NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

The Hospital District operates University Medical Center, a non-profit organization, formally known as R. E. Thomason General Hospital. 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.

Emergency Services District 1 (ESD1) provides emergency services for the town of Horizon City and other communities within a 10-mile radius of the town. ESD1 provides services

through the Horizon Fire Department, including training for the 47 active members, of which 17 are emergency Medical Technicians certified at the basic level and six are certified at the paramedic level. The department has 11 certified firefighters. ESD1 utilizes dispatching services in conjunction with Horizon City Police Department. Complete financial statements can be obtained from the Office of the Board of Commissioners, President, 14151 Nunda, Horizon City, Texas 79928 and can be found on their website at http://epcesd1.com/transparency.html.

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

B. Government-wide and fund financial statements

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

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

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

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of* accounting, as are the proprietary and fiduciary fund financial statements. 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.

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

The County reports the following major governmental funds:

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

The County reports enterprise funds as major proprietary funds. The enterprise funds account for the activities of the East Montana Water Project, the Mayfair/Nuway Water 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 both enterprise funds.

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

The County reports the following non-major governmental funds:

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

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

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

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:

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

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

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

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

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.

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

D. Budgets

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

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

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

The annual adopted budget for fiscal year 2014 totaled $301,815,403. Throughout the year, the Commissioners Court amended the budget for an aggregate increase total of $28,056,487. These increases represented statutorily provided increases for additional funding by granting agencies and intergovernmental agreements bringing the overall budget total to $531,350,064, including re-appropriations. The appropriation changes included revisions as follows:

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgets (Continued)

County of El Paso, Texas
Schedule of Amended Funding Amounts
For the period ending September 30, 2014

Date of Amendment	General Fund	Special Revenue Fund	Enterprise Fund	Debt Service Fund	Capital Projects Fund	Grants	Total Funding Amounts
October 7, 2013	$244,249,556	$30,967,102	$2,410,413	$20,342,693	$3,845,639	$0	$301,815,403
Total amendments		(1,935)	606,900			27,451,522	28,056,487
Subtotal	$244,249,556	$30,965,167	$3,017,313	$20,342,693	$3,845,639	$27,451,522	$329,871,890
Carry over Re-appropriation	13,855,690	9,642,981	1,736,313		111,609,655	64,632,915	201,478,174
Totals	$258,105,246	$40,608,148	$4,754,246	$20,342,693	$115,455,294	$92,084,437	$531,350,064

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

	General Fund
Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual	$64,580,935
Revenues: Non-Budgeted	
Expenditures: Non-budgeted	(32,619)
Revenues over (under) Expenditures	32,619
Other financing sources (uses): Non-budged	(1,087,767)
Excess (deficiency) of revenues and Other financing sources over (under) Expenditures and other financing uses	(1,055,148)
Change in reserve for inventory	(32,619)
Prior years differences	(12,580,754)
Statement of Revenues, Expenditures and Changes in Fund Balances	$50,912,414

The non-budgeted expenditure in the general fund is a change in the reserve for inventory of $32,619, which represents the amount of inventory consumed during the year, and $1,087,767 of excess sales taxes transferred from the general fund to the debt service fund.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments

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

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

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments (continued)

TexPool and TexPool Prime

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

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

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

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

F. Receivables and Payables

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

F. Receivables and Payables (continued)

Property tax receivables are shown net of an allowance for uncollectable accounts. Property taxes are levied October 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, 2014.

G. Inventories and prepaid items

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

H. Restricted Assets

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

The government-wide statement of net position reports $116,662,135 of restricted assets, of which $21,665,586 is restricted by enabling legislation.

I. Capital Assets

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

I. Capital Assets (continued)

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

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

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

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

Assets	Years
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:

Assets	Years
Building & Improvements	40
Heavy trucks	10
Equipment	3-10

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

Assets	Years
Building & Improvements	40
Transportation Equipment	5-10
Equipment	5-10

Note 1. Summary of Significant Accounting Policies (Continued)

J. Deferred outflows/inflows of resources

In addition to assets, the statement of net position and/or balance sheet will periodically report a separate section for deferred outflows of resources. The deferred outflow of resources represents a consumption of net position that relates to a future period and will not be recognized as an outflow of resources until then. The County has a deferred outflow of resources 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 Hospital District has a deferred 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

ESD1 and ESD2 do not have any items in this category.

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. The County 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 are reported only in the governmental funds balance sheet.

The Hospital District 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 are reported only in the governmental funds balance sheet.

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 are 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 are reported only in the governmental funds balance sheet.

K. Compensated Absences

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

K. Compensated Absences (continued)

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, 2014, the County's total liability for vested vacation leave totaled $13,704,903.

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 $16,520,484 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 $30,225,387 of which $11,272,360 is reported as due within one year. The general fund or the appropriate special revenue fund is used to liquidate any liabilities for compensated absences.

L. Long-term Obligations

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

Note 1. Summary of Significant Accounting Policies (Continued)

L. Long-term Obligations (Continued)

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

M. Fund Balances

During the meeting of September 30, 2013, the County Commissioners Court established financial policies by resolution, that included a policy for maintaining a minimum fund balance of 10 to 15 percent of the total general fund adopted operating budget in any one fiscal year, or at a minimum, a balance equal to the projected cash needs for the first fiscal quarter to meet operating obligations.

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.

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

M. Fund Balances (Continued)

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

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

The restricted other purposes amount of $2,899,873 reported as other governmental funds consists of $2,899,873 special revenue funds restricted for various programs and projects.

N. Comparative Data/reclassifications

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

O. Use of Estimates

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

P. New accounting pronouncement

Governmental Accounting Standards Board (GASB) Statement Number 65, *Items Previously Reported as Assets and Liabilities,* which establishes accounting and financial reporting standards that reclassify certain items previously reported as assets and liabilities to deferred inflows or outflows of resources and recognize certain items that were previously reported as assets and liabilities as expenses and revenues. The County's financial statements are presented in accordance with this statement.

GASB Statement Number 68, *Accounting and Financial Reporting for Pensions,* whose objective is to improve the accounting and financial reporting by states and local governments for pensions and to improve the information provided about the financial support for pensions that is provided by other entities. This statement replaces the requirements of statement 27 *Accounting for Pensions by State and Local Governmental Employers,* as well as the requirements of statement 50 *Pension Disclosures,* as they related to pensions provided through pension plans administered as trusts or equivalent arrangements that meet certain criteria. This statement is effective for fiscal years beginning after June 15, 2014.

Note 1. Summary of Significant Accounting Policies (Continued)

P. New accounting pronouncement (Continued)

GASB Statement Number 69, *Governmental Combinations and Disposals of Government Operations*, establishes accounting and financial reporting standards related to government combinations. The term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. Disposal of a government's operations results in the removal of specific activities of a government. The requirements of this statement become effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013.

GASB Statement Number 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, this statement addresses an issue regarding application of the transition provisions of Statement Number 68, *Accounting and Financial Reporting for Pensions.* This statement will eliminate a source of a potential significant understatement of restated beginning net position and expense in the first year of implementation of Statement 68 in the accrual-basis financial statements of employers and non-employer contributing entities. The provisions of this statement are to be applied simultaneously with the provisions of Statement 68.

GASB Statement Number 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This statement requires a government to use valuation techniques that are appropriate under the circumstances and for which sufficient data is available to measure fair value. This statement is effective for financial statements for periods beginning after June 15, 2015.

Note 2. Legal Compliance - Budgets

The County Auditor serves as the Budget Officer for the Commissioners Court of the County. 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. Effective fiscal year 2015 and beginning October 1, 2014, the County of El Paso began operating under Local Government Code 111.061, Subchapter C., Alternate Method of Budget Preparation in counties with a population of more than 125,000 which establishes a Budget Office. Accordingly, the County Commissioners budgeted for various new departments and positions such as the Office of the Chief Administrator including department of Budget and Fiscal Policy and created chief positions of County Chief Administrator and a Budget Executive Director (Budget Officer).

The Budget Officer prepares a proposed budget utilizing spending requests received from the various County departments and agencies. This proposed budget contains the County Auditor's estimate of 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.

Note 2. Legal Compliance – Budgets (Continued)

Public hearings pertaining to the proposed budget are conducted by Commissioners Court and the Budget Officer. During these hearings, the department heads are requested to explain and justify their spending requests. Before determining the final budget, Commissioners Court, while establishing overall spending priorities for the County, may increase or decrease the amounts requested by the different departments and agencies.

After approval of the budget, Commissioners Court may authorize transfers of appropriations within the various expenditure levels during the year. Such transfers, however, may not increase the overall budget total. 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.

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 $221,428,748 consisting of cash and cash equivalents. Of this amount, $1,861,113 represents custodial funds from the County Clerk's Probate Account, $6,064,833 represents funds held in the District Clerk's Custodial Account and $257,595 represents restricted assets for business-type activities. The bank balance of $174,812,107 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 at Frost National Bank.

The carrying amount of the deposits for the Hospital District, the discretely presented component unit, was $219,750,000, 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 hospital's name by the depository bank's trust department.

The carrying amount of the deposits for the ESD1, the discretely presented component unit, was $1,392,683, 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 $3,909,276, 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.

Note 3. Detailed notes on all funds (Continued)

A. Deposits and Investments (Continued)

As of September 30, 2014, the County had the following investments.

Investment Type	Fair Value	Weighted Average Maturity (Years)
TexPool investment pool	$31,235,761	0.13
TexPool Prime investment pool	7,444,325	0.37
Total	$38,680,086	0.18

As of September 30, 2014, the Hospital District had the following investments.

Unrestricted Investment Type	Fair Value	Weighted Average Maturity (Years)
U.S. Agencies	$ 922,093	1.87
Total	$ 922,093	1.87

Restricted Investment Type	Fair Value	Weighted Average Maturity (Years)
Repurchase Agreements	$144,076,432	1.58
Certificates of deposit	700,000	0.66
Total	$ 144,776,432	1.58

ESD1 had the following investments as of September 30, 2014:

Unrestricted Investment Type	Fair Value
Certificates of Deposits	$807,312
U.S. Agencies	6,978
Total	$814,290

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

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

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

Note 3. Detailed notes on all funds (Continued)

A. Deposits and Investments (Continued)

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

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

El Paso County Investment at September 30, 2014	Standard & Poor's Rating
Local Government Investment Pools	AAAm

Component Unit Investment at September 30, 2014	Standard & Poor's Rating
Federal Home Loan Bank	AA+
Local Government Investment Pools	AAAm

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

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

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

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

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

Note 3. Detailed notes on all funds (Continued)

A. Deposits and Investments (Continued)

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 possession of an outside party. The County and Hospital District reduces 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 type of securities such as commercial paper by limiting the maximum maturity and maximum investment.

B. Receivables

Receivables as of September 30, 2014 for the general, major capital and grant funds, enterprise funds and non-major governmental, including applicable allowances for uncollectable accounts, are as follows:

	General	Major Special Revenue-Grants Funds	Other Non-major Funds	Total
Receivables:				
Taxes	$17,872,417			$17,872,417
Accounts	8,021,557	$5,376,246	$450,831	13,848,634
Notes		855,047		855,047
Less: allowance for uncollectable	(178,724)			(178,724)
Net total receivables	$25,715,250	$6,231,293	$450,831	$32,397,374

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, 2014. 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:

Note 3. Detailed notes on all funds (Continued)

B. Receivables (continued)

	Unavailable	Unearned
Delinquent property taxes receivable (general fund)	$16,678,135	
Court costs and fines (general fund)	88,440	
Draw-downs prior to meeting eligibility requirements (grants)		456,716
Total deferred /unearned revenue for governmental funds	$16,766,575	$456,716

C. Capital assets

Capital assets activity for the year ended September 30, 2014 was as follows:

Primary Government

	Beginning Balance	Prior Period Adjustments	Increases	Decreases	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Artwork			$56,255		$56,255
Land	$17,524,889	($19,770)			17,505,119
Easements	110,000				110,000
Information Technology System in progress	10,409,276		3,245,093	(11,543,004)	2,111,365
Construction in progress	50,794,836	(119,103)	11,828,396	($42,403,662)	20,100,467
Total capital assets, not being depreciated	78,839,001	($138,873)	15,129,744	(53,946,666)	39,883,206

Capital assets, being depreciated:

	Beginning Balance		Increases	Decreases	Ending Balance
Bridges and culverts	3,570,308		6,326,061		9,896,369
Buildings	237,988,600		28,450,758		266,439,358
Equipment	28,884,607		18,867,107	(929,065)	46,822,649
Furniture and fixtures	1,204,137		3,228	(186,183)	1,021,182
Improvements	13,787,374		118,367		13,905,741
Infrastructure	5,663,001		1,063,106		6,726,107
Leased equipment	398,929		6,260	(65,224)	339,965
Roads	41,512,471		8,919,558		50,432,029
Vehicles	20,159,528	(253,293)	1,950,909	(983,710)	20,873,434
Total capital assets, being depreciated	353,168,955	(253,393)	65,705,354	(2,164,182)	416,456,834

	Beginning Balance		Increases	Decreases	Ending Balance
Less accumulated depreciation for:					
Bridges and culverts	(2,260,624)		(194,100)		(2,454,724)
Buildings	(135,515,857)		(6,806,112)		(142,321,969)
Equipment	(23,360,272)		(3,030,976)	829,752	(25,561,496)
Furniture and fixtures	(816,955)		(39,309)	14,944	(841,320)
Improvements	(6,327,643)		(600,067)		(6,927,710)
Infrastructure	(739,739)		(250,090)		(989,829)
Leased equipment	(180,481)		(86,075)	46,588	(219,968)
Roads	(16,678,677)		(2,232,323)		(18,911,000)
Vehicles	(13,106,588)		(1,424,917)	938,851	(13,952,654)
Total accumulated depreciation	(198,986,836)		(14,663,969)	1,830,135	(211,820,670)
Total capital assets, being depreciated, net	154,182,119	(253,293)	51,041,385	(334,047)	204,636,164
Governmental activities capital assets, net	$233,021,120	($392,166)	$66,171,129	($54,280,713)	$244,519,370

Note 3. Detailed notes on all funds (Continued)

C. Capital assets (Continued)

	Beginning Balance	Prior Period Adjustments	Increases	Decreases	Ending Balance
Business-type Activities:					
Capital assets, not being depreciated:					
Land		$19,770			$19,770
Construction in Progress	$613,010	66,500	$391,980	($613,010)	458,480
Total capital assets, not being depreciated	$613,010	86,270	$391,980	($613,010)	$478,250
Capital assets, being depreciated:					
Vehicles	16,979		25,755		42,734
Water System	13,141,013		613,010		13,754,023
Total capital assets, being depreciated	13,157,992		638,765		13,796,757
Less accumulated depreciation for:					
Vehicles	(16,979)		(644)		(17,623)
Water system	(3,717,298)		(335,257)		(4,052,555)
Total accumulated depreciation	(3,734,277)		(335,901)		(4,070,178)
Total capital assets, being depreciated, net	9,423,715		302,864		9,726,579
Business-type activities capital assets, net	$10,036,725	$86,270	$694,844	($613,010)	$10,204,829

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

Governmental activities:	
General Government	$4,475,832
Administration of justice	103,730
Public safety	4,947,225
Health and welfare	159,358
Community service	78,780
Resource Development	1,287
Culture and recreation	1,529,433
Public works	3,368,324
Total depreciation expense governmental activities	$14,663,969
Business-type activities:	
Vehicles	$644
Water system	335,257
Total depreciation expense Business-type activities	$335,901

Prior Period adjustments were for the transfer of land and construction in progress from governmental activities to the enterprise fund to correct errors in posting of assets.

Note 3. Detailed notes on all funds (Continued)

C. Capital assets (Continued)

Construction and Technology Computer Systems Commitments

The County has several active projects as of September 30, 2014. The projects include, among others, the Ascarate Annex, Colonia Revolućion Water System, Eastside Annex, Sportspark Complex Renovations, New Jail Annex Unit, roof replacement at Jail Annex, Courthouse Plumbing System, Tornillo-Guadalupe Port of Entry Toll System and the Tyler Munis Enterprise System.

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

Project	Spent-to-date	Remaining Commitment
Governmental Activities		
Ascarate Annex Elevator	$37,873	$110,546
Colonia Revolućion Water System	2,846,827	271,673
Eastside Annex	616,060	3,298,814
Sportspark Complex Renovations	7,334,257	2,324,145
New Jail Annex Unit	7,038,299	39,532,398
Roof Replacement at Jail Annex	1,536,164	1,599,805
Courthouse Mechanical Plumbing System	490,981	274,019
Tornillo Guadalupe Port of Entry Toll System	200,006	1,489,585
Total	$20,100,467	$48,900,985
Information Technology Systems Commitments		
Tyler Munis Enterprise System	$2,111,365	$3,383,635
Total	$2,111,365	$3,383,635
Business Type Activities		
Colonia Revolućion Water System	$458,480	
Total	$458,480	

Component units

Capital asset activity for the Hospital District for the year ended September 30, 2014 was as follows:

	Beginning Balance	Increases	Transfer Disposals/ Retirements	Ending Balances
Capital assets, not being depreciated:				
Land	$10,330,000	$1,244,000		$11,574,000
Construction in progress	5,291,000	23,445,000	($12,947,000)	15,789,000
Total capital assets, not being depreciated	15,621,000	24,689,000	(12,947,000)	27,363,000
Capital assets, being depreciated:				
Buildings and improvements	413,493,000	511,000	(94,000)	413,910,000
Movable and fixed equipment	233,517,000	12,380,000	(1,796,000)	244,101,000
Total capital assets, being depreciated	647,010,000	12,891,000	(1,890,000)	658,011,000

Note 3. Detailed notes on all funds (Continued)

C. Capital assets (Continued)

Less accumulated depreciation for:				
Buildings, improvements and equipment	(273,890,000)	(33,446,000)	1,780,000	(305,556,000)
Total accumulated depreciation	(273,890,000)	(33,446,000)	1,780,000	(305,556,000)
Total capital assets, being depreciated, net	373,120,000	(20,555,000)	(110,000)	352,455,000
Hospital District capital assets, net	$388,741,000	$4,134,000	($13,057,000)	$379,818,000

The Hospital District construction in progress at September 30, 2014, primarily represents the capitalized interest from the 2013 revenue bond debt issuance along with certain other costs incurred to fund approximately $150 million of capital improvements, including outpatient medical clinics, renovate existing hospital inpatient floors and purchase equipment for the main campus. These projects will occur throughout 2015 and 2016.

Capital asset activity for the ESD1 for the year ended September 30, 2014, was as follows:

	Beginning Balance	Increases	Transfer Disposals/ Retirements	Ending Balances
Capital assets, not being depreciated:				
Land	$179,764			$179,764
Construction in progress	3,823,907	$1,253,624	($5,077,531)	
Total capital assets, not being depreciated	4,003,671	1,253,624	(5,077,531)	179,764
Capital assets, being depreciated:				
Buildings and improvements	480,395		4,597,136	5,077,531
Heavy Trucks	2,745,287	764,786		3,510,073
Equipment	816,246	246,252		1,062,498
Total capital assets, being depreciated	4,041,928	1,011,038	4,597,136	9,650,102
Less accumulated depreciation for:				
Buildings and improvements	(224,738)	(58,269)	(230,116)	52,891
Heavy Trucks	(1,423,697)	(242,588)		1,666,285
Equipment	(655,467)	(71,030)		726,497
Total accumulated depreciation	(2,303,902)	(371,887)	(230,116)	2,445,673
Total capital assets, being depreciated, net	1,738,026	639,151	4,827,252	7,204,429
ESD1 capital assets, net	$5,741,697	$1,892,775	($250,279)	$7,384,193

Total provision for depreciation of $371,887 was charged to public safety of ESD1. Capital assets pledged as security for long-term debt had a cost of $5,900,006.

Note 3. Detailed notes on all funds (Continued)

C. Capital assets (Continued)

Capital asset activity for the ESD2 for the year ended September 30, 2014, was as follows:

	Beginning Balance	Increases	Transfer Disposals/ Retirements	Ending Balances
Capital assets, not being depreciated:				
Land	$786,051			$786,051
Total capital assets, not being depreciated	786,051			786,051
Capital assets, being depreciated:				
Buildings and improvements	11,833,733	$146,047		11,979,780
Transportation equipment	16,777,601	300,076	($66,000)	17,011,677
Other equipment	2,908,678	180,619		3,089,297
Total capital assets, being depreciated	31,520,012	626,742	(66,000)	32,080,754
Less accumulated depreciation for:				
Buildings and improvements	(2,821,403)	(296,154)		3,117,557
Transportation Equipment	(10,668,142)	(1,844,945)	(56,924)	12,456,163
Other equipment	(1,946,297)	(372,971)		2,319,268
Total accumulated depreciation	(15,435,842)	(2,514,070)	(56,924)	17,892,988
Total capital assets, being depreciated, net	16,084,170	(1,887,328)	(9,076)	14,187,766
ESD2 capital assets, net	$16,870,221	($1,887,328)	($9,076)	$14,973,817

D. Inter-fund receivables, payables, and transfers

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

The composition of inter-fund/intra-fund balances as of September 30, 2014, is as follows:

	Due From	Due To
Major Special Revenue-Grants		
34th Judicial Hospital District Prosecution Initiative		$94,401
65th Hospital District Family Drug Court		22,487
384th Hospital District Drug Court		21,541
409th Hospital District Drug Court		13,334
Access and Visitation		7,704
BCMHC Inception Project	$10	
BCMHC Non-Traditional Services	5,837	
Border Crime Initiative	6,911	
Bulletproof Vest Partnership		3,549
Byrne Justice Assistance Grant		3,763
CA Prosecutor Security		4,842
Child Protective Services		36,204
Colonia Revolucion Water Project		224,448
Colonia Self-Help Center		420,665
COPS in Schools		218,315
DA Border Prosecution		102,708
DIMS Project		66,701
Domestic Violence Unit		24,192
DWI Court Program		19,742

Note 3. Detailed notes on all funds (Continued)

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

	Due From	Due To
El Paso/NM Transit System		32,320
Emergency Solution Grant Program		34,017
Homeland Security		61,833
HIDTA Program Income	888,478	
Juvenile Board State Aid	85,608	
Nutrition Meals		104,607
ONDCP Multiple Initiatives		499,966
Operation Stonegarden		187,010
Organized Crime Drug Enforcement Task Force		95,634
Project Hope		60,215
Prostitution Prevention Program		52,173
Protective Order Court		30,682
Public Defender Problem Solving Attorney	3,315	
Regional Public Transportation Plan		41,998
Rural Bus Auction Proceeds	8,129	
Sheriff's Crime History Reporting		46,188
Sheriff's Crime Victim Services		2,014
Sheriff's Step		836
Sheriff's Training Academy		24,425
Texas Juvenile Justice Department	693,785	
TJPC Title IV-E Enhanced Billing	1,014,882	
Teen Intervention		11,996
Texas Capital Project	150,530	
Van Pool Program		212,580
Veterans Court		44,641
Victim of Crime		14,188
Victim Witness Services		15,566
Subtotal	2,857,485	2,857,485
Grand Total	$2,857,485	$2,857,485

The following are the transfers in and out as of September 30, 2014:

	Transfers Out Actual	Transfers In Actual
General Fund		
Access and visitation – Match	$9,777	
Child Protective Services - Match	700,000	
Court Reporter		$344,300
DIMS Project – Match	391,966	
Domestic Violence Unit – Match	125,836	
Excess Grant Match		495,323
Excess Sales Tax	1,087,767	
General & Administrative	3,737,031	203,000
Justice Court Manager		116,500
Juvenile Probation	2,940	
Nutrition – Match	275,000	
Public Defender Problem Solving Match	31,510	
Protective Order – Match	78,761	
Rural Transit	54,175	
Square Dance Match	100,000	
Victim Witness Services	95,889	
Subtotal	6,690,652	1,159,123
Major Special Revenue-Grants		
409th Hospital District Drug Court	1,697	2,040
Access and Visitation		9,777
Child Protective Services	137,179	700,000
Colonia Self-Help		10,310
DIMS Project	44,635	391,966
Domestic Violence Unit	3,740	125,836
Juvenile Accountability Incentive	385	900
Nutrition	295,317	275,000

Note 3. Detailed notes on all funds (Continued)

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

	Transfers Out Actual	Transfers In Actual
Protective Order Court	6,158	78,761
Public Defender Problem Solving Attorney	3,746	31,510
Van Pool Program		17,075
Victims of Crime Act	4,526	57,297
Victim Witness Services	1,516	95,889
Ysleta, Socorro, San Eli Circular Route		37,100
Subtotal	498,899	1,833,461
Non Major Special Revenue		
County Tourist Promotion		669,629
Coliseum Tourist Promotion	669,629	
Courthouse Security	203,000	
Court reporter Service	344,300	
Juvenile Case Manager	116,500	
Subtotal	1,333,429	669,629
Non Major Capital Projects		
County Capital Improvements 2001		3,673,000
Subtotal		3,673,000
Non-Major Debt Service		
G.O. Refunding 2011		1,087,767
Subtotal		1,087,767
Total Non-Major	1,333,429	5,430,396
Grand total	$8,522,980	$8,422,980

The $100,000 difference in the transfers in and out is due to a transfer to the Enterprise Fund for the Square Dance Waste Water project.

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, 2014 amounted to $681,368.

Capital Leases

The County leases equipment through capital leasing arrangements in the governmental fund types. Payments during fiscal year ended September 30, 2014, amounted to $107,514. 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:

	Governmental Activities
Asset:	
Machinery and equipment	$339,965
Less: accumulated depreciation	219,968
Total	$119,997

Note 3. Detailed notes on all funds (Continued)

E. Leases (Continued)

The future minimum lease payments and the net present value of these minimum lease payments as of September 30, 2014 for the County are as follows:

	Year ending September 30	Governmental Activities
	2015	$94,053
	2016	23,349
	2017	2,681
	2018	1,533
	2019	128
Total minimum lease payments		121,744
Less: Interest		11,604
Present value of future Minimum lease payments		$110,140

The annual capital lease payments as of September 30, 2014 for ESD1 are as follows:

Year ending September 30	Principal	Interest	Total
2015	$37,188	$18,962	$56,150
2016	38,930	17,220	56,150
2017	40,753	15,397	56,150
2018	42,663	13,487	56,150
2019	44,661	11,489	56,150
2020-2024	200,569	24,031	224,600
Total	$404,764	$100,586	$505,350
Less amount due within one year	37,188		
Amount due after one year	$367,576		

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

The annual capital lease payments as of September 30, 2014 for ESD2 are as follows:

Year ending September 30	Governmental Activities
2015	$1,418,084
2016	1,168,850
2017	1,150,621
2018	1,182,372
2019	1,223,466
2020-2024	5,271,614
2025-2028	1,503,593
Total	$12,918,600

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

Note 3. Detailed notes on all funds (Continued)

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 $216,320,000. The ending balance of the revenue bonds is $1,612,000.

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.

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

Purpose	Interest Rates	Issue Date	Maturity Date	Amount
Certificates of Obligation, Series 2001	4.00 – 5.50%	2001	2022	$9,940,000
Certificates of Obligation, Series 2007	4.00 – 5.00%	2007	2032	57,730,000
General Obligation Refunding, Series 2007	4.00 – 5.00%	2007	2022	40,200,000
Taxable Certificates of Obligation, Series 2007A	4.65 – 6.23%	2007	2032	8,825,000
General Obligation Refunding, Series 2011	2.125 – 5.25%	2011	2022	5,780,000
Certificates of Obligation, Series 2012	2.00 – 5.00%	2012	2032	93,845,000
				$216,320,000

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

Year Ending	Governmental Activities		
September 30	Principal	Interest	Total
2015	$10,105,000	$10,282,582	$20,387,582
2016	10,710,000	9,859,912	20,569,912
2017	11,270,000	9,349,331	20,619,331
2018	11,000,000	8,841,500	19,841,500
2019	11,145,000	8,329,712	19,474,712
2020-2024	57,435,000	33,287,175	90,722,175
2025-2029	60,385,000	19,141,043	79,526,043
2030-2032	44,270,000	3,434,741	47,704,741
	$216,320,000	$102,525,996	$318,845,996

Note 3. Detailed notes on all funds (Continued)

F. Long-term Debt (continued)

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:

Purpose	Interest Rates	Issue Date	Maturity Date	Amount
El Paso County Water System				
$1,050,000 East Montana Waterworks System Revenue Bonds, Series 1997-A	4.875%	1997	2037	$840,000
$272,000 Mayfair/Nuway Water System Revenue Bonds, Series 2012	2.25%	2012	2052	272,000
$500,000 Colonia Revolućion Water System Revenue Bonds, Series 2013	2.25%	2013	2053	500,000
Total				$1,612,000

Revenue bond debt service requirements to maturity are as follows:

Year Ending September 30	Principal	Interest	Total
2015	$32,000	$57,192	$89,192
2016	33,000	57,019	90,019
2017	33,000	55,781	88,781
2018	34,000	54,484	88,484
2019	34,000	53,194	87,194
2020-2024	223,000	241,739	464,739
2025-2029	263,000	194,983	457,983
2030-2034	323,000	136,394	459,394
2035-2039	285,000	63,962	348,962
2040-2044	117,000	34,033	151,033
2045-2049	131,000	20,153	151,153
2050-2053	104,000	5,221	109,221
	$1,612,000	$974,155	$2,586,155

Note 3. Detailed notes on all funds (Continued)

F. Long-term Debt (Continued)

Prior Years

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

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

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

Note 3. Detailed notes on all funds (Continued)

F. Long-term Debt (Continued)

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2014, was as follows:

	Beginning Balance	Adjustments	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:						
Bonds payable:						
General obligation bonds	$52,065,000			($6,085,000)	$45,980,000	$6,330,000
Certificates of obligation bonds	173,950,000			(3,610,000)	170,340,000	3,775,000
Bond Premium	13,661,778			(763,130)	12,898,648	
Less deferred amounts:						
For issuance discounts [1]	(2,176,538)	$2,176,538				
Total bonds payable	237,500,240	2,176,538		(10,458,130)	229,218,648	10,105,000
Capital leases	197,873		19,781	(107,514)	110,140	94,053
Claims and judgments	2,195,057		2,249,905	(2,305,829)	2,139,133	2,139,133
Contingent liabilities	1,957,000		3,035,000	(1,957,000)	3,035,000	425,000
Compensated absences	31,759,844		30,225,387	(31,759,845)	30,225,387	11,272,360
OPEB Liability	28,648,428		2,353,118		31,001,546	
Governmental activity Long-term liabilities	$302,258,442	$2,176,538	$37,883,191	($46,588,317)	$295,729,854	$24,035,546

	Beginning Balance	Adjustments	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:						
Bonds payable:						
Revenue Bonds	$1,132,000		$500,000	($20,000)	$1,612,000	$32,000
Total bonds payable	1,132,000		500,000	(20,000)	1,612,000	32,000
Business-type activity Long-term liabilities	$1,132,000		$500,000	($20,000)	$1,612,000	$32,000

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

No-commitment debt

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

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

1 Bond issuance costs that were being amortized over the life of the related bonds are being eliminated as a prior adjustment with the implementation of GASB 65

Note 3. Detailed notes on all funds (Continued)

F. Long-term Debt (Continued)

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-term debt					
Bonds payable	$374,930,000		($5,230,000)	$369,700,000	$6,210,000
Bond premium and discount	34,907,000		(1,495,000)	33,412,000	1,491,000
Total long-term debt	$409,837,000		($6,725,000)	$403,112,00	$7,701,000

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

Also, in May 2013, the Hospital District refunded $115.9 million of the $120 million Series 2005 Combination Tax and Revenue Bonds with $110.4 million of Series 2013 General Obligation Refunding Bonds. Interest rates on the 2013 refunding bonds range from 3% to 5%. The maturity schedule of the Series 2013 refunding bonds was consistently maintained with the Series 2005 bonds. As a result of the refunding, the Medical Center decreased its total debt service requirements by $13.3 million ($9.1 million present value) and incurred an accounting loss of approximately $10.6 million. The accounting loss on the debt refunding is being amortized into interest expense using a straight-line method over the term of the debt issuance, which matures in 2035. The balance of the deferred loss on the debt refunding is $10.4 million at September 30, 2013 and is included as a deferred outflow of resources in the accompanying balance sheets. The Series 2013 Combination Tax and Revenue Bonds, at the option of the Medical Center, provide for early redemption on bonds having stated maturities on and after August 15, 2024, in whole or in part, on August 15, 2023, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

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

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

Note 3. Detailed notes on all funds (Continued)

F. Long-term Debt (Continued)

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

On December 20, 2005, the Hospital District issued Series 2005 Combination Tax and Revenue Bonds/ Certificates of Obligation. Proceeds of the bonds were used to finance the construction and equipping of operating and emergency departments, replacement facility for inpatient surgery, additional patient rooms, a heart program and additional outpatient clinics.

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

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

	Principal	Interest	Total
Year ending September 30			
2015	$6,210,000	17,855,000	24,065,000
2016	6,485,000	17,580,000	24,065,000
2017	6,755,000	17,311,000	24,066,000
2018	7,050,000	17,013,000	24,063,000
2019	7,345,000	16,719,000	24,064,000
2020-2024	42,425,000	77,902,000	120,327,000
2025-2029	53,885,000	66,443,000	120,328,000
2030-2034	68,260,000	52,061,000	120,321,000
2035-2039	85,945,000	34,379,000	120,324,000
2040-2043	85,340,000	10,928,000	96,268,000
	$369,700,000	$328,191,000	$697,891,000

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

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.

Note 3. Detailed notes on all funds (Continued)

G. Contingent Liabilities (continued)

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 $3,035,000 for probable losses has been accrued as a contingency and is reported at the government-wide financial statements. Of this amount, $425,000 is reported due within one year and $2,610,000 due in more than one year.

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

ESD1 was involved in litigation with the City of El Paso for compensation owed of $123,405 as a result of annexation of land within the jurisdiction of ESD1. ESD1 was awarded $25,675 in 2013, which was collected in 2014. The remaining amount of $97,730 is still pending appeals.

ESD2 had no contingent liabilities.

H. Deferred Compensation

The County offers its employees a deferred compensation plan that permits them to defer a portion of their current salary until future years. Any contributions made to the deferred compensation plan, in compliance with Section 457 of the Internal Revenue Code, are not available to employees until termination of employment, retirement, death or an unforeseen emergency. Contributions to the plan are administered by Nationwide Retirement Solutions, ING Life Insurance and Annuity Company 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, 2014, the plan assets were valued at $25,885,426.

I. Employee Retirement Plan

Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees and part-time employees working at least 900 hours a year through an agent multiple-employer defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 656 nontraditional defined benefit pension plans. 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.

Note 3. Detailed notes on all funds (Continued)

I. Employee Retirement Plan (Continued)

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

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

Funding Policy

The County has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The County contributed using the actuarially determined rate of 14.64% for the months of the accounting year in 2013, and 15.35% for the months of the accounting year in 2014.

The contribution rate payable by the employee members for calendar year 2014 is the rate of 7% as adopted by the governing body of the County. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Annual Pension Cost

For the County's accounting year ending September 30, 2014, the annual pension cost for the TCDRS plan for its employees was $24,146,885, and the actual contributions were $24,146,885. The annual required contributions were actuarially determined using the entry age actuarial cost method and were in compliance with the GASB Statement No. 27 parameters as amended by GASB 50 and based on the actuarial valuations as of December 31, 2011 and December 31, 2012, the basis for determining the contribution rates for calendar years 2013 and 2014. The December 31, 2013 actuarial valuation is the most recent valuation. The actuarial assumptions at December 31, 2013 included (a) 8.0 percent investment rate of return (net of administrative expenses) and (b) projected salary increases of 4.9 percent. Both (a) and (b) included an inflation component of 3.0 percent. The actuarial value of the plan's assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis.

Note 3. Detailed notes on all funds (Continued)

I. Employee Retirement Plan (Continued)

Actuarial Valuation Information

Actuarial valuation date	12/31/11	12/31/12	12/31/13
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period in years	20	20	20
Asset valuation method			
Subdivision Accum.Fund	10-yr smoothed value	10-yr smoothed value	5-yr smoothed value
Employees Saving Fund	Fund value	Fund value	Fund value
Actuarial Assumptions:			
Investment return[1]	8.0%	8.0%	8.0%
Projected salary increases[1]	5.4%	5.4%	4.9%
Inflation	3.5%	3.5%	3.0%
Cost-of-living adjustments	0.0%	0.0%	0.0%

Trend Information
for the Retirement Plan for the Employees of the County of El Paso

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/12	$20,771,949	100%	0
09/30/13	22,161,213	100%	0
09/30/14	24,146,885	100%	0

Funded Status

The funded status of the plan as of December 31, 2013, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	$595,018,640
Actuarial value of plan assets	488,946,349
Unfunded AAL (UAAL)	$106,072,291
Funded ratio	82.17%
Annual Covered payroll (actuarial)[2]	$154,448,009
UAAL as percentage of covered payroll	68.68%

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

[1] Includes inflation at the stated rate.
[2] Covered payroll based on actuarial valuations.

Note 3. Detailed notes on all funds (Continued)

I. Employee Retirement Plan (Continued)

Retirement Plan - Component Units

Hospital District

Plan Description

The Hospital District provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 656 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the Board of Managers of the Hospital District, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at age 60 and above with eight or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

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

Funding Policy

The Hospital District has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The Hospital District contributed using the actuarially determined rate of 6.58% for the months of the accounting year in 2014, and 6.26% for the months of the accounting year in 2013.

The contribution rate payable by the employee members for calendar year 2014 and 2013 is 5% as adopted by the governing body of the Hospital District. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Note 3. Detailed notes on all funds (Continued)

I. Employee Retirement Plan (Continued)

Annual Pension Cost

For the Hospital District's fiscal years ending September 30, 2014 and 2013, the annual pension cost for the TCDRS plan was approximately $8,300,000 and $7,300,000, respectively, with the actual employer contributions approximating pension costs. The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 50 parameters based on the actuarial valuations as of December 31, 2013 and 2012, the basis for determining the contribution rates for calendar years 2014 and 2013. The December 31, 2013 actuarial valuation is the most recent valuation. .

Actuarial Valuation Information

Actuarial valuation date	12/31/11	12/31/12	12/31/13
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period in years	20	20	20
Asset valuation method			
Subdivision Accumulation Fund	10-yr smoothed value	10-yr smoothed value	5-yr smoothed value
Employees Saving Fund	Fund value	Fund value	Fund value
Actuarial Assumptions:			
Investment return[1]	8.0%	8.0%	8.0%
Projected salary increases[1]	5.4%	5.4%	4.9%
Inflation	3.5%	3.5%	3.0%
Cost-of-living adjustments	0.0%	0.0%	0.0%

Trend Information
for the Retirement Plan for the Employees of the Hospital District

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/12	$6,696,000	100%	0
09/30/13	7,260,000	100%	0
09/30/14	8,322,000	100%	0

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

[1] Includes inflation at the stated rate.

Note 3. Detailed notes on all funds (Continued)

I. Employee Retirement Plan (Continued)

Emergency Services Districts

ESD1 and ESD2 offer a retirement plan to eligible employees under the Texas Emergency Services Retirement System (TESRS). TESRS is a cost sharing multiple employer pension system, administered by the Fire Fighter's Pension Commissioner and established by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration.

TESRS is included in the Fire Fighter's Pension Commissioner's annual financial reports as a pension trust fund. At August 31, 2013, there were 216 fire or emergency services departments participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

Contribution provisions were originally established by S.B. 411, 65th legislature, regular session (1977) and were amended by board rule in 2006. No contributions are required by individual members of participating departments. The governing bodies of participating departments are required to contribute at least the minimum prescribed amount per month ($36) for each active member and may contribute more. Additional contributions may be made by a governing body to pay for granting credit for service before the department began participating in TESRS (prior service). The State may also be required to make annual contributions up to a limited amount to make TESRS actuarially sound.

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, 2014, as well as each of the two previous years, total contributions to TESRS by ESD1 totaled $10,000.

The County makes quarterly contributions to the TESRS on behalf of both Emergency Services Districts. The County's total contribution to TESRS for FY2014 was $92,105.

J. Other Post-employment Health Care Benefits

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

As of September 30, 2014, there were 2320 active employees, 133 retirees, and their dependents receiving the benefits. The Plan provides for separate rate schedules for active employees, retirees and retirees over 65. The County in 2014 approved the Aetna Medicare Advantage Plan for retirees over 65, of which 98 are enrolled in the plan. The County also offers a Core and a Buy-up medical plan for both active and retirees. Retirees in the Core and Buy-up plans are expected to pay approximately 43.8 percent and 53.7 percent, respectively, of the total premium cost for insurance coverage. For fiscal year, ended September 30, 2014, retirees currently receiving benefits contributed $621,145 and the County contributed $736,492 toward the cost of health insurance premiums. Total benefits paid on behalf of retirees and their dependents during the fiscal year ended September 30, 2014 was $863,106.

Note 3. Detailed notes on all funds (Continued)

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

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

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

Annual Required Contribution (ARC)	$2,663,339
Interest on Net OPEB Obligation	1,289,179
Adjustment to annual required contribution	(1,194,411)
Annual OPEB cost	2,758,107
Contributions for year ended September 30, 2014	(404,989)
Increase in net OPEB obligation	2,353,118
Net OPEB obligation – Beginning of year	28,648,428
Net OPEB obligation – End of year	$31,001,546
Percentage of Annual OPEB Cost paid	14.7%

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 2014 and the preceding two years were as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/12	$6,459,147	14.4%	$22,914,433
9/30/13	$6,669,480	14.0%	$28,648,428
9/30/14	$2,758,107	14.7%	$31,001,546

Note 3. Detailed notes on all funds (Continued)

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

Under the reporting parameters, the County's retiree health care plan is 0.0% funded with an estimated actuarial accrued liability exceeding actuarial assets by $26,748,051 at September 30, 2014. As of the most recent valuation, the ratio of the unfunded actuarial accrued liability to annual covered payroll is 16.82%.

Actuarial Methods and Assumptions

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

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

Actuarial Methods and Assumptions

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

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.

Note 3. Detailed notes on all funds (Continued)

K. Property Taxes

Levy and Collection

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

Tax Rate

The County's total tax rate for fiscal year 2014 was $0.433125 per $100 of assessed valuation, of which $0.379029 was allocated for maintenance and operations, and $0.054096 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 l District be reviewed at least once every three years; and

(4) requires a taxing entity, other than a school or water District, to calculate two tax rates—the effective tax rate and the rollback tax rate; and

(5) requires giving public notice and conducting a public hearing before adopting a tax rate that will exceed the rollback or the effective tax rate, whichever is lower.

Note 3. Detailed notes on all funds (Continued)

L. Federal and State Grants

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

M. Risk Management

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

The County retains the risk of loss relating to workers compensation and unemployment liability. Contributions to cover any claims for unemployment are made to a third party administrator with the liability funded on a pay-as-you-go basis. Contribution adjustments are made throughout the year in order to maintain the reserves necessary to meet future claims determined on historical trends. Claims for workers compensation are processed through a third party administrator and also funded on a pay-as-you-go-basis. The estimated potential claims, which are reported in the accompanying financial statements, totaled $2,139,133. 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, 2014	Year Ended September 30, 2013
Unpaid claims, beginning of fiscal year	$2,195,057	$631,693
Incurred claims (including incurred but not reported)	2,249,905	3,439,340
Claim payments	(2,305,829)	(1,875,976)
Unpaid claims, end of fiscal year	$2,139,133	$2,195,057

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 made to the fund by employees for family coverage, retirees and their families eligible for participation in the health and life plan. Health premium rates are assessed on an annual basis and adjustments are made accordingly on January 1. Rate increases are made due to increases in the cost of medical care. The Risk Pool Board has made a commitment to assess and recommend to Commissioners Court any increase necessary to keep pace with health care costs.

For the fiscal year 2014, the County purchased stop loss insurance to cover individual health claims that exceed $225,000. During the fiscal year, fourteen claims were filed with the stop loss insurance carrier. Also at year-end, the County had outstanding health claims in the amount of $786,901, which will be liquidated within sixty days.

Note 3. Detailed notes on all funds (Continued)

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, 2014, encumbrances amounted to $9,716,057, of which $914,966 relates to the general fund, $231,050 to the major capital projects 2007, $6,894,324 to the major capital projects 2012, $837,556 to the special revenue fund, and $838,161 to the non-major capital projects fund.

O. Payroll Receivable/Payable

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

P. Federal Commodities

For the fiscal year ended September 30, 2014, the County received federal commodities in the amount of $7,653 for the Juvenile Probation Department.

Q. Prior Period Adjustments

Prior period adjustments totaling ($63,113) were made at the fund level to include $15,927 in the Special Revenue, and ($198,143) in the Special Revenue-Grants, and $119,103 in Capital Projects 2007. Prior period adjustments made at the entity-wide level include $2,176,538 in debt issuance costs related to prior periods eliminated through the implementation of GASB 65, the reduction of construction in progress of ($119,103) for retainage that was forfeited by a contractor through litigation on the Tornillo-Guadalupe port of entry, and ($253,293) in vehicles for items that should have been inventoried as equipment and not part of the vehicle. The equipment is several items that individually are under the $5,000 threshold for reporting.

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.

Note 3. Detailed notes on all funds (Continued)

T. Subsequent Events

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% 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.

During the summer budget hearings for the Fiscal Year 2015 budget, two newly created departments were proposed and subsequently approved and effective October 1, 2014. These two new departments are: Budget and Fiscal Policy and County Administration. The budget responsibility previously was delegated to the County Auditors Department along with four budgeted positions were transferred to this newly created department as permitted by statute. The County Administration department was created for the purpose of consolidating a number of positions from throughout the County along with the creation of several new positions whose goal will to be assist the Commissioners Court with the day to day oversight County operations and departments appointed under the direct control of the Court.

On February 5, 2015 the Commissioner Court authorized County staff to begin negotiations with the Camino Real Regional Mobility Authority for an inter local agreement regarding the management and operations of the toll facility for the Tornillo-Guadalupe Port of Entry.