

COUNTY OF EL PASO, TEXAS
ANNUAL FINANCIAL AND COMPLIANCE REPORTS
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2016



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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, 2016, 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 discretely presented component units, which report assets of \$693,298,589, net position of \$196,098,919, and revenues of \$666,542,208. 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 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 discretely presented component units, each major fund, the aggregate remaining fund information, and the budgetary comparison statements of the County as of September 30, 2016, 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.

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 26 and pages 98 through 104, 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 and Other 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 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of Texas Single Audit Circular, and is also not a 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 separately issued our report dated April 6, 2017, 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.

A handwritten signature in black ink that reads "C. R. Ruddock Peltz LLC". The signature is written in a cursive style with a horizontal line extending from the end.

El Paso, Texas
April 6, 2017

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, 2016. 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 11 of this report.

Financial Highlights

Combined County assets and deferred outflows of resources from governmental and business type activities exceeded liabilities and deferred inflows of resources at the close of fiscal year 2016 by \$38,580,286 which represents total net position. Of this amount, \$28,796,710 or 74.64 percent relates to governmental-type activities while \$9,783,576 or 25.36 percent represents business-type activities. Total net position is comprised of restricted and unrestricted assets and net investment in capital assets. Net investment in capital assets totaled \$66,370,617 or 172.03 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 \$73,283,516 or 189.95 percent of total net position of which \$73,058,295 relates to the primary government and \$225,221 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 (\$101,073,847) or (261.98) percent of total net position.

The significance of the negative unrestricted 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.

The County's fiscal year 2016 operations resulted in total net position increasing by \$83,816,974 or (185.29) percent above the prior year net position of (\$45,236,688). This was attributable to an increase of \$84,466,365 or (151.73) percent in the governmental-type and a decrease in business-type activities of (\$649,391) or (6.22) 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 Revolucion 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 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 Revolucion 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 fiscal year 2015 the County implemented GASB 68 and at that time liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources resulting in a net position of (\$45,236,688). Due to changes in actuarial data the County's net position increased by \$83,816,974 for a revised net position as of September 30, 2016 totaling \$38,580,286. Therefore, it is vitally important to keep in mind the prior year's results as the current fiscal year financial data is discussed for comparison purposes.

In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$38,580,286 at the close of fiscal year 2016. By far the largest component of the County's net position represents restricted assets and resources that are subject to external restrictions on how they may be used. Restricted assets total \$73,283,516 and are comprised of capital project funds totaling \$44,806,565 or 61.14 percent, special purpose funds totaling \$27,993,314 or 38.20 percent, enterprise funds totaling \$185,263 or .25 percent of restricted assets. Also included are debt service funds totaling \$298,374 or .41 percent of total restricted net position. The next category relates to unrestricted net position totaling (\$101,073,847) or (261.98) percent of total net position, which may be used to meet the County's ongoing obligations to citizens and creditors. The second largest component is net investment in capital assets (e.g., land, buildings, machinery, and equipment) totaling \$66,370,617 or 172.03 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 its 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.

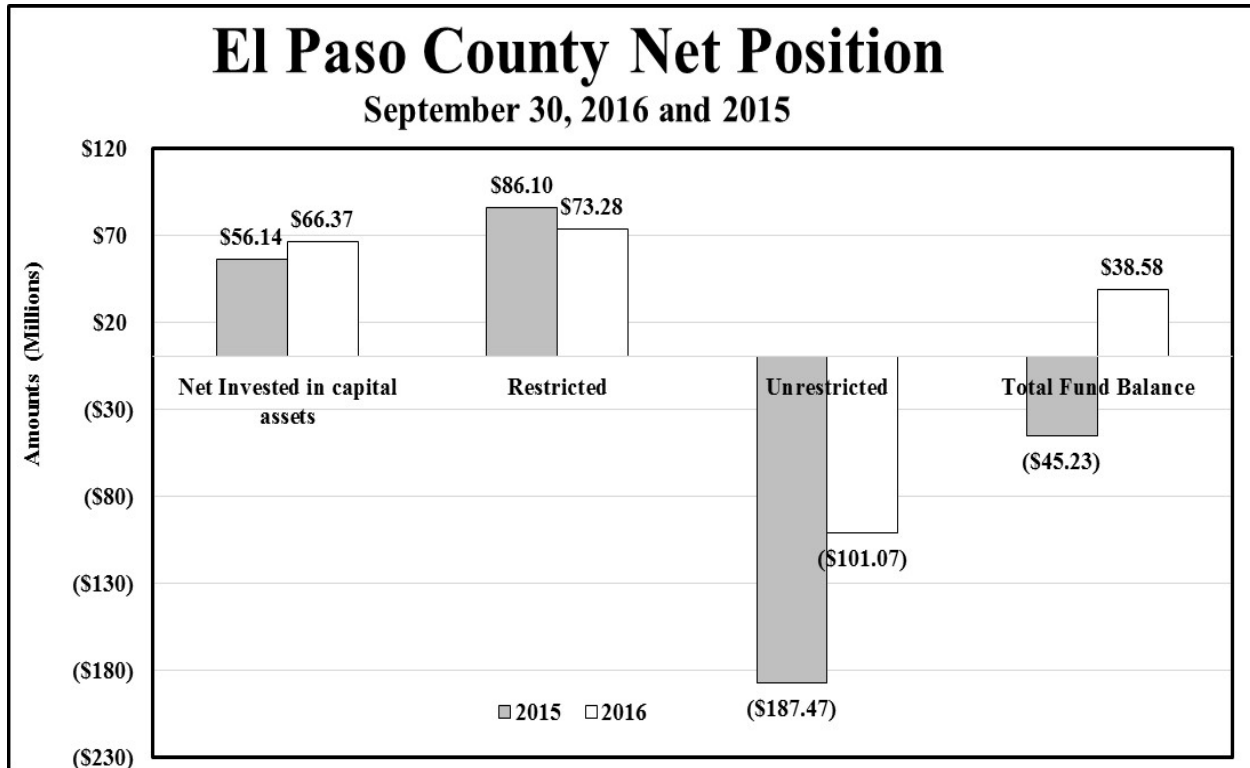
Furthermore, as of September 30, 2016, the County's net position for governmental activities increased by 84,466,365 or (151.73) percent and business-type activities decreased by (\$649,391) or (6.22) percent for a net overall increase of \$83,816,974 or (185.29) percent from the previous fiscal year. Net investments in capital assets from governmental and business-type activities increased by \$10,235,412, or 18.23 percent. There was a net decrease of (\$12,818,713) or (14.89) percent in restricted assets reported, composed of a decrease of (\$12,722,171) related to governmental activities and a decrease of (\$96,542) related to business-type activities. Unrestricted net position totaled (\$101,073,847) and increased by \$86,400,274 or 46.09 percent, which included an increase of \$86,625,667 related to governmental activities and a decrease of (\$225,392) related to business-type activities.

El Paso County, Texas Net Position						
	Governmental		Business-type		Total	
	Activities		Activities			
	FY2016	FY2015	FY2016	FY2015	FY2016	FY2015
Current and other assets	\$ 201,261,218	\$ 204,126,626	\$ 2,190,557	\$ 2,628,985	\$ 203,451,775	\$ 206,755,611
Capital assets	271,490,952	266,291,876	9,490,115	9,849,994	280,981,067	276,141,870
Total assets	472,752,170	470,418,502	11,680,672	12,478,979	484,432,842	482,897,481
Deferred outflows of resources	99,097,656	31,608,188	72,067	30,589	99,169,723	31,638,777
Long-term liabilities outstanding	513,892,007	524,151,703	1,693,749	1,816,304	515,585,756	525,968,007
Other liabilities	24,858,876	33,234,591	204,055	260,297	25,062,931	33,494,888
Total liabilities	538,750,883	557,386,294	1,897,804	2,076,601	540,648,687	559,462,895
Deferred inflows of resources	4,302,233	310,051	71,359	-	4,373,592	310,051
Net position:						
Net investment in capital assets	58,428,078	47,865,209	7,942,539	8,269,996	66,370,617	56,135,205
Restricted	73,058,295	85,780,466	225,221	321,763	73,283,516	86,102,229
Unrestricted	(102,689,663)	(189,315,330)	1,615,816	1,841,208	(101,073,847)	(187,474,122)
Total net position	\$ 28,796,710	\$ (55,669,655)	\$ 9,783,576	\$ 10,432,967	\$ 38,580,286	\$ (45,236,688)

On a global perspective, the County's total assets from governmental and business-type activities increased by \$1,535,361 or .32 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 \$484,432,842 an increase of \$1,535,361 or .32 percent and deferred outflows of resources totaled \$99,169,723 and increased by \$67,530,946 or 213.44 percent most significantly due to an increase due to pension in governmental funds totaling \$67,489,468 or 213.52 percent and business-type activities totaling \$41,478 or 135.60 percent. Liabilities on the other hand totaled \$540,648,687, a decrease of (\$18,814,208) or (3.36) percent and deferred inflows of resources totaled \$4,373,592 and increased by \$4,063,541 or 1,310.60 percent most significantly related to an increase due to pension in governmental funds totaling \$3,992,182 or 1,287.59 percent and business-type activities totaling \$71,359 or 100 percent.

Further analysis reflects that the majority of all assets relate to governmental activities totaling \$472,752,170 and represents 97.49 percent of total assets. Overall, capital assets (net of related depreciation) totaled \$280,981,067 and increased by \$4,839,197 or 1.75 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.



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 \$1,535,361 or .32 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 \$13,299,118 or 30.41 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 (\$7,106,391) or (4.21) percent attributed to the draw down utilization of bond proceeds as projects progressed. Receivables also increased by \$3,840,658 or 10.19 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 \$540,648,687 and decreased by (\$18,814,208) or (3.36) percent. Further analysis reflects the majority of liabilities relate to governmental activities totaling \$538,750,883 or 99.65 percent and business type activities totaling \$1,897,804 or .35 percent. Compared to fiscal year 2015, liabilities decreased in the areas of net pension liability by

(\$10,734,076) or (4.59) percent due to second year actuarial adjustments relating to implementation of GASB 68, payroll liabilities by (\$5,927,839) or (60.34) percent, net change in bonds by (\$1,113,346) or (.50) percent, vouchers payable by (\$2,102,035) or (16.75) percent, claims payable by (\$1,383,228) or (67.16) percent, net change in compensated absences by (\$764,044) or (2.28) percent and net changes in contingent liabilities by (\$377,000) or (9.0) percent. Other increases included other post-employment benefits (OPEB) by \$2,390,661 or 7.16 percent due to the County's continuing policy of funding retiree health benefits on a pay-as-you-go basis and retainage payable by \$522,319 or 24.09 percent. For additional information regarding compensated absences and other post-employment benefits, please see notes 1-L and 3-J, respectively.

County of El Paso, Texas Changes in Net Position						
	Governmental		Business-type		Total	
	Activities		Activities			
	FY2016	FY2015	FY2016	FY2015	FY2016	FY2015
Revenues:						
Program revenues:						
Charges for services	\$ 69,004,261	\$ 61,399,995	\$ 1,774,243	\$ 1,711,990	\$ 70,778,504	\$ 63,111,985
Operating grants and contributions	27,082,292	26,675,411	-	-	27,082,292	26,675,411
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	173,450,207	168,604,596			173,450,207	168,604,596
Other taxes	51,048,811	49,895,477			51,048,811	49,895,477
Other	4,253,026	5,073,299	\$7,308	2,312	4,260,334	5,075,611
Total revenues	324,838,597	311,648,778	1,781,551	1,714,302	326,620,148	313,363,080
Expenses:						
General government	53,842,151	58,709,978			53,842,151	58,709,978
Administration of justice	49,737,499	62,705,622			49,737,499	62,705,622
Public safety	92,424,024	145,221,244			92,424,024	145,221,244
Health and welfare	10,014,216	12,665,274			10,014,216	12,665,274
Community services	2,440,186	2,090,491			2,440,186	2,090,491
Resource development	147,771	404,143			147,771	404,143
Culture and recreation	6,199,448	8,232,189			6,199,448	8,232,189
Public works	16,701,104	14,712,518			16,701,104	14,712,518
Interest on long-term debt	8,313,460	9,943,837			8,313,460	9,943,837
Enterprise fund			2,430,942	1,939,322	2,430,942	1,939,322
Total expenses	239,819,859	314,685,296	2,430,942	1,939,322	242,250,801	316,624,618
Increase (decrease) in net position before transfers	85,018,738	(3,036,518)	(649,391)	(225,020)	84,369,347	(3,261,538)
Transfers	-	-	-	-	-	-
Increase in net position	85,018,738	(3,036,518)	(649,391)	(225,020)	84,369,347	(3,261,538)
Net position October 1	(55,669,655)	138,037,142	10,432,967	10,809,291	(45,236,688)	148,846,433
Prior period adjustment	(552,373)	(190,670,279)	-	(151,304)	(552,373)	(190,821,583)
Net position September 30	\$ 28,796,710	\$ (55,669,655)	\$ 9,783,576	\$ 10,432,967	\$ 38,580,286	\$ (45,236,688)

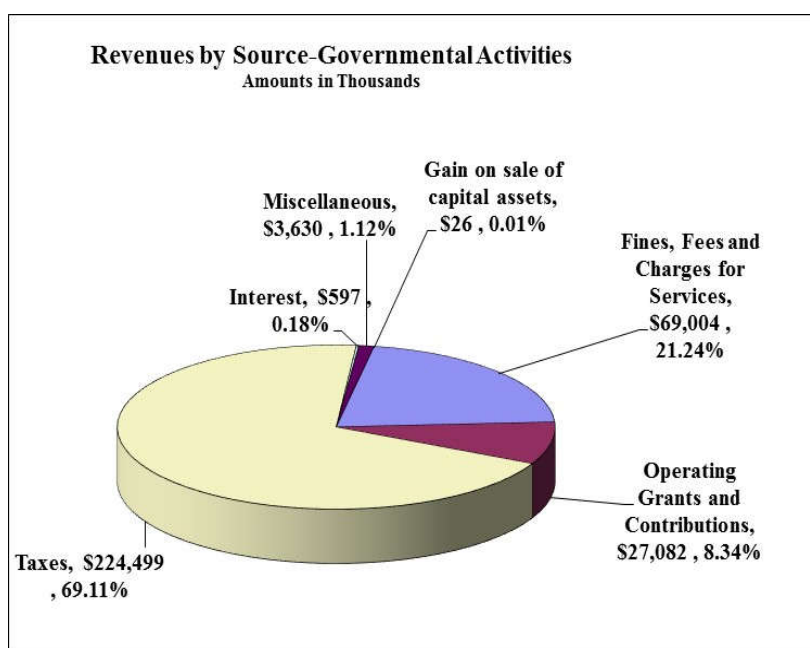
The increase in the County's overall net position by \$83,816,974 or (185.29) percent is due to the second year impacts of GASB 68 requiring government agencies to post actuarially projected net pension asset or liability tied directly to the fiscal year 2015 first year implementation which resulted in a corresponding prior year ending net position totaling (\$45,236,688) which in part rebounded in FY2016 as mentioned above. The current year increase in net position was attributable to governmental activities totaling \$84,466,365 and to business-type activities totaling (\$649,391). Other factors impacting overall net position represent the degree to which total revenues totaling \$326,620,148 outpaced expenditures totaling \$242,250,942. Due to the significance of pension expense and its impact on current year expenditure trends in comparison to the prior fiscal year, a reconciliation of expenditures has been provided in the expenditure discussion section of this document in order to provide comparative information exclusive of the impact of pension expense.

Overall, revenues grew by \$13,257,068 or 4.23 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 declined by (\$74,373,817) or (23.49) percent attributed for the most part by changes in actuarial pension expense in the current year which netted in part with other increases relating to personnel costs associated to cost of living and fringe benefits increases for all employees, but most significantly by continued expenditure of capital bond funds for existing construction projects.

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.

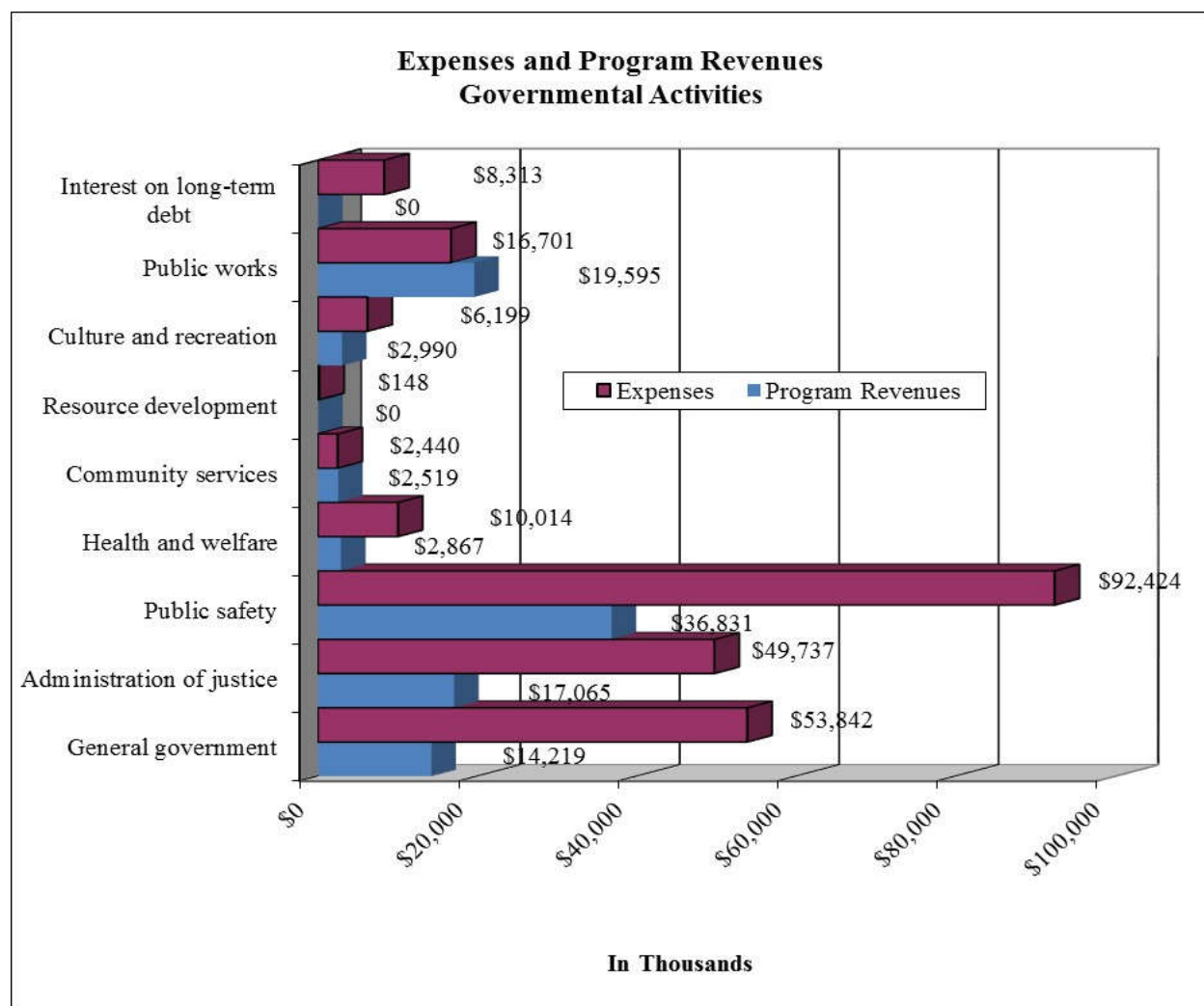
Governmental Activities

Governmental activities during fiscal year 2016 resulted in an increase in net position of \$84,466,365, or (151.73) percent which represents 100.77 percent of the total increase for the primary government. Comparative fiscal year 2016 and 2015 data relating to these changes is shown in the table on the prior page and is discussed below. Total revenues from governmental activities increased by \$13,189,819 or 4.23 percent over the previous year.



Charges for services grew by \$7,604,266 or 12.38 percent; property taxes increased by \$4,845,611 or 2.87 percent; other taxes comprised of sales and uses taxes, hotel taxes, mixed beverage alcohol taxes increased by \$1,153,334 or 2.31 percent and operating grants and contributions by \$406,881 or 1.53 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 and in 2015 and 2016 grew and remained at \$0.452694. Additionally, these increases were offset by a decrease in other revenues by (\$820,273) or (16.17) percent.

Expenses in governmental activities decreased by (\$74,865,437) or (23.79) percent and comprise 100.66 percent of the overall entity-wide decrease of (\$74,373,769). Significant decreases were evident in most areas such as in public safety by (\$52,797,220) or (36.36) percent, administration of justice by (\$12,968,123) or (20.68) percent, general government by (\$4,867,827) or (8.29) percent, health and welfare by (\$2,651,058) or (20.93) percent, culture and recreation by (\$2,032,741) or (24.69) percent, interest on long-term debt by (\$1,630,377) or (16.40) percent, and resource development by (\$256,372) or (63.44) percent. Increases which netted with the above decreases included public works by \$1,988,586 or 13.52 percent and community services by \$349,695 or 16.73 percent. The significance of the fiscal year decrease is mainly attributable adjustment of pension expense in compliance with GASB 68 netted with increases such as spending on capital projects, personnel and associated benefits growth.



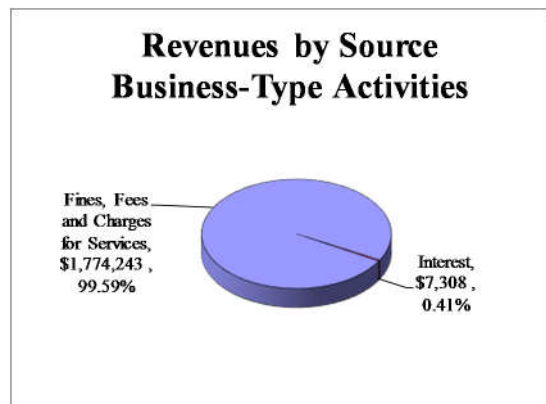
Changes mentioned previously within each of the functions above are the result of a combination of factors both at the fund level and more materially at the entity-wide level as explained in the discussion of the changes in the statement of net position. More specific information can be found in the 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.

County El Paso, Texas		
Supplemental Information-Reconciliation of Expenses for Pension Expense in the Statement of Changes in Net Position		
	Total	
	FY2016	FY2015
Expenses (Excluding Pension Expenses)		
General government	67,020,260	56,248,520
Administration of justice	64,498,438	60,006,663
Public safety	127,914,553	138,818,079
Health and welfare	11,644,117	12,331,601
Community services	2,486,099	2,077,819
Resource development	354,377	346,898
Culture and recreation	8,908,299	7,894,291
Public works	18,147,346	14,474,102
Interest on long-term debt	8,313,460	9,943,837
Enterprise fund	2,490,664	1,926,651
Total expenses	311,777,613	304,068,461
Pension Expense		
General government	(13,178,109)	2,461,458
Administration of justice	(14,760,939)	2,698,959
Public safety	(35,490,529)	6,403,165
Health and welfare	(1,629,901)	333,673
Community services	(45,913)	12,672
Resource development	(206,606)	57,245
Culture and recreation	(2,708,851)	337,898
Public works	(1,446,242)	238,416
Interest on long-term debt	-	-
Enterprise fund	(59,674)	12,671
Total expenses	(69,526,764)	12,556,157
Expenses (Including Pension Expenses)		
Expenses:		
General government	\$ 53,842,151	\$ 58,709,978
Administration of justice	49,737,499	62,705,622
Public safety	92,424,024	145,221,244
Health and welfare	10,014,216	12,665,274
Community services	2,440,186	2,090,491
Resource development	147,771	404,143
Culture and recreation	6,199,448	8,232,189
Public works	16,701,104	14,712,518
Interest on long-term debt	8,313,460	9,943,837
Enterprise fund	2,430,990	1,939,322
Total expenses	\$ 242,250,849	\$ 316,624,618

In order to provide a more precise depiction of current year operations in comparison to the prior fiscal year, a reconciliation of expenditures from the statement of activities has been provided above exclusive of pension expense. Total expenses increased by \$7,709,152 or 2.54 percent which results from a netting of increases totaling \$20,930,539 and decreases totaling \$13,221,287. Significant increases were evident in numerous areas such as general government by \$10,771,740 or 19.15 percent, administration of justice by \$4,491,775 or 7.49 percent, public works by \$3,673,244 or 25.38 percent, culture and recreation by \$1,014,008 or 12.84 percent, enterprise fund by \$564,013 or 29.27 percent, community services by \$408,280 or 19.65 percent and resource development by \$7,479 or 2.16 percent. Decreases were also experienced such as in public safety by (\$10,903,526) or (7.85) percent, interest on long-term debt by (\$1,630,377) or (16.40) percent and health and welfare by (\$687,484) or (5.57) percent.

Business-type Activities

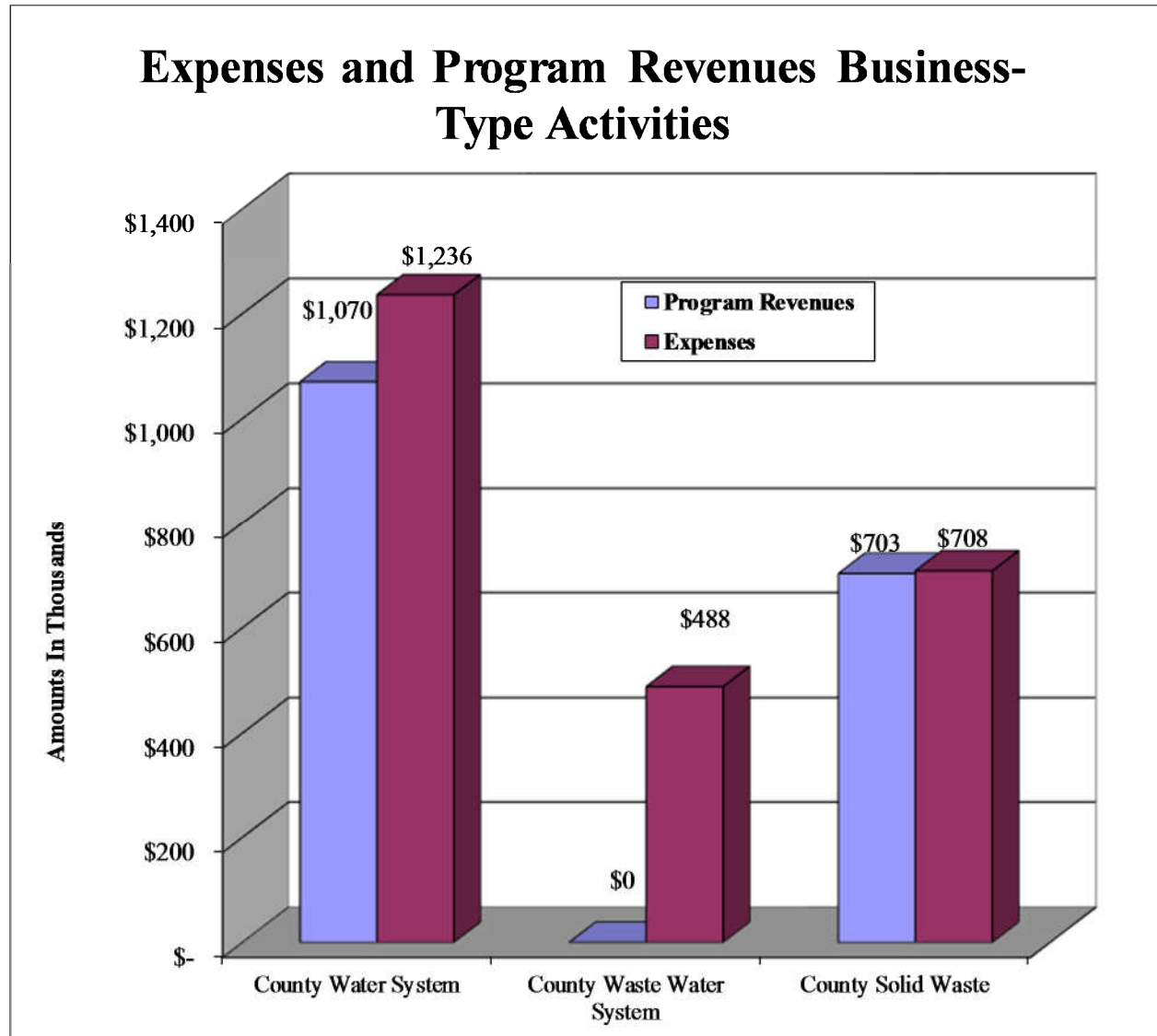
Business-type activities resulted in a decrease in net position of (\$649,391) or (6.22) percent and accounted



for 0.76 percent of the total change in the primary government's net position. Comparative fiscal year 2016 and 2015 data relating to these changes is reflected on Exhibit 7 of this report.

Overall revenues increased by \$67,249 or 3.92 percent for a total of \$1,781,551. Charges for services increased by \$62,253 or 3.64 along with an increase in other revenues by \$4,996 or 216.09 percent due to an increase in interest rates.

Expenses in this area totaled \$2,430,942 an increase of \$491,620 or 25.35 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.

For fiscal year 2016, the Commissioners Court significantly increased its use of assigned fund balance in the subsequently fiscal year budget by \$42,927,175 or 298.67 percent above the previous year for a total of \$57,299,992. It is noteworthy to clarify the significance of this change between the assigned and unassigned fund balances which were predicated in the fiscal year 2017 General Fund adopted budget. As stated in the County's Financial Policies, "Assignments will be made when necessary to utilize reserves to balance the proposed budget as needed or in the event of unforeseen circumstances that arise and require the expenditure of funds for which there was not an offsetting revenue source to account for the increase in unplanned appropriations, i.e. a catastrophic event."

In this regard, Local Government Code, Sec. 111.070 provides "The commissioners court may spend county funds only in strict compliance with the budget, except as provided by this section. Pursuant to section 111.070 (b) "...commissioners court may authorize an emergency expenditure as an amendment to the original budget only in a case of grave public necessity to meet an unusual and unforeseen condition that could not have been included in the original budget through the use of reasonably diligent thought and attention. If the court amends the original budget to meet an emergency, the court shall file a copy of its order amending the budget with the county clerk and the clerk shall attach the copy to the original budget." Section 111.070 (c) states, "The commissioners court by order may: (1) amend the budget to transfer an amount budgeted for one item to another budgeted item without authorizing an emergency expenditure; or (2) designate the county budget officer or another officer or employee of the county who may, as appropriate and subject to conditions and directions provided by the court, amend the budget by transferring amounts budgeted for certain items to other budgeted items."

Therefore, beginning with fiscal year 2017 budget, pursuant to the County's Financial Policies, the Commissioners Court directed that a portion of the projected unassigned yearend fund balance be assigned and placed as a line item in the budget after considering the portion to be assigned in balancing the subsequent fiscal year 2017 general fund operating budget, which the amount totaled \$27,299,992, an increase of \$12,927,175 above the prior assignment of \$14,372,817. Based on the County Auditor's fiscal year 2016 yearend fund balance projection and 2017 revenue estimate certifications, the Budget Officer recommended to the Commissioner Court the earmarking of \$30 million as a line item in the 2017 fiscal year general fund budget **to be used only in the unlikely event of an unforeseen emergency**. As a result, the County ended fiscal year 2016 with an assigned fund balance in the general fund of \$57,299,992, an increase of \$42,927,175 or 298.67 percent. Additionally, the resulting unassigned fund balance totaled \$16,648,299 a decline of (\$28,513,663) or (63.14) percent.

In light of the significance of this change, assuming the \$30 million assigned for emergencies for all intent and purposes remained unassigned, the committed and assigned fund balance in the general fund as of September 30, 2016 in comparison would have totaled \$27,299,992, an increase of \$12,927,175 or 89.94 percent; conversely, the unassigned fund balance would have totaled \$46,648,299, an increase of \$1,486,337 or 3.29 percent over the prior year. Based on this assumption, El Paso County stayed within its minimum target goal of 10-15 percent fund balance reserve with a ratio of 14.85 percent in comparison to the fiscal year 2017 adopted general fund budget of \$314,178,971.

At the end of the fiscal year, the County's governmental funds reported combined ending net position of \$28,796,710 an increase of \$84,466,365 or (151.73) percent in comparison with the prior year. Unrestricted net position constitutes (\$101,073,847) or (261.98) percent of total net position, which typically represents the amount that 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 2017 fiscal year's budget.

The general fund is the chief operating fund of the County. Fund balance totaled \$75,575,840, an increase of \$14,802,185 or 24.36 percent. At the end of the fiscal year, \$16,648,299 was unassigned while assigned totaled \$57,299,992 of which only \$27,299,992 represents the amount assigned to balance the general fund budget for fiscal year 2017 and \$30,000,000 relates to assigned and designated for emergencies as previously discussed. 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 2017, the amount required to cover this gap increased by \$12,927,175 or 89.94 percent.

Grant funds ended the fiscal year with a fund balance of \$2,862,740, a decrease of (\$574,456) or 16.71 percent.

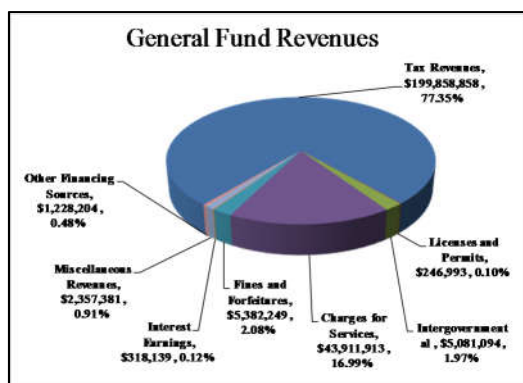
The Capital Projects 2012 reported as a major fund ended the fiscal year with a fund balance of \$44,806,565 and decreased by (\$12,681,748) or (22.06) percent due to the continuation and project completion of projects which were covered with these funds.

The debt service fund ended the fiscal year with a fund balance of \$1,271,030, a decrease of (\$324,553) or (20.34) percent, due to an increase in debt payments during the year.

The special revenue funds in the aggregate ended the year with a fund balance of \$27,993,314, an increase of \$102,401 or .37 percent compared to the previous year and is utilized to account for a variety of funds whereby which are restricted as to their use. The most recent addition relates 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 \$15,290,189. Actual revenues before transfers in totaled \$257,156,627 an increase of \$13,008,378 or 5.33 percent over fiscal year 2015. Further analysis reflects that various revenues increased by \$13.2 million. Increases to revenues were primarily due to an increase in the charges for services category totaling \$7.3 million or 20.07 percent, the taxes category totaling \$5.8 million or 2.99 percent mainly due to the addition of new property values to the tax rolls. Other increases included fines and forfeitures totaling \$297,610 or 5.85 percent, intergovernmental totaling \$249,204 or 5.16 percent, interest earnings totaling \$205,827 or 183.26 percent and other financing sources totaling \$189,948 or 18.29 percent.



General Fund Revenues	2016 Actuals	2015 Actuals	Amount Increase (Decrease) from FY2015	Percent Increase (Decrease)	2016 actual as a % of Total Revenues and Other Financing Sources
Tax Revenues	\$199,858,858	\$194,054,957	\$5,803,901	2.99%	77.35%
Licenses and Permits	246,993	257,051	(\$10,058)	-3.91%	0.10%
Intergovernmental	5,081,094	4,831,890	\$249,204	5.16%	1.97%
Charges for Services	43,911,913	36,570,447	\$7,341,466	20.07%	16.99%
Fines and Forfeitures	5,382,249	5,084,639	\$297,610	5.85%	2.08%
Interest Earnings	318,139	112,312	\$205,827	183.26%	0.12%
Miscellaneous Revenues	2,357,381	3,236,953	(\$879,572)	-27.17%	0.91%
Other Financing Sources	1,228,204	1,038,256	\$189,948	18.29%	0.48%
Total revenues and other sources	\$258,384,831	\$245,186,505	\$13,198,326	5.38%	100.00%

Further analysis of the general fund reflects revenue increases totaling \$14,087,956 were netted by revenue declines totaling (\$889,630) which comprised miscellaneous revenues totaling (\$879,572) or (27.17) percent and licenses and permits totaling (\$10,058) or (3.91) 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 2016 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 including carryforward appropriations reflects an increase in fiscal year 2016 of \$10,333,190 or 4.06 percent over fiscal year 2015 for a total of

General Fund Expenditures	2016 Actuals	2015 Actuals	Amount Increase (Decrease) from FY2015	Percent Increase (Decrease)	2016 actual as a % of Total Expenditures and Other Financing Uses
Current:					
General Government	\$55,525,646	\$45,512,299	10,013,347	22.00%	22.84%
Administration of Justice	58,327,167	55,168,046	3,159,121	5.73%	23.99%
Public Safety	109,799,208	115,463,147	(5,663,939)	-4.91%	45.17%
Health and Welfare	7,779,818	8,489,940	(710,122)	-8.36%	3.20%
Resource Development	343,077	334,290	8,787	2.63%	0.14%
Culture and Recreation	4,230,559	3,639,275	591,284	16.25%	1.74%
Public Works	108,205	58,174	50,031	86.00%	0.04%
Capital Outlays	253,040	163,316	89,724	54.94%	0.10%
Other Financing Uses	6,727,922	6,338,296	389,626	6.15%	2.77%
Total Expenditures (Uses)	\$243,094,642	\$235,166,783	\$7,927,859	3.37%	100.00%

\$254,580,186. As depicted in the chart above, actual expenditures and transfers-out in fiscal year 2016 increased by \$7,927,859 or 3.37 percent bringing the total of general fund expenditures and transfers out to \$243,094,642.

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. Increases overall approximated \$14,301,920 and netted with declines of (\$6,374,061). Increases were experienced in a variety of areas such as \$10 million or 22.0 percent in general government, \$3.2 million or 5.73 percent in Administration of Justice and \$389,626 or 6.15 percent in other financing uses among others. Declines were most prevalent in the area of public safety which declined by (\$5.7) million or (4.90) percent followed by (\$710,122) or (8.36) percent in health and welfare. Further analysis depicts that in the area of the County sheriff and jails, a decline in expenditures overall occurred totaling (\$5) million when compared to fiscal year 2015 most of which represented salaries and fringe benefit reductions totaling (\$4.3) million. 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 2016, but the majority of these savings were mainly attributed to continued proactive action taken in the Sheriff's Department to minimize overtime costs and due to continued utilization of a 12 hour shift work day which has resulted in increased resource efficiencies. Further analysis of the overall declines mentioned netted with increases such as \$217,115 to Animal Control, \$137,665 to Medical Examiner which were offset with declines such as the Border Children Mental Health department of (\$651,075), City-County Health of (\$205,316) and Child Welfare of (\$159,334).

General Fund Budgetary Highlights

The fiscal year 2016 adopted budget of \$263,062,111 did not increase during the fiscal year other than for carryover appropriations totaling \$1,851,264 bringing the original budget total to \$264,913,375. This budget included \$14,372,817 of fund balance reserves to balance the fiscal year 2016 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 actual revenues were \$9,472,333 more than estimates and occurred with all areas experiencing positive variances except for property and bingo taxes which had unfavorable variances of (\$132,081) or (1.39) percent and (\$4,178) or (.04) percent when compared to the overall variances. Further analysis of this overall favorable variance depicts increases in charges for services of \$6,290,120 or 66.41 percent, sales tax of \$1,772,276 or 18.71 percent, intergovernmental of \$394,527 or 4.17 percent, fines and forfeitures of \$379,249 or 4.0 percent, miscellaneous of \$258,931 or 2.73 percent, interest of \$218,139 or 2.30 percent and licenses and permits of \$1,993 or .02 percent.

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 expenditures and transfers out appropriation variances totaled \$22,252,337 which represents 8.40 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 \$8,008,495, \$3,755,066, \$2,820,788 and \$1,556,928 or 35.99 16.87, 12.68, and 7.00 percent of the total overall appropriation variances respectively. The majority of these variances in general government related to appropriations in the general and administrative account totaling \$3.9 million or 48.33 percent of the variance in this areas for various contingencies which totaled \$2,571,454 due to personnel and maintenance of operating contingency accounts for which expenditure trends did not require appropriation transfers. The second significant decline in this area related to the information technology department totaling \$1,053,599 or 13.16 percent. In the area of public safety the majority of this variance or \$2.9 million or 78.21 percent related to the Sheriff's Department 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. Another significant variance was attributable to the Juvenile Probation Departments which totaled \$488,067 or 13 percent. In the area of administration of justice the most significant change occurred in the council of judges totaling \$1,030,544 or 36.53 percent, district attorney totaling \$479,298 or 16.99 percent, office of criminal justice coordination totaling \$259,947 or 9.22 percent, public defender totaling \$189,845 or 6.73 percent 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 \$3,014,636 or 13.55 percent and relates to leveraging county matching funds to secure state and federal grant funding.

Capital Asset and Debt Administration

Capital assets

El Paso County, Texas						
Summary of Capital Assets (Net of Depreciation)						
Categories	Governmental Activities		Business-type Activities		Totals	
	2016	2015	2016	2015	2016	2015
Land	\$17,962,933	\$17,531,461	\$19,770	\$19,770	\$17,982,703	\$17,551,231
Easements	110,000	110,000			110,000	110,000
Artwork	56,255	56,255			56,255	56,255
Buildings	119,131,697	124,446,202			119,131,697	124,446,202
Improvements	6,992,665	6,593,517			6,992,665	6,593,517
Equipment	17,588,869	19,702,456	\$9,450,385	\$9,807,689	27,039,254	29,510,145
Furniture and Fixtures	243,817	173,308			243,817	173,308
Infrastructure	8,138,652	8,494,885			8,138,652	8,494,885
Vehicles	8,367,548	7,455,231	19,960	22,535	8,387,508	7,477,766
Roads	28,389,892	30,704,593			28,389,892	30,704,593
Bridges and culverts	7,111,418	7,181,786			7,111,418	7,181,786
Leased equipment	359,417	103,511			359,417	103,511
IT Systems in progress	3,501,496	2,625,813			3,501,496	2,625,813
Construction in progress	53,536,293	41,112,858	-	-	53,536,293	41,112,858
Total assets	\$271,490,952	\$266,291,876	\$9,490,115	\$9,849,994	\$280,981,067	\$276,141,870

The County's capital assets for governmental and business type activities as of September 30, 2016, amounted to \$271,490,952 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 \$4,839,149 or 1.75 percent, comprised of an increase of \$5,199,076 or 1.95 percent in governmental activities and a decrease of (\$359,927) or (3.65) percent in the business-type activities.

Major capital asset activity occurring in fiscal year 2016 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 of the Courthouse mechanical plumbing. Additional information on the County's capital assets can be found in note 3-C and Exhibits G1- G3.

Long-term Debt

El Paso County's Outstanding Debt						
Type of Debt	Governmental Activities		Business-Type Activities		Totals	
	2016	2015	2016	2015	2016	2015
General obligation bonds	\$115,085,000	\$63,360,000			\$115,085,000	\$63,360,000
Certificates of obligation bonds	84,390,000	141,870,000			84,390,000	141,870,000
Revenue bonds			\$1,547,000	\$1,580,000	1,547,000	1,580,000
Total	\$199,475,000	\$205,230,000	\$1,547,000	\$1,580,000	\$201,022,000	\$206,810,000

At the end of the fiscal year, the County had total bonded debt outstanding of \$201,022,000 as reflected above. Of this amount, \$199,475,000 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 (\$5,755,000) or (2.80) 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 April 14, 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 2007 and General Obligation Refunding Bonds, Series 2007 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 April 14, 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 2001, Series 2007 and Series 2012 and General Obligation Refunding Bonds, Series 2007 and Series 2011 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 2015 and 2016. 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

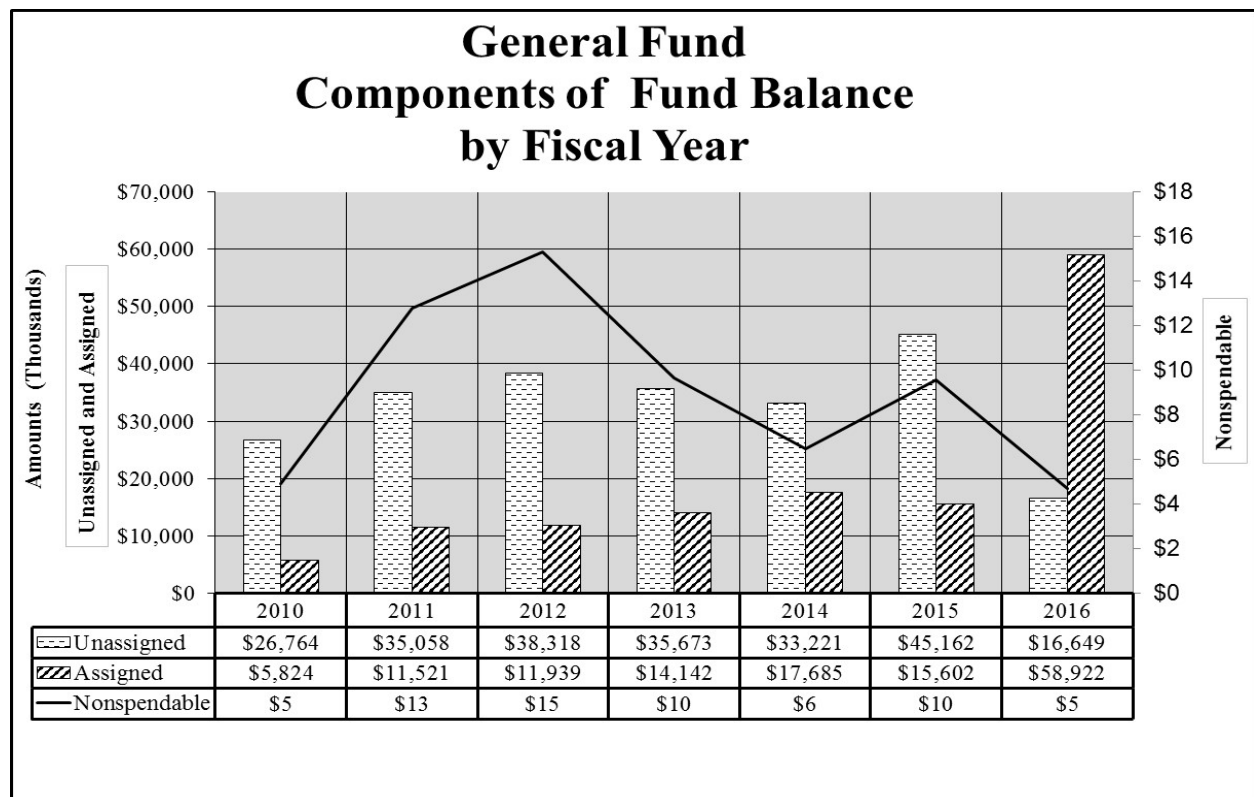
- According to the Texas Workforce Commission's October 2016 issue of Texas Labor Market Review, the statewide unemployment rate was 4.4 percent in September 2016. In comparison, the same time last year the rate was 4.9 percent. El Paso's unemployment rate for September was 5.3 percent in comparison to 5.1 percent in September 2015. El Paso's employment grew by a .20 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 2015 and September 2016, El Paso added 7,800 jobs overall. Further analysis reflects 8,700 job gains netted with 900 employment losses. Some of the various job gains occurred in construction 400, retail trade 1,600, transportation 100, financial activities 900, professional and business services 300, education and health services 1,900, leisure and hospitality 2,400, other services 200 and total government sectors 900. Minor declines occurred in the manufacturing and information sectors, which lost 700 and 200 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 2.35 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 and increase to \$0.452694 in 2015. 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 2016, the tax rate remained the same at \$0.452694.
- The overall fund balance of the general fund experienced stabilization and growth between fiscal years 2011 and 2015, 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, substantially growing by \$9,861,241 in fiscal year 2015 and again in 2016 by \$14,802,194.
- Sales and use tax revenues grew in 2010 after a decline in 2009 and has reflected positive continued growth through fiscal year 2016. 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, 2016, the Federal Funds rate was .50 percent and the Discount rate remained at 1.00 percent. Interest for the twelve months ended September 2016 was \$604,476, up \$316,358 or 109.8 percent when compared to \$288,118 the prior fiscal year, due mainly to an increase in interest rates.

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 2017, 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 increased its use of fund balance in the fiscal year 2017 budget by \$12,927,175 compared to the amount used 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 on the prior page 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 2017 budget adopted by the County totaled \$377,467,108, a net increase of \$54.6 million or 16.91percent in comparison to the fiscal year 2016 adopted budget as amended. The budget preparation function is currently performed by the Budget and Fiscal Policy Department which was created in during fiscal year 2015. This department prepared the official 2017 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/budget/currentbudget.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 below.

<http://www.epcounty.com/auditor/publications/cafr.html>

BASIC FINANCIAL STATEMENTS

County of El Paso, Texas
Statement of Net Position
September 30, 2016

	Primary Government			Component Units
	Governmental Activities	Business-type Activities	Total	
ASSETS				
Cash and cash equivalents	\$159,805,647	\$1,861,383	\$161,667,030	\$70,042,391
Investments				4,092,555
Receivables (net of allowance for uncollectible)	41,450,858	98,620	41,549,478	48,386,853
Inventories	4,713		4,713	9,841,000
Prepaid				11,519,291
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents		230,554	230,554	
Other assets				107,107,625
Capital Assets (net of accumulated depreciation):				
Land	17,962,933	19,770	17,982,703	18,211,123
Easements	110,000		110,000	
Artwork	56,255		56,255	
Buildings	119,131,697		119,131,697	315,632,223
Improvements	6,992,665		6,992,665	
Equipment	17,588,869	9,450,385	27,039,254	2,255,605
Furniture and fixtures	243,817		243,817	43,592,000
Infrastructure	8,138,652		8,138,652	
Vehicles	8,367,548	19,960	8,387,508	5,216,923
Roads	28,389,892		28,389,892	
Bridges and culverts	7,111,418		7,111,418	
Leased equipment	359,417		359,417	
Construction in progress	57,037,789		57,037,789	57,401,000
Total assets	<u>472,752,170</u>	<u>11,680,672</u>	<u>484,432,842</u>	<u>693,298,589</u>
DEFERRED OUTFLOWS OF RESOURCES				
Bond refunding	5,868,587		5,868,587	9,010,000
Pensions	93,229,069	72,067	93,301,136	34,262,829
Total deferred outflows of resources	<u>99,097,656</u>	<u>72,067</u>	<u>99,169,723</u>	<u>43,272,829</u>
LIABILITIES				
Vouchers payable	10,380,209	66,656	10,446,865	82,179,414
Retainage payable	2,690,960		2,690,960	
Claims payable	676,323		676,323	
Payroll liabilities	3,894,979	1,892	3,896,871	43,589
Due to others	167,497	114,000	281,497	
Due to other units	1,093,138		1,093,138	
Due to other governments	1,480,924	14,549	1,495,473	
Salaries and benefits payable				
Unearned revenue	524,932		524,932	
Accrued interest payable	1,012,614	6,958	1,019,572	311,962
Pension liabilities				14,311
Claims and judgments	2,937,300		2,937,300	
Noncurrent liabilities:				
Due within one year				
Bonds	12,385,000	33,000	12,418,000	8,221,000
Notes				358,784
Capital leases	92,330		92,330	1,333,918
Self-insured obligations				2,089,000
Due to third party payers				956,000
Contingent liabilities	733,000		733,000	
Compensated Absences	12,365,066		12,365,066	
Net Pension Liability				
OPEB liability				
Due in more than one year				
Bonds(net of related costs)	205,892,674	1,514,000	207,406,674	379,238,000
Notes				4,259,702
Capital leases	219,991		219,991	9,821,362
Self-insured obligations				809,000
Contingent liabilities	3,080,000		3,080,000	
Compensated absences	20,416,605		20,416,605	
Net Pension Liability	222,932,331	146,749	223,079,080	44,202,457
OPEB liability	35,775,010		35,775,010	
Total liabilities	<u>538,750,883</u>	<u>1,897,804</u>	<u>540,648,687</u>	<u>537,722,499</u>
DEFERRED INFLOWS OF RESOURCES				
Pensions	3,960,767	71,359	4,032,126	2,750,000
Bond refunding	341,466		341,466	
Total deferred inflows of resources	<u>4,302,233</u>	<u>71,359</u>	<u>4,373,592</u>	<u>2,750,000</u>
NET POSITION				
Net investment in capital assets	58,428,078	7,942,539	66,370,617	131,157,108
Restricted for:				
Capital Projects	44,806,565		44,806,565	
Grants	2,862,740		2,862,740	
Legislative	25,130,574		25,130,574	
Debt service	258,416	39,958	298,374	6,540,000
Enterprise fund:		185,263	185,263	
Health care				978,000
Unrestricted	(102,689,663)	1,615,816	(101,073,847)	57,423,811
Total net position	<u>28,796,710</u>	<u>\$9,783,576</u>	<u>\$38,580,286</u>	<u>\$196,098,919</u>

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

County of El Paso, Texas
Statement of Activities
For the Year Ended September 30, 2016

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	Governmental Activities	Primary Government Business-type Activities	Total	
Primary government:								
Governmental Activities:								
General government	\$53,842,151	\$12,267,777	\$1,950,741		(\$39,623,633)		(\$39,623,633)	
Administration of justice	49,737,499	9,596,064	7,469,191		(32,672,244)		(32,672,244)	
Public safety	92,424,024	25,161,813	11,668,925		(55,593,286)		(55,593,286)	
Health and welfare	10,014,216	94,979	2,772,391		(7,146,846)		(7,146,846)	
Community services	2,440,186	-	2,518,937		78,751		78,751	
Resource development	147,771	-	-		(147,771)		(147,771)	
Culture and recreation	6,199,448	2,990,357	-		(3,209,091)		(3,209,091)	
Public works	16,701,104	18,893,271	702,107		2,894,274		2,894,274	
Interest on long-term debt	8,313,460	-	-		(8,313,460)		(8,313,460)	
Total governmental activities	239,819,859	69,004,261	27,082,292		(143,733,306)		(143,733,306)	
Business-type activities:								
County Water System	1,235,467	1,070,788	-	-		(\$164,679)	(164,679)	
County Waste Water System	487,952	-	-	-		(487,952)	(487,952)	
County Solid Waste	707,523	703,455	-	-		(4,068)	(4,068)	
Total business-type activities	2,430,942	1,774,243	-	-		(656,699)	(656,699)	
Total primary government	\$242,250,801	\$70,778,504	\$27,082,292		(\$143,733,306)	(\$656,699)	(\$144,390,005)	
Component units:								
Hospital district	\$657,023,000	\$350,808,000	\$227,491,000					(\$78,724,000)
Emergency Services District 1	2,147,745	159,202	27,507	-				(1,961,036)
Emergency Services District 2	5,482,112	148,510	5,341					(5,328,261)
Total component units	\$664,652,857	\$351,115,712	\$227,523,848					(\$86,013,297)
General revenues:								
Taxes:								
Property					\$173,450,207		\$173,450,207	\$92,545,944
Hotel/Motel					3,798,842		3,798,842	-
Sales					44,808,790		44,808,790	3,841,683
Bingo					47,822		47,822	-
Mixed beverage					2,393,357		2,393,357	-
Interest					597,168	\$7,308	604,476	346,323
Miscellaneous					3,630,306	-	3,630,306	(8,927,402)
Gain on sale of capital assets					25,552		25,552	96,100
Transfers					-	-	-	-
Total general revenues and transfers					228,752,044	7,308	228,759,352	87,902,648
Change in net position					85,018,738	(649,391)	84,369,347	1,889,351
Change in reporting entity								8,444,000
Net position - beginning					(55,669,655)	10,432,967	(45,236,688)	185,765,568
Prior period adjustment					(552,373)	-	(552,373)	-
Net position - ending					\$28,796,710	\$9,783,576	\$38,580,286	196,098,919

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

County of El Paso, Texas
Balance Sheet
Governmental Funds
September 30, 2016

	General	Special Revenue Grants	County Capital Projects 2012	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$74,101,048		\$34,389,406	\$43,099,880	\$151,590,334
Investments					
Receivables (net of allowances for uncollectible):					
Taxes	19,540,033				19,540,033
Accounts	11,820,380	4,799,551		536,219	17,156,150
Interest					
Due from other funds	414,829	2,128,215		26,770	2,569,814
Inventory of supplies	4,713				4,713
Cash - restricted					
Total assets	<u>\$105,881,003</u>	<u>\$6,927,766</u>	<u>\$34,389,406</u>	<u>\$43,662,869</u>	<u>\$190,861,044</u>
Liabilities and fund balances					
Liabilities:					
Vouchers payable	\$5,083,882	\$1,348,319	\$933,206	\$3,014,802	\$10,380,209
Retainage Payable			2,221,300	469,660	2,690,960
Payroll liability	3,578,301	228,065		86,518	3,892,884
Due to others	65,919			90,555	156,474
Due to other funds	40,000	2,353,044		26,770	2,419,814
Due to other units	1,093,138				1,093,138
Due to other governments	1,479,629			1,295	1,480,924
Unearned revenue	389,334	135,598			524,932
Total liabilities	<u>11,730,203</u>	<u>4,065,026</u>	<u>3,154,506</u>	<u>3,689,600</u>	<u>22,639,335</u>
Deferred inflows of resources					
Unavailable revenue- property taxes	18,574,960				18,574,960
Total deferred inflows of resources	<u>18,574,960</u>				<u>18,574,960</u>
Fund Balances:					
Nonspendable:					
Inventory	4,713				4,713
Restricted:					
Temporary budgetary stabilization				9,805,674	9,805,674
Building construction/renovation			7,914,295	50,336	7,964,631
Bridge construction			16,719,378	173,995	16,893,373
General assistance				5,171,529	5,171,529
Parks				1,575,281	1,575,281
Public safety				343,357	343,357
Records management				808,914	808,914
Road construction/maintenance				4,372,802	4,372,802
Software/IT improvements			1,384,909	3,674,257	5,059,166
Debt service				1,271,030	1,271,030
Other purposes		2,862,740	1,097,328	6,293,691	10,253,759
Committed:					
Capital projects				4,799,803	4,799,803
Assigned:					
Imprest and change funds	95,660				95,660
Temporary budgetary stabilization	57,299,992				57,299,992
Other purposes	1,527,176		4,118,990	1,632,600	7,278,766
Unassigned:	16,648,299				16,648,299
Total fund balances	<u>75,575,840</u>	<u>2,862,740</u>	<u>31,234,900</u>	<u>39,973,269</u>	<u>149,646,749</u>
Total liabilities, deferred inflows, and fund balances	<u>\$105,881,003</u>	<u>\$6,927,766</u>	<u>\$34,389,406</u>	<u>\$43,662,869</u>	<u>\$190,861,044</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, 2016

Total fund balances for governmental funds		\$149,646,749
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	17,962,933	
Easements	110,000	
Artwork	56,255	
Buildings, net of accumulated depreciation	119,131,697	
Improvements, net of accumulated depreciation	6,992,665	
Equipment, net of accumulated depreciation	17,588,869	
Furniture and fixtures, net of accumulated depreciation	243,817	
Infrastructure, net of accumulated depreciation	8,138,652	
Vehicles, net of accumulated depreciation	8,367,548	
Roads, net of accumulated depreciation	28,389,892	
Bridges and culverts, net of accumulated depreciation	7,111,418	
Leased equipment, net of accumulated depreciation	359,417	
Construction in progress	57,037,789	
Total capital assets	271,490,952	271,490,952
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Unavailable revenue property taxes		18,574,960
Receivable for court costs, net of allowance for uncollectible accounts		4,453,055
Compensated Absences		(32,781,671)
OPEB liability		(35,775,010)
Net Pension Liability		(133,664,029)
Internal service fund is used to charge the health care costs for county employees, dependants, and retirees.		7,677,492
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	(1,012,614)	
General long-term debt	(199,475,000)	
Capital leases	(312,321)	
Contingent liabilities	(3,813,000)	
Claims and judgments	(2,937,300)	
Deferred bond premium	(13,275,553)	
Total long-term liabilities	(220,825,788)	(220,825,788)
Total net position of governmental activities		\$28,796,710

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, 2016

	General	Special Revenue Grants	County Capital Projects 2012	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$199,858,858			\$23,499,742	\$223,358,600
Licenses and permits	246,993				246,993
Intergovernmental revenues	5,081,094	\$20,632,967		1,368,230	27,082,291
Charges for services	43,911,913			18,865,178	62,777,091
Fines and Forfeitures	5,382,249			661,965	6,044,214
Interest	318,139	14,162	\$118,804	130,246	581,351
Miscellaneous	2,357,381	693,587	138,444	397,824	3,587,236
Total Revenues	<u>257,156,627</u>	<u>21,340,716</u>	<u>257,248</u>	<u>44,923,185</u>	<u>323,677,776</u>
EXPENDITURES					
Current:					
General Government	55,525,646	66,163		4,710,641	60,302,450
Administration of justice	58,327,167	4,672,284		1,302,213	64,301,664
Public safety	109,799,208	11,712,717		1,178,642	122,690,567
Health and welfare	7,779,818	3,670,025		112,796	11,562,639
Community services		2,344,023			2,344,023
Resource development	343,077	3,212			346,289
Culture and recreation	4,230,559			3,370,512	7,601,071
Public works	108,205	603,169		12,726,177	13,437,551
Debt Service:					
Principal				12,045,000	12,045,000
Interest				8,495,189	8,495,189
Bond issuance costs				765,554	765,554
Capital outlays	253,040	552,143	15,718,354	7,662,538	24,186,075
Total expenditures	<u>236,366,720</u>	<u>23,623,736</u>	<u>15,718,354</u>	<u>52,369,262</u>	<u>328,078,072</u>
Excess (deficiency) of revenues over (under) expenditures	<u>20,789,907</u>	<u>(2,283,020)</u>	<u>(15,461,106)</u>	<u>(7,446,077)</u>	<u>(4,400,296)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	920,836	2,713,722		5,575,876	9,210,434
Transfers out	(6,727,922)	(375,014)		(2,107,498)	(9,210,434)
Premium (discount) on bonds issued				7,645,207	7,645,207
Refunding bonds issued				89,540,000	89,540,000
Payment to refunded bond escrow agent				(96,418,768)	(96,418,768)
Capital leases	307,368				307,368
Sale of capital assets				142,922	142,922
Total other financing sources and uses	<u>(5,499,718)</u>	<u>2,338,708</u>		<u>10,577,739</u>	<u>7,416,729</u>
Net change in fund balances	15,290,189	55,688	(15,461,106)	3,131,662	3,016,433
Fund balances - beginning	60,773,655	3,437,196	46,696,006	36,841,607	147,748,464
Prior year adjustment	(471,080)	(630,144)			(1,101,224)
Net change in reserve for inventories	(16,924)				(16,924)
Fund balances - ending	<u>\$75,575,840</u>	<u>\$2,862,740</u>	<u>\$31,234,900</u>	<u>\$39,973,269</u>	<u>\$149,646,749</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, 2016

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

Net change in fund balances - total governmental funds		\$3,016,433
<p>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.</p>		
		(307,368)
<p>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.</p>		
Debt issued:		
Refunding bonds issued	(89,540,000)	
Premium on bonds issued	(7,645,207)	
Deferred outflow on refunding	(419,648)	
Repayments		
To escrow agent	96,418,768	
Bond premium(loss)	(6,693,358)	
Deferred inflow on debt	(31,415)	
Principal payments	12,045,000	
Net adjustment		4,134,140
Court cost receivables, net of allowance for uncollectible amounts		(64,036)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
<p>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.</p>		
Unavailable revenue property taxes	1,140,418	
Additional contingent liabilities	377,000	
Additional Compensated Absences	764,044	
Additional Other Post Employment Benefits	(2,390,661)	
Pension expense	69,467,090	
Depreciation expense	(18,095,107)	
<p>The net effect of various transactions involving capital assets (i.e., sales and retirements) is to increase net assets</p>		
Additions	24,391,887	
Retirements	(2,827,577)	
Accumulated depreciation related to retirements	1,729,873	23,294,183
Net effect of various miscellaneous transactions involving capital assets		(263,220)
Unpaid claims workers comp	(183,587)	
Change in purchasing inventory	(16,924)	
Expenses related to capital lease payments and retirements	91,814	
Accrued interest on bonds	181,729	74,366,779
<p>Internal service fund is used to charge the health care costs for county employees, dependants, and retirees.</p>		
		2,687,498
Prior period adjustments		1,185,292
Change in net position of governmental activities		\$85,018,738

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, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes:				
Property	\$152,740,970	\$152,740,970	\$152,608,889	(\$132,081)
Sales	43,036,514	43,036,514	44,808,790	1,772,276
Bingo	52,000	52,000	47,822	(4,178)
Mixed beverage	2,100,000	2,100,000	2,393,357	293,357
Licenses and permits	245,000	245,000	246,993	1,993
Intergovernmental	4,686,567	4,686,567	5,081,094	394,527
Charges for services	37,621,793	37,621,793	43,911,913	6,290,120
Fines and forfeitures	5,003,000	5,003,000	5,382,249	379,249
Interest	100,000	100,000	318,139	218,139
Miscellaneous	2,098,450	2,098,450	2,357,381	258,931
Total revenues	<u>247,684,294</u>	<u>247,684,294</u>	<u>257,156,627</u>	<u>9,472,333</u>
EXPENDITURES				
Current:				
General government				
Personnel	39,427,710	39,427,710	33,887,993	5,539,717
Operating	24,123,346	24,123,346	21,654,577	2,468,769
Total general Government	<u>63,551,056</u>	<u>63,551,056</u>	<u>55,542,570</u>	<u>8,008,486</u>
Administration of justice				
Personnel	53,100,899	53,100,899	51,773,374	1,327,525
Operating	8,047,056	8,047,056	6,553,793	1,493,263
Total Administration of justice	<u>61,147,955</u>	<u>61,147,955</u>	<u>58,327,167</u>	<u>2,820,788</u>
Public safety				
Personnel	100,317,487	100,317,487	98,624,381	1,693,106
Operating	13,236,787	13,236,787	11,174,827	2,061,960
Total Public safety	<u>113,554,274</u>	<u>113,554,274</u>	<u>109,799,208</u>	<u>3,755,066</u>
Health and welfare				
Personnel	4,632,288	4,632,288	4,052,017	580,271
Operating	4,704,458	4,704,458	3,727,801	976,657
Total Health and welfare	<u>9,336,746</u>	<u>9,336,746</u>	<u>7,779,818</u>	<u>1,556,928</u>
Resource development				
Personnel	466,901	466,901	323,174	143,727
Operating	101,092	101,092	19,903	81,189
Total Resource development	<u>567,993</u>	<u>567,993</u>	<u>343,077</u>	<u>224,916</u>
Culture and recreation				
Personnel	2,659,961	2,659,961	2,339,562	320,399
Operating	2,434,665	2,434,665	1,890,997	543,668
Total Culture and recreation	<u>5,094,626</u>	<u>5,094,626</u>	<u>4,230,559</u>	<u>864,067</u>
Public works				
Personnel	28,204	28,204		28,204
Operating	1,578,066	1,578,066	108,205	1,469,861
Total Public works	<u>1,606,270</u>	<u>1,606,270</u>	<u>108,205</u>	<u>1,498,065</u>
Capital outlays	762,425	762,425	253,040	509,385
Total expenditures	<u>255,621,345</u>	<u>255,621,345</u>	<u>236,383,644</u>	<u>19,237,701</u>
Excess of revenues over expenditures	<u>(7,937,051)</u>	<u>(7,937,051)</u>	<u>20,772,983</u>	<u>28,710,034</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,005,000	1,005,000	920,836	(84,164)
Transfers out	(9,292,031)	(9,292,031)	(6,277,395)	3,014,636
Capital leases			307,368	307,368
Total other financing sources and uses	<u>(8,287,031)</u>	<u>(8,287,031)</u>	<u>(5,049,191)</u>	<u>3,237,840</u>
Net change in fund balances	<u>(16,224,082)</u>	<u>(16,224,082)</u>	<u>15,723,792</u>	<u>31,947,874</u>
Fund balances - beginning	74,807,428	74,807,428	74,807,428	
Prior period adjustment			(471,080)	(471,080)
Fund balances - ending	<u>\$58,583,346</u>	<u>\$58,583,346</u>	<u>\$90,060,140</u>	<u>\$31,476,794</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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$18,652,042	\$36,877,582	\$20,632,967	(\$16,244,615)
Interest			14,162	14,162
Miscellaneous	551,463	1,058,706	693,587	(365,119)
Total revenues	19,203,505	37,936,288	21,340,716	(16,595,572)
Expenditures:				
General government:				
Personnel	60,667	118,070	63,122	54,948
Operating	6,000	9,250	3,041	6,209
Total general government	66,667	127,320	66,163	61,157
Administration of justice:				
Personnel	3,846,721	5,904,419	4,032,030	1,872,389
Operating	856,811	943,466	640,254	303,212
Total administration of justice	4,703,532	6,847,885	4,672,284	2,175,601
Public safety:				
Personnel	7,810,198	16,366,886	8,077,470	8,289,416
Operating	3,452,453	6,234,850	3,635,247	2,599,603
Total public safety	11,262,651	22,601,736	11,712,717	10,889,019
Health and welfare:				
Personnel	1,858,420	1,926,078	949,790	976,288
Operating	3,117,099	3,142,016	2,720,235	421,781
Total health and welfare	4,975,519	5,068,094	3,670,025	1,398,069
Resource development:				
Personnel				
Operating		49,088	3,212	45,876
Total resource development		49,088	3,212	45,876
Community services:				
Personnel	135,775	488,270	163,627	324,643
Operating	899,890	3,627,380	2,180,396	1,446,984
Total community services	1,035,665	4,115,650	2,344,023	1,771,627
Public works:				
Personnel	7,700	78,218	64,088	14,130
Operating	742,300	1,376,573	539,081	837,492
Total public works	750,000	1,454,791	603,169	851,622
Capital outlays	670,555	2,468,187	552,143	1,916,044
Total expenditures	23,464,589	42,732,751	23,623,736	19,109,015
Excess (deficiency) of revenues over (under) expenditures	(4,261,084)	(4,796,463)	(2,283,020)	2,513,443
Other financing sources (uses):				
Transfers in	3,124,341	3,970,441	2,713,722	(1,256,719)
Transfers out		3,129	(375,014)	(378,143)
Total other financing sources (uses)	3,124,341	3,973,570	2,338,708	(1,634,862)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(1,136,743)	(822,893)	55,688	878,581
Fund balance - beginning	1,279,345	2,148,586	3,437,196	
Prior period adjustments			(630,144)	(630,144)
Fund balance - ending	\$142,602	\$1,325,693	\$2,862,740	\$248,437

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, 2016

Exhibit 7

Business-type Activities-Enterprise Funds								
	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	Governmental Activities - Internal Service Fund
ASSETS								
Current assets:								
Cash and cash equivalents	\$1,827,929	\$2,170,021		\$11	\$33,454	\$33,205	\$1,861,383	\$8,215,313
Accounts receivable	36,248	99,643			62,372	62,308	98,620	301,620
Due from other funds	487,941						487,941	
Restricted cash and cash equivalents								
Customer deposits	114,000	110,500					114,000	
East Montana 1997A interest and sinking fund	15,132	15,707					15,132	
Total current assets	2,481,250	2,395,871		11	95,826	95,513	2,577,076	8,516,933
Noncurrent assets:								
Restricted cash, cash equivalents, and investments:								
East Montana 1997B construction fund		36,470						
East Montana Reserve fund	101,422	101,120					101,422	
Total restricted assets:	101,422	137,590					101,422	
Capital assets:								
Equipment, water system	14,212,503	14,212,503					14,212,503	
Vehicles	42,734	42,734					42,734	
Land	19,770	19,770					19,770	
Construction in Progress								
Less accumulated depreciation	(4,784,892)	(4,425,013)					(4,784,892)	
Total capital assets, net of accumulated depreciation	9,490,115	9,849,994					9,490,115	
Total noncurrent assets	9,591,537	9,987,584					9,591,537	
Total assets	12,072,787	12,383,455		11	95,826	95,513	12,168,613	8,516,933
DEFERRED OUTFLOWS OF RESOURCES								
Pensions	72,067	30,589					72,067	
Total deferred outflows of resources	72,067	30,589					72,067	
LIABILITIES								
Current liabilities:								
Accounts payable	5,376	63,013			61,280	57,442	66,656	
Customer deposits payable	114,000	110,500					114,000	
Claims payable								676,323
Payroll Liability	1,892	8,485					1,892	2,095
Due to others			\$487,941				487,941	11,023
Due to other governments	9,928	9,549			4,621	4,191	14,549	150,000
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	5,000					5,000	
Colonia Revolution Water Project Bonds payable	8,000	8,000					8,000	
Accrued interest payable	6,958	7,117					6,958	
Total current liabilities	171,154	231,664	487,941		65,901	61,633	724,996	839,441
Noncurrent liabilities:								
East Montana Water Project 1997A payable	780,000	800,000					780,000	
Mayfair/Nuway Water System Bonds 2012 payable	258,000	263,000					258,000	
Colonia Revolution Water Project Bonds payable	476,000	484,000					476,000	
Net Pension Liability	146,749	236,304					146,749	
Total noncurrent liabilities	1,660,749	1,783,304					1,660,749	
Total liabilities	1,831,903	2,014,968	487,941		65,901	61,633	2,385,745	839,441
DEFERRED INFLOWS OF RESOURCES								
Pensions	71,359						71,359	
Total deferred inflows of resources	71,359						71,359	
NET POSITION								
Net investment in capital assets	7,942,539	8,269,996					7,942,539	
Restricted for:								
Debt	39,958	40,117					39,958	
East Montana Water Project	17,196	81,047					17,196	
County Solid Waste					29,925	33,880	29,925	
Square Dance Waste Water				11				
County Water System Reserve Fund	101,422	101,120					101,422	
County Water System Repair Reserve Fund	5,400	3,000					5,400	
East Montana 1997B construction fund		36,470						
East Montana 1997A interest and sinking	15,782	15,660					15,782	
Mayfair/Nuway interest and sinking	5,933	6,417					5,933	
Colonia Revolution 2013 interest and sinking	9,605	4,041					9,605	
Unrestricted:								
County Water System	2,103,757	1,841,208					2,103,757	
Square Dance Waste Water			(487,941)				(487,941)	
Internal Service fund								7,677,492
Total net position	\$10,241,592	\$10,399,076	(\$487,941)	\$11	\$29,925	\$33,880	\$9,783,576	\$7,677,492

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, 2016

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	
OPERATING REVENUES							
Charges for services	\$1,070,788	\$1,027,686			\$703,455	\$684,304	\$1,774,243
Miscellaneous						520	
Employee premiums							\$6,414,689
Employer premiums							13,716,777
Retiree premiums							1,146,159
Cobra							33,860
Other							66,910
Total operating revenues	<u>1,070,788</u>	<u>1,027,686</u>			<u>703,455</u>	<u>684,824</u>	<u>1,774,243</u>
OPERATING EXPENSES							
Personnel expenses	53,685	168,602					53,685
Operating expenses	108,184	55,468					108,184
Depreciation	359,881	354,834					359,881
Public utilities	560,756	430,532					560,756
Professional services	96,191	94,052	\$487,952	\$100,000	707,523	676,410	1,291,666
Claims							15,588,242
Administrative							3,118,472
Total operating expenses	<u>1,178,697</u>	<u>1,103,488</u>	<u>487,952</u>	<u>100,000</u>	<u>707,523</u>	<u>676,410</u>	<u>18,706,714</u>
Operating income (loss)	<u>(107,909)</u>	<u>(75,802)</u>	<u>(487,952)</u>	<u>(100,000)</u>	<u>(4,068)</u>	<u>8,414</u>	<u>(599,929)</u>
NONOPERATING REVENUES (EXPENSES)							
Interest revenue	7,195	1,736		11	113	45	7,308
Interest expense	(56,770)	(59,424)					(56,770)
Transfer in							
Transfer out							
Total nonoperating revenues (expenses)	<u>(49,575)</u>	<u>(57,688)</u>		<u>11</u>	<u>113</u>	<u>45</u>	<u>(49,462)</u>
Income(loss) before contributions and transfers	<u>(157,484)</u>	<u>(133,490)</u>	<u>(487,952)</u>	<u>(99,989)</u>	<u>(3,955)</u>	<u>8,459</u>	<u>(649,391)</u>
Change in Net Position	<u>(157,484)</u>	<u>(133,490)</u>	<u>(487,952)</u>	<u>(99,989)</u>	<u>(3,955)</u>	<u>8,459</u>	<u>(649,391)</u>
Total net position, beginning	10,399,076	10,683,870	11	100,000	33,880	25,421	10,432,967
Prior period adjustment		(151,304)					(150,000)
Total net position, ending	<u>\$10,241,592</u>	<u>\$10,399,076</u>	<u>(\$487,941)</u>	<u>\$11</u>	<u>\$29,925</u>	<u>\$33,880</u>	<u>\$9,783,576</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, 2016

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		
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from customers	\$650,121	\$947,016	\$487,941		\$703,821	\$681,630	\$1,841,883	
Payments for personnel expenses	(119,952)	40,502					(119,952)	
Payments for operating expenses	(165,821)	2,489			3,838	4,540	(161,983)	
Payments for utilities	(560,756)	(430,532)					(560,756)	
Payments for professional services	(96,191)	(94,052)	(\$487,952)	(\$100,000)	(707,523)	(676,410)	(1,291,666)	
Receipts from employee premiums								\$6,158,132
Receipts from employer premiums								13,837,126
Receipts from retiree premiums								1,146,159
Receipts from cobra premiums								33,860
Receipts from miscellaneous services								66,910
Payments for claims								(16,971,470)
Payments for administrative expenses								(3,118,472)
Net cash provided (used) by operating activities	<u>(292,599)</u>	<u>465,423</u>	<u>(11)</u>	<u>(100,000)</u>	<u>136</u>	<u>9,760</u>	<u>(292,474)</u>	<u>1,152,245</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Interest paid	(56,931)	(58,184)					(56,931)	
Principal repayments	(33,000)	(32,000)					(33,000)	
Net cash provided (used) by capital and related financing activities	<u>(89,931)</u>	<u>(90,184)</u>					<u>(89,931)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipt of interest	7,195	1,736		11	113	45	7,308	15,817
Net cash provided (used) by investing activities	<u>7,195</u>	<u>1,736</u>		<u>11</u>	<u>113</u>	<u>45</u>	<u>7,308</u>	<u>15,817</u>
Net increase(decrease) in cash and cash equivalents	(375,335)	376,975	(11)	(99,989)	249	9,805	(375,097)	1,168,062
Cash and cash equivalents, beginning of year	2,433,818	2,208,147	11	100,000	33,205	23,400	2,467,034	7,047,251
Prior period adjustment		(151,304)						
Cash and cash equivalents, end of year	<u>\$2,058,483</u>	<u>\$2,433,818</u>		<u>\$11</u>	<u>\$33,454</u>	<u>\$33,205</u>	<u>\$2,091,937</u>	<u>\$8,215,313</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:								
Operating income (loss)	(\$107,907)	(\$75,802)	(\$487,952)	(\$100,000)	(\$4,068)	\$8,414	(\$599,927)	\$2,671,681
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation	359,879	354,834					359,879	
(Increase) decrease in accounts receivable	63,395	(89,432)			(64)	(\$3,883)	63,331	(136,208)
Increase (decrease) in customer deposits	3,500	7,700					3,500	
Increase (decrease) in vouchers payable	(57,637)	57,957			3,838	4,540	(53,799)	
Increase (decrease) in claims liability								(1,383,228)
Increase (decrease) in payroll liability	(6,593)	3,389					(6,593)	
Increase (decrease) in pension liability	(59,674)	205,715					(59,674)	
Increase (decrease) in due to other governments	379	1,062			430	689	809	
Total adjustments	<u>(184,692)</u>	<u>541,225</u>	<u>487,941</u>	<u>(100,000)</u>	<u>4,204</u>	<u>1,346</u>	<u>307,453</u>	<u>(1,519,436)</u>
Net Cash Provided (Used) by Operating Activities	<u>(\$292,599)</u>	<u>\$465,423</u>	<u>(\$11)</u>	<u>(100,000)</u>	<u>\$136</u>	<u>\$9,760</u>	<u>(\$292,474)</u>	<u>\$1,152,245</u>

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, 2016

	Agency Funds
Assets	
Cash and cash equivalents	\$30,698,526
Accounts receivable	78,554
Restricted-funds custodial capacity cash equivalents	6,729,923
Total Assets	37,507,003
Liabilities	
Accounts payable	\$752,991
Payroll liabilities	3,011,951
Due to others	22,565,300
Due to other funds	255
Due to other governmental agencies	11,176,506
Total Liabilities	\$37,507,003
Net Position	

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, 2016

	Component Units			Total
	Hospital	Emergency Services		
	District	District #1	District #2	
ASSETS				
Cash and cash equivalents	\$65,454,000	\$573,037	\$4,015,354	\$70,042,391
Investments	2,938,000	1,154,555		4,092,555
Receivables (net of allowance for uncollectible)	46,702,000	261,755	1,423,098	48,386,853
Inventories	9,841,000			9,841,000
Prepaid	11,453,000	6,125	60,166	11,519,291
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents				
Other assets	107,101,000	2,000	4,625	107,107,625
Capital Assets (net of accumulated depreciation):				
Land	16,824,000	179,764	1,207,359	18,211,123
Buildings	301,680,000	4,774,015	9,178,208	315,632,223
Equipment		280,918	1,974,687	2,255,605
Furniture and fixtures	43,592,000			43,592,000
Vehicles		1,443,083	3,773,840	5,216,923
Construction in progress	57,401,000			57,401,000
Total assets	<u>662,986,000</u>	<u>8,675,252</u>	<u>21,637,337</u>	<u>693,298,589</u>
Deferred Outflows of Resources				
Loss on Bond Refunding	9,010,000			9,010,000
Pensions	34,188,000		74,829	34,262,829
Total deferred outflows of resources	<u>43,198,000</u>	<u>-</u>	<u>74,829</u>	<u>43,272,829</u>
LIABILITIES				
Vouchers payable	81,006,000	52,699	1,120,715	82,179,414
Payroll liabilities		25,135	18,454	43,589
Accrued interest payable		26,228	285,734	311,962
Pension liabilities			14,311	14,311
Claims and judgments				-
Noncurrent liabilities:				
Due within one year				
Bonds	8,221,000			8,221,000
Notes		358,784		358,784
Capital leases		40,753	1,293,165	1,333,918
Self-insured obligations	2,089,000			2,089,000
Due to third party payers	956,000			956,000
Net pension liability				-
Due in more than one year				
Bonds(net of related costs)	379,238,000			379,238,000
Notes		4,259,702		4,259,702
Capital leases		287,894	9,533,468	9,821,362
Self-insured obligations	809,000			809,000
Net pension liability	44,201,000		1,457	44,202,457
Other long term liabilities	3,884,000			3,884,000
Total liabilities	<u>520,404,000</u>	<u>5,051,195</u>	<u>12,267,304</u>	<u>537,722,499</u>
Deferred Inflows of Resources				
Pensions	2,750,000			2,750,000
Total deferred inflows of resources	<u>2,750,000</u>			<u>2,750,000</u>
NET POSITION				
Net investment in capital assets	124,119,000	1,730,647	5,307,461	131,157,108
Restricted for:				
Debt service	6,540,000			6,540,000
Health care	978,000			978,000
Unrestricted	51,393,000	1,893,410	4,137,401	57,423,811
Total net position	<u>\$183,030,000</u>	<u>\$3,624,057</u>	<u>\$9,444,862</u>	<u>\$196,098,919</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, 2016

	Component Units			Total
	Hospital District	Emergency Services		
		District #1	District #2	
Revenues				
Program Revenues:				
Charges for services	\$350,808,000	\$159,202	\$148,510	\$351,115,712
Operating grants and contributions	227,491,000	27,507	5,341	227,523,848
Total program revenues	<u>578,299,000</u>	<u>186,709</u>	<u>153,851</u>	<u>578,639,560</u>
Expenses	<u>(657,023,000)</u>	<u>(2,147,745)</u>	<u>(5,482,112)</u>	<u>(664,652,857)</u>
Net program revenues(expenses)	<u>(78,724,000)</u>	<u>(1,961,036)</u>	<u>(5,328,261)</u>	<u>(86,013,297)</u>
General revenues:				
Taxes:				
Property	\$87,776,000	1,935,611	2,834,333	92,545,944
Sales			3,841,683	3,841,683
Interest	335,000	10,875	448	346,323
Miscellaneous	(8,933,000)	2,228	3,370	(8,927,402)
Gain (loss) on sale of capital assets			96,100	96,100
Total general revenues and transfers	<u>79,178,000</u>	<u>1,948,714</u>	<u>6,775,934</u>	<u>87,902,648</u>
Change in net position	454,000	(12,322)	1,447,673	1,889,351
Change in Reporting Entity - EPCH	8,444,000			8,444,000
Net position - beginning	<u>174,132,000</u>	<u>3,636,379</u>	<u>7,997,189</u>	<u>185,765,568</u>
Net position - ending	<u>\$183,030,000</u>	<u>\$3,624,057</u>	<u>\$9,444,862</u>	<u>\$196,098,919</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, 2016

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. Description of Government-wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. Governmental activities, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from business type activities which rely to a significant extent on fees and charges to external customers for support. Likewise, the primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

B. 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*.

Discretely presented component units. 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.

Note 1. Summary of Significant Accounting Policies

B. Reporting Entity (Continued)

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. In 2016 the Hospital District became the sole corporate member of El Paso Children's Hospital and began presenting EPCH as a blended component unit on January 1, 2016. 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.

ESD1 provides emergency services for Horizon City and other communities within a 10-mile radius of the city. ESD1 provides services through the Horizon Fire Department, including training for 47 active members, of which 18 are Emergency Medical Technicians (EMT) certified at the basic level and seven are certified at the paramedic level. The department has 17 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>.

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/>

C. 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 interfund activities have been removed from the government-wide financial statements, except where the elimination would distort the financial statements. Interfund services provided and used are not eliminated in the process of consolidation. 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.

Note 1. Summary of Significant Accounting Policies (Continued)

C. Government-wide and Fund Financial Statements (Continued)

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.

D. 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 they generally 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.

Note 1. Summary of Significant Accounting Policies (Continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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.

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, and 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 Taxable Capital Projects 2016C is used to account for the financial resources secured through the sale of certificates of obligation to fund County projects related to the Fabens Airport.

The County Capital Projects 2016D is used to account for the financial resources secured through the sale of certificates of obligation to fund a multitude of County projects.

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 Revolución 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:

Note 1. Summary of Significant Accounting Policies (Continued)

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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.

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.

El Paso County 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)

D. 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.

E. Budgetary Information

Annual budgets are approved and utilized for the general, special revenue, grant, 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 and 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, special revenue, grants, 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 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 2016 totaled \$322,858,582. Throughout the year, the Commissioners Court amended the budget for an aggregate increase total of \$127,518,030. These increases represented statutorily provided increases for additional funding by granting agencies and intergovernmental agreements bringing the overall budget total to \$538,092,363, including re-appropriations.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Information (Continued)

The appropriation changes included revisions as follows:

County of El Paso, Texas Schedule of Amended Funding Amounts For the period ending September 30, 2016							
Date of Amendment	General Fund	Special Revenue Fund	Enterprise Fund	Debt Service Fund	Capital Projects Fund	Grants	Total Funding Amounts
October 5, 2015	\$263,062,111	\$31,920,682	\$3,417,748	\$20,544,747	\$3,913,294	\$0	\$322,858,582
Total amendments		<u>383,677</u>	<u>766,305</u>	<u>97,185,211</u>	<u>6,200,000</u>	<u>22,982,837</u>	<u>127,518,030</u>
Subtotal	\$263,062,111	\$32,304,359	\$4,184,053	\$117,729,958	\$10,113,294	\$22,982,837	\$450,376,612
Carry over							
Re-appropriation	<u>1,851,864</u>	<u>1,007,645</u>	<u>1,309</u>		<u>13,408,559</u>	<u>71,446,374</u>	<u>87,715,751</u>
Totals	<u>\$264,913,975</u>	<u>\$33,312,004</u>	<u>\$4,185,362</u>	<u>\$117,729,958</u>	<u>\$23,521,853</u>	<u>\$94,429,211</u>	<u>\$538,092,363</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	\$90,060,140
Revenues: Non-Budgeted	
Expenditures: Non-budgeted	<u>(16,924)</u>
Revenues over (under) Expenditures	16,924
Other financing sources (uses): Non-budgeted	(450,527)
Excess (deficiency) of revenues and Other financing sources over (under) Expenditures and other financing uses	(433,603)
Change in reserve for inventory	(16,924)
Prior years differences	<u>(14,033,773)</u>
Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$75,576,840</u>

The non-budgeted expenditure in the general fund is a change in the reserve for inventory of \$16,924, which represents the amount of inventory consumed during the year, and \$450,527 of excess sales taxes transferred from the general fund to the debt service fund.

F. Cash and Cash Equivalents

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, money market accounts and short-term investments with original maturities of three months or less from the date of acquisition.

Note 1. Summary of Significant Accounting Policies (Continued)

F. Cash and Cash Equivalents (Continued)

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. Cash equivalents consisted of primarily of TexPool and TexPool Prime temporary investments.

Governmental Accounting Standards Board Statement (GASB) No. 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.

Investments of the County and ESD1 reported on the balance sheet are stated at 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. It is the County’s practice to accrue interest on temporary investments throughout the year. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. Management asserts the County is in substantial compliance with the requirements of the Act and local policies.

All component units consider investments with original maturities of three months or less to be cash equivalents. Investments with an original maturity of more than three months are reported as investments. ESD2 reported no investments. ESD1 investments are recorded at fair value, based on quoted market prices. Investments of the Hospital District are stated at amortized cost or fair value, depending on the investment. Investments in U.S. Treasury, agency and instrumentality obligations with a remaining maturity of one year or less at time of acquisition and in nonnegotiable certificates of deposit are carried at amortized cost. All other Hospital District investments, including money market funds, are carried at fair value using quoted market prices. Investment income includes dividend and interest income, realized gains and losses on investments carried at other than fair value and the net change for the year in in the fair value of investments carried at fair value.

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)

F. Cash and Cash Equivalents (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 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.

G. 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 interfund loan or "advances to/from other funds" for the non-current portion of interfund 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 they do not represent available financial resources and are not available for appropriation.

Property tax receivables are shown net of an allowance for uncollectable accounts. Property taxes are levied October 1st and become delinquent on February 1st, 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, 2016.

H. 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.

Note 1. Summary of Significant Accounting Policies (Continued)

I. 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 \$73,283,516 of restricted assets, of which \$25,130,574 is restricted by enabling legislation.

J. 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.

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.

J. Capital Assets

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

Note 1. Summary of Significant Accounting Policies (Continued)

J. Capital Assets (Continued)

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

K. 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.

ESD2 has one deferred outflow relating to pensions for the net difference between projected and actual earnings on plan investments and contributions subsequent to the measurement date.

Note 1. Summary of Significant Accounting Policies (Continued)

K. Deferred outflows/inflows of resources (Continued)

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 one type of deferred inflow of resources, which arise under the modified accrual basis of accounting that qualify for reporting in this category. This item 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.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

L. 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, 2016, the County's total liability for vested vacation leave totaled \$14,831,642.

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.

A liability in the amount of \$17,950,030 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 \$32,781,671 of which \$12,365,066 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.

M. 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.

Note 1. Summary of Significant Accounting Policies (Continued)

M. Long-term Obligations

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.

N. Fund Balances

The County Commissioners Court annually approve financial policies which include 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.

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 \$6,293,691 reported as other governmental funds consists of \$3,714,923 special revenue funds and \$2,578,768 capital project 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.

Note 1. Summary of Significant Accounting Policies (Continued)

N. Fund Balances (Continued)

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 \$1,527,176 in the general fund is for carryover encumbrances from prior year for general operating purposes. The other purposes amount of \$1,632,600 in other governmental funds consists of \$719,225 for capital projects and \$913,375 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. The general fund is the only fund that reports a positive unassigned fund balance amount.

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.

O. 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.

P. 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, liabilities, deferred inflows and outflows or resources, 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.

Note 1. Summary of Significant Accounting Policies (Continued)

Q. New Accounting Pronouncements

The, GASB has issued Statement No. 72, *Fair Value Measurement and Application* became effective for financial statements for periods beginning after June 15, 2015, this statement is not applicable to the County; 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* for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016. The requirements of this Statement for pension plans that are within the scope of Statement 67 or 68 are effective for fiscal years beginning after June 15, 2015. The County has implemented those parts of this Statement that pertain to the County., ; GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* this Statement is effective for financial statements for fiscal years beginning after June 15, 2016. This Statement does not apply to the County.

GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* this Statement is effective for fiscal years beginning after June 15, 2017; GASB Statement No. 76; *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* this statement is effective for reporting periods beginning after June 15, 2015; and GASB Statement No. 77; *Tax Abatement Disclosures*, The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. 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.

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 for fiscal years for reporting periods beginning after December 15, 2015.

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. The County has implemented the requirements of this Statement in fiscal year 2016.

Note 1. Summary of Significant Accounting Policies (Continued)

Q. New Accounting Pronouncements (Continued)

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.

In March 2016 GASB issued Statement No. 81, *Irrevocable Split-Interest Agreements*. The objective of this statement is improve account and financial reporting for irrevocable split-interest agreements by providing recognition and measurement guidance for situations where a government is a beneficiary of an agreement. The requirements of this statement are effective for periods beginning after December 15, 2016.

In March 2016 GASB issued Statement No. 82, *Pension Issues-an amendment of GASB Statements No. 67, No. 68, and No. 73*. The requirements of this Statement are effective for the reporting periods beginning after June 15, 2016 except for the requirements of paragraph 7 in circumstances in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

In November 2016 GASB issued Statement No. 83 *Certain Asset Retirement Obligations*. This statement addresses accounting and financial reporting for certain asset retirement obligations and arise from a legally enforceable liability associated with the retirement of a tangible capital asset. The determination of when the liability occurs is based on external laws, regulations, contracts, or court judgements that obligate the government to perform asset retirement activities. This statement becomes effective for reporting periods beginning after June 15, 2018.

In January 2017 GASB issued Statement No. 84 *Fiduciary Activities*. The objective of this statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial purposes and how those activities should be reported. This statement becomes effective for reporting periods beginning after December 15, 2018.

Statements 78, 80, 81, 82, 83, and 84 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 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. The County operates 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 opted to establish the Office of the Chief Administrator, which includes the department of Budget and Fiscal policy and appoint a Budget Executive Director (Budget Officer) to prepare the county budget.

The Budget Officer prepares a proposed budget utilizing spending requests received from various County departments and agencies and makes recommendations to the Commissioners Court under the direction of 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 appropriations 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 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 \$199,333,733 consisting of cash and cash equivalents. Of this amount, \$1,365,749 represents custodial funds from the County Clerk's Probate Account, \$5,364,174 represents funds held in the District Clerk's Custodial Account and \$230,554 represents restricted assets for business-type activities. The bank balance of \$124,141,509 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, held by Frost National Bank.

The carrying amount of the deposits for the Hospital District, the discretely presented component unit, was \$61,474,000, consisting of cash and cash equivalents. At September 30, 2016, the Hospital District'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 \$573,037, 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 \$4,015,354, 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, 2016, the County had the following temporary investments included in cash and cash equivalents, reported at fair value, which approximates the value of the pool shares.

Investment Type	Fair Value	Weighted Average Maturity (Years)
TexPool investment pool	\$26,315,882	0.09
TexPool Prime investment pool	<u>42,547,891</u>	0.86
Total	<u>\$68,863,773</u>	0.57

Disclosures of Fair Value of Investments – Fair value is the price that would be received to sell an asset or paid to transfer a liability in an ordinary transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities.
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Note 3. Detailed notes on all funds (Continued)

A. Deposits and Investments (Continued)

As of September 30, 2016, the Hospital District had the following investments measured at fair value as shown below. All investments had a maximum maturity of one year or less.

	Fair Value	Fair Value Measurements Using		
		Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
September 30, 2016				
Money market mutual funds	19,324,000	19,324,000	-	-
U.S. Agency Obligations	\$27,172,000	-	\$27,172,000	-
Commercial paper	21,690,000	-	21,690,000	-
U.S. Treasury obligations	<u>26,518,000</u>	-	<u>26,518,000</u>	-
Total	<u>\$94,704,000</u>			

ESD1 had the following investments as of September 30, 2016:

Unrestricted Investment Type	Fair Value
Certificates of Deposits	<u>\$1,154,555</u>
Total	<u>\$1,154,555</u>

All ESD1 certificates of deposit have a carrying amount of, or less than \$250,000, at each of the institutions and are fully insured by the FDIC.

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 the depository would pay 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.

ESD1’s policy for mitigating interest rate risk is to limit the maximum weighted average maturity of investment portfolios to 365 days.

ESD2 does not have a formal investment policy that limits investment maturities as a means of managing 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), commercial paper through an authorized investment pool, and an investment pool authorized through Commissioners Court.

Note 3. Detailed notes on all funds (Continued)

A. Deposits and Investments (Continued)

ESD1 policy prohibits investing in collateral mortgage obligations and also limits the percentage held in the investment portfolio by instrument.

ESD2 has no investment policy that would further limit investment choices except state law.

<u>El Paso County Investment at September 30, 2016</u>	<u>Standard & Poor's Rating</u>
Local Government Investment Pools	AAAm

<u>Component Unit Investment at September 30, 2016</u>	<u>Standard & Poor's Rating</u>
U.S. Agency Obligations	AA+
Money Market Mutual Funds	AAA-
Commercial Paper	AA- or A-1+

U.S. Treasury obligations carry the explicit guarantee of the U.S. government.

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 places no limit on the amount that may be invested in any one issuer as long as the restrictions of the *Texas Public Funds Investment Act* are followed. The Hospital District holds investments in seven single issuers that represent more than 5% of total investments.

ESD1 and ESD2 place no limit on the amount the district may invest in any one issuer. ESD1 holds investments in six single issuers that represent more than 5% of total investments.

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, Hospital District protects their deposits by requiring the depository bank to fully collateralize the amount in excess of federal depository insurance and ESD1 requires collateralization at 102% of deposits 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.

ESD2 does 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.

Note 3. Detailed notes on all funds (Continued)

B. Receivables

Receivables as of September 30, 2016 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	\$19,737,407			\$19,737,407
Accounts	11,820,380	\$4,631,821	\$536,219	16,988,420
Notes		167,730		167,730
Less: allowance for uncollectable	<u>(197,374)</u>			<u>(197,374)</u>
Net total receivables	<u>\$31,360,413</u>	<u>\$4,799,551</u>	<u>\$536,219</u>	<u>\$36,696,183</u>

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, 2016. 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)	\$18,579,960	
Court costs and fines (general fund)		\$389,334
Draw-downs prior to meeting eligibility requirements (grants)		<u>135,598</u>
Total deferred /unearned revenue for governmental funds	<u>\$18,579,960</u>	<u>\$524,932</u>

Note 3. Detailed notes on all funds (Continued)

C. Capital assets

Capital assets activity for the year ended September 30, 2016, was as follows:

Primary Government

	Beginning Balance	Prior Period Adjustment	Increases	Decreases	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Artwork	\$56,255				\$56,255
Land	\$17,531,461	\$605,540		(\$174,068)	17,962,933
Easements	110,000				110,000
Information Technology System in progress	2,625,813		\$875,683		3,501,496
Construction in progress	<u>41,112,858</u>		<u>13,240,753</u>	<u>(817,318)</u>	<u>53,536,293</u>
Total capital assets, not being depreciated	<u>61,436,387</u>	<u>605,540</u>	<u>14,116,436</u>	<u>(991,386)</u>	<u>75,166,977</u>
Capital assets, being depreciated:					
Bridges and culverts	9,896,369		191,000		10,087,369
Buildings	274,453,986		2,626,820		277,080,806
Equipment	48,146,744		2,710,043	(411,748)	50,445,039
Furniture and fixtures	1,046,910		107,569		1,154,479
Improvements	14,127,338		1,030,603		15,157,941
Infrastructure	9,813,862		9,878		9,823,740
Leased equipment	397,833		363,221	(281,990)	479,064
Roads	51,930,587				51,930,587
Vehicles	<u>21,323,785</u>		<u>2,630,777</u>	<u>(1,142,453)</u>	<u>22,812,109</u>
Total capital assets, being depreciated	<u>431,137,414</u>		<u>9,669,911</u>	<u>(1,836,191)</u>	<u>438,971,134</u>
Less accumulated depreciation for:					
Bridges and culverts	(2,714,583)		(261,368)		(2,975,951)
Buildings	(150,007,784)		(7,941,325)		(157,949,109)
Equipment	(28,444,288)		(4,806,084)	394,202	(32,856,170)
Furniture and fixtures	(873,602)		(37,060)		(910,662)
Improvements	(7,533,821)		(631,455)		(8,165,276)
Infrastructure	(1,318,977)		(366,111)		(1,685,088)
Leased equipment	(294,322)		(107,315)	281,990	(119,648)
Roads	(21,225,994)		(2,314,701)		(23,540,695)
Vehicles	<u>(13,868,554)</u>		<u>(1,629,688)</u>	<u>1,053,681</u>	<u>(14,444,561)</u>
Total accumulated depreciation	<u>(226,281,925)</u>		<u>(18,095,107)</u>	<u>1,729,873</u>	<u>(242,647,159)</u>
Total capital assets, being depreciated, net	<u>204,855,489</u>		<u>(8,425,196)</u>	<u>(106,318)</u>	<u>196,323,975</u>
Governmental activities capital assets, net	<u>\$266,291,876</u>	<u>\$605,540</u>	<u>\$5,691,240</u>	<u>(\$1,097,704)</u>	<u>\$271,490,952</u>
Business-type Activities:					
Capital assets, not being depreciated:					
Land	\$19,770				\$19,770
Total capital assets, not being depreciated	<u>\$19,770</u>				<u>\$19,770</u>
Capital assets, being depreciated:					
Vehicles	42,734				42,734
Water systems	<u>14,212,503</u>				<u>14,212,503</u>
Total capital assets, being depreciated	<u>14,255,237</u>				<u>14,255,237</u>
Less accumulated depreciation for:					
Vehicles	(20,199)		(2,576)		(22,775)
Water systems	<u>(4,404,814)</u>		<u>(357,304)</u>		<u>(4,762,118)</u>
Total accumulated depreciation	<u>(4,425,013)</u>		<u>(359,879)</u>		<u>(4,784,892)</u>
Total capital assets, being depreciated, net	<u>9,830,224</u>		<u>(359,879)</u>		<u>9,470,345</u>
Business-type activities capital assets, net	<u>\$9,849,994</u>		<u>(\$359,879)</u>		<u>\$9,490,115</u>

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:

Governmental activities:	
General Government	\$6,057,333
Administration of Justice	227,837
Public Safety	5,630,950
Health and Welfare	158,599
Community Service	152,261
Resource Development	65
Culture and Recreation	1,630,454
Public Works	<u>4,237,608</u>
Total depreciation expense governmental activities	<u>\$18,095,107</u>
Business-type activities:	
Vehicles	\$2,576
Water systems	<u>357,304</u>
Total depreciation expense Business-type activities	<u>\$359,879</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, 2016. The projects include, among others, the Sportspark Complex Renovations, New Jail Annex Unit, Tornillo-Guadalupe Port of Entry Toll System, Ascarate Park Toll Booth, Juvenile Probation Renovations, Tax Office Software System 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>
Governmental Activities		
Sportspark Complex Renovations	\$9,836,022	\$98,698
New Jail Annex Unit	41,552,331	4,339,778
Tornillo Guadalupe Port of Entry Toll System	1,578,903	110,688
Ascarate Park Toll Booth	184,037	65,963
Juvenile Probation Renovations	<u>385,000</u>	<u>12,750</u>
Total	<u>\$53,536,293</u>	<u>\$4,627,877</u>
Information Technology Systems Commitments		
Tyler Munis Enterprise System	\$3,487,838	\$2,007,162
Tax Software System	<u>13,658</u>	<u>20,487</u>
Total	<u>\$3,501,496</u>	<u>\$2,027,649</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, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfer Disposals/ Retirements</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$15,059,000	\$1,786,000	(\$21,000)	\$16,824,000
Construction in progress	<u>33,970,000</u>	<u>23,431,000</u>	<u> </u>	<u>57,401,000</u>
Total capital assets, not being depreciated	<u>49,029,000</u>	<u>25,217,000</u>	<u>(21,000)</u>	<u>74,225,000</u>
Capital assets, being depreciated:				
Buildings and improvements	422,572,000	20,007,000	(704,000)	441,875,000
Movable and fixed equipment	<u>251,589,000</u>	<u>17,227,000</u>	<u>(1,681,000)</u>	<u>267,135,000</u>
Total capital assets, being depreciated	<u>674,161,000</u>	<u>37,234,000</u>	<u>(2,385,000)</u>	<u>709,010,000</u>
Less accumulated depreciation for:				
Buildings, improvements and equipment	<u>(336,021,000)</u>	<u>(30,094,000)</u>	<u>2,377,000</u>	<u>(363,738,000)</u>
Total accumulated depreciation	<u>(336,021,000)</u>	<u>(30,094,000)</u>	<u>2,377,000</u>	<u>(363,738,000)</u>
Total capital assets, being depreciated, net	<u>338,140,000</u>	<u>7,140,000</u>	<u>(8,000)</u>	<u>345,272,000</u>
Hospital District capital assets, net	<u>\$387,169,000</u>	<u>\$32,357,000</u>	<u>(\$29,000)</u>	<u>\$419,497,000</u>

The Hospital District construction in progress at September 30, 2016, primarily represents the costs incurred to fund approximately \$150 million of capital improvement, including outpatient medical clinics, renovate existing hospital inpatient floors and purchase equipment for the main campus. These projects will be constructed through 2018 and will be paid using the 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, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfer Disposals/ Retirements</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	<u>\$179,764</u>	<u> </u>	<u> </u>	<u>\$179,764</u>
Total capital assets, not being depreciated	<u>\$179,764</u>	<u> </u>	<u> </u>	<u>179,764</u>
Capital assets, being depreciated:				
Buildings and improvements	5,081,965			5,081,965
Heavy Trucks	3,510,074	\$152,224		3,662,298
Equipment	<u>1,177,373</u>	<u>30,525</u>	<u> </u>	<u>1,207,898</u>
Total capital assets, being depreciated	<u>9,769,412</u>	<u>182,749</u>	<u> </u>	<u>9,952,161</u>
Less accumulated depreciation for:				
Buildings and improvements	(180,125)	(127,825)		(307,950)
Heavy Trucks	(1,939,465)	(279,750)		(2,219,215)
Equipment	<u>(815,869)</u>	<u>(111,111)</u>	<u> </u>	<u>(926,980)</u>
Total accumulated depreciation	<u>(2,935,459)</u>	<u>(518,686)</u>	<u> </u>	<u>(3,454,145)</u>
Total capital assets, being depreciated, net	<u>6,833,953</u>	<u>(335,937)</u>	<u> </u>	<u>6,498,016</u>
ESD1 capital assets, net	<u>\$7,013,717</u>	<u>(\$335,937)</u>	<u> </u>	<u>\$6,677,780</u>

Note 3 . Detailed notes on all funds (Continued)

C. Capital assets (Continued)

Component units

Total provision for depreciation of \$518,686 was charged to public safety of ESD1. Capital assets pledged as security for long-term debt had a cost of \$6,817,017.

Capital asset activity for the ESD2 for the year ended September 30, 2016, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfer Disposals/ Retirements</u>	<u>Ending Balances</u>
Capital assets, not being depreciated:				
Land	\$1,207,359	_____	_____	\$1,207,359
Total capital assets, not being depreciated	<u>1,207,359</u>	_____	_____	<u>1,207,359</u>
Capital assets, being depreciated:				
Buildings and improvements	12,291,286	\$559,562		12,850,848
Transportation equipment	17,708,381	652,121	(\$538,725)	17,821,777
Other equipment	<u>3,745,126</u>	<u>1,263,057</u>		<u>5,008,183</u>
Total capital assets, being depreciated	<u>33,744,793</u>	<u>2,474,740</u>	<u>(538,725)</u>	<u>35,680,808</u>
Less accumulated depreciation for:				
Buildings and improvements	(3,414,925)	(257,715)		(3,672,640)
Transportation Equipment	(13,659,914)	(926,748)	538,725	(14,047,937)
Other equipment	<u>(2,726,776)</u>	<u>(306,720)</u>		<u>(3,033,496)</u>
Total accumulated depreciation	<u>(19,801,615)</u>	<u>(1,491,183)</u>	<u>\$538,725</u>	<u>(20,754,073)</u>
Total capital assets, being depreciated, net	<u>13,943,178</u>	<u>983,557</u>	_____	<u>14,926,735</u>
ESD2 capital assets, net	<u>\$15,150,537</u>	<u>\$983,557</u>	=====	<u>\$16,134,094</u>

D. Interfund receivables, payables, and transfers

The interfund and intrafund receivables and payables represent amounts that cover cash shortages that are within the pooled cash account. The intrafund balances have been eliminated for financial statement reporting. These balances will be eliminated in the subsequent period. The interfund 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 interfund/intrafund balances as of September 30, 2016, is as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund		
Grants	\$224,829	
Jury Fund	40,000	
General Fund		\$40,000
Workers Comp	<u>150,000</u>	
	<u>414,829</u>	<u>40,000</u>
Internal Services Fund		
Workers Comp	_____	<u>150,000</u>
	_____	<u>150,000</u>
Special Revenue		
District Attorney Special Account	6,263	
District Attorney Apportionment Supplement		6,263
Elections Contract Services	20,507	

Note 3 . Detailed notes on all funds (Continued)

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

	<u>Due From</u>	<u>Due To</u>
Elections Chapter 19		20,507
	<u>26,770</u>	<u>26,770</u>
Major Special Revenue-Grants		
34 th Judicial District Prosecution Initiative		117,865
65 th District Family Drug Court		19,428
384 th District Drug Court		22,016
409 th District Drug Court		35,883
Access and Visitation		13,280
BCMHC Non-Traditional Services	3,888	
Border Crime Initiative		63,470
Border Crime Initiative Program Income	131,531	
Byrne Justice Assistance Grant		8,496
Child Protective Services	126,181	
Colonia Self-Help Center	165,190	
Constable Step		1,662
Continuum of Care Program		10,287
COPS Building Trust w/ People of Color		396
COPS in Schools		18,442
DA Border Prosecution		174,270
DIMS Project	49,899	
Domestic Violence Unit		47,009
DWI Court Program		21,176
El Paso/NM Transit System		70,030
Emergency Solution Grant Program		16,716
Explorer Post Task Force	924	
HAVA Opportunity for Access	23,500	
HIDTA Program Income	911,950	
Homeless and Housing Services Program		\$25,773
Juvenile Board State Aid Imprest Fund	64,082	
Nutrition Meals	52,573	
ONDCP Multiple Initiatives		809,309
Operation Stonegarden		74,532
Organized Crime Drug Enforcement Task Force		184,744
Project Hope		22,951
Prostitution Prevention Program		14,021
Protective Order Court		33,620
Public Defender Office Expansion		100,181
Public Defender Problem Solving Attorney	7,978	
Regional Public Transportation Plan		2,509
Rural Bus Auction Proceeds	3,129	
Rural Transit Assistance Program		83,995
Sheriff Crime Victim Services	66	
Sheriff Mental Health Stigma Aware	42,041	
Sheriff's Step		17,439
Sheriff's Training Academy		17,677
Sparks/West Way Sidewalk Improvement	98,504	
Sunshine Acres Wastewater Project		122,587
Texas Juvenile Justice Department	1,365	
Texas Tobacco Enforcement Program	8,587	
Texas Veterans Comm General Assistance	10,000	
TJJD Title IV-E Enhanced Billing	390,136	
Van Pool Program		73,597
Veterans Court		54,233
Victim of Crime Act		28,617
Victim Witness Services		46,833
Ysleta, Socorro, San Elizario Circular Route	36,691	
Subtotal	<u>2,128,215</u>	<u>2,353,044</u>
Grand Total	<u>\$2,569,814</u>	<u>\$2,569,814</u>

Note 3 . Detailed notes on all funds (Continued)

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

The following are the transfers in and out as of September 30, 2016:

	Transfers Out <u>Actual</u>	Transfers In <u>Actual</u>
<u>General Fund</u>		
Access and Visitation	\$7,556	
Child Protective Services	878,299	
Colonia Self-Help Center	184,854	
Court Reporter		\$375,712
DIMS Project	408,216	
Domestic Violence Unit	132,214	
Excess Grant Match		254,573
Excess Sales Tax	450,527	
General & Administrative	3,684,926	180,000
Justice Court Manager		110,551
Nutrition	150,000	
Protective Order – Match	131,342	
Public Defender Expansion	360,183	
Public Defender Problem Solving	68,800	
Rural Transit	102	
Sidewalk Improvement	111,402	
Sheriff Crime Victim	28,536	
Sheriff Victims of Crime	33,457	
Victim Witness Services	<u>97,508</u>	
Subtotal	<u>6,727,922</u>	<u>920,836</u>
<u>Major Special Revenue-Grants</u>		
Access and Visitation		\$8,368
Child Protective Services	\$188,632	878,299
Colonia Self-Help Center		305,294
DIMS Project	41,021	408,216
Domestic Violence Unit		132,214
Nutrition		150,000
Protective Order Court		131,343
Public Defender Expansion		360,183
Public Defender Problem Solving Attorney	5,717	68,800
Sheriff Crime Victim Services		28,536
Sparks/West Way Sidewalk Improvement		111,402
Texas Capital	139,644	
Van Pool Program		102
Victims of Crime Act		33,457
Victim Witness Services		<u>97,508</u>
Subtotal	<u>375,014</u>	<u>2,713,722</u>
<u>Non Major Special Revenue</u>		
County Tourist Promotion		804,039
Coliseum Tourist Promotion	804,039	
Courthouse Security	180,000	
Court reporter Service	375,712	
Juvenile Case Manager	<u>110,551</u>	
Subtotal	<u>1,470,302</u>	<u>804,039</u>
<u>Capital Projects</u>		
County Capital Improvements		<u>3,684,114</u>
Subtotal		<u>3,684,114</u>
<u>Debt Service</u>		
G.O. Refunding 2007	390,005	
Certificates of Obligation Series 2007	13,828	
Taxable Certificates of Obligation Series 2007a		233,363
Taxable G.O. Refunding 2015A	233,363	
Go Refunding Series 2016A		450,527
Go Refunding Series 2016C		388,588
Taxable Certificates of Obligation Series 2016D		<u>15,245</u>
Subtotal	<u>637,196</u>	<u>1,087,723</u>
Grand total	<u>\$9,210,434</u>	<u>\$9,210,434</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, 2016, amounted to \$459,329.

Capital Leases

The County leases equipment through capital leasing arrangements in the governmental fund types. Payments during fiscal year ended September 30, 2016, amounted to \$91,814. 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:

	<u>Governmental Activities</u>
Asset:	
Machinery and equipment	\$479,065
Less: accumulated depreciation	<u>101,491</u>
Total	<u>\$377,574</u>

The future minimum lease payments and the net present value of these minimum lease payments as of September 30, 2016, for the County are as follows:

	<u>Year ending September 30</u>	<u>Governmental Activities</u>
	2017	\$92,330
	2018	91,182
	2019	89,777
	2020	76,360
	2021	<u>20,544</u>
Total minimum lease payments		370,193
Less: Interest		<u>57,872</u>
Present value of future Minimum lease payments		<u>\$312,321</u>

The annual capital lease payments as of September 30, 2016, for ESD1 are as follows:

	<u>Year ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
	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	48,944	7,206	56,150
	2022-2023	<u>104,873</u>	<u>7,425</u>	<u>112,298</u>
Total		<u>\$328,647</u>	<u>\$64,401</u>	<u>\$393,048</u>
Less amount due within one year		<u>40,753</u>		
Amount due after one year		<u>\$287,894</u>		

Note 3 . Detailed notes on all funds (Continued)

E. Leases (Continued)

The capital lease obligation of ESD1, 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 lease is secured by the following vehicles: Pierce Brush truck, Pierce Quint truck, and Chevy Tahoe.

The annual capital lease payments as of September 30, 2016 for ESD2 are as follows:

<u>Year ending September 30</u>	<u>Governmental Activities</u>
2017	\$1,293,165
2018	1,293,373
2019	1,336,288
2020	1,298,603
2021	1,180,421
2022-2026	3,666,554
2027-2029	<u>758,229</u>
Total	<u>\$10,826,633</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 \$199,475,000. The ending balance of the revenue bonds is \$1,547,000.

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 15th. Interest is payable semi-annually on February and August 15th. Except for the Taxable Certificates of Obligation Series 2016C and Certificates of Obligation Series 2016D which have principal payments on September 15th and interest payment on March 15th and September 15th.

Note 3 . Detailed notes on all funds (Continued)

F. Long-term Debt (Continued)

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	\$8,880,000
Taxable Certificates of Obligation, Series 2007A	4.65 – 6.23%	2007	2032	715,000
General Obligation Refunding, Series 2011	2.125 – 5.25%	2011	2022	2,115,000
Certificates of Obligation, Series 2012	2.00 – 5.00%	2012	2032	69,650,000
General Obligation Refunding, Series 2015	5.00%	2015	2026	15,230,000
General Obligation Taxable Refunding, Series 2015A	0.650 – 3.671%	2015	2026	8,200,000
General Obligation Refunding, Series 2016A	2.00 – 5.00%	2016	2032	48,805,000
General Obligation Taxable Refunding, Series 2016B	0.95 – 3.666%	2016	2032	40,735,000
Taxable Certificates of Obligation, Series 2016C	2.95%	2016	2022	1,645,000
Certificates of Obligation, Series 2016D	3.28%	2016	2032	<u>3,500,000</u>
				<u>\$199,475,000</u>

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

<u>Year Ending September 30</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2017	\$12,385,000	\$8,209,803	\$20,594,803
2018	11,960,000	7,854,482	19,814,482
2019	12,025,000	7,421,532	19,446,532
2020	12,550,000	6,970,945	19,520,945
2021	13,100,000	6,496,603	19,596,603
2022-2026	58,450,000	24,784,805	83,234,805
2027-2031	64,240,000	11,294,694	75,534,694
2032	<u>14,765,000</u>	<u>355,070</u>	<u>15,120,070</u>
	<u>\$199,475,000</u>	<u>\$73,387,934</u>	<u>\$272,862,934</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 15th. Interest is payable semi-annually on February and August 15th. Revenue bonds outstanding are as follows:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount</u>
El Paso County Water System \$1,050,000 East Montana Waterworks System Revenue Bonds, Series 1997-A	4.875%	1997	2037	\$800,000
\$272,000 Mayfair/Nuway Water System Revenue Bonds, Series 2012	2.25%	2012	2052	263,000
\$500,000 Colonia Revolución Water System Revenue Bonds, Series 2013	2.25%	2013	2053	<u>484,000</u>
Total				<u>\$1,547,000</u>

Note 3. Detailed notes on all funds (Continued)

F. Long-term Debt (continued)

Revenue bond debt service requirements to maturity are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	44,000	50,154	94,154
2022-2026	227,000	223,759	450,759
2027-2031	287,000	173,152	460,152
2032-2036	367,000	108,730	475,730
2037-2041	170,000	44,558	214,558
2042-2046	122,000	28,675	150,675
2047-2051	137,000	14,158	151,158
2052-2053	48,000	1,396	49,396
	<u>\$1,547,000</u>	<u>\$859,945</u>	<u>\$2,406,945</u>

Current Year

On, April 14, 2016, the County issued General Obligation Refunding bonds, Series 2016A in the par amount of \$48,805,000 to refund a portion of the Certificates of Obligation, Series 2007 bonds maturing on February 15, 2017 through 2032, for a total par amount of \$33,690,000 and General Obligation Refunding bonds, Series 2007 maturing on February 15, 2017 through 2032, for a par amount of \$18,360,000. This refunding resulted in a present value savings of 8.88 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 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. The liability associated with the bond was removed from the related payables. As of September 30, 2016, \$52,050,000 of the refunded bond remains outstanding with an estimated escrow balance of \$54,786,669.

On April 14, 2016, the County issued General Obligation Refunding bonds, Taxable Series 2016B in the par amount of \$40,735,000 to refund a portion of the Certificates of Obligation, Series 2007 bonds maturing on February 15, 2017 through 2032, for a total par amount of \$22,605,000, General Obligation Refunding bonds, Series 2007 maturing on February 15, 2017 through 2032, for a par amount of \$12,305,000, Certificates of Obligation, Series 2001 maturing on February 15, 2019 through 2022, for a total par amount of \$1,060,000, Certificates of Obligation, Series 2012 maturing on February 15, 2017 through 2032, for a par amount of \$1,305,000, and General Obligation Refunding, Series 2011 maturing on February 15, 2017 through 2022, for a par amount of \$125,000. This refunding resulted in a present value savings of 5.15 percent on the refunded bonds and a present value savings of 4.73 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. The liability associated with the bond was removed from the related payables. As of September 30, 2016, \$37,400,000 of the refunded bonds remain outstanding with an estimated escrow balance of \$39,571,252.

Note 3. Detailed notes on all funds (Continued)

F. Long-term Debt (continued)

Taxable Certificate of Obligation bonds, Series 2016C in the par amount of \$2,700,000 for the paying all or a portion of the issuer's contractual obligations incurred for (i) constructing improving, renovating and equipping the County Airport in Fabens Texas, with any surplus proceeds to be used for (ii) constructing roof and other infrastructure improvements, renovations, and equipment repairs/replacement to existing County facilities, including the County courthouse, sheriff's facilities, parks facilities, administrative service buildings, juvenile probation facilities and public works facilities, (iii) information technology equipment, software and related infrastructure, implementation and planning needs, (iv) constructing improving, renovating, equipping County parks and recreational facilities, (v) constructing improving, renovating, equipping transit related infrastructure and acquiring right-of-way therefor, (vi) constructing, reconstructing and improving streets, roads, sidewalks and alleys, including bridges and intersections, street overlay, landscaping, lighting, signalization, traffic safety and operational improvements, culverts and related storm drainage and utility relocation, and the acquisition of land and interests in land as necessary therefor; and (vii) paying legal, fiscal and engineering fees in connection with those projects.

Certificates of Obligation bonds, Series 2016D in the amount of \$3,500,000 for paying all or a portion of the issuer's contractual Obligations incurred for (i) constructing roof and other infrastructure improvements, renovations and equipment repairs/replacement to existing County facilities, including the County courthouse, sheriff's facilities, parks facilities, administrative services buildings, juvenile probation facilities and public works facilities; (ii) information technology equipment, software and related infrastructure, implementation and planning needs; (iii) constructing improving, renovating and equipping County parks and recreational facilities; (iv) constructing improving, renovating, equipping transit related infrastructure and acquiring rights-of-way therefor; (v) constructing reconstructing and improving streets, roads, sidewalks and alleys, including bridges and intersections, street overlay, landscaping, lighting signalization, traffic safety and operational improvements, culverts and related storm drainage and utility relocation, and the acquisition of land and interest in land as necessary therefor; and (vi) paying legal, fiscal and engineering fees in connection with those projects.

Prior Years

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, 2016, \$17,290,000 of the refunded bond remains outstanding with an estimated escrow balance of \$17,679,818.

Note 3. Detailed notes on all funds (Continued)

F. Long-term Debt (continued)

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, 2016, \$7,405,000 of the refunded bond remains outstanding with an estimated escrow balance of \$7,992,131.

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 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 system 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.

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.

Note 3. Detailed notes on all funds (Continued)

F. Long-term Debt (continued)

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. Those bonds were defeased on April 14, 2016.

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2016, 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>
Governmental activities:						
Bonds payable:						
General obligation bonds	\$63,360,000		\$89,540,000	(\$37,815,000)	\$115,085,000	\$8,830,000
Certificates of obligation bonds	141,870,000		6,200,000	(63,680,000)	84,390,000	3,555,000
Bond Premium	<u>14,128,020</u>	<u>41,604</u>	<u>7,645,207</u>	<u>(3,012,157)</u>	<u>18,802,674</u>	
Total bonds payable	219,358,020	41,604	103,385,207	(104,507,157)	218,277,674	12,385,000
Capital leases	96,767		307,368	(91,814)	312,321	92,330
Claims and judgments	2,753,713		2,047,355	(1,863,768)	2,937,300	2,937,300
Contingent liabilities	4,190,000		3,813,000	(4,190,000)	3,813,000	733,000
Compensated absences	33,545,715		32,781,671	(33,545,715)	32,781,671	12,365,066
Net Pension Liability	233,576,852		76,474,127	(87,118,650)	222,932,331	
OPEB Liability	<u>33,384,349</u>		<u>2,390,661</u>		<u>35,775,010</u>	
Governmental activity						
Long-term liabilities	<u>\$526,905,418</u>	<u>\$41,604</u>	<u>\$221,199,389</u>	<u>(\$231,317,104)</u>	<u>\$516,829,307</u>	<u>\$28,512,696</u>
Business-type activities:						
Bonds payable:						
Revenue Bonds	<u>\$1,580,000</u>			<u>(\$33,000)</u>	<u>\$1,547,000</u>	<u>\$33,000</u>
Total bonds payable	1,580,000			(33,000)	1,547,000	33,000
Net Pension Liability	<u>236,304</u>		<u>\$49,950</u>	<u>(139,505)</u>	<u>146,749</u>	
Business-type activity						
Long-term liabilities	<u>\$1,816,304</u>		<u>\$49,950</u>	<u>(\$172,505)</u>	<u>\$1,693,749</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.

Note 3. Detailed notes on all funds (Continued)

F. Long-term Debt (continued)

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, 2016, 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	\$363,490,000		(\$6,485,000)	\$357,005,000	\$6,755,000
Bond premium and discount	<u>31,920,000</u>		<u>(1,466,000)</u>	<u>30,454,000</u>	<u>1,466,000</u>
Total long-term debt	<u>\$395,410,000</u>		<u>(\$7,951,000)</u>	<u>\$387,459,000</u>	<u>\$8,221,000</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%.

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			
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	8,080,000	15,986,000	24,066,000
2022-2026	46,675,000	73,652,000	120,327,000
2027-2031	59,260,000	61,068,000	120,328,000
2032-2036	74,815,000	45,506,000	120,321,000
2037-2041	94,580,000	25,747,000	120,327,000
2042-2043	<u>44,750,000</u>	<u>3,384,000</u>	<u>48,134,000</u>
	<u>\$357,005,000</u>	<u>\$292,756,000</u>	<u>\$649,761,000</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. Those 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 \$3,813,000 for probable losses has been accrued as a contingency and is reported at the government-wide financial statements. Of this amount, \$733,000 is reported due within one year and \$3,080,000 due in more than one year.

Rebatable arbitrage is evaluated and estimated on an annual basis. At September 30, 2016, there were no liabilities recorded as there were no amounts due within one year. The County estimated a possible additional liability of \$0 as of September 30, 2016, assuming the County does not use the bond funds within the specified period.

In the normal course of business, the Hospital District is from time to time, subject to allegations that may or do result in litigation. Some of these allegations are in areas not covered by the Hospital District's self-insurance program or by commercial insurance. The Hospital District evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of legal counsel, management records an estimate of the amount of ultimate expected loss, if any, for each. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

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 2014, which was collected in 2015. 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.

Note 3. Detailed notes on all funds (Continued)

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, 2016, the plan assets were valued at \$27,699,553.

The Hospital District for the El Paso Children's Hospital (EPCH) sponsors a 401(k) defined contribution plan covering substantially all employees. The Plan document includes required matching contributions subject to formulas outlined in the plan document, and also allows EPCH to make additional discretionary contributions. Retirement expense for the 401(k) defined contribution plan was approximately \$271 thousand for the period January 1, 2016, to September 30, 2016. There were no discretionary contributions to EPCH's 401(k) defined contribution plan during this period.

I. Pension Obligations

Texas County and District Retirement System (TCDRS)

Plan Description - TCERS is a statewide, agent multiple employer, public employee retirement system. The system provides retirement, disability, and survivor benefits. The system is administered by a Board of Trustees appointed by TCERS. Each participating employer in TCERS has a separate plan. Benefit provisions are contained in a plan document and were established and can be amended by the governing body of the County, Hospital District and ESD2 for their separate plans within the options available in the state statutes governing TCERS. 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 of the County and ESD2 plans are vested after eight years of service, five years of service for the Hospital District. Members must leave their accumulated contributions in the plans 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 under each plan 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 respective governing bodies within the actuarial constraints imposed by the TCERS Act so the resulting benefits can be expected to be adequately financed by the commitment of the respective entities 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 the TCERS Act.

Note 3. Detailed notes on all funds (Continued)

I. Pension Obligations (Continued)

The TCDRS does not issue a separate report that includes financial statements and required supplementary information for the system. 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.

For the County, all full- and part-time non-temporary employees participate in the plan, regardless of the number of hours they work in a year. Employees in a temporary position are not eligible for membership. The Hospital District’s plan covers substantially all employees other than those employed by El Paso Children’s Hospital (EPCH). ESD2’s plan covers all regular full-time employees. Employees covered by the respective plans at December 31, 2014 and 2015, are:

	County		Hospital District		ESD2	
	2014	2015	2014	2015	2014	2015
Inactive employees or beneficiaries currently receiving benefits	1,042	1,145	509	551	N/A	-
Inactive employees entitled to but not yet receiving benefits	1,401	1,437	2,456	2,645	N/A	-
Active employees	2,882	2,932	2,549	2,618	N/A	N/A
	<u>5,325</u>	<u>5,514</u>	<u>5,514</u>	<u>5,814</u>	<u>N/A</u>	<u>N/A</u>

Funding Policy - The County, Hospital District and ESD2 have elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The respective plans are 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 15.52% for the months of the accounting year in 2015, and 15.57% for the months of the accounting year in 2016. The Hospital District employer contribution rate for the fiscal years ending September 30, 2016 and 2015 was 6.4%. ESD2 contributed 11.08% for the fiscal year ending September 30, 2016.

The contribution rates payable by the employee members for calendar year 2016 were: County, 7%; Hospital District, 5%; ESD2, 7%.

Actuarial Assumptions - The total pension liability in the December 31, 2015 actuarial valuation was determined using actuarial assumptions applied to all periods included in the measurement which can be found in the required supplemental data as a note to the respective employer contribution schedules.

Updated mortality assumptions were adopted in 2015. All other actuarial assumptions that determined the total pension liability as of December 31, 2015, were based on the results of an actuarial experience study for the period January 1, 2009 through December 31, 2012, except where required to be different by GASB 68.

Note 3. Detailed notes on all funds (Continued)

I. Pension Obligations (Continued)

The source of the mortality assumptions is as follows;

Depositing members	The 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 projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that.
Service retirees, beneficiaries and non-depositing members	The RP-2000 Combined Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with a one-year set-forward for males and no age adjustment for females.
Disabled retirees	RP-2000 Disabled Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with no age adjustment for males and a two year set-forward for females.

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 2016 information for a 7-10 year time horizon.

Note that 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 geometric real rates of return for each major asset class are summarized in the following tables:

Note 3. Detailed notes on all funds (Continued)

I. Pension Obligations (Continued)

County:		Target	Geometric Real Rate of Return (Expected Minus Inflation) ⁽²⁾
Asset Class	Benchmark	Allocation ⁽¹⁾	
US Equities	Dow Jones U.S. Total Stock Market Index	14.50%	5.45%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index ⁽³⁾	14.00%	8.45%
Global Equities	MSCI World (net) Index	1.50%	5.75%
International Equities - Developed	MSCI World Ex USA (net)	10.00%	5.45%
International Equities - Emerging	MSCI WorldWorld Ex USA (net)	8.00%	6.45%
Investment-Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	1.00%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	5.10%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	2.00%	5.09%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	5.00%	6.40%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.00%	8.10%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	3.00%	4.00%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.80%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index ⁽⁴⁾	5.00%	6.90%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	25.00%	5.25%
		<u>100.00%</u>	

⁽¹⁾ Target asset allocation adopted at the April 2016 TCDRS Board meeting.

⁽²⁾ Geometric real rates of return in addition to assumed inflation of 1.6%, per Cliffwater's 2016 capital market assumptions.

⁽³⁾ Includes Vintage years 2006-present of Quarter Pooled Horizon IRRs.

⁽⁴⁾ Includes vintage years 2007-present of Quarter pooled Horizon IRRs.

Hospital District:		Target	Long-term Expected Real Rate of Return
Asset Class	Allocation		
US Equities	14.5%		5.5%
International Equities-Developed	10.0%		5.5%
International Equities-Emerging	8.0%		6.5%
Global Equities	1.5%		5.8%
Hedge Funds	25.0%		5.3%
High-Yield Investments			
High-Yield Bonds	3.0%		5.1%
Opportunistic Credit	2.0%		5.1%
Distressed Debt	3.0%		8.1%
Direct Lending	5.0%		6.4%
Private Equity	14.0%		8.5%
Real Assets			
REITs	3.0%		4.0%
Private Real Estate Partnerships	5.0%		6.9%
Master Limited Partnerships	3.0%		6.8%
Investment-Grade Bonds	3.0%		1.0%
	<u>100.0%</u>		

Note 3. Detailed notes on all funds (Continued)

I. Pension Obligations (Continued)

ESD2: Asset Class	Target Allocation	Geometric Real Rate of Return ⁽¹⁾
US Equities	14.5%	5.45%
Private Equity	14.0%	8.45%
Global Equities	1.5%	5.75%
International Equities - Developed	10.0%	5.45%
International Equities - Emerging	8.0%	6.45%
Investment-Grade Bonds	3.0%	1.00%
High-Yield Bonds	3.0%	5.10%
Opportunistic Credit	2.0%	5.09%
Direct Lending	5.0%	6.40%
Distressed Debt	3.0%	8.10%
REIT Equities	3.0%	4.00%
Master Limited Partnerships (MLPs)	3.0%	6.80%
Private Real Estate Partnerships	5.0%	6.90%
Hedge Funds	25.0%	5.25%
	<u>100.0%</u>	

⁽¹⁾ Geometric real rates of return in addition to assumed inflation of 1.6%, per Cliffwater's 2016 capital market assumptions.

Discount Rate - The discount rate used to measure the total pension liability was 8.1% at December 31, 2015. 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 employer 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 plans' 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 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 liability for the year ended December 31, 2015, for the County are:

	Total Pension Liability	Increase (Decrease) Fiduciary Net Position	Net Pension Liability (Asset)
Changes in Net Pension Liability / (Asset)			
Balance as of December 31, 2014	\$946,745,363	\$713,592,846	\$233,152,517
Changes for the Year:			
Service Cost	29,545,850		29,545,850
Interest on total pension liability ⁽¹⁾	73,345,362		73,345,362
Effects of plan changes	(95,847,633)		(95,847,633)
Effect of economic/demographic gains or losses	(4,737,378)		(4,737,378)
Effects of assumptions changes or inputs	12,467,930		12,467,930
Refund of contributions	(1,900,401)	(1,900,401)	
Benefit payments	(28,397,824)	(28,397,824)	
Administrative expenses		(512,359)	512,359
Member contributions		11,298,180	(11,298,180)
Net investment income		(9,496,448)	9,496,448
Employer contributions		24,826,415	(24,826,415)
Other ⁽²⁾		(660,025)	660,025
Balances as of December 31, 2015	<u>\$931,221,269</u>	<u>\$708,750,384</u>	<u>\$222,470,885</u>

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

⁽²⁾ Relates to allocation of system-wide items.

Note 3. Detailed notes on all funds (Continued)

I. Pension Obligations (Continued)

Changes in the total pension liability, plan fiduciary net position and the net pension liability for the year ended September 30, 2016 for the Hospital District are:

	Total Pension Liability	Increase (Decrease) Fiduciary Net Position	Net Pension Liability (Asset)
Balances at September 30, 2015	\$319,709,000	\$299,715,000	\$19,994,000
Changes for the year:			
Service cost	11,531,000		
11,531,000			
Interest on total pension liability	26,051,000		26,051,000
Effect of plan changes	(2,467,000)		(2,467,000)
Effect of economic/demographic gains or losses	(3,230,000)		(3,230,000)
Effect of assumptions changes or inputs	4,304,000		4,304,000
Refund of contributions	(1,670,000)	(1,670,000)	
Benefit payments	(7,804,000)	(7,804,000)	
Administrative expenses		(217,000)	217,000
Member contributions		6,490,000	(6,490,000)
Net investment income		(2,734,000)	2,734,000
Employer Contributions		8,294,000	(8,294,000)
Other changes		149,000	(149,000)
Net changes	<u>26,715,000</u>	<u>2,508,000</u>	<u>24,207,000</u>
Balances at September 30, 2016	<u>\$346,424,000</u>	<u>\$302,223,000</u>	<u>\$44,201,000</u>

Changes in the total pension liability, plan fiduciary net position and the net pension liability for the year ended December 31, 2015, for ESD2 are:

	Total Pension Liability	Increase (Decrease) Fiduciary Net Position	Net Pension Liability (Asset)
Balances at December 31, 2014			
Changes for the year:			
Service cost	\$99,145		\$99,145
Interest on total pension liability	3,595		3,595
Effect of plan changes	(9,664)		(9,664)
Effect of economic/demographic gains or losses	9,046		9,046
Effect of assumptions changes or inputs	1,049		1,049
Refund of contributions	0	0	
Benefit payments	0	0	
Administrative expenses		(38)	38
Member contributions		39,735	(39,735)
Net investment income		(872)	872
Employer Contributions		62,894	(62,894)
Other changes		(5)	5
Net changes	<u>103,171</u>	<u>101,714</u>	<u>1,457</u>
Balances at December 31, 2015	<u>\$103,171</u>	<u>\$101,714</u>	<u>\$1,457</u>

Note 3. Detailed notes on all funds (Continued)

I. Pension Obligations (Continued)

Sensitivity Analysis - The following present the net pension liability, calculated using the discount rate of 8.1%, as well as what the 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 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
County:			
Total pension liability	\$1,068,976,258	\$931,221,269	\$818,187,739
Fiduciary net position	<u>708,750,384</u>	<u>708,750,384</u>	<u>708,750,384</u>
Net pension liability/ (asset)	<u>\$360,225,874</u>	<u>\$222,470,885</u>	<u>\$109,437,355</u>
Hospital District:			
Net pension liability/ (asset)	<u>\$96,010,000</u>	<u>\$44,201,000</u>	<u>\$1,866,000</u>
ESD2:			
Total pension liability	\$126,148	\$103,171	\$85,165
Fiduciary net position	<u>101,714</u>	<u>101,714</u>	<u>101,714</u>
Net pension liability/ (asset)	<u>\$24,434</u>	<u>\$1,457</u>	<u>\$(16,549)</u>

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions - Pension expenses recognized by the County in the reporting period for TCDRS amounted to \$44,055,470. As of September 30, 2016, the County had deferred inflows and outflows of resources related to pensions as follows:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$3,947,815	\$2,618,260
Changes in assumptions		10,389,941
Net difference between projected and actual earnings		60,344,786
Changes in proportionate share	68,755	68,755
Contributions made subsequent to measurement date		<u>19,710,738</u>
	<u>\$4,016,570</u>	<u>\$93,132,480</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:	
2016	\$17,524,943
2017	17,524,943
2018	17,524,943
2019	15,541,919
2020	1,288,424
Thereafter	0

At September 30, 2016, the County reported a payable of \$2,817,710 to the pension plan for the outstanding amount of actuarially determined contributions due at the end of the year.

Note 3. Detailed notes on all funds (Continued)

I. Pension Obligations (Continued)

For the year ended September 30, 2016, the Hospital District recognized pension expense of approximately \$10.4 million. At September 30, 2016, the Hospital District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	\$2,750,000	
Changes in assumptions		\$3,228,000
Net difference between projected and actual earnings		24,404,000
Contributions made subsequent to measurement date		6,556,000
	<u>\$2,750,000</u>	<u>\$34,188,000</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 ending September 30:	
2017	\$6,410,000
2018	6,410,000
2019	6,574,000
2020	5,488,000
	<u>\$24,882,000</u>

For the year ended September 30, 2016, the ESD2 reported pension expense of \$10,803. At September 30, 2016, deferred outflows of resources and deferred inflows of resources related to pensions were reported from the following sources:

	Deferred Inflows of Resources	Deferred Outflows of Resources*
Differences between expected and actual experience		\$8,224
Changes in assumptions		954
Net difference between projected and actual earnings		3,987
Contributions made subsequent to measurement date		63,579
		<u>\$76,744</u>

*as reported by ESD2

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 ending December 31:	
2017	\$65,494
2018	1,915
2019	918
2020	4,587
	<u>\$74,829</u>

At September 30, 2016, ESD2 reported a payable of \$14,311 to the pension plan for the outstanding amount of contributions to the pension plan required for the year then ended

Pension Plan Fiduciary Net Position - Detailed information about the plans' fiduciary net position is available and can be obtained at www.tcdrs.org or by writing to TCDRS Board of Trustees at P.O. Box 2034, Austin, TX 78768-2034.

Note 3. Detailed notes on all funds (Continued)

I. Pension Obligations (Continued)

Texas Emergency Services Retirement System (TESRS)

Plan Description - ESD1 and ESD2 offer a retirement plan to eligible members through the TESRS. TESRS administers a cost-sharing multiple employer pension system (the System) established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. 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 TESRS.

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. The separately issued actuarial valuations which may be of interest are also available at the same link.

Benefits Provided – Senate Bill 411, 65th Legislature, Regular Session (1977), created TESRS and established the applicable benefit provisions. The 79th Legislature, Regular Session (2005), re-codified the provisions and gave the TESRS Board of Trustees authority to establish vesting requirements, contribution levels, benefit formulas, and eligibility requirements by board rule. The benefit provisions include retirement benefits as well as death and disability benefits. Members are 50% vested after the tenth year of service, with the vesting percent increasing 10% for each of the next five years of service so that a member becomes 100% vested with 15 years of service.

Upon reaching age 55, each vested member may retire and receive a monthly pension equal to his vested percent multiplied by six times the governing body's average monthly contribution over the member's years of qualified service. For years of service in excess of 15 years, this benefit is increased at a rate of 6.2% compounded annually. There is no provision for automatic post-retirement benefit increases.

On and off-duty benefits and on-duty disability benefits are dependent on whether or not the member was engaged in the performance of duties at the time of death or disability. Death benefits include a lump sum amount or continuing monthly payments to a member's surviving spouse or dependent children.

Note 3. Detailed notes on all funds (Continued)

I. Pension Obligations (Continued)

Funding Policy – Contributions are made by governing bodies for the participating departments. No contributions are required from the individuals who are members of the System, nor are they allowed. The governing bodies of each participating department are required to make contributions for each month a member performs emergency services for a department (the minimum contribution is \$36 per member and the department may make a higher monthly contribution for its members). This is referred to as a Part One contribution, which is the legacy portion of the System contribution that directly impacts future retiree annuities.

The state is required to contribute an amount necessary to make the System “actuarially sound” each year, which may not exceed one-third of the total of all contributions made by participating governing bodies in a particular year.

The board rule defining contributions was amended effective July 27, 2014 to add the potential for actuarially determined Part Two contributions that would be required only if the expected future annual contributions from the state are not enough with the Part One contributions to provide an adequate contribution arrangement as determined by the most recent actuarial valuation. This Part Two portion, which is actuarially determined as a percentage of the Part One portion (not to exceed 15%), is to be actuarially adjusted every two years based on the most recent actuarial valuation. Based on the actuarial valuation as of August 31, 2016, the Part Two contributions were established by the board to be 2% of the Part One contributions beginning September 1, 2017.

Additional contributions may be made by governing bodies within two years of joining the System, to grant up to ten years of credit for service per member. Prior service purchased must have occurred before the department began participation in the System.

As of August 31, 2016, there were 225 fire or emergency services departments participating in TESRS. Of that total, 199 were contributing member departments. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

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, 2016, 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 FY2016 was \$85,680.

Note 3. Detailed notes on all funds (Continued)

I. Pension Obligations (Continued)

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, 2016, as shown in the following table:

	ESD1 Pension Expense	ESD2 Pension Expense	Total Pension Expense TESRS
Service Cost	\$12,774	\$22,601	\$35,375
Interest	67,121	118,752	185,873
Projected earnings on pension plan investments	(52,001)	(92,002)	(144,003)
Amortization of differences between projected and actual earnings on plan investments	10,010	17,710	27,720
Amortization of changes of assumptions	2,034	3,598	5,632
Amortization of differences between expected and actual experience	148	261	409
Amortization of changes in proportionate share	13,060	(6,763)	6,297
Pension plan administrative expense	1,258	2,226	3,484
Changes in benefit provisions	5,444	9,632	15,076
	<u>\$59,848</u>	<u>\$76,015</u>	<u>\$135,863</u>

Actuarial Assumptions - The total pension liability in the August 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	N/A
Investment rate of return	7.75%, net of pension plan investment expense, including inflation

Mortality rates were based on the RP-2000 Combined Healthy Lives Mortality Tables for males and for females projected to 2024 by scale AA.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which the expected future net real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class. These components are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage (currently 4.97%) and by adding expected inflation (3.00%). In addition, the final 7.75% assumption was selected by "rounding down" and thereby reflects a reduction of 0.22% for adverse deviation. The target allocation and expected arithmetic real rates of return for each major asset class are summarized in the following table:

Note 3. Detailed notes on all funds (Continued)

I. Pension Obligations (Continued)

<u>Asset Allocation</u>	<u>Target</u>	<u>Long-term Expected Net Real Rate of Return</u>
Equities		
Large cap domestic	32%	5.72%
Small cap domestic	10%	5.96%
Developed international	21%	6.21%
Emerging markets	6%	7.18%
Master limited partnership	5%	7.61%
Fixed income		
Domestic	21%	1.61%
International	5%	1.81%
Cash	<u>0%</u>	
Total	<u>100%</u>	
Weighted average		4.97%

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, 2016, 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. Because of the 30-year amortization period with the conservative amortization method, 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 County net pension liability of the TESRS, calculated using the discount rate of 7.75%, as well as what the 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)			
ESD1	\$371,830	\$219,626	\$122,649
ESD2	657,853	388,569	216,994
Total	<u>\$1,029,683</u>	<u>\$608,195</u>	<u>\$339,643</u>

The net pension liability was measured as of August 31, 2016 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The County's proportion of the net pension liability was based on the County's contributions to the pension plan relative to the contributions of all employers to the plan for the period of September 1, 2015 through August 31, 2016.

At August 31, 2016, the County's proportion of the collective net pension liability was 0.754% for ESD1 which was an increase of 0.26% from its proportion as of August 31, 2015. At August 31, 2016, the County's proportion of the collective net pension liability was 1.334% for ESD2 which was a decrease of 0.075% from its proportion as of August 31, 2015.

Note 3. Detailed notes on all funds (Continued)

I. Pension Obligations (Continued)

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions - for the year ended September 30, 2016, the County recognized pension expense of \$33,070 and Revenue of \$33,070 for support provided by the State, which represented \$11,942 for ESD1 and \$21,128 for ESD2.

As of September 30, 2016, the County reported its proportionate share of the TESRS deferred outflows and inflows of resources related to pensions for both Emergency Services Districts from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$941	
Changes in assumptions	12,952	
Net difference between projected and actual earnings	115,164	
Changes in proportionate share	30,038	\$15,556
Contributions made subsequent to measurement date	9,561	
	<u>\$168,656</u>	<u>\$15,556</u>

The \$9,561 reported as deferred outflows of resources related to pensions resulting from County contributions subsequent to the measurement date will be recognized as a deduction of the net pension liability in the year ended September 30, 2017.

At September 30, 2016, the County reported a payable of \$9,561 to TESRS for its outstanding portion of the contribution to TESRS on behalf of ESD1 and ESD2.

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:	
2017	40,058
2018	40,056
2019	55,322
2020	8,103
Thereafter	-
Total	<u>\$143,539</u>

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.

Note 3. Detailed notes on all funds (Continued)

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

As of September 30, 2016, there were 2,660 active employees, 154 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 104 are enrolled in the plan. The County also offers a High Deductible Health Plan (CDHP), Core, and Buy-up medical plan for both active employees and retirees. Retirees in the CDHP, Core, and Buy-up plans are expected to pay approximately 38.10 percent, 38.10 percent, and 49.76 percent, respectively, of the total premium cost for insurance coverage. For fiscal year ended September 30, 2016, retirees currently receiving benefits contributed \$535,385 and the County contributed \$690,336 toward the cost of health insurance premiums. Total benefits paid on behalf of retirees and their dependents during the fiscal year ended September 30, 2016 was \$892,055.

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. 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)	\$3,046,501
Interest on Net OPEB Obligation	1,335,374
Adjustment to annual required contribution	<u>(1,300,878)</u>
Annual OPEB cost	3,080,997
Contributions for year ended September 30, 2016	<u>(690,336)</u>
Increase in net OPEB obligation	2,390,661
Net OPEB obligation – Beginning of year	<u>33,384,349</u>
Net OPEB obligation – End of year	<u>\$35,775,010</u>

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 2016 and the preceding two years were as follows:

Fiscal Year	Annual OPEB Cost	Employer Amount Contributed	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/14	\$2,758,107	\$404,989	14.7%	\$31,001,546
9/30/15	\$2,845,792	\$462,989	16.3%	\$33,384,349
9/30/16	\$3,080,997	\$690,336	22.4%	\$35,775,010

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 \$31,501,267 at September 30, 2016. As of the most recent valuation, the ratio of the unfunded actuarial accrued liability to annual covered payroll of \$164,295,397 is 19.17%.

Note 3. Detailed notes on all funds (Continued)

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

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	2.50% per annum
Investment rate of return	4.00% 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 7.50%, declining to an ultimate rate of 4.50% after 14 years
Medical trend (post-65)	Initial rate of 7.00%, declining to an ultimate rate of 4.25% after 11 years

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.

Note 3. Detailed notes on all funds (Continued)

K. Property Taxes (Continued)

Tax Rate. The County's total tax rate for fiscal year 2016 was \$0.452694 per \$100 of assessed valuation; \$0.401819 was allocated for maintenance and operations, of which, one cent is allocated to the County's Capital Improvement Plan, and \$0.050875 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;
- (3) requires that the value of real property within the Appraisal District be reviewed at least once every three years;
- (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.

Note 3. Detailed notes on all funds (Continued)

M. Risk Management (Continued)

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 \$2,937,300. 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, 2016	Year Ended September 30, 2015
Unpaid claims, beginning of fiscal year	\$2,753,713	\$2,139,133
Incurring claims (including incurred but not reported)	2,047,355	4,260,525
Claim payments	<u>(1,863,768)</u>	<u>(3,645,945)</u>
Unpaid claims, end of fiscal year	<u>\$2,937,300</u>	<u>\$2,753,713</u>

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 fiscal year 2016, the County purchased stop loss insurance to cover individual health claims that exceed \$225,000. During the fiscal year, three claims were filed with the stop loss insurance carrier. Also at year-end, the County had outstanding health claims in the amount of \$676,323, 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, 2016, encumbrances amounted to \$7,278,766, of which \$1,527,176 relates to the general fund, \$4,118,990 to the major capital projects 2012, \$913,375 to the special revenue fund, and \$719,225 to the non-major capital projects fund.

Note 3. Detailed notes on all funds (Continued)

O. Payroll and Workers Compensation 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. The County utilizes a self-funded workers compensation fund to account for employer contributions and related workers compensation claims. As a means of ensuring adequate funds remain in this account, the County authorized maintaining a \$150,000 imprest amount to ensure funds are available at all times to meet workers compensation claims during times should claims exceed contributions while the County which is responsible to pay for such claims provide additional funding. This amount represents an inter-fund loan which at year-end is reversed and reported in the general fund.

P. Federal Commodities

For fiscal year ended September 30, 2016, the County received federal commodities in the amount of \$9,744 for the Juvenile Probation Department.

Q. Prior Period Adjustments

Prior period adjustments totaling (\$1,101,224) were made at the fund level to include (\$471,080) in the General Fund and (\$630,144) in the Special Revenue-Grants. Prior period adjustments made at the entity wide level include a \$605,540 correction for land, correction on deferred bond premium of (\$41,604) and \$2,269 correction on Deferred Inflow of Resources - refunding bonds (\$3,354) and (\$14,000) for corrections to prior period adjustments in the General Fund and Capital Projects, respectively.

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

The County became aware in January 2017 of potential improper use of grant funds and other violations of grant requirements managed by the Community Services-General Assistance Division. An internal investigation is currently underway. The amount of funds at issue is not material to the financial status of the County.

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>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>
Total Pension Liability										
Service cost	\$29,545,850	\$29,172,832	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	73,345,362	70,530,931	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	(95,847,633)	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	12,467,930	0								
Effect of economic/demographic (gains) or losses	(4,737,378)	3,927,389	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(30,298,225)	(26,161,836)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	(15,524,094)	77,469,316	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	946,745,363	869,276,047	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, ending (a)	<u>\$931,221,269</u>	<u>\$946,745,363</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary Net Position										
Employer contributions	\$24,826,415	\$24,527,009	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Member contributions	11,298,180	11,207,319	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Investment income net of investment expenses	(9,496,448)	44,436,493	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(30,298,225)	(26,161,836)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expenses	(512,359)	(529,596)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other	(660,025)	152,151	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in fiduciary net position	(4,842,462)	53,631,540	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, beginning	713,592,846	659,961,306	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, ending (b)	<u>\$708,750,384</u>	<u>\$713,592,846</u>	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability / (asset), ending = (a)-(b)	<u>\$222,470,885</u>	<u>\$233,152,517</u>	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	76.11%	75.37%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pensionable covered payroll	\$159,868,763	\$159,778,176	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a % of covered payroll	139.16%	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
Last 10 Fiscal Years

Fiscal Year	Actuarially Determined Contribution ⁽¹⁾	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll ⁽²⁾	Actual Contribution as a % of Covered Payroll
2015	\$24,656,583	\$24,667,674	\$(11,090)	\$159,275,156	15.5%
2016	25,561,943	25,561,934	9	164,295,397	15.6%

⁽¹⁾ TCDRS calculates actuarially determined contributions on a calendar year basis. Procedures have been applied to actuarial amounts to roll forward to the fiscal year amounts as required by GASB 68.

⁽²⁾ Payroll is calculated based on contributions as reported to TCDRS.

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.

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 rate:

Actuarial cost method	Entry age normal cost
Amortization method	Level percentage of payroll, closed
Remaining Amortization period	14.1 years (based on contribution rate calculated in 12/31/15 valuation)
Asset valuation method	5-year smoothed market
Inflation	3.0%
Salary increases	Varies by age and service. 4.9% average over career including inflation
Investment rate of return	8.0%, net of pension plan investment expense, including inflation
Retirement age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61
Mortality	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.
Changes in Plan Provisions Reflected in the Schedule*	Effective with the 2015 calendar year, employer contributions reflect that a 2% flat COLA was adopted.

*Only changes effective 2015 and later are shown in the Notes to Schedule.

**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)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2011	0	\$59,808,706	59,808,706	0%	\$152,329,012	39.26%
9/30/2014 ⁽¹⁾	0	26,748,051	26,748,051	0%	160,228,947	16.69%
9/30/2016	0	31,501,267	31,501,267	0%	165,369,461	19.05%

(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 – Component Unit
Year Ended December 31**

	<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>
Total Pension Liability										
Service cost	\$11,531,000	\$11,453,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	26,051,000	23,877,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	(2,467,000)	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	4,304,000	0								
Effect of economic/demographic (gains) or losses	(3,230,000)	(656,000)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	<u>(9,474,000)</u>	<u>(8,088,000)</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	26,715,000	26,586,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	<u>319,709,000</u>	<u>293,123,000</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>346,424,000</u>	<u>\$319,709,000</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										
Employer contributions	8,294,000	\$8,342,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Member contributions	6,490,000	6,339,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Investment income net of investment expenses	(2,734,000)	18,629,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(9,474,000)	(8,088,000)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expenses	(217,000)	(221,000)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other	149,000	132,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in fiduciary net position	2,508,000	25,133,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, beginning	<u>299,715,000</u>	<u>274,582,000</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>\$302,223,000</u>	<u>\$299,715,000</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>\$44,201,000</u>	<u>\$19,994,000</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	87.24%	93.75%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pensionable covered payroll	\$129,797,000	\$126,780,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a % of covered payroll	34.05%	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 – Component Unit

Year Ending September 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll ⁽¹⁾	Actual Contribution as a % of Covered Payroll
2015	\$8,186,000	\$8,186,000	0	\$127,109,000	6.4%
2016	8,750,000	8,750,000	0	137,360,000	6.4%

⁽¹⁾ Payroll is calculated based on contributions as reported to TCDRS.

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.

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	Level percentage of payroll, closed
Remaining Amortization period	14.5 years
Asset valuation method	5-year smoothed non-asymptotic market
Inflation	3%
Salary increases	4.9% average over career including inflation
Investment rate of return	8%, net of pension plan investment expense, including inflation
Retirement age	61
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 and then projected with 110% MP-2014 Ultimate Scale for 2014 and thereafter.

Schedule of Changes in Net Pension Liability and Related Ratios
El Paso County, Emergency Services District 2 – Component Unit
Year Ended December 31

	<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>
Total Pension Liability										
Service cost	\$99,145	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	3,595	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	(9,664)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	1,049									
Effect of economic/demographic (gains) or losses	9,046	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	0	<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	103,171	<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, beginning	0	<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>103,171</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										
Employer contributions	62,894	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Member contributions	39,735	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Investment income net of investment expenses	(872)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	0	<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	(38)	<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	(5)	<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	101,714	<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, beginning	0	<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>\$101,714</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>\$1,457</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	98.59%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pensionable covered payroll	\$567,640	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	0.26%									

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Schedule of Employer Contributions
El Paso County, Emergency Services District 2 – Component Unit

Year Ending December 31*	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll ⁽¹⁾	Actual Contribution as a % of Covered Payroll
2015	\$62,894	\$62,894	0	\$567,640	11.1%

⁽¹⁾ Payroll is calculated based on contributions as reported to TCDRS.

* As reported by ESD2

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.

Valuation date:

Actuarially determined contribution rates are calculated as of December 31, 2015.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Straight-line amortization method over expected working life
Asset valuation method	5-years, non-asymptotic
Inflation	3%
Salary increases	Varies by age and service. 4.9% average over career including inflation
Investment rate of return	8.10%, net of pension plan investment expense, including inflation
Cost-of-living adjustments	Are not considered to be substantively automatic under GASB 68. No assumption for future cost-of-living is included.
Retirement age	Average age 61
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 and then projected with 110% MP-2014 Ultimate Scale after that.

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

Year Ended September 30

	<u>2016</u>	<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	2.088%	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	\$608,195	\$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 *	175	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	\$3,476	\$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	76.3%	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 Component Unit Emergency Service Districts'
Contributions for Texas Emergency Services Retirement System (TESRS)**

Last 10 Fiscal Years

<u>Year Ending September 30</u>	<u>Contractually Required Contribution</u>	<u>Actual Employer Contribution</u>	<u>Actual Non- Employer (County) Contribution</u>	<u>Contribution Deficiency (Excess)</u>	<u>Active Members*</u>	<u>Contributions per Active Member</u>
ESD1						
2015	\$23,143		\$23,143		48	\$482
2016	22,776	\$10,000	20,556	\$(7,780)	47	650
ESD2						
2015	66,996		66,996		151	444
2016	55,932		55,932		128	437

* 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, 2016, 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 April 6, 2017. 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.



El Paso, Texas
April 6, 2017

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
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, 2016. 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 \$914,852 in federal awards and \$1,327,545 in state awards, which are not included in County of El Paso, Texas' schedule of expenditures of federal and state awards during the year ended September 30, 2016. 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 of compliance. 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 federal and state statutes, regulations, and the terms and conditions of its federal and state awards 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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the State of Texas Single Audit Circular. Those standards, the Uniform Guidance 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, 2016.

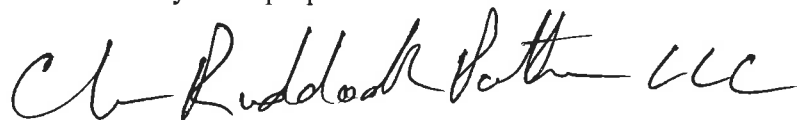
Report on Internal Control Over Compliance

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 the Uniform Guidance 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 the Uniform Guidance and the State of Texas Single Audit Circular. Accordingly, this report is not suitable for any other purpose.

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

El Paso, Texas
April 6, 2017

COUNTY OF EL PASO, TEXAS

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

Schedule Reference Number	PROGRAM	DESCRIPTION
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SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report issued on whether the financial statements audited were prepared in accordance with GAAP:

Unmodified

Internal control over financial reporting:

Were significant deficiencies in internal control disclosed?

None reported

Were material weaknesses in internal control disclosed?

No

Was any noncompliance disclosed that is material to the financial statements of the auditee, which would be required to be reported in accordance with Government Auditing Standards?

No

FEDERAL AND STATE AWARDS

Internal control over major federal and state award programs:

Were significant deficiencies in internal control over major programs disclosed?

Federal - None reported
State - None reported

Were material weaknesses in internal control over major programs disclosed?

Federal - No
State - No

(Continued)

COUNTY OF EL PASO, TEXAS

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

Schedule Reference Number	PROGRAM	DESCRIPTION
	Type of auditor’s report issued on compliance for the major federal and state award programs:	Unmodified
	Were there any audit findings that the auditor is required to report under Title 2 CFR 200.516 Audit findings paragraph (a) or the State of Texas Single Audit Circular?	Federal Programs - No State Programs - No
	Major Federal Programs:	<p><u>Community Development Block Grants:</u> CFDA 14.228: Colonia Self Help Center, Connington Subdivision, and Sunshine Acres Waste Water;</p> <p><u>Formula Grants for Rural Areas:</u> CFDA 20.509: Rural Transit Assistance Program and El Paso County, Texas and Eastern New Mexico; and</p> <p><u>Office of National Drug Control Policy (ONDCP) - High Intensity Drug Trafficking Areas Program:</u> CFDA 95.001: 34th Judicial District Prosecution Initiative and Multiple Initiatives.</p>
	Major State Programs:	<p><u>Specialty Courts Program:</u> 384th Drug Court: SF-16921-13 and SF-16921-14, 409th Juvenile Drug Court: SF-18028-12, DWI Court: SF-18692-09 and SF-18692-10, Protective Order Court: SF-24316-06, and El Paso County Veterans Court: SF-25831-04 and SF-25831-05; and</p> <p><u>Public Defenders Indigent Defense:</u> 212-16-071, 212-36-D06, 212-15/16-071, and 212-17-071.</p>

(Continued)

COUNTY OF EL PASO, TEXAS

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

Schedule Reference Number	PROGRAM	DESCRIPTION
	Dollar threshold used to distinguish between type A and type B programs:	\$750,000 - Federal Programs \$300,000 - State Programs
	Did auditee qualify as a low-risk auditee under 2 CFR 200.520 Criteria for a low-risk auditee and the State of Texas Single Audit Circular?	Yes - Federal Programs Yes - State Programs

(Continued)

COUNTY OF EL PASO, TEXAS

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

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

COUNTY OF EL PASO, TEXAS

SCHEDULE OF STATUS OF PRIOR FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2016

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

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, 2016

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2015-2016	State Expenditures 2015-2016
Federal Expenditures				
U. S. Department of Agriculture				
Rural Development				
# Colonia Revolucion Water Project	10.760	RD Grant	\$ (1,253)	
Total for CFDA 10.760			\$ (1,253)	
*Texas Department of Agriculture				
National School Lunch Program	10.555	TX-071215	\$ 151,090	
*TDHS - Commodities Distribution				
El Paso County Juvenile Probation (Non-Cash)	10.565	071-050-A4	\$ 9,744	
Total U.S. Department of Agriculture			\$ 159,581	\$ -
U. S. Department of Housing and Urban Development				
*Office of Rural Affairs within the Texas Department of Agriculture				
Colonia Self Help Center	14.228	7214003	\$ 113,552	
Connington Subdivision	14.228	713150	\$ 1,026	
Sunshine Acres Waste Water	14.228	7214005	\$ 500,000	
Total for CFDA 14.228			\$ 614,578	
*Texas Department of Housing and Community Affairs				
*City of El Paso				
Emergency Solutions Grant Program	14.231	2014-0498	\$ 19,259	
*Project Vida				
Emergency Solutions Grant Program	14.231	2016-0022	\$ 38,810	
Total for CFDA 14.231			\$ 58,069	
Community Development Block Grants				
*City of El Paso				
Homebound Meals	14.218	15-1039-513	\$ 55,570	
Total for CFDA 14.218			\$ 55,570	
Continuum of Care	14.267	TX0364L6T031300	\$ 37,883	
Total for CFDA 14.267			\$ 37,883	
Total U.S. Department of Housing and Urban Development			\$ 766,100	\$ -
U. S. Department of Justice				
Bureau of Justice Assistance				
State Criminal Alien Assistance Program (SCAAP)	16.606	2016-AP-BX-0044	\$ 256,587	
Total for CFDA 16.606			\$ 256,587	
Office of Community Oriented Policing Services (COPS)				
Community Policing - COPS in Schools	16.710	2013-UL-WX-0018	\$ 366,242	
COPS Building Trust People of Color	16.710	2014-CK-WX-0003	\$ 17,814	
Total for CFDA 16.710			\$ 384,056	
Asset Forfeiture Money Laundering Section				
El Paso County Sheriff's Office	16.922	TX0710000	\$ 34,621	
Total for CFDA 16.922			\$ 34,621	
Office of Justice Programs				
Organized Crime Drug Enforcement Task Force	16.111	SW-TXW-0554H	\$ 4,157	
Organized Crime Drug Enforcement Task Force	16.111	SW-TXW-0606H	\$ 9,360	
Organized Crime Drug Enforcement Task Force	16.111	SW-TXW-0321H	\$ 4,740	
Organized Crime Drug Enforcement Task Force	16.111	SW-TXW-0571H	\$ 283,451	

County of El Paso
Schedule of Expenditures of Federal and State Awards
Year Ended September 30, 2016

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2015-2016	State Expenditures 2015-2016
Organized Crime Drug Enforcement Task Force	16.111	SW-TXW-0618H	\$ 4,743	
Organized Crime Drug Enforcement Task Force	16.111	SW-TXW-0621H	\$ 5,451	
Organized Crime Drug Enforcement Task Force	16.111	SW-TXW-0695H	\$ 4,737	
Organized Crime Drug Enforcement Task Force	16.111	SW-TXW-0708H	\$ 4,486	
Organized Crime Drug Enforcement Task Force	16.111	SW-TXW-0720H	\$ 3,516	
Organized Crime Drug Enforcement Task Force	16.111	SW-TXW-0742H	\$ 4,937	
Organized Crime Drug Enforcement Task Force	16.111	SW-TXW-0754H	\$ 9,663	
Organized Crime Drug Enforcement Task Force	16.111	SW-TXW-0755H	\$ 9,190	
Organized Crime Drug Enforcement Task Force	16.111	SW-TXW-0757H	\$ 4,378	
Organized Crime Drug Enforcement Task Force	16.111	SW-TXW-0766H	\$ 6,781	
Organized Crime Drug Enforcement Task Force	16.111	SW-TXW-0770H	\$ 3,926	
Total for CFDA 16.111			\$ 363,516	
Edward Byrne Memorial Justice Assistant Grant	16.738	2013-DJ-BX-1029	\$ 847	
Edward Byrne Memorial Justice Assistant Grant	16.738	2014-DJ-BX-0825	\$ 18,382	
Edward Byrne Memorial Justice Assistant Grant	16.738	2015-DJ-BX-0831	\$ 10,421	
Total for CFDA 16.738			\$ 29,650	
<u>*Office of the Governor - Criminal Justice Division</u>				
409th Juvenile Drug Court	16.540	JA-18028-11	\$ 80,495	
Total for CFDA 16.540			\$ 80,495	
Victim Witness Services	16.575	VA-13625-17	\$ 169,150	
Victim of Crimes Act	16.575	VA-23931-06	\$ 109,274	
Total for CFDA 16.575			\$ 278,424	
Domestic Violence Unit	16.588	WF-13437-18	\$ 183,019	
Domestic Violence Unit	16.588	WF-13437-19	\$ 11,069	
Protective Order Court	16.588	WF-24316-07	\$ 15,089	
Total for CFDA 16.588			\$ 209,177	
Border Crime Initiative	16.738	DJ-19860-09	\$ 236,600	
§ Border Crime Initiative	16.738	DJ-19860-08	\$ (313)	
Total for CFDA 16.738			\$ 236,287	
Total U. S. Department of Justice			\$ 1,872,813	\$ -
U. S. Department of Transportation				
Federal Transit Administration				
<u>*Texas Department of Transportation</u>				
Van Pool	20.205	CSJ#0924-06-376	\$ 233,678	
Isleta, Socorro, San Elizario Route	20.205	CSJ#9024-06-488	\$ 295,918	
Total for CFDA 20.205			\$ 529,596	
Regional Public Transportation Plan	20.505	7756	\$ 75,794	
Total for CFDA 20.505			\$ 75,794	
Rural Transit Assistance Program	20.509	51424F7183	\$ 494,651	
El Paso County, Texas and Eastern New Mexico	20.509	7043	\$ 385,165	
El Paso County, Texas and Eastern New Mexico	20.509	ICB17012439	\$ 35,015	
Rural Transit Assistance Program	20.509	5316	\$ 758,909	
Total for CFDA 20.509			\$ 1,673,740	
Regional Public Transportation Plan	20.515	REG17012423	\$ 4,180	
Total for CFDA 20.515			\$ 4,180	
Rural Transit Vehicle Rehab	20.526	51424F7231	\$ 8,771	

County of El Paso
Schedule of Expenditures of Federal and State Awards
Year Ended September 30, 2016

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2015-2016	State Expenditures 2015-2016
Total for CFDA 20.526			\$ 8,771	
National Highway Traffic Safety Administration				
*Texas Department of Transportation				
Sheriff's STEP Single Year Comprehensive 2016	20.600	2016-ElPasoCO-S-1YG-0056	\$ 82,125	
Total for CFDA 20.600			\$ 82,125	
Sheriff's STEP-Impaired Driving Mobilization Project 2016	20.616	2016-ElPasoCO-IDM-00014	\$ 14,925	
Constable Pct. 4 TXDOT Incentive Grant	20.616	2016-EIPPct4-INC-IDM-00023	\$ 2,995	
Constable Pct. 6 TXDOT Impaired Driver Mobilization Grant	20.616	2016-EIPPct6-IDM-00040	\$ 3,712	
Click it or Ticket	20.616	2016-ElPasoCO-CIOT-00030	\$ 7,110	
Total for CFDA 20.616			\$ 28,742	
Total U.S. Department of Transportation			\$ 2,402,948	\$ -
U.S. Department of Health and Human Services				
*Texas Department of Aging and Disability Services				
Social Services Block Grant-Home Delivered Meals	93.667	000173100	\$ 915,522	
Total for CFDA 93.667			\$ 915,522	
*Texas Department of Family and Protective Services				
Promoting Safe and Stable Families -Child Protective	93.658	23940331	\$ 265,153	
*Texas Juvenile Justice Department				
Title IV-E	93.658	TJJD-E-2016-071	\$ 12,931	
Total for CFDA 93.658			\$ 278,084	
*Texas Attorney General				
Child Support Enforcement	93.563	AG TITLE IV -D	\$ 799,302	
Child Support Enforcement	93.563	14-C0043	\$ 120,148	
Child Support Enforcement	93.563	17-C0092	\$ 11,635	
Child Support Enforcement	93.563	15-C0027	\$ 7,490	
Child Support Enforcement	93.563	17-C0025	\$ 614	
Child Support Enforcement	93.563	17-C0117	\$ 151,031	
Total for CFDA 93.563			\$ 1,090,220	
Access and Visitation Grant	93.597	13-C0107	\$ 52,066	
Access and Visitation Grant	93.597	17-C0129	\$ 5,265	
Total for CFDA 93.597			\$ 57,331	
Total U.S. Department of Health and Human Services			\$ 2,341,157	\$ -
Executive Office of the President				
Office of National Drug Control Policy (ONDCP)				
34th Judicial Dist. Prosecution Initiative	95.001	G14SW0003A	\$ 4,710	
34th Judicial Dist. Prosecution Initiative	95.001	G15SW0003A	\$ 533,588	
34th Judicial Dist. Prosecution Initiative	95.001	G16SW0003A	\$ 55,229	
Multiple Initiatives	95.001	G14SW0001A	\$ 983,732	
Multiple Initiatives	95.001	G15SW0001A	\$ 2,745,601	
Multiple Initiatives	95.001	G16SW0001A	\$ 98,266	
Total for CFDA 95.001			\$ 4,421,126	
Total Executive Office of the President			\$ 4,421,126	\$ -
U. S. Social Security Administration				
Social Security Incentive Payment	96.008	20100901	\$ 82,800	
Total for CFDA 96.008			\$ 82,800	

County of El Paso
Schedule of Expenditures of Federal and State Awards
Year Ended September 30, 2016

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2015-2016	State Expenditures 2015-2016
Total U.S. Social Security Administration			\$ 82,800	\$ -
U.S. Department of Homeland Security				
Emergency Food and Shelter National Board Program	97.024	803600-014 Phase 32	\$ 55,468	
Total for CFDA 97.024			\$ 55,468	
*Texas Department of Public Safety				
Operation Stonegarden	97.067	2014-SS-00029	\$ 1,213,575	
Homeland Security	97.067	EMW-2014-SS-00029	\$ 45,545	
			\$ 1,259,120	
*Office of the Governor - Homeland Security Grants Division				
Homeland Security Community Response	97.067	2950401	\$ 191,795	
Operation Stonegarden	97.067	3007001	\$ 188,987	
			\$ 380,782	
Total for CFDA 97.067			\$ 1,639,902	
Total U.S. Department of Homeland Security			\$ 1,695,370	\$ -
<u>State Expenditures</u>				
Office of the Governor - Criminal Justice Division				
District Attorney's Border Prosecution	N/A	BP-22837-06		\$ 558,624
District Attorney's Border Prosecution	N/A	BP-22837-07		\$ 52,933
Local Border Security Program	N/A	BL-29953-01		\$ 214,978
& 384th Drug Court Program	N/A	SF-16921-13		\$ 130,682
& 384th Drug Court Program	N/A	SF-16921-14		\$ 10,552
409th Juvenile Drug Court	N/A	SF-18028-12		\$ 4,413
65th Family Drug Court Program	N/A	DC-23858-06		\$ 73,633
& DWI Court	N/A	SF-18692-09		\$ 113,276
& DWI Court	N/A	SF-18692-10		\$ 8,231
Protective Order Court	N/A	SF-24316-06		\$ 105,540
Project Hope	N/A	SF-25765-04		\$ 102,041
Project Hope	N/A	SF-25765-05		\$ 8,799
& El Paso County Veterans Court	N/A	SF-25831-04		\$ 157,415
& El Paso County Veterans Court	N/A	SF-25831-05		\$ 13,347
Prostitution Prevention Program	N/A	SF-27856-02		\$ 42,132
Prostitution Prevention Program	N/A	SF-27856-03		\$ 3,159
*Rio Grande Council of Governments				
Sheriff's Training Academy	N/A	SF-14285-15		\$ 122,134
Sheriff's Training Academy	N/A	SF-14285-15		\$ 7,794
Total Office of the Governor-Criminal Justice Division			\$ -	\$ 1,729,683
Texas Department of Agriculture				
Home-Delivered Meal Grant Program	N/A	HDM-16-1694		\$ 91,746
Total Texas Department of Agriculture			\$ -	\$ 91,746
Office of the Attorney General				
Sheriff's Crime Victim's Liaison	N/A	16-62287		\$ 38,621
Sheriff's Crime Victim's Liaison	N/A	17-72359		\$ 4,526
Total Office of the Attorney General			\$ -	\$ 43,147
Texas Department of Transportation				
Rural Transit Assistance Program	N/A	7536		\$ 188,967
Rural Transit Assistance Program	N/A	RUR170124		\$ 6
Total Texas Department of Transportation			\$ -	\$ 188,973

County of El Paso
Schedule of Expenditures of Federal and State Awards
Year Ended September 30, 2016

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2015-2016	State Expenditures 2015-2016
Texas Comptroller of Public Accounts				
Elections Chapter 19	N/A	TX Election CD Chapter 19		\$ 85,419
Lateral Road Fund Distribution	N/A	94F0001072		\$ 60,704
Sheriffs Continuing Education	N/a	TX Occup CD 1701.157		\$ 55,067
Total Texas Comptroller of Public Accounts			\$ -	\$ 201,190
Texas Department of Housing and Community Affairs				
*City of El Paso				
Homeless and Housing Services Program	N/A	KK-2016-0232		\$ 221,589
Total Texas Department of Housing and Community Affairs			\$ -	\$ 221,589
Texas Department of State Health Services				
Texas School Safety Center at TX State University-San Marcos				
Tobacco Enforcement Program FY 2016	N/A	2015-0588		\$ 39,300
Total Texas Department of State Health Services			\$ -	\$ 39,300
Texas Task Force on Indigent Defense				
Public Defender Indigent Defense	N/A	212-16-071		\$ 947,871
Public Defender Problem Solving Attorney	N/A	212-36-D06		\$ 18,530
Public Defender Office Expansion	N/A	212-15/16-071		\$ 781,932
Public Defender Office Expansion	N/A	212-17-071		\$ 47,987
Total Texas Task Force on Indigent Defense			\$ -	\$ 1,796,320
Texas Juvenile Justice Department				
TJJD Juvenile Board State Aid	N/A	TJJD-A-2016-071		\$ 2,628,167
TJJD Juvenile Board State Aid	N/A	TJJD-A-2017-071		\$ 213,207
TJJD Commitment Reduction Program	N/A	TJJD-C-2016-071		\$ 389,939
TJJD Commitment Reduction Program	N/A	TJJD-C-2017-071		\$ 4,435
TJJD Special Needs Diversionary	N/A	TJJD-M-2016-071		\$ 38,426
TJJD Mental Health Services	N/A	TJJD-N-2016-071		\$ 251,541
TJJD Mental Health Services	N/A	TJJD-N-2017-071		\$ 23,434
TJJD Juvenile Justice Alt. Education	N/A	TJJD-P-2015-071		\$ 91,292
TJJD Juvenile Justice Alt. Education	N/A	TJJD-P-2016-071		\$ 3,136
TJJD Family Preservation	N/A	TJJD-S-2016-071		\$ 141,170
TJJD Family Preservation	N/A	TJJD-S-2017-071		\$ 13,600
TJJD Prevention and Intervention Project	N/A	TJJD-T-2016-071		\$ 37,193
TJJD Prevention and Intervention Project	N/A	TJJD-T-2017-071		\$ 3,309
Total Texas Juvenile Justice Department			\$ -	\$ 3,838,849
Texas District Courts-Comptroller Judiciary				
Reimbursement of State Witness	N/A	TX CD Cram Proc 35.27/104.003		\$ 40,263
DA Apportionment Salaries	N/A	Gov CD Chpt 46.004		\$ 15,000
Total Texas District Courts-Comptroller Judiciary			\$ -	\$ 55,263
Texas Department of Criminal Justice				
Reimbursement of Offender Transportation	N/A	Gov CD Chpt 499.125		\$ 73,236
Total Texas Department of Criminal Justice			\$ -	\$ 73,236
Texas Department of Health and Human Services Commissions				
District Attorney Food stamp Fraud	N/A	OIG 042010A		\$ 4,760
Total Texas Department of Health and Human Services Commissions			\$ -	\$ 4,760
Texas Lottery Commission				
Texas Veteran's Commission	N/A	FVA-15A-0222		\$ 45,505
Texas Veteran's Commission	N/A	VTC_16_0385		\$ 38,987
Total Texas Lottery Commission			\$ -	\$ 84,492

County of El Paso
Schedule of Expenditures of Federal and State Awards
Year Ended September 30, 2016

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2015-2016	State Expenditures 2015-2016
TOTAL FEDERAL AND STATE FINANCIAL ASSISTANCE			\$ 13,741,895	\$ 8,368,548
Federal Funds Expended			\$ 13,741,895	
State Funds Expended			\$ 8,368,548	
Total Funds Expended			<u>\$ 22,110,443</u>	
Note:				
Special Revenues-Grants Total Expenditures			\$ 23,998,750	
Plus Funds received through General Fund			\$ 2,490,977	
Plus Funds received through Special Revenues			\$ 406,661	
plus Juvenile Probation Commodities			\$ 9,744	
Less Federal funds received not expended			\$ (4,286)	
Plus Fund balance			\$ 55,688	
Less Non-Federal or State Funding Sources			\$ (4,847,091)	
TOTAL FEDERAL AND STATE FINANCIAL ASSISTANCE			<u>\$ 22,110,443</u>	
Revenues				
Special Revenues-Grants Total Revenues			\$ 24,054,438	
Plus Revenues through General Fund			\$ 2,490,977	
Plus Revenues through Special Revenues			\$ 406,661	
Plus Juvenile Probation Commodities			\$ 9,744	
Less Federal funds received not expended			\$ (4,286)	
Less Non-Federal or State Funding Sources			\$ (4,847,091)	
Adjusted Balance			<u>\$ 22,110,443</u>	
			<u>\$ -</u>	

Federal Funds returned to Federal Agency.
* Federal or State Funds Passed-Through Another Agency.
& Grants Required to use Program Income before Grant Funds.
\$ Expenses reported in FY2015 exceeded actual expenditures.

COUNTY OF EL PASO, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED SEPTEMBER 30, 2016

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, 2016. 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 Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of Texas Single Audit Circular.

3. SINGLE AUDIT MAJOR PROGRAM DETERMINATION

The Uniform Guidance 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 \$914,852 in federal awards and \$1,327,545 in state awards, which are not included in the schedule during the year ended September 30, 2016 because the discretely presented component unit engaged other auditors to perform an audit in accordance with the Uniform Guidance and the State of Texas Single Audit Circular.

COUNTY OF EL PASO, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED SEPTEMBER 30, 2016

5. INDIRECT COST RATE

The County did not elect to use the 10% de minimus indirect cost rate, but used the indirect cost rate assigned by the grantor.