to the fund are made as charges to the departments for all full time regular employees. Contributions are also made to the fund by employees for family coverage, and retirees and their families eligible for participation in the health and life plan. Health premium rates are assessed on an annual basis and adjustments are made accordingly on January 1. Rate increases are made due to increases in the cost of medical care. The Risk Pool Board has made a commitment to assess and recommend to Commissioners Court any increase necessary to keep pace with health care costs.

For the fiscal year 2015, the County purchased stop loss insurance to cover individual health claims that exceed \$225,000. During the fiscal year, fourteen claims were filed with the stop loss insurance carrier. Also at year-end, the County had outstanding health claims in the amount of \$2,059,551, which will be liquidated within sixty days.

#### **N. Assigned for other purposes**

Encumbrances outstanding at year-end are reported as assigned for other purposes as part of the new fund balance classifications. As of September 30, 2015, encumbrances amounted to \$19,872,721, of which \$1,093,843 relates to the general fund, \$88,110 to the major capital projects 2007, \$13,970,805 to the major capital projects 2012, \$3,720,252 to the special revenue fund, and \$999,711 to the non-major capital projects fund.

#### **O. Payroll Receivable/Payable**

The County utilizes the payroll fund to account for those liabilities relating to payroll. The payroll fund maintains a \$30,000 cash imprest balance to cover unforeseen payroll liabilities or adjustments necessary during the normal course of operations and to protect against the possibility of an overdraft because of such adjustments. This amount represents an inter-fund loan which at year-end is reversed and reported in the general fund.

#### **P. Federal Commodities**

For the fiscal year ended September 30, 2015, the County received federal commodities in the amount of \$5,406 for the Juvenile Probation Department.

#### **Q. Prior Period Adjustments**

Prior period adjustments totaling (\$503,164) were made at the fund level to include (\$134,464) in the General Fund, (\$276,618) in the Special Revenue, (\$106,082) in the Special Revenue-Grants, \$14,000 in non-major Capital Projects, and \$636,758 in the Internal Service Fund. Due to the implementation of GASB No. 68, the County restated its beginning net position within government activities and business-type activities to properly reflect the net pension liability and deferred outflows of resources as prescribed by this accounting standard. This adjustment was recorded at the fund level for proprietary funds only, and recorded at the government wide level for both governmental activities and business-type activities. The below tables summarize the changes to net position as a result of this change in accounting method.

### Note 3. Detailed notes on all funds (Continued)

#### Q. Prior Period Adjustments (Continued)

	Governmental Activities	Business-Type Activities (Water System)
Prior year ending net position, as reported	\$138,037,142	\$10,809,291
Implementation of GASB 68	<u>(190,803,872)</u>	<u>(193,044)</u>
Restated beginning net position	<u>\$(52,766,730)</u>	<u>\$10,616,247</u>

#### R. Joint Ventures

Certain counties in the state of Texas, including the County of El Paso, were statutorily authorized to impose an additional motor vehicle registration fee to be used for long-term transportation projects with the requirement that the revenues derived from this fee be remitted to a regional mobility authority located in the County to fund long-term transportation projects in the County. The County and the Camino Real Regional Mobility Authority entered into an inter-local agreement which requires a specific project agreement between these parties before the pledge of expenditures or revenues from the Special Vehicle Registration Fee.

#### S. Related Party Transactions

The County is not aware of any material related party transactions as of the date of this report.

#### T. Subsequent Events

On March 7, 2016 the County issued General Obligation Refunding Bonds, Series 2016A in the par amount of \$48,805,000 to advance refund a portion of the County's Certificates of Obligation, Series 2001, Series 2007 and Series 2012 and General Obligation Refunding Bonds, Series 2007 and Series 2011 for the purpose of debt service savings. This refunding resulted in a present value savings of 8.8 percent on the refunded bonds and a present value savings of 9.47 percent on the refunding bonds, and a net present value savings of \$4,623,892. The bonds were issued at a net premium of \$7,645,207. The refunding reduced future debt service costs by \$5,459,394 and resulted in an economic gain of \$4,621,642.

On March 15, 2016 the County issued General Obligation Refunding Bonds, Taxable Series 2016B in the par amount of \$40,735,000 to advance refund a portion of the County's Certificates of Obligation, Series 2007 and General Obligation Refunding Bonds, Series 2007 for the purpose of debt service savings and also for the purpose of reducing or eliminating the amount of tax-exempt debt currently allocated to certain County-owned facilities. This refunding resulted in a present value savings of 5.15 percent on the refunded bonds and a present value savings of 4.72 percent on the refunding bonds, and a net present value savings of \$1,926,280. The refunding reduced future debt service costs by \$2,337,440 and resulted in an economic gain of \$1,924,117.

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**REQUIRED SUPPLEMENTARY INFORMATION**

## Required Supplementary Information

### *Schedule of Changes in Net Pension Liability and Related Ratios County of El Paso*

	Year Ended December 31									
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Total Pension Liability</b>										
Service cost	\$29,172,832	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	70,530,931	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	0									
Effect of economic/demographic (gains) or losses	3,927,389	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	<u>(26,161,836)</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net change in total pension liability	77,469,316	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	<u>869,276,047</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Total pension liability, ending (a)	<u>\$946,745,363</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
<b>Fiduciary Net Position</b>										
Employer contributions	\$24,527,009	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Member contributions	11,207,319	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Investment income net of investment expenses	44,436,493	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	<u>(26,161,836)</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Administrative expenses	<u>(529,596)</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Other	<u>152,151</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net change in fiduciary net position	53,631,541	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, beginning	<u>659,961,306</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Fiduciary net position, ending (b)	<u>\$713,592,846</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Net pension liability / (asset), ending = (a)-(b)	<u>\$233,152,517</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>
Fiduciary net position as a % of total pension liability	75.37%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pensionable covered payroll	\$159,778,176	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a % of covered payroll	145.92%									

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

**Schedule of Employer Contributions  
County of El Paso**

Year Ending September 30.	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll <sup>(1)</sup>	Actual Contribution as a % of Covered Payroll
2005	Not Available	Not Available	Not Available	Not Available	Not Available
2006	\$11,928,780	\$11,928,780	0	\$114,589,623	10.4%
2007	14,583,712	14,583,712	0	125,613,371	11.6%
2008	14,894,429	14,894,429	0	136,271,081	10.9%
2009	16,101,388	16,101,338	0	141,737,570	11.4%
2010	17,233,138	17,233,138	0	139,765,922	12.3%
2011	18,440,860	18,440,860	0	141,744,782	13.0%
2012	20,580,985	20,580,985	0	148,599,633	13.8%
2013	22,611,181	22,611,181	0	154,448,009	14.6%
2014	24,527,009	24,527,009	0	159,778,176	15.4%

<sup>(1)</sup> Payroll is calculated based on contributions as reported to TCDRS.

**Valuation date:**

Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

**Methods and assumptions used to determine contribution rates:**

Actuarial cost method	Entry age normal cost
Amortization method	Closed
Remaining Amortization period	20 years
Asset valuation method	5-year smoothed, non-asymptotic, none
Inflation	3%
Salary increases	3.5%
Investment rate of return	8.0%, net of pension plan investment expense, including inflation
Retirement age	60
Mortality	RP-2000 Active employee Mortality table for males with a two year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both with the projection scale AA.

**Schedule of Funding Progress  
Other Postemployment Benefits Plan  
County of El Paso**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2009	\$0	\$50,530,714	\$50,530,714	0%	\$139,424,666	36.24%
12/31/2011	0	59,808,706	59,808,706	0%	152,329,012	39.26%
9/30/2014 <sup>(1)</sup>	0	26,748,051	26,748,051	0%	160,228,947	16.69%

(1) A change in the plan for retirees over 65 resulted in a significant cost savings to the County and retirees and reduced the actuarial accrued liability.

**Schedule of Changes in Net Pension Liability and Related Ratios  
El Paso County Hospital District**

	Year Ended December 31									
	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
<b>Total Pension Liability</b>										
Service cost	\$11,453,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	23,877,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	0									
Effect of economic/demographic (gains) or losses	(656,000)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(8,088,000)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	26,586,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	293,123,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, ending (a)	\$319,709,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Fiduciary Net Position</b>										
Employer contributions	\$8,342,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Member contributions	6,339,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Investment income net of investment expenses	18,629,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(8,088,000)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expenses	(221,000)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other	132,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in fiduciary net position	25,133,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, beginning	274,582,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, ending (b)	\$299,715,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability / (asset), ending = (a)-(b)	\$19,994,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position as a % of total pension liability	93.75%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pensionable covered payroll	\$126,780,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a % of covered payroll	15.77%									

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

***Schedule of Employer Contributions  
El Paso County, Hospital District***

Year Ending December 31	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll <sup>(1)</sup>	Actual Contribution as a % of Covered Payroll
2015	\$8,186,000	\$8,186,000	0	\$127,109,000	6.4%

<sup>(1)</sup> Payroll is calculated based on contributions as reported to TCDRS.

***Valuation date:***

Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

***Methods and assumptions used to determine contribution rates:***

Actuarial cost method	Entry age normal cost
Amortization method	Closed
Remaining Amortization period	20 years
Asset valuation method	5-year smoothed non-asymptotic market
Inflation	3%
Salary increases	3.5%
Investment rate of return including inflation	8.1%, net of pension plan investment expense,
Retirement age	60
Mortality	RP-2000 Active employee Mortality table for males with a two year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both with the projection scale AA.



***Schedule of the County's Proportionate Share of the Net Pension  
Liabilities of Cost Sharing Multiple-Employer Pension Plan  
Texas Emergency Services Retirement System (TESRS)***

	Year Ended September 30									
	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
County's Proportion of the net pension liability	1.903%	2.475%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
County's proportionate share of the net pension liability	\$507,959	\$449,748	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
County's number of active members *	199	200	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
County's net pension liability per active member	\$2,557	\$2,245	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	76.9%	83.5%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

\* There is no compensation for active members, so the number of active members is used instead. The members are volunteer firefighters.

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

***Schedule of the County Contributions  
Texas Emergency Services Retirement System (TESRS)  
September 30, 2015***

	<u>ESD1</u>	<u>ESD2</u>
Contractually required contribution	\$23,143	\$66,996
Contributions in relation to the contractually Required contribution	<u>\$23,143</u>	<u>\$66,996</u>
Contribution deficiency (excess)	0	0
Number of active members*	48	151
Contributions per active member*	\$482	\$444

\* There is no compensation for active members, so the number of active members is used instead. The members are volunteer firefighters.

GASB 68, Paragraph 81, requires that the data in this schedule be presented as of the County's current fiscal year as opposed to the time period covered by the measurement date of September 1, 2014-August 31, 2015. In addition, per Paragraph 138, "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

**FEDERAL AND STATE AWARD SECTION**

INDEPENDENT AUDITOR'S 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* AND THE STATE OF TEXAS *UNIFORM  
GRANT MANAGEMENT STANDARDS*

County Judge and Members of Commissioners Court  
County of El Paso, 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 and the State of Texas *Uniform Grant Management Standards*, the primary government financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison statements of the County of El Paso, Texas, as of and for the year ended September 30, 2015, and the related notes to the financial statements, which collectively comprise the County of El Paso, Texas' basic financial statements and have issued our report thereon dated March 31, 2016. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component units, as described in our report on the County of El Paso, Texas' primary government financial statements. This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the County of El Paso, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of El Paso, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the County of El Paso, Texas' 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 the County of El Paso, Texas' 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* and the State of Texas *Uniform Grant Management 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* and the State of Texas *Uniform Grant Management 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, appearing to read "C. R. Riddick" followed by a stylized flourish.

El Paso, Texas  
March 31, 2016

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133  
AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR

County Judge and Members of Commissioners Court  
County of El Paso, Texas

**Report on Compliance for Each Major Federal and State Program**

We have audited the County of El Paso, Texas' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the State of Texas Single Audit Circular that could have a direct and material effect on each of the County of El Paso, Texas' major federal and state programs for the year ended September 30, 2015. The County of El Paso, Texas' major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The County of El Paso, Texas' basic financial statements include the operations of the discretely presented component units, which received \$778,000 in federal awards and \$1,378,672 in state awards, which are not included in the schedule during the year ended September 30, 2015. Our audit, described below, did not include the operations of the discretely presented component units because the component units engaged other auditors to perform an audit in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular. This report does not include the results of other auditors' testing of compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the State of Texas Single Audit Circular.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

## **Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the County of El Paso, Texas' major federal and state programs 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the State of Texas Single Audit Circular. Those standards, OMB Circular A-133 and the State of Texas Single Audit Circular, 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 or state program occurred. An audit includes examining, on a test basis, evidence about the County of El Paso, Texas' 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 each major federal and state program. However, our audit does not provide a legal determination of the County of El Paso, Texas' compliance.

## **Opinion on Each Major Federal and State Program**

In our opinion, the County of El Paso, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2015.

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

Management of the County of El Paso, Texas 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 the County of El Paso, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular, 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 the County of El Paso, Texas' 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 or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or 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 or state 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 or state 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.

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 OMB A-133 and the State of Texas Single Audit Circular. Accordingly, this report is not suitable for any other purposes.

A handwritten signature in black ink, appearing to read "Charles R. Riddick" followed by a stylized flourish.

El Paso, Texas  
March 31, 2016

COUNTY OF EL PASO, TEXAS

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2015

<b>Schedule Reference Number</b>	<b>PROGRAM</b>	<b>DESCRIPTION</b>
<b><u>SUMMARY OF AUDITOR'S RESULTS</u></b>		
<b><u>FINANCIAL STATEMENTS</u></b>		
<b>Type of Auditor's Report Issued:</b>		Unmodified
<b>Internal control over financial reporting:</b>		
<b>Material weaknesses identified?</b>		No
<b>Significant deficiencies identified that are not considered to be material weaknesses?</b>		None reported
<b>Noncompliance material to the financial statements:</b>		No material noncompliance noted.
<b><u>FEDERAL AND STATE AWARDS</u></b>		
<b>Internal control over major programs:</b>		
<b>Material weaknesses identified?</b>		No
<b>Significant deficiencies identified that are not considered to be material weaknesses?</b>		Federal - None reported. State - None reported.
<b>Type of auditor's report issued on compliance for major programs:</b>		Unmodified
<b>Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133 or the State of Texas Single Audit Circular?</b>		Federal Programs - No State Programs - No

(Continued)



**COUNTY OF EL PASO, TEXAS**

**SCHEDULE OF FINDINGS & QUESTIONED COSTS**

FOR THE YEAR ENDED SEPTEMBER 30, 2015

<b>Schedule Reference Number</b>	<b>PROGRAM</b>	<b>DESCRIPTION</b>
	<b>Major Federal Programs:</b>	<p><b><u>Office of Justice Programs:</u></b> CFDA 16.111: Organized Crime Drug Enforcement Task Force (OCDETF);</p> <p><b><u>Crime Victim Assistance:</u></b> CFDA 16.575: Victim Witness Services, and Victim of Crimes Act;</p> <p><b><u>Public Safety Partnership and Community Policing Grants:</u></b> CFDA 16.710: Community Policing-COPS in Schools, and COPS Building Trust People of Color;</p> <p><b><u>JAG Program Cluster:</u></b> CFDA 16.738: Edward Byrne Memorial Justice Assistance Grant, and Border Crime Initiative;</p> <p><b><u>Foster Care-Title IV-E:</u></b> CFDA 93.658: Promoting Safe and Stable Families-Child Protective, and Title IV-E;</p> <p><b><u>Homeland Security Grant Program Enforcement:</u></b> CFDA 97.067: Operation Stonegarden, and Homeland Security.</p>
	<b>Major State Programs:</b>	<p><b><u>Teen Intervention and Prevention Program:</u></b> Project Hope: SF-25765-03 and SF-25765-04, and Teen Intervention: SF-25820-03</p> <p><b><u>Texas Juvenile Justice Department:</u></b> TJJD-A-2015-071, TJJD-A-2016-071, TJJD-C-2015-071, TJJD-C-2016-071, TJJD-M-2015-071, TJJD-M-2016-071, TJJD-N-2015-071, TJJD-N-2016-071, TJJD-P-2014-071, TJJD-P-2015-071, TJJD-S-2015-071, TJJD-S-2016-071, TJJD-T-2015-071, and TJJD-T-2016-07.</p>

(Continued)

**COUNTY OF EL PASO, TEXAS**

**SCHEDULE OF FINDINGS & QUESTIONED COSTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

<b>Schedule Reference Number</b>	<b>PROGRAM</b>	<b>DESCRIPTION</b>
	<b>Dollar Threshold Considered Between Type A and Type B Federal and State Programs:</b>	\$446,146 - Federal Programs \$300,000 - State Programs
	<b>Auditee qualified as low-risk auditee?</b>	Yes - Federal Programs Yes - State Programs

(Continued)

**COUNTY OF EL PASO, TEXAS**

**SCHEDULE OF FINDINGS & QUESTIONED COSTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

<b>Schedule Reference Number</b>	<b>PROGRAM</b>	<b>DESCRIPTION</b>
		<b><u>FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS</u></b>
		There were no current year findings.
		<b><u>FEDERAL AWARD FINDINGS AND QUESTIONED COSTS</u></b>
		There were no current year findings.
		<b><u>STATE AWARD FINDINGS AND QUESTIONED COSTS</u></b>
		There were no current year findings.

**COUNTY OF EL PASO, TEXAS**

**SCHEDULE OF STATUS OF PRIOR FINDINGS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2015**

<b>Scheduled Reference Number</b>	<b>PROGRAM</b>	<b>STATUS OF PRIOR YEAR'S FINDINGS/NONCOMPLIANCE</b>
-------------------------------------------	----------------	----------------------------------------------------------

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**FINANCIAL STATEMENT FINDINGS**

There were no prior year findings.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no prior year findings.

**STATE AWARD FINDINGS AND QUESTIONED COSTS**

There were no prior year findings.

**County of El Paso**  
**Schedule of Expenditures of Federal and State Awards**  
**Year Ended September 30, 2015**

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2014-2015	State Expenditures 2014-2015
<b>Federal Expenditures</b>				
<b>U. S. Department of Agriculture</b>				
<b>Rural Development</b>				
Colonia Revolucion Water Project	10.760	RD Grant	\$ 78,375	
<b>Total for CFDA 10.760</b>			<u>\$ 78,375</u>	
<b>*Texas Department of Agriculture</b>				
National School Lunch Program	10.555	TX-071215	\$ 126,410	
<b>*TDHS - Commodities Distribution</b>				
El Paso County Juvenile Probation (Non-Cash)	10.565	071-050-A4	\$ 5,406	
<b>Total U.S. Department of Agriculture</b>			<u>\$ 210,191</u>	\$ -
<b>U. S. Department of Housing and Urban Development</b>				
<b>*Office of Rural Affairs within the Texas Department of Agriculture</b>				
Colonia Self Help Center	14.228	7214003	\$ 103,820	
Connington Subdivision	14.228	713150	\$ 167,611	
<b>Total for CFDA 14.228</b>			<u>\$ 271,431</u>	
<b>*Texas Department of Housing and Community Affairs</b>				
<b>*City of El Paso</b>				
Emergency Solutions Grant Program	14.231	2013-0663	\$ 11,059	
Emergency Solutions Grant Program	14.231	2014-0498	\$ 71,383	
Emergency Solutions Grant Program	14.231	2015-0098	\$ 6,733	
<b>Total for CFDA 14.231</b>			<u>\$ 89,175</u>	
<b>Community Development Block Grants</b>				
<b>*City of El Paso</b>				
Homebound Meals	14.218	12-1039-175	\$ 49,678	
<b>Total for CFDA 14.218</b>			<u>\$ 49,678</u>	
<b>Total U.S. Department of Housing and Urban Development</b>			<u>\$ 410,284</u>	\$ -
<b>U. S. Department of Justice</b>				
<b>Bureau of Justice Assistance</b>				
State Criminal Alien Assistance Program (SCAAP)	16.606	2015-AP-BX-0496	\$ 317,615	
<b>Office of Community Oriented Policing Services (COPS)</b>				
Community Policing - COPS in Schools	16.710	2013-UL-WX-0018	\$ 334,831	
COPS Building Trust People of Color	16.710	2014-CK-WX-0003	\$ 25,659	
<b>Total for CFDA 16.710</b>			<u>\$ 360,490</u>	
<b>Asset Forfeiture Money Laundering Section</b>				
El Paso County Metro Criminal Enterprise Unit	16.922	TX07100PO	\$ 26,078	
El Paso County Sheriff's Office	16.922	TX0710000	\$ 11,670	
<b>Total for CFDA 16.922</b>			<u>\$ 37,748</u>	
<b>Office of Justice Programs</b>				
Organized Crime Drug Enforcement Task Force	16.111	SW-TXW-0554H	\$ 4,904	
Organized Crime Drug Enforcement Task Force	16.111	SW-TXW-0571H	\$ 326,798	
Organized Crime Drug Enforcement Task Force	16.111	SW-TXW-0592H	\$ 2,282	
Organized Crime Drug Enforcement Task Force	16.111	SW-TXW-0611H	\$ 2,093	
Organized Crime Drug Enforcement Task Force	16.111	SW-TXW-0617H	\$ 857	
Organized Crime Drug Enforcement Task Force	16.111	SW-TXW-0618H	\$ 4,802	

**County of El Paso**  
**Schedule of Expenditures of Federal and State Awards**  
**Year Ended September 30, 2015**

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2014-2015	State Expenditures 2014-2015
Organized Crime Drug Enforcement Task Force	16.111	SW-TXW-0634H	\$ 444	
Organized Crime Drug Enforcement Task Force	16.111	SW-TXW-0637H	\$ 684	
Organized Crime Drug Enforcement Task Force	16.111	SW-TXW-0639H	\$ 221	
Organized Crime Drug Enforcement Task Force	16.111	SW-TXW-0649H	\$ 858	
Organized Crime Drug Enforcement Task Force	16.111	SW-TXW-0652H	\$ 3,713	
Organized Crime Drug Enforcement Task Force	16.111	SW-TXW-0661H	\$ 9,693	
Organized Crime Drug Enforcement Task Force	16.111	SW-TXW-0667H	\$ 3,216	
Organized Crime Drug Enforcement Task Force	16.111	SW-TXW-0668H	\$ 294	
Organized Crime Drug Enforcement Task Force	16.111	SW-TXW-0671H	\$ 4,886	
Organized Crime Drug Enforcement Task Force	16.111	SW-TXW-0694H	\$ 1,226	
Organized Crime Drug Enforcement Task Force	16.111	SW-TXW-0695H	\$ 4,848	
Organized Crime Drug Enforcement Task Force	16.111	SW-NM-0304	\$ 6,798	
Organized Crime Drug Enforcement Task Force	16.111	SW-TXW-0708H	\$ 4,967	
Organized Crime Drug Enforcement Task Force	16.111	SW-TXW-0724H	\$ 4,856	
<b>Total for CFDA 16.111</b>			<b>\$ 388,440</b>	
Edward Byrne Memorial Justice Assistant Grant	16.738	2011-DJ-BX-3043	\$ 50,026	
Edward Byrne Memorial Justice Assistant Grant	16.738	2012-DJ-BX-0311	\$ 54,606	
Edward Byrne Memorial Justice Assistant Grant	16.738	2013-DJ-BX-1029	\$ 129,620	
Edward Byrne Memorial Justice Assistant Grant	16.738	2014-DJ-BX-0825	\$ 7,262	
<b>Total for CFDA 16.738</b>			<b>\$ 241,514</b>	
<b>*Office of the Governor - Criminal Justice Division</b>				
Juvenile Accountability Incentive Block Grant	16.523	JB-13358-16	\$ 24,046	
409th Juvenile Drug Court	16.523	JB-18028-10	\$ 77,311	
409th Juvenile Drug Court	16.523	JB-18028-11	\$ 6,375	
<b>Total for CFDA 16.523</b>			<b>\$ 107,732</b>	
Victim Witness Services	16.575	VA-13625-16	\$ 71,877	
Victim Witness Services	16.575	VA-13625-17	\$ 6,297	
Victim of Crimes Act	16.575	VA-23931-05	\$ 57,328	
Victim of Crimes Act	16.575	VA-23931-06	\$ 4,206	
<b>Total for CFDA 16.575</b>			<b>\$ 139,708</b>	
Domestic Violence Unit	16.588	WF-13437-17	\$ 133,531	
Domestic Violence Unit	16.588	WF-13437-18	\$ 10,749	
Protective Order Court	16.588	WF-24316-05	\$ 147,121	
<b>Total for CFDA 16.588</b>			<b>\$ 291,401</b>	
\$ Border Crime Initiative	16.738	DJ-19860-07	\$ (4,939)	
Border Crime Initiative	16.738	DJ-19860-08	\$ 224,313	
<b>Total for CFDA 16.738</b>			<b>\$ 219,374</b>	
<b>Total U. S. Department of Justice</b>			<b>\$ 2,104,022</b>	<b>\$ -</b>

**County of El Paso**  
**Schedule of Expenditures of Federal and State Awards**  
**Year Ended September 30, 2015**

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2014-2015	State Expenditures 2014-2015
<b>U. S. Department of Transportation</b>				
<b>Federal Transit Administration</b>				
<b>*Texas Department of Transportation</b>				
Van Pool	20.205	CSJ#0924-06-376	\$ 483,581	
Isleta, Socorro, San Elizario Route	20.205	CSJ#9024-06-488	\$ 254,159	
<b>Total for CFDA 20.205</b>			<b>\$ 737,740</b>	
Rural Transit Assistance Program	20.509	51324F7186	\$ 366,002	
Rural Transit Assistance Program	20.509	51424F7183	\$ 478,826	
Regional Public Transportation Plan	20.509	3185	\$ 18,487	
El Paso County, Texas and Eastern New Mexico	20.509	7043	\$ 35,015	
Rural Transit Assistance Program	20.509	5316	\$ 19	
<b>Total for CFDA 20.509</b>			<b>\$ 898,349</b>	
Regional Public Transportation Plan	20.515	51524F7138	\$ 49,540	
Regional Public Transportation Plan	20.505	7756	\$ 4,084	
El Paso County, Texas and Eastern New Mexico	20.516	51324F7215	\$ 258,552	
Rural Transit Vehicle Rehab	20.526	51424F7231	\$ 13,829	
<b>National Highway Traffic Safety Administration</b>				
<b>*Texas Department of Transportation</b>				
Sheriff's STEP Single Year Comprehensive 2015	20.600	S-1YG-0035	\$ 72,638	
STEP-Impaired Driving Mobilization Project 2015	20.616	IDM-00078	\$ 10,544	
Click it or Ticket	20.616	14 El Paso CO-CIOTT-0004	\$ 5,918	
<b>Total for CFDA 20.616</b>			<b>\$ 16,462</b>	
<b>Total U.S. Department of Transportation</b>			<b>\$ 2,051,194</b>	<b>\$ -</b>
<b>U.S. Department of Energy</b>				
Geothermal Project ARRA	81.087	DE-EE0002827	\$ 1,043	
<b>Total U.S. Department of Energy</b>			<b>\$ 1,043</b>	<b>\$ -</b>
<b>U.S. Department of Health and Human Services</b>				
<b>*Texas Department of Aging and Disability Services</b>				
Social Services Block Grant-Home Delivered Meals	93.667	000173100	\$ 900,024	
<b>*Texas Department of Family and Protective Services</b>				
Promoting Safe and Stable Families -Child Protective	93.658	23940331	\$ 260,665	
<b>*Texas Juvenile Justice Department</b>				
#Title IV-E	93.658	TJJD-E-2015-071	\$ 6,348	
<b>*Texas Center for the Judiciary</b>				
TJC Children Justice Act	93.643	CJA-15-12	\$ 1,370	
<b>*Texas Department of Aging and Disability Services</b>				
**Title III C1 -Congregate Meals	93.045	2012-0444	\$ 415,374	
**Title III C2 - Homebound Meals	93.045	001004302	\$ 123,864	
<b>Total for CFDA 93.045</b>			<b>\$ 539,238</b>	

**County of El Paso**  
**Schedule of Expenditures of Federal and State Awards**  
**Year Ended September 30, 2015**

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2014-2015	State Expenditures 2014-2015
<b>*Rio Grande Council of Governments</b>				
**Congregate Meals	93.053	539-08-0218-00001	\$ 427,613	
<b>*Texas Attorney General</b>				
Child Support Enforcement	93.563	AG TITLE IV -D	\$ 883,167	
Community Supervision Probation Cases	93.563	14-C0043	\$ 91,889	
State Case Registry Services	93.563	15-C0027	\$ 7,465	
Integrated Child Support System	93.563	15-C0117	\$ 96,071	
<b>Total for CFDA 93.563</b>			<b>\$ 1,078,592</b>	
Access and Visitation Grant	93.597	13-C0107	\$ 60,617	
<b>Total U.S. Department of Health and Human Services</b>			<b>\$ 3,274,467</b>	<b>\$ -</b>
<b>Executive Office of the President</b>				
<b>Office of National Drug Control Policy (ONDCP)</b>				
34th Judicial Dist. Prosecution Initiative	95.001	G13SW0003A	\$ 139	
34th Judicial Dist. Prosecution Initiative	95.001	G14SW0003A	\$ 512,495	
34th Judicial Dist. Prosecution Initiative	95.001	G15SW0003A	\$ 86,377	
Multiple Initiatives	95.001	G13SW0001B	\$ 678,306	
Multiple Initiatives	95.001	G14SW0001A	\$ 2,802,866	
Multiple Initiatives	95.001	G15SW0001A	\$ 85,498	
<b>Total Executive Office of the President</b>			<b>\$ 4,165,681</b>	<b>\$ -</b>
<b>U. S. Social Security Administration</b>				
Social Security Incentive Payment	96.008	20100901	\$ 24,600	
<b>Total U.S. Social Security Administration</b>			<b>\$ 24,600</b>	<b>\$ -</b>
<b>U.S. Department of Homeland Security</b>				
Emergency Food and Shelter National Board Program	97.024	803600-014 Phase 32	\$ 22,984	
<b>*Texas Department of Public Safety</b>				
Operation Stonegarden	97.067	2013-SS-00045	\$ 1,316,142	
Operation Stonegarden	97.067	2014-SS-00029	\$ 1,124,720	
Homeland Security	97.067	EMW-2013-SS-00045	\$ 116,011	
Homeland Security	97.067	EMW-2014-SS-00029	\$ 50,180	
<b>Total for CFDA 97.067</b>			<b>\$ 2,607,053</b>	
<b>Total U.S. Department of Homeland Security</b>			<b>\$ 2,630,037</b>	<b>\$ -</b>
<b><u>State Expenditures</u></b>				
<b>Office of the Governor - Criminal Justice Division</b>				
District Attorney's Border Prosecution	N/A	CH-22837-05		\$ 409,723
& 384th Drug Court Program	N/A	SF-16921-12		\$ 119,004
& 384th Drug Court Program	N/A	SF-16921-13		\$ 5,943
65th Family Drug Court Program	N/A	DC-23858-05		\$ 64,922
65th Family Drug Court Program	N/A	DC-23858-06		\$ 1,710
& DWI Court	N/A	SF-18692-08		\$ 97,690
& DWI Court	N/A	SF-18692-09		\$ 8,997
Protective Order Court	N/A	SF-24316-06		\$ 12,709
Project Hope	N/A	SF-25765-03		\$ 179,899
Project Hope	N/A	SF-25765-04		\$ 10,117
Teen Intervention	N/A	SF-25820-03		\$ 46,066
El Paso County Veterans Court	N/A	SF-25831-03		\$ 150,913
El Paso County Veterans Court	N/A	SF-25831-04		\$ 13,226
Prostitution Prevention Program	N/A	SF-27856-01		\$ 127,086



**County of El Paso**  
**Schedule of Expenditures of Federal and State Awards**  
**Year Ended September 30, 2015**

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2014-2015	State Expenditures 2014-2015
Prostitution Prevention Program	N/A	SF-27856-02		\$ 4,927
<b>*Rio Grande Council of Governments</b>				
Sheriff's Training Academy	N/A	SF-14285-14		\$ 143,543
Sheriff's Training Academy	N/A	SF-14285-15		\$ 13,458
<b>Total Office of the Governor-Criminal Justice Division</b>			<b>\$ -</b>	<b>\$ 1,409,933</b>
<b>Texas Department of Agriculture</b>				
Home-Delivered Meal Grant Program	N/A	HDM-15-1564		\$ 131,011
<b>Total Texas Department of Agriculture</b>			<b>\$ -</b>	<b>\$ 131,011</b>
<b>Office of the Attorney General</b>				
Sheriff's Crime Victim's Liaison	N/A	15-53924		\$ 36,490
Sheriff's Crime Victim's Liaison	N/A	16-62287		\$ 3,379
<b>Total Office of the Attorney General</b>			<b>\$ -</b>	<b>\$ 39,869</b>
<b>Texas Department of Transportation</b>				
Rural Transit Assistance Program	N/A	51324F7019		\$ 336,190
<b>Total Texas Department of Transportation</b>			<b>\$ -</b>	<b>\$ 336,190</b>
<b>Texas Comptroller of Public Accounts</b>				
Elections Chapter 19	N/A	TX Election CD Chapter 19		\$ 55,511
Lateral Road Fund Distribution	N/A	94F0001072		\$ 90,144
Sheriffs Continuing Education	N/A	TX Occup CD 1701.157		\$ 57,024
<b>Total Texas Comptroller of Public Accounts</b>			<b>\$ -</b>	<b>\$ 202,679</b>
<b>Texas Department of Housing and Community Affairs</b>				
<b>*City of El Paso</b>				
Homeless and Housing Services Program	N/A	KK-2014-0246		\$ 39,223
Homeless and Housing Services Program	N/A	KK-2015-0067		\$ 220,000
<b>Texas Department of Housing and Community Affairs</b>			<b>\$ -</b>	<b>\$ 259,223</b>
<b>Texas Department of State Health Services</b>				
<b>Texas School Safety Center at TX State University-San Marcos</b>				
Tobacco Enforcement Program FY 2014	N/A	El Paso County Sheriff		\$ 78,000
<b>Texas Department of State Health Services</b>			<b>\$ -</b>	<b>\$ 78,000</b>
<b>Texas Task Force on Indigent Defense</b>				
Public Defender Indigent Defense	N/A	212-12-071		\$ 925,455
Public Defender Problem Solving Attorney	N/A	212-13-D06		\$ 31,612
Public Defender Office Expansion	N/A	212-15/16-071		\$ 130,258
<b>Total Texas Task Force on Indigent Defense</b>			<b>\$ -</b>	<b>\$ 1,087,325</b>
<b>Texas Juvenile Justice Department</b>				
TJJD Juvenile Board State Aid	N/A	TJJD-A-2015-071		\$ 2,792,840
TJJD Juvenile Board State Aid	N/A	TJJD-A-2016-071		\$ 248,611
TJJD Commitment Reduction Program	N/A	TJJD-C-2015-071		\$ 405,661
TJJD Commitment Reduction Program	N/A	TJJD-C-2016-071		\$ 45,724
TJJD Special Needs Diversionary	N/A	TJJD-M-2015-071		\$ 41,967
TJJD Special Needs Diversionary	N/A	TJJD-M-2016-071		\$ 11,934
TJJD Mental Health Services	N/A	TJJD-N-2015-071		\$ 260,141
TJJD Mental Health Services	N/A	TJJD-N-2016-071		\$ 24,335
TJJD Juvenile Justice Alt. Education	N/A	TJJD-P-2014-071		\$ 82,004
TJJD Juvenile Justice Alt. Education	N/A	TJJD-P-2015-071		\$ 54,908
TJJD Family Preservation	N/A	TJJD-S-2015-071		\$ 133,500

**County of El Paso**  
**Schedule of Expenditures of Federal and State Awards**  
**Year Ended September 30, 2015**

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2014-2015	State Expenditures 2014-2015
TJJD Family Preservation	N/A	TJJD-S-2016-071		\$ 10,017
TJJD Prevention and Intervention Project	N/A	TJJD-T-2015-071		\$ 37,038
TJJD Prevention and Intervention Project	N/A	TJJD-T-2016-071		\$ 3,191
<b>Total Texas Juvenile Justice Department</b>			<b>\$ -</b>	<b>\$ 4,151,871</b>
<b>Texas Department of Public Safety</b>				
<b>* Division of Emergency Management</b>				
Local Border Security Program	N/A	LBSP-15(El Paso)		\$ 214,462
<b>Total Texas Department of Public Safety</b>			<b>\$ -</b>	<b>\$ 214,462</b>
<b>Texas District Courts-Comptroller Judiciary</b>				
Reimbursement of State Witness	N/A	TX CD Cram Proc 35.27/104.003		\$ 68,170
DA Apportionment Salaries	N/A	Gov CD Chpt 46.004		\$ 22,500
<b>Total Texas District Courts-Comptroller Judiciary</b>			<b>\$ -</b>	<b>\$ 90,670</b>
<b>Texas Department of Criminal Justice</b>				
Reimbursement of Offender Transportation	N/A	Gov CD Chpt 499.125		\$ 57,140
<b>Total Texas Department of Criminal Justice</b>			<b>\$ -</b>	<b>\$ 57,140</b>
<b>Texas Department of Health and Human Services Commissions</b>				
District Attorney Food stamp Fraud	N/A	OIG 042010A		\$ 5,040
<b>Total Texas Department of Health and Human Services Commissions</b>			<b>\$ -</b>	<b>\$ 5,040</b>
<b>Texas Lottery Commission</b>				
Texas Veteran's Commission	N/A	0155		\$ 6,548
Texas Veteran's Commission	N/A	FVA-15A-0222		\$ 104,055
<b>Total Texas Lottery Commission</b>			<b>\$ -</b>	<b>\$ 110,603</b>
<b>TOTAL FEDERAL AND STATE FINANCIAL ASSISTANCE</b>			<b>\$ 14,871,519</b>	<b>\$ 8,174,016</b>

**County of El Paso**  
**Schedule of Expenditures of Federal and State Awards**  
**Year Ended September 30, 2015**

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2014-2015	State Expenditures 2014-2015
<b>Federal Funds Expended</b>			\$ 14,871,519	
<b>State Funds Expended</b>			\$ 8,174,016	
<b>Total Funds Expended</b>			<u>\$ 23,045,535</u>	
Note:				
Special Revenues-Grants Total Expenditures			\$ 23,604,930	
Plus Funds received through General Fund			\$ 2,471,572	
Plus Funds received through Special Revenues plus Juvenile Probation Commodities			\$ 368,299 \$ 5,406	
Less Federal funds received not expended			\$ (15,722)	
Plus Fund balance			\$ 326,430	
Less Non-Federal or State Funding Sources			\$ (3,715,380)	
<b>TOTAL FEDERAL AND STATE FINANCIAL ASSISTANCE</b>			<u>\$ 23,045,535</u>	
Revenues				
Special Revenues-Grants Total Revenues			\$ 23,931,360	
Plus Revenues through General Fund			\$ 2,471,572	
Plus Juvenile Probation Commodities			\$ 5,406	
Plus Revenues through Special Revenues			\$ 368,299	
Less Federal funds received not expended			\$ (15,722)	
Less Non-Federal or State Funding Sources			\$ (3,715,380)	
Adjusted Balance			<u>\$ 23,045,535</u>	
			\$ -	

\* Federal or State Funds Passed-Through Another Agency.  
\*\* Clustered per the June 2015 Compliance Supplement.  
& Grants Required to use Program Income before Grant Funds.  
\$ Expenses reported in FY2014 exceeded actual expenditures.

## COUNTY OF EL PASO, TEXAS

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED SEPTEMBER 30, 2015

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#### 1. GENERAL

The accompanying Schedule of Expenditures of Federal and State Awards presents the activity of all federal and state financial assistance programs of the County of El Paso, Texas (County) for the year ended September 30, 2015. The County's reporting entity is defined in Note 1 to the County's basic financial statements. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Federal and state awards provided to subrecipients are treated as expenditures when paid to the subrecipient.

#### 2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal and State Awards is presented using the modified accrual basis of accounting which is the same basis as the County's Governmental Fund financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and State of Texas Single Audit Circular.

#### 3. SINGLE AUDIT MAJOR PROGRAM DETERMINATION

OMB Circular A-133 and the State of Texas Single Audit Circular prescribe a risk-based approach to determining which federal and state programs are major programs, respectively. The approach includes consideration of current and prior audit experience, oversight by federal or state agencies and pass-through entities, and the inherent risk of the program.

#### 4. REPORTING ENTITY

The County, for purposes of the supplementary schedule of expenditures of federal and state awards includes all the funds of the primary government as defined by the Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Nos. 14 and 34*. It does not include the operations of the discretely presented component units.

The discretely presented component units received \$778,000 in federal awards and \$1,378,672 in state awards, which are not included in the schedule during the year ended September 30, 2015 because the discretely presented component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular.