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

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

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

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

B. Government-wide and fund financial statements

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

The County reports the following major governmental funds:

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

The County reports the following non-major governmental funds:

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

The County additionally reports the following fund types:

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

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

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

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

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

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

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

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

D. Budgets

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgets (Continued)

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments

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

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

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments (Continued)

TexPool and TexPool Prime

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

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

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

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

F. Receivables and Payables

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

F. Receivables and Payables (Continued)

Property tax receivables are shown net of an allowance for uncollectable accounts. Property taxes are levied October 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, 2015.

G. Inventories and prepaid items

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

H. Restricted Assets

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

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

I. Capital Assets

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

I. Capital Assets (Continued)

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

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

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	5-40
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 effect is positive, similar to an asset but is not an asset. The County has two deferred outflows of resources, the first, for a deferred charge for the difference in the carrying value of the refunded debt and its reacquisition price. This amount is deferred and amortized over the life of the refunding bonds. The second, for a deferred charge on pensions for differences between the net difference between projected and actual earnings on plan investments and contributions subsequent to the measurement date.

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

J. Deferred outflows/inflows of resources (Continued)

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

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

K. Compensated Absences

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

K. Compensated Absences (Continued)

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

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

L. Long-term Obligations

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

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

M. Fund Balances

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

M. Fund Balances (Continued)

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

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

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

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

N. Comparative Data/reclassifications

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

O. Use of Estimates

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

Q. New Accounting Pronouncement

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

Q. New Accounting Pronouncement (Continued)

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

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

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

Note 2. Legal Compliance - Budgets

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

Note 2. Legal Compliance – Budgets (Continued)

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

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

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

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

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

Note 3. Detailed notes on all funds

A. Deposits and Investments

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

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

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

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

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

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

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

Unrestricted Investment Type	Fair Value	Weighted Average Maturity (Years)
U.S. Agencies	$ 883,124	0.88
Total	$ 883,124	0.88

Restricted Investment Type	Fair Value	Weighted Average Maturity (Years)
Repurchase Agreements	$122,714,038	0.58
Certificates of Deposit	700,000	0.66
Total	$ 123,414,038	0.58

Note 3. Detailed notes on all funds (Continued)

A. Deposits and Investments (Continued)

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

Unrestricted Investment Type	Fair Value
Certificates of Deposits	$1,211,133
U.S. Agencies	
Total	$1,211,133

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

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

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

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

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

El Paso County Investment at September 30, 2015	Standard & Poor's Rating
Local Government Investment Pools	AAAm

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

Note 3. Detailed notes on all funds (Continued)

A. Deposits and Investments (Continued)

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

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

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

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

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

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

B. Receivables

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

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

Note 3. Detailed notes on all funds (Continued)

B. Receivables (Continued)

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

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

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

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

C. Capital assets

Capital assets activity for the year ended September 30, 2015, 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	$17,505,119		26,342		17,531,461
Easements	110,000				110,000
Information Technology System in progress	2,111,365		514,448		2,625,813
Construction in progress	20,100,467		29,674,275	($8,661,884)	41,112,858
Total capital assets, not being depreciated	39,883,206		30,215,065	($8,661,884)	61,436,387

Note 3. Detailed notes on all funds (Continued)

C. Capital assets (Continued)

Capital assets, being depreciated:					
Bridges and culverts	9,896,369				9,896,369
Buildings	266,439,358	(5,247)	8,185,652	(165,777)	274,453,986
Equipment	46,822,649	(5,832)	3,101,711	(1,771,784)	48,146,744
Furniture and fixtures	1,021,182	(3,228)	28,956		1,046,910
Improvements	13,905,741		221,597		14,127,338
Infrastructure	6,726,107		3,087,755		9,813,862
Leased equipment	339,965		82,032	(24,164)	397,833
Roads	50,432,029	5,247	1,493,311		51,930,587
Vehicles	20,873,434		1,823,468	(1,373,117)	21,323,785
Total capital assets, being depreciated	416,456,834	(9,060)	18,024,482	(3,334,842)	431,137,414
Less accumulated depreciation for:					
Bridges and culverts	(2,454,724)		(259,859)		(2,714,583)
Buildings	(142,321,969)		(7,696,123)	10,308	(150,007,784)
Equipment	(25,561,496)		(4,639,281)	1,756,489	(28,444,288)
Furniture and fixtures	(841,320)	188	(32,470)		(873,602)
Improvements	(6,927,710)		(606,111)		(7,533,821)
Infrastructure	(989,829)		(329,148)		(1,318,977)
Leased equipment	(219,968)		(92,477)	18,123	(294,322)
Roads	(18,911,000)		(2,314,994)		(21,225,994)
Vehicles	(13,592,654)	896	(1,513,944)	1,237,148	(13,868,554)
Total accumulated depreciation	(211,820,670)	1,084	(17,484,407)	3,022,068	(226,281,925)
Total capital assets, being depreciated, net	204,636,164	(7,976)	540,075	(312,774)	204,855,489
Governmental activities capital assets, net	$244,519,370	($7,976)	$30,755,140	($8,974,658)	$266,291,876

	Beginning Balance	Prior Period Adjustments	Increases	Decreases	Ending Balance
Business-type Activities:					
Capital assets, not being depreciated:					
Land	$19,770				$19,770
Construction in progress	458,480			($458,480)	
Total capital assets, not being depreciated	$478,250			($458,480)	$19,770
Capital assets, being depreciated:					
Vehicles	42,734				42,734
Water systems	13,754,023		458,480		14,212,503
Total capital assets, being depreciated	13,796,757		458,480		14,255,237
Less accumulated depreciation for:					
Vehicles	(17,623)		(2,576)		(20,199)
Water systems	(4,052,556)		(352,258)		(4,404,814)
Total accumulated depreciation	(4,070,179)		(354,834)		(4,425,013)
Total capital assets, being depreciated, net	9,726,578		103,646		9,830,224
Business-type activities capital assets, net	$10,204,828		$103,646	($458,480)	$9,849,994

Note 3. Detailed notes on all funds (Continued)

C. Capital assets (Continued)

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

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

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

Construction and Technology Computer Systems Commitments

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

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

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

Note 3. Detailed notes on all funds (Continued)

C. Capital assets (Continued)

Component units

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

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

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

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

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

Note 3. Detailed notes on all funds (Continued)

C. Capital assets (Continued)

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

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

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

D. Inter-fund receivables, payables, and transfers

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

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

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

Note 3. Detailed notes on all funds (Continued)

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

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

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

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

Note 3. Detailed notes on all funds (Continued)

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

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

Note 3. Detailed notes on all funds (Continued)

E. Leases

Operating Leases

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

Capital Leases

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

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Machinery and equipment	$397,833
Less: accumulated depreciation	294,322
Total	$103,511

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

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

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

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

Note 3. Detailed notes on all funds (Continued)

E. Leases (Continued)

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

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

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

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

F. Long-term Debt

General and certificates of obligation bonds

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

The general and certificate of obligation bonds are direct obligations of the County, payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the County in an amount sufficient to provide payment of principal and interest. All general and certificates of obligation bonds have principal maturities on February 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	57,045,000
General Obligation Refunding, Series 2007	4.00 – 5.00%	2007	2022	36,610,000
Taxable Certificates of Obligation, Series 2007A	4.65 – 6.23%	2007	2032	1,080,000
General Obligation Refunding, Series 2011	2.125 – 5.25%	2011	2022	3,040,000
Certificates of Obligation, Series 2012	2.00 – 5.00%	2012	2032	73,805,000
General Obligation Refunding, Series 2015	5.00%	2015	2026	15,230,000
General Obligation Taxable Refunding, Series 2015A	0.650 – 3.671%	2015	2026	8,480,000
				$205,230,000

Note 3. Detailed notes on all funds (Continued)

F. Long-term Debt (continued)

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

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

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	$820,000
$272,000 Mayfair/Nuway Water System Revenue Bonds, Series 2012	2.25%	2012	2052	268,000
$500,000 Colonia Revolućion Water System Revenue Bonds, Series 2013	2.25%	2013	2053	492,000
Total				$1,580,000

Revenue bond debt service requirements to maturity are as follows:

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

Note 3. Detailed notes on all funds (Continued)

F. Long-term Debt (continued)

Current Year

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

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

Prior Years

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

Note 3. Detailed notes on all funds (Continued)

F. Long-term Debt (Continued)

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

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

Changes in long-term liabilities

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

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

Note 3. Detailed notes on all funds (Continued)

F. Long-term Debt (Continued)

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

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:

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

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 $9.5 million at September 30, 2015 and is included as a deferred outflow of resources in the accompanying balance sheets. The Series 2013 Combination Tax and Revenue Bonds, at the option of the Medical Center, provide for early redemption on bonds having stated maturities on and after August 15, 2024, in whole or in part, on August 15, 2023, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

Note 3. Detailed notes on all funds (Continued)

F. Long-term Debt (Continued)

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

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

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

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

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

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

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.

Note 3. Detailed notes on all funds (Continued)

G. Contingent Liabilities

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

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

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

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

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

ESD2 had no contingent liabilities.

H. Deferred Compensation

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

Note 3. Detailed notes on all funds (Continued)

I. Employee Retirement Plan

Plan Description

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

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

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

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

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

Note 3. Detailed notes on all funds (Continued)

I. Employee Retirement Plan (Continued)

Funding Policy

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

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

Net Pension Liability

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

Actuarial Assumptions

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

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

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

Note 3. Detailed notes on all funds (Continued)

I. Employee Retirement Plan (Continued)

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

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

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

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

[1] Target asset allocation adopted at the April 2015 TCDRS Board meeting.
[2] Geometric real rates of return in addition to assumed inflation of 1.7%, per Cliffwater's 2015 capital market assumptions.
[3] Includes Vintage years 2006-present of Quarter Pooled Horizon IRRs.
[4] Includes vintage years 2007-present of Quarter pooled Horizon IRRs.

Note 3. Detailed notes on all funds (Continued)

I. Employee Retirement Plan (Continued)

Discount Rate

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

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

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

[1] Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.
[2] Relates to allocation of system-wide items.

Sensitivity Analysis

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

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

Note 3. Detailed notes on all funds (Continued)

I. Employee Retirement Plan (Continued)

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

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

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

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

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

Funding Status and Funding Progress

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

Actuarial accrued liability (AAL)	$595,018,640
Actuarial value of plan assets	488,946,349
Unfunded AAL (UAAL)	$106,072,291
Funded ratio	82.17%
Annual Covered payroll (actuarial)[1]	$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] Covered payroll based on actuarial valuations.

Note 3. Detailed notes on all funds (Continued)

I. Employee Retirement Plan (Continued)

Retirement Plan - Component Units

Hospital District

Plan Description

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

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

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

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

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

Note 3. Detailed notes on all funds (Continued)

I. Employee Retirement Plan (Continued)

Funding Policy

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

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

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

Net Pension Liability

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

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

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

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

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

Note 3. Detailed notes on all funds (Continued)

I. Employee Retirement Plan (Continued)

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

Discount Rate

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

Note 3. Detailed notes on all funds (Continued)

I. Employee Retirement Plan (Continued)

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

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

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

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

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

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

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

Note 3. Detailed notes on all funds (Continued)

I. Employee Retirement Plan (Continued)

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

Year ending September 30:	
2016	$654,000
2017	654,000
2018	654,000
2019	820,000
	$2,782,000

Funding Status and Funding Progress

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

Pension Plan Fiduciary Net Position

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

Emergency Services District Two

Plan Description

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

Pension Plan Fiduciary Net Position

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

Note 3. Detailed notes on all funds (Continued)

I. Employee Retirement Plan (Continued)

Benefits Provided

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

Contributions

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

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

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

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

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

Note 3. Detailed notes on all funds (Continued)

I. Employee Retirement Plan (Continued)

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

Net Pension Liability

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

Emergency Services District One and Two

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

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

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

Note 3. Detailed notes on all funds (Continued)

I. Employee Retirement Plan (Continued)

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

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

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

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

Actuarial Assumptions

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

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

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

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

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

Note 3. Detailed notes on all funds (Continued)

I. Employee Retirement Plan (Continued)

Discount Rate

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

Sensitivity Analysis

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

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

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

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

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

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

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

Note 3. Detailed notes on all funds (Continued)

J. Other Post-employment Health Care Benefits

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

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

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

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

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

Note 3. Detailed notes on all funds (Continued)

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

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

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

Funded Status

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

Actuarial Methods and Assumptions

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

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

Actuarial Methods and Assumptions

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

Note 3. Detailed notes on all funds (Continued)

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

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

K. Property Taxes

Levy and Collection

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

Tax Rate

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

Legislation Affecting Property Tax Policies and Procedures

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

The property tax code:

(1) requires that all taxing entities assess taxable property at 100% of appraised value;

(2) includes procedures for valuation of certain eligible farm, ranch and timberlands on a "production capacity" basis which was mandated by a 1978 amendment to the State constitution;

Note 3. Detailed notes on all funds (Continued)

K. Property Taxes (Continued)

(3) requires that the value of real property within the Appraisal District be reviewed at least once every three years; and

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

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

L. Federal and State Grants

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

M. Risk Management

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

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

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

Note 3. Detailed notes on all funds (Continued)

M. Risk Management (Continued)

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

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

N. Assigned for other purposes

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

O. Payroll Receivable/Payable

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

P. Federal Commodities

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

Q. Prior Period Adjustments

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

Note 3. Detailed notes on all funds (Continued)

Q. Prior Period Adjustments (Continued)

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

R. Joint Ventures

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

S. Related Party Transactions

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

T. Subsequent Events

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

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