

INTRODUCTORY SECTION



COUNTY OF EL PASO
OFFICE OF THE COUNTY AUDITOR

EDWARD A. DION, CPA
COUNTY AUDITOR
edion@epcounty.com
www.epcounty.com/auditor

County Administrative Offices
800 East Overland Street, Rm. 406
EL PASO, TEXAS 79901-2407
(915) 546-2040
(915) 546-8172 FAX

April 3, 2017

To the Honorable District Judges, County Court at Law Judges,
County Probate Judges, Commissioners Court Members,
Citizens of El Paso County and the Financial Community:

Texas Local Government Code, §114.025, requires that the County Auditor publish in April of each year, subsequent to the close of each fiscal year, a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a firm of licensed certified public accountants. Pursuant to that requirement, we hereby issue the Comprehensive Annual Financial Report (CAFR) of the County of El Paso, Texas (County) for the fiscal year ended September 30, 2016.

This report consists of management's representations concerning the finances of the County. Therefore, management of the County assumes the responsibility for accuracy, completeness, fairness and reliability of the financial data presented in this report, including all disclosures. To provide a reasonable basis for making these representations, management of the County has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the County's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free of material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

This report is designed to present fairly the financial position and results of financial operations of the County in all material respects and to demonstrate compliance with applicable finance-related legal and contractual provisions. This report adheres to the principal of full disclosure to the best of our ability so that the readers may better understand the County's financial affairs.

Gibson, Ruddock, Patterson, LLC, an independent certified public accounting firm has audited the County's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of El Paso County for the fiscal year ended September 30, 2016, are free of material misstatement. The independent audit involved examining on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. Based on their independent audit, our external auditors have concluded there was a reasonable basis for rendering an unqualified opinion that the County's financial statements for the fiscal year ended September 30, 2016, are fairly presented in

conformity with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

Additionally, the independent audit of the financial statements of the County was part of a broader, federally mandated "Single Audit" designed to meet the special needs of the federal grantor agencies. Standards governing Single Audit engagements require the independent auditor to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and compliance with legal requirements, with special emphasis on internal controls and legal requirements involving the administration of federal awards. These reports are available in the County's separately issued Single Audit Report by Gibson, Ruddock, Patterson, LLC. The County's Single Audit was prepared pursuant to provisions in the Single Audit Act and the Single Audit Act Amendments of 1996 of the Executive Office of the President, Office of Management and Budget Circular A-133, entitled *Audits of States, Local Governments, and Non-Profit Organizations* and the *State of Texas Single Audit Circular*. The County's single audit for the fiscal year ended September 30, 2016, disclosed no material weaknesses in the internal control structure. Furthermore, this CAFR is presented according to the reporting model established by GASB 34 and related statements.

GAAP requires that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors.

El Paso County Government Profile

El Paso County was created from Bexar District in 1849, organized in 1850, and incorporated in 1871. Parts of El Paso County were taken to form Culberson County in 1911 and Hudspeth County in 1915. The County was named for being a well-known pass through the Rocky Mountains. It is the most western county in Texas, and is about equidistant from Houston, Texas, Los Angeles, California and Denver, Colorado. Also, bordered on the east side by Hudspeth County, El Paso County is just to the north of the International Boundary between the United States of America and the Republic of Mexico, and touches Doña Ana County in New Mexico. County government in Texas is, for many people, the primary and most accessible level of government. County governments are political subdivisions of the State. The State has created 254 counties. Initially, counties were primarily created to facilitate the judicial system. As a result of State legislative changes over the years, county governments in Texas are involved not only with the judicial system, but also the delivery of health and welfare services, public safety, cultural and recreational activities, and construction and maintenance of roads and bridges. In comparison to some of the other states, Texas counties have only a very limited ordinance making authority, as specifically granted by the State legislature.

Counties in Texas have many comparable characteristics and are similarly organized. Each county has a governing body called Commissioners Court. The Commissioners Court is composed of five members. One member, the county judge, is elected at large to a four-year term. The other four members are county commissioners. Each county commissioner is elected from a precinct to a four-year term. County judges have judicial responsibilities in all but the largest urban counties. In large urban counties, such as El Paso County, the county judge has no judicial responsibilities. Instead, the El Paso County Judge is often referred to as the County's Chief Executive Officer (CEO). In all Texas counties, the County Judge presides over commissioners court meetings.

The Commissioners Court serves as the executive branch of county government. Among a myriad of constitutional and statutorily imposed duties and responsibilities, the five members of commissioners court

have the exclusive responsibility and authority over a multitude of areas in the operation of county government. To name a few, the Commissioners Court is responsible for preparing and approving the county's operating budget and budgetary amendments, setting ad valorem property tax rates, auditing and directing settlement of all claims against the County. Additionally, this body appoints certain county officials and board members. The Commissioners Court also determines when propositions to issue bonds will be submitted to the voters.

Commissioners Court is considered financially accountable for the El Paso County Hospital District (District), also known as University Medical Center (UMC), and Emergency Services Districts number 1 and 2 and accordingly each of their activities are included in this CAFR. As a component unit, the Hospital District and the Emergency Districts are included in this CAFR because the El Paso County Commissioners Court, the County's governing body, has the legal duty to exercise financial accountability over it by appointing their board members, approving their budgets and approving their tax rates. Nonetheless, these entities are completely separate and dissimilar organizations. The Hospital District is governed by the *Texas Constitution, Article 9, § 4* and the *Health and Safety Code, Chapter 281*, a different set of constitutional and statutory laws and the Emergency Districts are governed by the *Health and Safety Code, Title 9, Chapter 775*. All accounting and budgeting records of the Districts are maintained by each District, audited by independent accounting firms and reported on in much greater detail in their various interim and annual financial reports. Copies of the Hospital District, Emergency Districts 1 and 2 financial reports can be obtained directly from the respective District's or from the websites listed below.

- UMC: www.umcelpaso.org
- ESD # 1: <http://epcesd1.com/transparency.html>
- ESD #2: <http://www.epcountyesd2.org/transparent-government.html>

The County's budget is prepared and adopted annually as a balanced budget pursuant to Texas law. A balanced budget is achieved by ensuring that the amounts budgeted in a fiscal year for expenditures do not exceed the projected revenues, to include any available fund balances. The appropriations of the activities of the General, Special Revenue, Enterprise, and Debt Service Funds are included in the annual budget. Also, budgets are adopted for the major capital construction projects and grants. Grant and capital project budgets may be included in the adopted budget when pertinent information is available for the County Auditor to certify funds; otherwise, these funds are budgeted throughout the year as relevant financial information becomes available.

The County's appropriations for departments are approved at the character level, representing personnel, operating and capital line items. The Commissioners Court has a standing order not to allow departments to transfer salary appropriations to non-salary line items without specific authorization from the Court.

The County's budgetary and accounting records are organized and operated on a fund basis. A "fund" is a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. Funds are categorized by type to indicate both the sources of the fund's financial resources and the nature of activities financed. There are three broad categories of funds used in governmental accounting: governmental, proprietary, and fiduciary funds.

The County is a strategic crossroads for continental north-south and east-west traffic. The County spans a geographic area of about 1,058 square miles. The County enjoys fairly sound economic diversification. Being that El Paso is in the heart of the Southwest, many businesses are attracted to the El Paso/Juárez region. According to the latest U.S. Census Bureau population trends as of July 1, 2016, the County population is

estimated at 835,593. The City of El Paso, the County seat, is estimated as having a population of 681,124. El Paso is the largest city in the United States that borders Mexico. Based on population, El Paso is the sixth largest city in Texas. Larger than Denver, Washington, DC, Boston and Memphis, the City of El Paso is the 20th largest city in the U.S. Combined with its sister city, Juárez, Mexico, the El Paso metro area holds more than 2.5 million people, making it the world's largest population center on an international border. With four international ports of entry, El Paso is a primary intersection for regional trade in the Southwest.

In August of 2015, Destination El Paso reported the Sun City ranked among the best cities in the U.S. when it comes to travel and tourism. El Paso ranked 11th out of 121 U.S. cities in the 2015 U.S. Tourism Quality Performance Report and followed major tourist destinations like Los Angeles, New York and Chicago. Additionally, the report stated that when compared to other cities with 4 million or fewer visitors per year, El Paso ranked No. 4 on the list of small destination tourism which is a ranking among the best in terms of delivering quality experiences to each visitor.

In 2016 El Paso was ranked 94 out of 200 best performing large cities in a report by the Milken Institute. According to the report, rankings come from stable employment, expanding salaries and thriving businesses which are considered indicators for understanding consumer markets and business opportunities. Among other information considered in determining rankings were job and wage growth plus a concentration of high-tech gross domestic products. Despite wavering statistics at times, El Paso continues to experience economic growth. Furthermore, factors impacting this favorable ranking, now and for the future, can be attributed to greater collaboration and enhancement by both City and County governments on economic development which focuses on adding new jobs. Future job expansion by companies to the local workforce include Tenet Healthcare, ADP, Charles Schwab and Schneider Electric, among others. Additionally, another local factor significant to the local economy that makes El Paso unique is its total trade which in 2016 exceeded \$79 billion according to the Federal Reserve Bank of Dallas in its November 2016 El Paso Economic Indicators Update report.



El Paso County and neighboring Ciudad Juárez, Mexico are separated by the Rio Grande River. According to estimation by local officials, the Ciudad Juárez metro population is over 1.6 million. The geographic location of El Paso encourages enterprising businesses by providing the unique versatility of being internationally known while remaining in the United States.

With Interstate 10 running east to west through El Paso and its proximity to Interstate 25 and Mexico's Pan American Highway, this area represents a trade corridor with accessibility to rail lines and four international ports of entry with Mexico. In 2014, conservative estimates were that over 10.8 million private vehicles, 700 thousand trucks and over 6.4 million pedestrians utilized the ports of entry. Over a number of years, the County was actively involved in the creation of a new port of entry in Fabens, Texas known as the Tornillo-Guadalupe Port of Entry. Emphasis by Mexican and U.S. officials have long said the new six-lane bridge would by design enhance international trade, improve environmental conditions and alleviate congestion in the El Paso-Juárez metropolitan area. The border-crossing facility on the U.S. side is located on

117 acres about 30 miles east of Downtown El Paso, making it the largest border land site in the nation. On the Mexican side, it sits on 80 acres. The new bridge is the 55th international crossing with Mexico and replaces the two-lane Fabens-Caseta bridge, which was built in 1938, about 650 feet from the new crossing. The new bridge has six lanes, three in each direction and will accommodate commercial and private traffic, in addition to two pedestrian sidewalks, one in each direction.

The new bridge provides an alternate crossing for eastbound cargo and enhances the El Paso and Juárez region as an international hub for trade and commerce while increasing capacity for commercial traffic, pedestrians and personal vehicles to cross between the United States and Mexico. Completion of the Tornillo-Guadalupe port of entry demonstrated a shared commitment to promoting the economic growth and prosperity of the U.S. and Mexico. The U.S. side of the Port of Entry Bridge and Toll Plaza was completed in 2013.

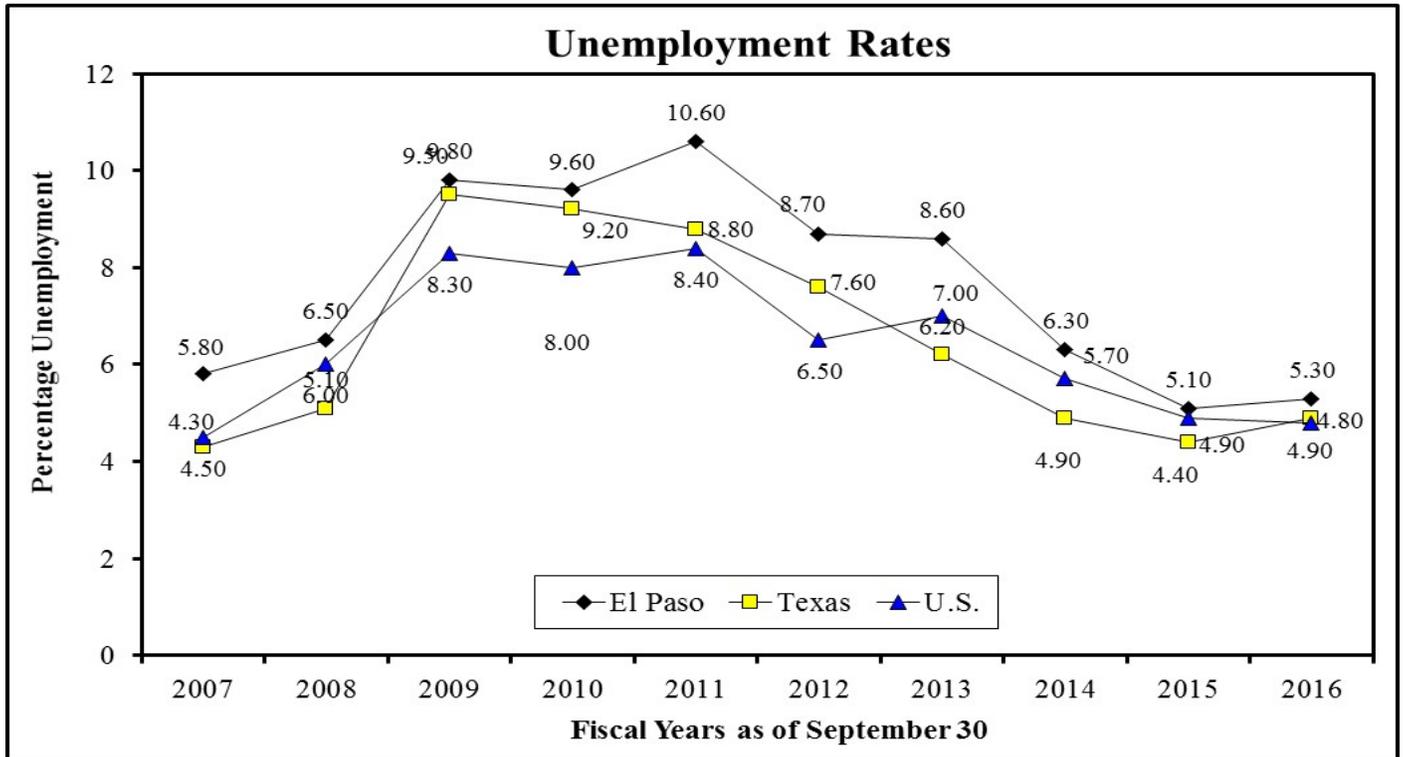
As of fiscal year 2016, capital appropriations related to this project totaled \$82,518,206, of which \$7.4 million are Road and Bridge funds, while project-to-date expenditures as of September 30, 2016, totaled \$43.2 million. Funds expended to date relate to environmental assessment; bridge design; purchase of land and right-of-way necessary for this project; and construction in progress. Of the \$43.2 million in expenditures, \$1.4 million represents land donated to the U. S. General Services Administration. Also, a significant amount relates to the efforts for securing the presidential permit to move forward on construction of the port of entry. Additionally, as reported in the local newspaper, the total cost of this Port of Entry from all sources is estimated to be at least \$133 million which, when County funds are excluded, approximates \$90.1 million combined relating to both the U.S. General Services Administration and Customs and Border Protection.

This port officially opened for operations during fiscal year 2016 and has a preliminary operating budget of just over \$1.6 million for the County Toll facility. Additionally, in March 2016 the Commissioners Court made the decision to not charge a toll for a one year promotional period at the new Tornillo-Guadalupe Port of Entry as a means of enticing traffic to the area. Upcoming activity directly related to this project involves an updated traffic study and the second phase of the Aguilera Highway was completed in 2016 and will take private and commercial traffic north from Texas highway 20 to Interstate 10. Funding for this roadway project was leveraged from the County's new \$10 transportation fee that became effective January 2014 and is assessed on all vehicles registered in the County. This new revenue source generates approximately \$6.275 million per year. Subsequently, an inter local agreement was entered into between the County and the Camino Real Regional Mobility Authority (CRRMA) which allows for these funds to be managed and utilized to fund and leverage approximately \$400 million dedicated to roadway projects locally that will greatly assist in the mobility needs of the El Paso community.

Factors Affecting Financial Condition

Information presented in these financial statements is perhaps best understood when considered from a broad perspective of the specific environment within which the County operates.

Local Economy. According to the Texas Workforce Commission's October 2016 issue of Texas Labor Market Review, the statewide unemployment rate was 4.4 percent in September 2016. When compared to the same time last year, this was .50 percent lower. As reflected on the next page, El Paso's unemployment rate for September was 5.3 percent in comparison to 5.1 percent in September 2015.



Over the past fiscal year, between September 2015 and September 2016, El Paso added 7,800 jobs overall. Further analysis reflects 8,700 job gains netted with 900 employment losses as depicted in the table below. Some of the various job gains occurred in construction 400, retail trade 1,600, transportation 100, financial activities 900, professional and business services 300, education and health services 1,900, leisure and hospitality 2,400, other services 200 and total government sectors 900. Minor declines occurred in the manufacturing and information sectors, which lost 700 and 200 respectively.

El Paso MSA Employment by Industry

El Paso Metropolitan Statistical Area Profile obtained from the Texas Workforce Commission

Industry Types	September 2015	September 2016	Amount Change	Percentage Change	Percent of Total
Construction	14,500	14,900	400	2.76%	4.78%
Manufacturing	17,100	16,400	(700)	-4.09%	5.26%
Trade	50,100	51,700	1,600	3.19%	16.59%
Trans., Ware, & Util.	15,000	15,100	100	0.67%	4.85%
Information	5,900	5,700	(200)	-3.39%	1.83%
Financial Activities	12,200	13,100	900	7.38%	4.20%
Services	119,700	124,500	4,800	4.01%	39.96%
Total Government	69,300	70,200	900	1.30%	22.53%
Total Labor Market	303,800	311,600	7,800	2.57%	100.00%

As depicted above, the El Paso region stayed on track with an overall positive gain in its employment trends of 7,800 or 2.57%. This is indicative of continued improvement and growth, especially in border retail activity which continued with gains for the third consecutive year making up for some of the previously lost momentum between 2011 and 2013. As can be seen, the education and health services was vital to the economy

with job gains of 1,900 or 4.38 percent as the result of planned economic growth in the metro area and medical infrastructure expansion. Fort Bliss' new medical center currently under construction is scheduled to add approximately 4,000 jobs upon opening in July 2019. Tenet Healthcare Corporation plans to open a new Eastside Hospital medical wing and a new hospital in northwest El Paso which celebrated its grand opening in January 2017 which will serve as the Hospitals of Providence Transmountain Campus teaching hospital. Both Tenet Healthcare and Medical Center of the Americas are also opening urgent care centers and metro satellite facilities.

El Paso's cultural and business ties as a border region with Mexico drive its economy. The renewed attraction of El Paso County as a favorable business environment, coupled with continued moderately low interest rates, continues to stimulate local construction activity.

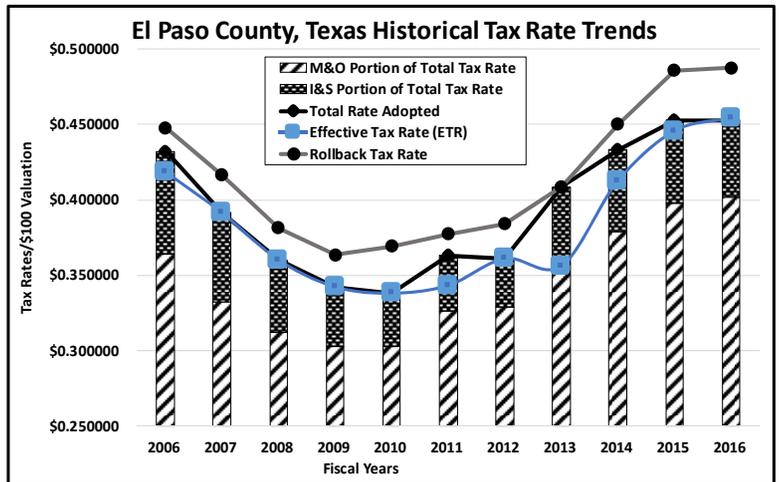
Although El Paso's unemployment rate typically is higher than that of the rest of the State, as well as that of the nation, as depicted on the previous chart, El Paso's continued gains have brought greater alignment which is expected to remain stable with continued employment gains as the national economy stabilizes. Historical trends indicate El Paso's gains should align closer to that of the rest of Texas as depicted between 2013 and 2016.

El Paso's cultural and business ties as a border region with Mexico drive its economy. The renewed attraction of El Paso County as a favorable business environment, coupled with continued moderately low interest rates, continues to stimulate local construction activity. El Paso continues to transition from a goods-producing economy to a service economy. Overall, optimistic indications remain on the County's financial outlook given our low government taxes, abundance of labor, and moderate wage rates. Additional information on El Paso County may be obtained by visiting El Paso County's website at <http://www.epcounty.com/history/>.

Long-Term Financial Planning. County strategies and plans are integrated into all departmental budgets to ensure unified efforts within County government to achieve the goals and objectives of the County. Texas county government operates under a balanced budget as required by law. This does not mean that estimated revenues must always be exactly equal to expenditures. In most of the annual operating budgets, the Commissioners Court members usually decide to use a portion of fund balance reserves to balance the revenues to appropriations. As a sound financial management practice, members of the Commissioners Court consistently emphasize maintaining sufficient unassigned fund balance levels (unrestricted net assets) to meet first quarter obligations of payroll and operating costs and furthermore, this assists in maintaining financial stability and retaining or enhancing the County's bond ratings.

Over the years, the County has emphasized stabilization of ad valorem property tax rates. Historically the County has experienced fluctuations in revenues relating to changes in the local economy and over the past 10 years the combined total tax rate (Maintenance and Operations and Interest and Sinking) has grown on average annually by 2/100^{ths} of one penny. To further clarify, El Paso County experiences positive and negative property valuation variances. During time of economic growth which causes new construction and additional infrastructure needs in the region, such new properties added to the property rolls create new revenues for the County in order to keep pace with increased demand for services. To the contrary, when property valuations become stagnant or even decline, the tax burden base on Truth-In-Taxation calculations is shifted amongst all properties in order to generate the same revenue dollars as the prior year.

On an annual basis the Commissioner Court assesses its financial resources in order to balance out increases in demand for services funded in its budget, which sometimes requires an adjustment to the tax rate as mentioned above. In the late 2000's El Paso County experienced declining revenues due to a national and local economic downturn which impacted the housing markets and sales tax revenues. In response, as depicted on the graph to the right, the County took proactive measures to reduce expenditures to minimize the impact on local taxpayers and saw its tax rate decline four years in a row after staying at \$0.432259 in



fiscal years 2005 and 2006 before declining to \$0.391390 in 2007, \$0.360267 in 2008, \$0.342437 in 2009 and \$0.338258 as of fiscal year 2010. In 2011 the rate was increased to \$0.363403 and subsequently lowered to \$0.361196 in 2012. In the years 2013 and 2014 the tax rates grew respectively to \$0.408870 and \$0.433125 and in 2015 and 2016 grew and remained at \$0.452694. In addition, emphasis remains on revenue generating initiatives to more effectively collect various County fines and fees. This includes continued efforts and cooperation from the Tax Office, Justices of the Peace Offices, County Sheriff, and Constables in order to collect on outstanding warrants in support of the SCOFFLAW program whereby auto registration renewals are denied to motorists with outstanding traffic warrants. In fiscal year 2014 the Commissioners Court members chose to be proactive in its efforts to make much needed equipment replacements. To fund this need the court began levying 1 penny in maintenance and operations taxes that currently generates \$3.88 million in annual allocations for equipment replacement. This strategic approach was also a cost effective measure which amounts to a cost avoidance of approximately \$750,000 per year by not financing our annual equipment replacement through a debt issuance. This approach strives to ensure that services to the citizens will not begin to diminish if a postponement of equipment replacement is allowed for two or more consecutive years.

Fund balance refers to the excess of assets over liabilities in governmental funds. As stated in the County's financial policies, for the purpose of financial planning, fund balance is defined as the cumulative surpluses or deficits resulting from the difference between expenditures and revenues in any one fiscal year. The cumulative effect of yearly fund balance amounts is furthermore addressed as a fund balance reserve. When evaluating fund balance reserves, it is vitally important to maintain sufficient positive fund balance reserves in order to avoid borrowing to meet short term operating needs.

As a rule of thumb, since the General Fund is the County's main operating fund, the County strives to maintain an unassigned general fund balance of, at a minimum, equal to projected cash needs for the first fiscal quarter to meet operating obligations (approximately \$25-30 million net cash flow) or 10-15 percent of the total general fund adopted operating budget in any one fiscal year. At the present level, this means the County should strive to maintain a minimum unassigned general fund balance of at least \$31,417,897 based on the fiscal year 2017 General Fund budget of \$314,178,971. Maintaining a low fund balance could force the County to resort to short-term borrowing to meet payroll and operations for the first quarter of the fiscal year. Also, low fund balance may potentially result in the County being vulnerable to lower bond ratings. Lower bond ratings may ultimately result in more costly future borrowing at higher interest rates, and therefore, increased interest expense in response to an entity's declining financial position depicted at any one point in time. In essence, having some amount of fund balance gives the County the financial ability to cover unanticipated revenue losses or significant unanticipated expenditures, should they occur. In accordance with new financial

policies the fiscal year 2017 adopted budget includes establishment of an account for unforeseen emergencies that may arise and is funded as a result of remaining estimated unspent appropriations from the prior year and makes up \$30 million of the operating budget category.

Historically speaking, the County has placed emphasis on achieving its reserve goal of fiscal year end unassigned general fund reserves in comparison to the subsequent year budget. Continued persistence and emphasis on building and maintaining some amount of reserves resulted in a stable fund balance reserve in the General Fund through fiscal year 2008. It is noteworthy to mention that the actions of Commissioners Court with the cooperation of County elected officials and department heads throughout fiscal years 2009 thru 2015 had a contributing effect of enhancing a favorable expenditure cost savings and resulting budget variances or unspent budget balances within the General Fund.

During fiscal year 2016, the general fund revenue and other sources totaled of \$258,384,831 while expenditures and financing use totaled of \$243,094,642, resulting in fiscal year 2016 revenues outpacing expenditures by \$15,290,189. Revenues and other sources grew by approximately \$13,008,378 or 5.33 percent. Growth was attributable to overall increases totaling \$14,087,956 which included Charges for Services which increased by \$7.3 million or 20.07 percent, net Taxes of \$5.8 million or 2.99 percent of which \$4.8 million relating to ad valorem property taxes and \$910,708 related to sales and use taxes. Additional increases included Fines and Forfeitures which grew by \$297,610 or 5.85 percent, Intergovernmental, \$249,204 or 5.16 percent, Interest Earnings, \$205,827 or 183.26 percent and Other Financing Sources by \$189,948 or 18.29 percent. Offsetting declines totaled \$889,630 and were also seen in the areas of Miscellaneous Revenues of (\$879,572) or (27.17) percent and Licenses and Permits, (\$10,058) or (3.91) percent. Overall, expenditures and other uses increased by \$7.9 million or 3.37 percent, mainly attributed to salary and fringe benefits associated to cost of living and step plan merit increases and cost of the Sheriff's collective bargaining agreement.

It is vitally important that the Commissioners Court remain focused on trends of the general fund, especially in light of the history of funding reductions and continued attempts to infringe upon local control by the State in future legislative sessions. In 2015, the Texas Legislature appointed a Senate Select Committee on Property Tax Reform which is now a focal point in the 2017 Texas Legislative Session. Currently focus remains on imposing a 4 percent revenue cap on local governments, down from 8 percent with the exception of School Districts. This would mandate tax rate and revenue caps on local governments like El Paso County and such action by the State would undermine local control by locally elected officials entrusted by their voters and who know best the needs of their local communities to make such decisions. In this regard, historically various members of the Texas State Legislature each legislative session introduce bills with potential implications of hindering local governments, exclusive of School Districts. In this regard, local schools are governed by tax statutes geared so that **when property values rise School taxes continue to increase** contrary to local government taxes, which adhere to different set of tax statutes whereby **taxes automatically decline providing local tax relief.** Additionally, as our community grows and new property values are added to the tax rolls, ensuring local government receives new revenues intended and necessary in order to support new infrastructure and expanded public service demands. Loss of such revenues would interfere with the fiscal affairs of local governments and cause degradation and stagnation to local public services, public facilities and infrastructure within the County.

It is imperative that the Commissioners Court continue to focus on revenue enhancement in order to adequately fund present and future mandates placed on County government. As in the previous fiscal year, the fiscal year 2017 budget incorporated additional funding for the Sheriff's department collective bargaining agreement for law enforcement. Also, the County continues to freeze the salary-step plan but gave various classes of employees wage adjustments, such as 4 percent to general service employees, 2.5 percent to

professional and executive employees and zero adjustment to all elected county and precinct officers to include all elected officials. Departments will continue to be challenged to increase efficiencies in order to operate within their budgets. More than ever, monitoring of revenues and expenditures will be paramount in forecasting budget inadequacies and identifying potential excesses. In this regard, the County will be implementing forecasting software during fiscal year 2017 which will provide a means of actively projecting revenues and expenditures and the ability to actively produce modeling projections for the future planning purposes.

For the future, it is anticipated that in fiscal year 2017 the Court will continue to face significant funding challenges. Some of those challenges will be additional operating costs of new facilities; continual assessment of personnel and fringe benefit costs, fringe benefit policies and related management of long-term liabilities; implementation of performance based budgeting and continued automatic contractual collective bargaining salary adjustments for the Sheriff's Department. Specific monitoring will remain focused on revenues related to hotel occupancy and sales and use taxes as they tend to be impacted negatively during times of national and international conflict due to the nature of El Paso County's proximity to the international border. Expenditure growth due to inflation and the possibility of new mandates will also be challenges faced by the Court.

Finally, as a result of the trend of shifting unfunded mandates by both federal and state levels to local government, it is anticipated that additional financial burdens will continue to be experienced by the County and ultimately local taxpayers if other sources of funding are not identified. The County will be tasked with identifying new or additional revenues to counter these expenditures. At its discretion, the Court will probably continue to utilize some amount of fund balance, which is healthy and fiscally prudent in the sense that it keeps the County from building up excessive reserves and reduces a future burden on taxpayers. As a means of complying with statutory budget balancing requirements, a portion of fund balance will always be utilized to balance subsequent year's budget. The Commissioners Court is encouraged to continue its prudent fiscal practices of remaining cautious and cognizant when planning for future budget growth to continue its focus towards cost containment initiatives and identifying additional sources of revenue or enhancements. Overall, it is imperative that County government continually strive to maintain steady increases in revenue while costs are on the rise.

Major Initiatives. During fiscal year 2016, some of the major initiatives funded with the debt issued in previous fiscal years were either completed or substantially completed such as the Sportspark Complex Renovations and replacement of the Courthouse Mechanical Plumbing System. Some of the ongoing projects are the Courthouse Improvements, ERP Financial Management Software, Jail Annex Expansion and Far Eastside Parks and Improvements.

Awards and Acknowledgements. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the County for its comprehensive annual financial report (CAFR) for the fiscal year ended September 30, 2015. This was the 27th consecutive year the County has received this prestigious award. In order to be awarded a Certificate of Achievement, the County published an easily readable and efficiently organized CAFR. This report satisfied both GAAP and applicable legal requirements. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Additionally, the County received the GFOA's Distinguished Budget Presentation Award for its annual budget document for the 2016 fiscal year beginning October 1, 2015. This was the 19th year that the County received this prestigious award. In order to qualify for the Distinguished Budget Presentation Award, the County's budget document was judged to be proficient in several categories, including as a policy document,

a financial plan, an operations guide, and a communications device. A Certificate of Achievement is valid for a period of one year only.

The preparation of this report would not have been possible without the efficient and dedicated services of the County Auditor's staff. I would like to express my appreciation to all members of the County Auditor Department who assisted and contributed to the preparation of this report. Credit also must be given to the Commissioners Court for their unfailing support in maintaining the highest standards of professionalism in the management of the County's finances. I express my sincere thanks to the Council of Judges and other County officials, Department Heads, and employees for their roles in directing the financial affairs of the County in a responsible and professional manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Edward A. Dion". The signature is fluid and cursive, with a long horizontal stroke at the end.

Edward A. Dion
County Auditor



Government Finance Officers Association

**Certificate of
Achievement
for Excellence
in Financial
Reporting**

Presented to

**County of El Paso
Texas**

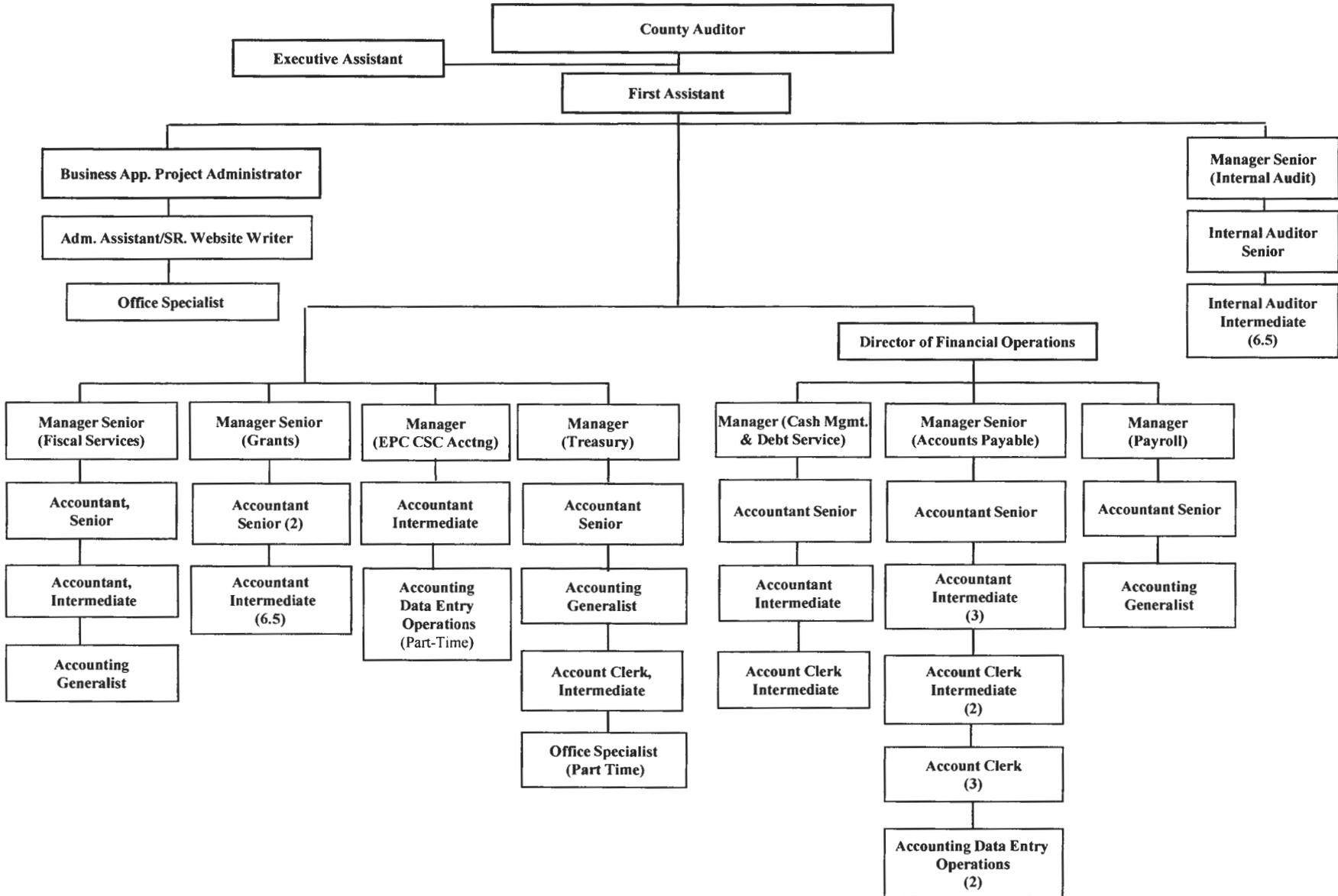
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

September 30, 2015

Executive Director/CEO

El Paso County Auditor's Office

Organizational Chart As of September 30, 2016

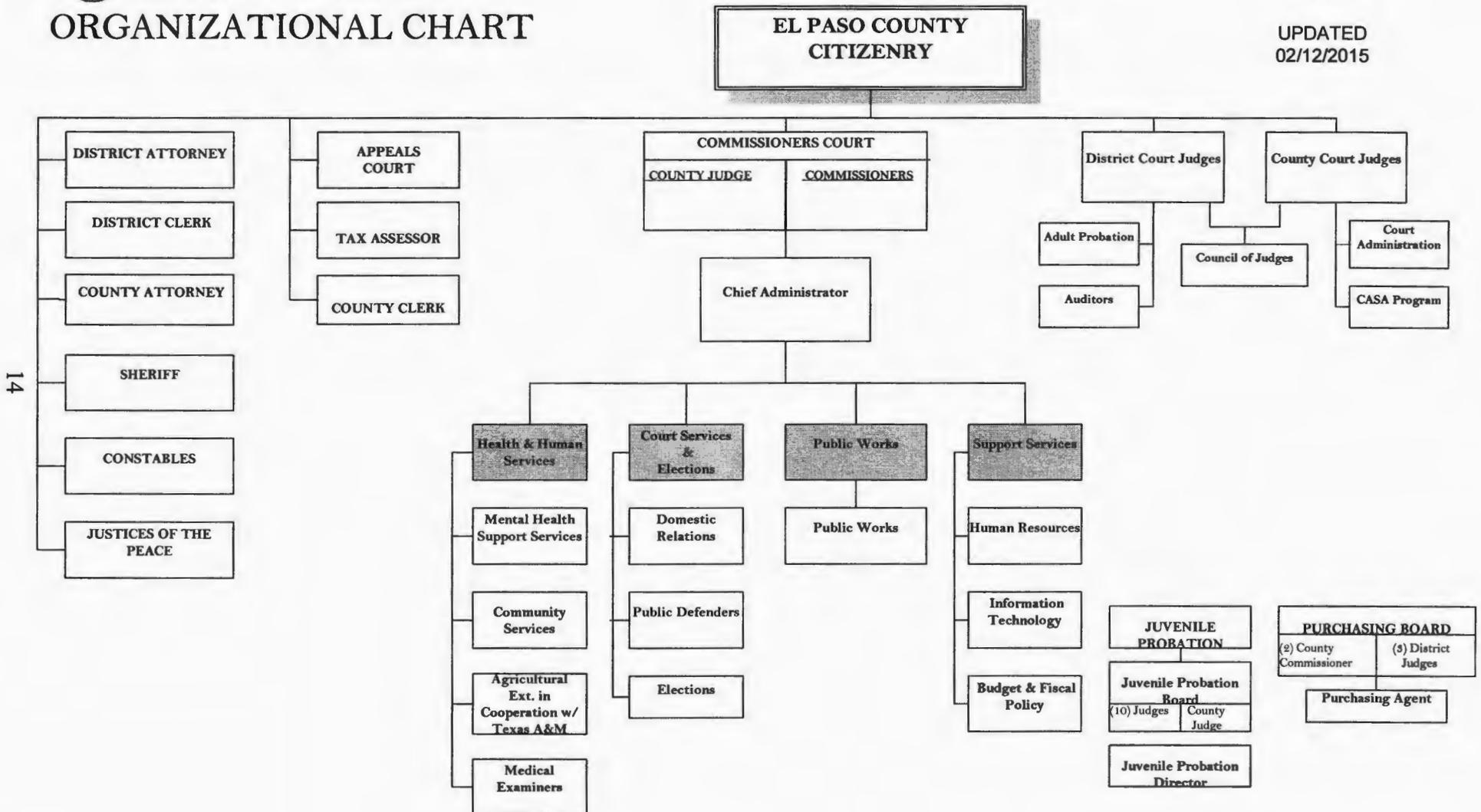




EL PASO COUNTY ORGANIZATIONAL CHART

APPROVED
10/04/2011

UPDATED
02/12/2015



14



Directory of Principal Officials



Commissioners Court (The Governing Body)

County Judge, Veronica Escobar
 County Commissioner, Precinct Number 1, Carlos Leon
 County Commissioner, Precinct Number 2, David Stout
 County Commissioner, Precinct Number 3, Vincent Perez
 County Commissioner, Precinct Number 4, Andrew Haggerty

Room 301, County Courthouse Bldg, (915) 546-2098
 Room 301, County Courthouse Bldg, (915) 546-2014
 Room 301, County Courthouse Bldg, (915) 546-2111
 Room 301, County Courthouse Bldg, (915) 546-2144
 Room 301, County Courthouse Bldg, (915) 546-2044

Council of Judges

Local Administrative Judge, 120th Judicial District, Maria Salas-Mendoza
 34th Judicial District, William E. Moody, District Judge
 41st Judicial District, Annabell Perez, District Judge
 65th Judicial District, Yahara Lisa Gutierrez, District Judge
 168th Judicial District, Marcos Lizarraga, District Judge
 171st Judicial District, Bonnie Rangel, District Judge
 205th Judicial District, Francisco X. Dominguez, District Judge
 210th Judicial District, Gonzalo Garcia, District Judge
 243rd Judicial District, Luis Aguilar, District Judge
 327th Judicial District, Linda Y. Chew, District Judge
 346th Judicial District, Angie Juarez Barill, District Judge
 383rd Judicial District, Mike Herrera, District Judge
 384th Judicial District, Patrick M. Garcia, District Judge
 388th Judicial District, Laura Strathmann, District Judge
 409th Judicial District, Sam Medrano, Jr., District Judge
 448th Judicial District, Sergio Enriquez, District Judge
 Associate Family Court 1, Reed Leverton, Associate Judge
 Associate Family Court 2, Karen Pelletier, Associate Judge
 Associate Family Court 4, Jesus Rodriquez, Associate Judge
 County Court at Law Number 1, Ricardo Herrera, Judge
 County Court at Law Number 2, Julie Gonzalez, Judge
 County Court at Law Number 3, Javier Alvarez, Judge
 County Court at Law Number 4, Alejandro Gonzalez, Judge
 County Court at Law Number 5, Carlos Villa, Judge
 County Court at Law Number 6, M. Sue Kurita, Judge
 County Court at Law Number 7, Thomas A. Spieczny, Judge
 County Criminal Court 1, Alma Trejo, Judge
 County Criminal Court 2, Robert Anchondo, Judge
 County Criminal Court 3, Carlos Carrasco, Judge
 County Criminal Court 4, Jesus Herrera, Judge
 Criminal District Court No. 1, Diane Navarrete, Judge
 County Probate Court No. 1, Patricia B. Chew, Judge
 County Probate Court No. 2, Eduardo A. Gamboa, Judge
 Juvenile Court Referee 1, Richard L. Ainsa, Judge
 Juvenile Court Referee 2, Maria T. Leyva-Ligon, Judge
 Criminal Jail Magistrate, Penny Hamilton, Presiding Judge
 Criminal Jail Magistrate, Humberto Acosta, Judge
 Criminal Jail Magistrate, James Callan, Judge
 Criminal Jail Magistrate Sheldon Myers, Judge

Room 605, County Courthouse Bldg, (915) 546-2103
 Room 905, County Courthouse Bldg, (915) 546-2101
 Room 1006, County Courthouse Bldg, (915) 546-2149
 Room 1105, County Courthouse Bldg, (915) 546-2102
 Room 602, County Courthouse Bldg, (915) 546-2141
 Room 601, County Courthouse Bldg, (915) 546-2100
 Room 1002, County Courthouse Bldg, (915) 546-2107
 Room 1005, County Courthouse Bldg, (915) 546-2130
 Room 901, County Courthouse Bldg, (915) 546-2168
 Room 606, County Courthouse Bldg, (915) 546-2032
 Room 701, County Courthouse Bldg, (915) 546-2119
 Room 1101, County Courthouse Bldg, (915) 546-2132
 Room 906, County Courthouse Bldg, (915) 546-2134
 Room 902, County Courthouse Bldg, (915) 543-3850
 Room 459, County Courthouse Bldg, (915) 834-8209
 Room 404, County Courthouse Bldg, (915) 543-3893
 Room 903, County Courthouse Bldg, (915) 543-3859
 Room 1102, County Courthouse Bldg, (915) 543-3871
 Room 1103, County Courthouse Bldg, (915) 543-3824
 Room 802, County Courthouse Bldg, (915) 546-2011
 Room 801, County Courthouse Bldg, (915) 546-2145
 Room 1001, County Courthouse Bldg, (915) 546-2183
 Room 805, County Courthouse Bldg, (915) 546-2190
 Room 806, County Courthouse Bldg, (915) 546-2004
 Room 1106, County Courthouse Bldg, (915) 543-3868
 Room 1201, County Courthouse Bldg, (915) 543-3877
 Room 705, County Courthouse Bldg, (915) 834-8241
 Room 704, County Courthouse Bldg, (915) 834-8232
 Room 413, County Courthouse Bldg, (915) 834-8240
 Room 702, County Courthouse Bldg, (915) 834-8248
 Room 469, County Courthouse Bldg, (915) 546-8192
 Room 803, County Courthouse Bldg, (915) 546-2161
 Room 422, County Courthouse Bldg, (915) 546-8183
 6400 Delta, Juvenile Probation Bldg, (915) 849-2552
 6400 Delta, Juvenile Probation Bldg, (915) 849-2560
 600 East Overland, (915) 546-2077
 600 East Overland, (915) 546-2077
 600 East Overland, (915) 546-2077
 600 East Overland, (915) 546-2077

Other Principal Officials

County Attorney, Jo Anne Bernal
 County Chief Administrator, Betsy C. Keller
 County Budget Executive Director, Wallace Hardgrove
 County Auditor, Edward A. Dion
 County Clerk, Delia Briones
 County Purchasing Agent, Debra Carrejo
 County Sheriff, Richard Wiles
 County Tax Assessor and Collector, Ruben P. Gonzalez
 District Attorney, Jaime Esparza
 District Clerk, Norma Favela Barceleanu
 Chief HR Officer, Melissa M. Carrillo
 Public Defender, Jaime Gandara

Room 503, County Courthouse Bldg, (915) 546-2050
 Room 302A, County Courthouse Bldg, (915) 546-2215
 Room 302B, County Courthouse Bldg, (915) 546-2262
 Room 406, County Administrative Offices, (915) 546-2040
 Room 105, County Courthouse Bldg, (915) 546-2071
 Room 300, County Administrative Offices, (915) 546-2048
 3850 Justice Drive, (915) 538-2217
 301 Manny Martinez Dr, 1st Floor, (915) 771-2300
 Room 201, County Courthouse Bldg, (915) 546-2059
 Room 103, County Courthouse Bldg, (915) 546-2021
 500 East Overland, (915) 546-2218
 Room 501, County Courthouse Bldg, (915) 546-8185

