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. Description of Government-wide Financial Statements

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

B. Reporting Entity

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

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

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

In conformity with the criteria discussed above, the financial statements of the El Paso County Hospital District (Hospital District), Emergency Services District #1 (ESD1), and Emergency Services District #2 (ESD2), have been included in the financial reporting entity as discretely presented component units. The El Paso County Commissioners Court appoints their governing bodies, approves their budgets, sets their tax rates and approves their issuance of bonded debt.

Note 1. Summary of Significant Accounting Policies

B. Reporting Entity (Continued)

These units are reported on a separate statement and summarized in a separate column in the government-wide financial statements to emphasize that they are legally separate from the County.

The Hospital District operates University Medical Center, a non-profit organization. In 2016 the Hospital District became the sole corporate member of El Paso Children's Hospital and began presenting EPCH as a blended component unit on January 1, 2016. Complete financial statements for the Hospital District can be obtained from its administrative office at: University Medical Center, 4815 Alameda Avenue, El Paso, Texas 79905, (915) 521-7610.

ESD1 provides emergency services for Horizon City and other communities within a 10-mile radius of the city. ESD1 provides services through the Horizon Fire Department, including training for 47 active members, of which 18 are Emergency Medical Technicians (EMT) certified at the basic level and seven are certified at the paramedic level. The department has 17 certified Firefighters. ESD1 utilizes dispatching services in conjunction with Horizon City Police Department. Complete financial statements can be obtained from the Office of the Board of Commissioners, President, 14151 Nunda, Horizon City, Texas 79928 and can be found on their website at http://epcesd1.com/transparency.html.

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

C. Government-wide and Fund Financial Statements

The government-wide financial statements report financial information of the primary government and its component units for all non-fiduciary activities. The effects of interfund activities have been removed from the government-wide financial statements, except where the elimination would distort the financial statements. Interfund services provided and used are not eliminated in the process of consolidation. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separate from business-type activities, which rely on fees and charges for a significant portion of their revenues.

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

The County reports the following major governmental funds:

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

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

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

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

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

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

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

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

The County reports the following non-major governmental funds:

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

The County additionally reports the following fund types:

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

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

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

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

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

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

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

El Paso County Community Supervision and Corrections Fund is used to account for the activities of the State Adult Probation Department.

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

E. Budgetary Information

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

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

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

The annual adopted budget for fiscal year 2016 totaled $322,858,582. Throughout the year, the Commissioners Court amended the budget for an aggregate increase total of $127,518,030. These increases represented statutorily provided increases for additional funding by granting agencies and intergovernmental agreements bringing the overall budget total to $538,092,363, including re-appropriations.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Budgetary Information (Continued)

The appropriation changes included revisions as follows:

County of El Paso, Texas
Schedule of Amended Funding Amounts
For the period ending September 30, 2016

Date of Amendment	General Fund	Special Revenue Fund	Enterprise Fund	Debt Service Fund	Capital Projects Fund	Grants	Total Funding Amounts
October 5, 2015	$263,062,111	$31,920,682	$3,417,748	$20,544,747	$3,913,294	$0	$322,858,582
Total amendments		383,677	766,305	97,185,211	6,200,000	22,982,837	127,518,030
Subtotal	$263,062,111	$32,304,359	$4,184,053	$117,729,958	$10,113,294	$22,982,837	$450,376,612
Carry over Re-appropriation	1,851,864	1,007,645	1,309		13,408,559	71,446,374	87,715,751
Totals	$264,913,975	$33,312,004	$4,185,362	$117,729,958	$23,521,853	$94,429,211	$538,092,363

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	$90,060,140
Revenues: Non-Budgeted	
Expenditures: Non-budgeted	(16,924)
Revenues over (under) Expenditures	16,924
Other financing sources (uses): Non-budged	(450,527)
Excess (deficiency) of revenues and Other financing sources over (under) Expenditures and other financing uses	(433,603)
Change in reserve for inventory	(16,924)
Prior years differences	(14,033,773)
Statement of Revenues, Expenditures and Changes in Fund Balances	$75,576,840

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

F. Cash and Cash Equivalents

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

Note 1. Summary of Significant Accounting Policies (Continued)

F. Cash and Cash Equivalents (Continued)

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

Governmental Accounting Standards Board Statement (GASB) No. 40 "*Deposit and Investment Risk Disclosures, an amendment to GASB Statement Number 3*", establishes and modifies disclosure requirements related to investment risks associated with credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. To limit the concentration of credit risk, the County has an established policy, whereby the maximum aggregate for all investments in obligations of U. S. Agencies and Instrumentalities shall not exceed 100 percent. The County has also established interest rate risk policies that limit the maximum maturity of any one security to 10 years or less.

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

Investments of the County and ESD1 reported on the balance sheet are stated at fair value. All of the County's investments are purchased with maturities of ten years or less. In accordance with the Public Funds Investment Act, all County investments are in United States Treasury Securities, agency securities, TexPool, TexPool Prime, certificates of deposit or commercial paper through an authorized investment pool. All certificates of deposit are fully insured by the Federal Deposit Insurance Corporation and/or fully collateralized with United States Treasury or agency securities. United States Treasury Securities are backed by the full faith and credit of the United States. It is the County's practice to accrue interest on temporary investments throughout the year. The Act also requires the County to have independent auditors perform test procedures related to investment practices as provided by the Act. Management asserts the County is in substantial compliance with the requirements of the Act and local policies.

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

F. Cash and Cash Equivalents (Continued)

TexPool and TexPool Prime

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

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

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

G. Receivables and Payables

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

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

Property tax receivables are shown net of an allowance for uncollectable accounts. Property taxes are levied October 1st and become delinquent on February 1st, at which time penalties and interest are assessed. The allowance for uncollectable property taxes is set at one percent of the outstanding delinquent taxes at September 30, 2016.

H. Inventories and prepaid items

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

Note 1. Summary of Significant Accounting Policies (Continued)

I. Restricted Assets

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

The government-wide statement of net position reports $73,283,516 of restricted assets, of which $25,130,574 is restricted by enabling legislation.

J. Capital Assets

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

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

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

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

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

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

J. Capital Assets

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

J. Capital Assets (Continued)

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

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

K. Deferred outflows/inflows of resources

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

K. Deferred outflows/inflows of resources (Continued)

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

The Hospital District has only one type of deferred inflow of resources, which arise under the modified accrual basis of accounting that qualify for reporting in this category. This item is a deferred inflow on pensions for the difference between expected and actual experience on the plan reported on the statement of net position.

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

L. Compensated Absences

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

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

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

A liability in the amount of $17,950,030 has been established for the accumulated vested sick leave benefits of the El Paso County Sheriff's deputies and detention officers. This is in accordance with the provisions of the contract agreement between the County and the El Paso County Sheriff's Association, whereby the County shall buy back any unused sick leave at the end of an officer’s career. An officer will be paid at the rate of one day's pay for one day's sick leave up to 90 days and thereafter at the rate of one day's pay for every three days of sick leave.

Vested vacation and sick leave benefits are not expected to be liquidated with expendable and available financial resources and therefore, are reported as long term liabilities in the government wide statements. The accrued accumulated vested benefits liability for the current year is $32,781,671 of which $12,365,066 is reported as due within one year. The general fund or the appropriate special revenue fund is used to liquidate any liabilities for compensated absences.

M. Long-term Obligations

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

Note 1. Summary of Significant Accounting Policies (Continued)

M. Long-term Obligations

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

N. Fund Balances

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

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

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

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

The restricted other purposes amount of $6,293,691 reported as other governmental funds consists of $3,714,923 special revenue funds and $2,578,768 capital project funds restricted for various programs and projects.

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

Note 1. Summary of Significant Accounting Policies (Continued)

N. Fund Balances (Continued)

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

The assigned other purposes amount of $1,527,176 in the general fund is for carryover encumbrances from prior year for general operating purposes. The other purposes amount of $6,293,691 in other governmental funds consists of $2,578,768 for capital projects and $3,714,923 for special revenue projects. Both are carryover encumbrances from the prior year.

Unassigned Fund Balance – Represents the residual amount in the general fund that has not been restricted, committed, or assigned to specific purposes. The general fund is the only fund that reports a positive unassigned fund balance amount.

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

O. Comparative Data/reclassifications

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

P. Use of Estimates

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

Note 1. Summary of Significant Accounting Policies (Continued)

Q. New Accounting Pronouncements

The, GASB has issued Statement No. 72, *Fair Value Measurement and Application* became effective for financial statements for periods beginning after June 15, 2015, this statement is not applicable to the County; Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to certain Provisions of GASB Statements 67 and 68* for pensions that are not within the scope of Statement 68 are effective for financial statements for fiscal years beginning after June 15, 2016. The requirements of this Statement for pension plans that are within the scope of Statement 67 or 68 are effective for fiscal years beginning after June 15, 2015. The County has implemented those parts of this Statement that pertain to the County., ; GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* this Statement is effective for financial statements for fiscal years beginning after June 15, 2016. This Statement does not apply to the County.

GASB issued Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* this Statement is effective for fiscal years beginning after June 15, 2017; GASB Statement No. 76; *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* this statement is effective for reporting periods beginning after June 15, 2015; and GASB Statement No. 77; *Tax Abatement Disclosures*, The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2015. These statements may or may not have a material effect on the County's financial statements once implemented. The County will be analyzing the effects of these pronouncements and plans to adopt them as applicable by their effective dates.

In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This statement for fiscal years for reporting periods beginning after December 15, 2015.

In December 2015, GASB issued Statement No. 79, *Certain External Investment Pools and Pool Participants*. The objective of this Statement is to address accounting and financial reporting for certain external investment pools and pool participants. Specifically, it establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. An external investment pool qualifies for that reporting if it meets all of the applicable criteria established in this Statement. If an external investment pool does not meet the criteria established by this Statement, that pool should apply the provisions in paragraph 16 of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, as amended. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015, except for certain provisions on portfolio quality, custodial credit risk, and shadow pricing. Those provisions are effective for reporting periods beginning after December 15, 2015. The County has implemented the requirements of this Statement in fiscal year 2016.

Note 1. Summary of Significant Accounting Policies (Continued)

Q. New Accounting Pronouncements (Continued)

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

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

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

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

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

Statements 78, 80, 81, 82, 83, and 84 may or may not have a material effect on the County's financial statements once implemented. The County will be analyzing the effects of these pronouncements and plans to adopt them as applicable by their effective dates.

Note 2. Legal Compliance - Budgets

Budgets are adopted by Commissioners Court on a modified accrual basis. Under Texas law, county governments may prepare annual budgets under one of three subchapters. The County operates under *Local Government Code § 111.061, Subchapter C, Alternate Method of Budget Preparation in counties with a population of more than 125,000*. Pursuant to *Local Government Code § 111.062*, the Commissioners Court opted to establish the Office of the Chief Administrator, which includes the department of Budget and Fiscal policy and appoint a Budget Executive Director (Budget Officer) to prepare the county budget.

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

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

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

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

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

Note 3. Detailed Notes on all Funds

A. Deposits and Investments

At year-end, the carrying amounts of the County's deposits were $199,333,733 consisting of cash and cash equivalents. Of this amount, $1,365,749 represents custodial funds from the County Clerk's Probate Account, $5,364,174 represents funds held in the District Clerk's Custodial Account and $230,554 represents restricted assets for business-type activities. The bank balance of $124,141,509 was covered by $250,000 federal depository insurance with the remaining bank balance fully collateralized with securities held in the County's name in a joint custody account with the County's depository bank, held by Frost National Bank.

The carrying amount of the deposits for the Hospital District, the discretely presented component unit, was $61,474.000, consisting of cash and cash equivalents. At September 30, 2016, the Hospital District's deposits were either insured or collateralized in accordance with state law.

The carrying amount of the deposits for the ESD1, the discretely presented component unit, was $573,037, consisting of cash and cash equivalents. The bank balance was covered by $250,000 federal deposit insurance and the remaining bank balance collateralized with securities held in the District's name by the depository bank's trust department.

The carrying amount of the deposits for the ESD2, the discretely presented component unit, was $4,015,354, consisting of cash and cash equivalents. The bank balance was covered by $250,000 federal deposit insurance and the remaining bank balance collateralized with securities held in the District's name by the depository bank's trust department.

As of September 30, 2016, the County had the following temporary investments included in cash and cash equivalents, reported at fair value, which approximates the value of the pool shares.

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

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

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Note 3. Detailed notes on all funds (Continued)

A. Deposits and Investments (Continued)

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

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

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

Unrestricted Investment Type	Fair Value
Certificates of Deposits	$1,154,555
Total	$1,154,555

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

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

The Hospital District has established interest rate risk policies that limits the maximum maturity of any one security to 5 years or less.

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

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

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

Note 3. Detailed notes on all funds (Continued)

A. Deposits and Investments (Continued)

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

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

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

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

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

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

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

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

Custodial credit risk – deposits. This is the risk that in the event of a bank failure, the County's or Hospital District's deposits may not be returned to the respective entity. The County, Hospital District protects their deposits by requiring the depository bank to fully collateralize the amount in excess of federal depository insurance and ESD1 requires collateralization at 102% of deposits in excess of federal depository insurance, with securities held in the respective entity's name in a joint custody account with the respective entity's depository bank at a third party financial institution.

ESD2 does not have a policy for custodial credit risk.

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

Note 3. Detailed notes on all funds (Continued)

B. Receivables

Receivables as of September 30, 2016 for the general, major special revenue grant funds, and other governmental, including applicable allowances for uncollectable accounts, are as follows:

	General	Major Special Revenue-Grant Funds	Other Governmental Funds	Total
Receivables:				
Taxes	$19,737,407			$19,737,407
Accounts	11,820,380	$4,631,821	$536,219	16,988,420
Notes		167,730		167,730
Less: allowance for uncollectable	(197,374)			(197,374)
Net total receivables	$31,360,413	$4,799,551	$536,219	$36,696,183

Property taxes receivables are reported net of unrealizable amounts. The taxes receivable account represents uncollected tax levies of the past twenty years on real property and the last four years on personal property in accordance with State statute. The allowance for estimated uncollectable taxes is one percent of the total delinquent taxes receivable, including penalties and interest, as of September 30, 2016. Based on a five-year trend of the taxes receivable, including penalties and interest, the County deferred approximately 94.55 percent until collection of those revenues. In calculating the taxes revenue, a period of 60 days is used to measure availability since the taxes for any current tax year are materially received well into the next fiscal year. Expenditure accruals are also being recognized 60 days after the fiscal year end.

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

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

	Unavailable	Unearned
Delinquent property taxes receivable (general fund)	$18,579,960	
Court costs and fines (general fund)		$389,334
Draw-downs prior to meeting eligibility requirements (grants)		135,598
Total deferred /unearned revenue for governmental funds	$18,579,960	$524,932

Note 3. Detailed notes on all funds (Continued)

C. Capital assets

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

Primary Government

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

Note 3. Detailed notes on all funds (Continued)

C. Capital assets (Continued)

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

Governmental activities:	
General Government	$6,057,333
Administration of Justice	227,837
Public Safety	5,630,950
Health and Welfare	158,599
Community Service	152,261
Resource Development	65
Culture and Recreation	1,630,454
Public Works	4,237,608
Total depreciation expense governmental activities	$18,095,107
Business-type activities:	
Vehicles	$2,576
Water systems	357,304
Total depreciation expense Business-type activities	$359,879

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

Construction and Technology Computer Systems Commitments

The County has several active projects as of September 30, 2016. The projects include, among others, the Sportspark Complex Renovations, New Jail Annex Unit, Tornillo-Guadalupe Port of Entry Toll System, Ascarate Park Toll Booth, Juvenile Probation Renovations, Tax Office Software System and the Tyler Munis Enterprise System.

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

Project	Spent-to-date	Remaining Commitment
Governmental Activities		
Sportspark Complex Renovations	$9,836,022	$98,698
New Jail Annex Unit	41,552,331	4,339,778
Tornillo Guadalupe Port of Entry Toll System	1,578,903	110,688
Ascarate Park Toll Booth	184,037	65,963
Juvenile Probation Renovations	385,000	12,750
Total	$53,536,293	$4,627,877
Information Technology Systems Commitments		
Tyler Munis Enterprise System	$3,487,838	$2,007,162
Tax Software System	13,658	20,487
Total	$3,501,496	$2,027,649

Note 3 . Detailed notes on all funds (Continued)

C. Capital assets (Continued)

Component units

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

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

The Hospital District construction in progress at September 30, 2016, primarily represents the costs incurred to fund approximately $150 million of capital improvement, including outpatient medical clinics, renovate existing hospital inpatient floors and purchase equipment for the main campus. These projects will be constructed through 2018 and will be paid using the unexpended proceeds of the 2013 Combination Tax and Revenue Certificates of Obligation bonds.

Capital asset activity for the ESD1 for the year ended September 30, 2016, was as follows:

	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	5,081,965			5,081,965
Heavy Trucks	3,510,074	$152,224		3,662,298
Equipment	1,177,373	30,525		1,207,898
Total capital assets, being depreciated	9,769,412	182,749		9,952,161
Less accumulated depreciation for:				
Buildings and improvements	(180,125)	(127,825)		(307,950)
Heavy Trucks	(1,939,465)	(279,750)		(2,219,215)
Equipment	(815,869)	(111,111)		(926,980)
Total accumulated depreciation	(2,935,459)	(518,686)		(3,454,145)
Total capital assets, being depreciated, net	6,833,953	(335,937)		6,498,016
ESD1 capital assets, net	$7,013,717	($335,937)		$6,677,780

Note 3 . Detailed notes on all funds (Continued)

C. Capital assets (Continued)

Component units

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

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

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

D. Interfund receivables, payables, and transfers

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

The composition of interfund/intrafund balances as of September 30, 2016, is as follows:

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

Note 3 . Detailed notes on all funds (Continued)

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

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

Note 3 . Detailed notes on all funds (Continued)

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

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

	Transfers Out Actual	Transfers In Actual
General Fund		
Access and Visitation	$7,556	
Child Protective Services	878,299	
Colonia Self-Help Center	184,854	
Court Reporter		$375,712
DIMS Project	408,216	
Domestic Violence Unit	132,214	
Excess Grant Match		254,573
Excess Sales Tax	450,527	
General & Administrative	3,684,926	180,000
Justice Court Manager		110,551
Nutrition	150,000	
Protective Order – Match	131,342	
Public Defender Expansion	360,183	
Public Defender Problem Solving	68,800	
Rural Transit	102	
Sidewalk Improvement	111,402	
Sheriff Crime Victim	28,536	
Sheriff Victims of Crime	33,457	
Victim Witness Services	97,508	
Subtotal	6,727,922	920,836
Major Special Revenue-Grants		
Access and Visitation		$8,368
Child Protective Services	$188,632	878,299
Colonia Self-Help Center		305,294
DIMS Project	41,021	408,216
Domestic Violence Unit		132,214
Nutrition		150,000
Protective Order Court		131,343
Public Defender Expansion		360,183
Public Defender Problem Solving Attorney	5,717	68,800
Sheriff Crime Victim Services		28,536
Sparks/West Way Sidewalk Improvement		111,402
Texas Capital	139,644	
Van Pool Program		102
Victims of Crime Act		33,457
Victim Witness Services		97,508
Subtotal	375,014	2,713,722
Non Major Special Revenue		
County Tourist Promotion		804,039
Coliseum Tourist Promotion	804,039	
Courthouse Security	180,000	
Court reporter Service	375,712	
Juvenile Case Manager	110,551	
Subtotal	1,470,302	804,039
Capital Projects		
County Capital Improvements		3,684,114
Subtotal		3,684,114
Debt Service		
G.O. Refunding 2007	390,005	
Certificates of Obligation Series 2007	13,828	
Taxable Certificates of Obligation Series 2007a		233,363
Taxable G.O. Refunding 2015A	233,363	
Go Refunding Series 2016A		450527
Go Refunding Series 2016C		388,588
Taxable Certificates of Obligation Series 2016D		15,245
Subtotal	637,196	1,087,723
Grand total	$9,210,434	$9,210,434

Note 3 . Detailed notes on all funds (Continued)

E. Leases

Operating Leases

The County has various lease commitments for office space, equipment and data processing software. These leases are considered to be operating leases, which are renewable on an annual basis. Lease expenditures for the year ending September 30, 2016, amounted to $459,329.

Capital Leases

The County leases equipment through capital leasing arrangements in the governmental fund types. Payments during fiscal year ended September 30, 2016, amounted to $91,814. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Machinery and equipment	$479,065
Less: accumulated depreciation	101,491
Total	$377,574

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

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

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

Year ending September 30	Principal	Interest	Total
2017	$40,753	$15,397	$56,150
2018	42,663	13,487	56,150
2019	44,661	11,489	56,150
2020	46,753	9,397	56,150
2021	48,944	7,206	56,150
2022-2023	104,873	7,425	112,298
Total	$328,647	$64,401	$393,048
Less amount due within one year	40,753		
Amount due after one year	$287,894		

Note 3 . Detailed notes on all funds (Continued)

E. Leases (Continued)

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

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

Year ending September 30	Governmental Activities
2017	$1,293,165
2018	1,293,373
2019	1,336,288
2020	1,298,603
2021	1,180,421
2022-2026	3,666,554
2027-2029	758,229
Total	$10,826,633

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

F. Long-term Debt

General and certificates of obligation bonds

The County issues general and certificate of obligation bonds as well as revenue bonds to provide the resources for the acquisition and construction of capital assets. These bonds have been issued for both governmental and business-type activities. The ending balance of the general and certificate of obligation bonds outstanding was $199,475,000. The ending balance of the revenue bonds is $1,547,000.

The general and certificate of obligation bonds are direct obligations of the County, payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the County in an amount sufficient to provide payment of principal and interest. All general and certificates of obligation bonds have principal maturities on February 15th. Interest is payable semi-annually on February and August 15th. Except for the Taxable Certificates of Obligation Series 2016C and Certificates of Obligation Series 2016D which have principal payments on September 15th and interest payment on March 15th and September 15th.

Note 3 . Detailed notes on all funds (Continued)

F. Long-term Debt (Continued)

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

Purpose	Interest Rates	Issue Date	Maturity Date	Amount
Certificates of Obligation, Series 2001	4.00 – 5.50%	2001	2022	$8,880,000
Taxable Certificates of Obligation, Series 2007A	4.65 – 6.23%	2007	2032	715,000
General Obligation Refunding, Series 2011	2.125 – 5.25%	2011	2022	2,115,000
Certificates of Obligation, Series 2012	2.00 – 5.00%	2012	2032	69,650,000
General Obligation Refunding, Series 2015	5.00%	2015	2026	15,230,000
General Obligation Taxable Refunding, Series 2015A	0.650 – 3.671%	2015	2026	8,200,000
General Obligation Refunding, Series 2016A	2.00 – 5.00%	2016	2032	48,805,000
General Obligation Taxable Refunding, Series 2016B	0.95 – 3.666%	2016	2032	40,735,000
Taxable Certificates of Obligation, Series 2016C	2.95%	2016	2022	1,645,000
Certificates of Obligation, Series 2016D	3.28%	2016	2032	3,500,000
				$199,475,000

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
2017	$12,385,000	$8,209,803	$20,594,803
2018	11,960,000	7,854,482	19,814,482
2019	12,025,000	7,421,532	19,446,532
2020	12,550,000	6,970,945	19,520,945
2021	13,100,000	6,496,603	19,596,603
2022-2026	58,450,000	24,784,805	83,234,805
2027-2031	64,240,000	11,294,694	75,534,694
2032	14,765,000	355,070	15,120,070
	$199,475,000	$73,387,934	$272,862,934

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	$800,000
$272,000 Mayfair/Nuway Water System Revenue Bonds, Series 2012	2.25%	2012	2052	263,000
$500,000 Colonia Revolućion Water System Revenue Bonds, Series 2013	2.25%	2013	2053	484,000
Total				$1,547,000

Note 3. Detailed notes on all funds (Continued)

F. Long-term Debt (continued)

Revenue bond debt service requirements to maturity are as follows:

Year Ending September 30	Principal	Interest	Total
2017	$33,000	$55,781	$88,781
2018	34,000	54,484	88,484
2019	34,000	53,194	87,194
2020	44,000	51,904	95,904
2021	44,000	50,154	94,154
2022-2026	227,000	223,759	450,759
2027-2031	287,000	173,152	460,152
2032-2036	367,000	108,730	475,730
2037-2041	170,000	44,558	214,558
2042-2046	122,000	28,675	150,675
2047-2051	137,000	14,158	151,158
2052-2053	48,000	1,396	49,396
	$1,547,000	$859,945	$2,406,945

Current Year

On, April 14, 2016, the County issued General Obligation Refunding bonds, Series 2016A in the par amount of $48,805,000 to refund a portion of the Certificates of Obligation, Series 2007 bonds maturing on February 15, 2017 through 2032, for a total par amount of $33,690,000 and General Obligation Refunding bonds, Series 2007 maturing on February 15, 2017 through 2032, for a par amount of $18,360,000. This refunding resulted in a present value savings of 8.88 percent on the refunded bonds and a present value savings of 9.47 percent on the refunding bonds, and a net present value savings of $4,623,892. The bonds were issued at a premium of $7,645,207. The refunding reduced future debt service costs by $5,459,394 and resulted in an economic gain of $4,621,642. The liability associated with the bond was removed from the related payables. As of September 30, 2016, $52,050,000 of the refunded bond remains outstanding with an estimated escrow balance of $54,786,669.

On April 14, 2016, the County issued General Obligation Refunding bonds, Taxable Series 2016B in the par amount of $40,735,000 to refund a portion of the Certificates of Obligation, Series 2007 bonds maturing on February 15, 2017 through 2032, for a total par amount of $22,605,000, General Obligation Refunding bonds, Series 2007 maturing on February 15, 2017 through 2032, for a par amount of $12,305,000, Certificates of Obligation, Series 2001 maturing on February 15, 2019 through 2022, for a total par amount of $1,060,000, Certificates of Obligation, Series 2012 maturing on February 15, 2017 through 2032, for a par amount of $1,305,000, and General Obligation Refunding, Series 2011 maturing on February 15, 2017 through 2022, for a par amount of $125,000. This refunding resulted in a present value savings of 5.15 percent on the refunded bonds and a present value savings of 4.73 percent on the refunding bonds, and a net present value savings of $1,926,280. The refunding reduced future debt service costs by $2,337,440 and resulted in an economic gain of $1,924,117. The liability associated with the bond was removed from the related payables. As of September 30, 2016, $37,400,000 of the refunded bonds remain outstanding with an estimated escrow balance of $39,571,252.

Note 3. Detailed notes on all funds (Continued)

F. Long-term Debt (continued)

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

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

Prior Years

On February 17, 2015, the County issued General Obligation Refunding bonds, Series 2015 in the par amount of $15,230,000 to refund a portion of the Certificates of Obligation, Series 2012 bonds maturing on February 15, 2024, 2025, and 2026, for a total par amount of $17,290,000. This refunding resulted in a present value savings of 15.11 percent on the refunded bonds and a present value savings of 17.15 percent on the refunding bonds, and a net present value savings of $2,612,295. The bonds were issued at a premium of $3,852,777. The refunding reduced future debt service costs by $3,107,231 and resulted in an economic gain of $2,607,697. The liability associated with the bond was removed from the related payables. As of September 30, 2016, $17,290,000 of the refunded bond remains outstanding with an estimated escrow balance of $17,679,818.

Note 3. Detailed notes on all funds (Continued)

F. Long-term Debt (continued)

On June 25, 2015, the County issued General Obligation Refunding Bonds, Taxable Series 2015A in the par amount of $8,695,000 to refund a portion of Taxable Certificates of Obligation, series 2007A bonds maturing on February 15, 2019 through 2032, for a total par amount of $7,405,000. This refunding resulted in a present value savings of 11.38 percent on the refunded bonds and a present value savings of 9.69 percent on the refunding bonds and a net present value savings of $842,740. The bonds were issued at par. The refunding reduced future debt service costs by 1,938,518 and resulted in an economic gain of $840,166. The liability associated with the bond was removed from the related payables. As of September 30, 2016, $7,405,000 of the refunded bond remains outstanding with an estimated escrow balance of $7,992,131.

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

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

Note 3. Detailed notes on all funds (Continued)

F. Long-term Debt (continued)

On December 18, 2007, the County issued $9,940,000 El Paso County, Texas, Taxable Certificates of Obligation Bonds, Series 2007A, $59,835,000 El Paso County, Texas, tax-exempt Certificates of Obligation Bonds, Series 2007, and $48,550,000 El Paso County, Texas, tax-exempt General Obligation Refunding Bonds, Series 2007. The Taxable Bonds were issued for the purpose of financing construction of new facilities and renovations of existing facilities at the County Sportspark. The tax exempt Certificates of Obligation Bonds were issued to finance the following within the County: capital equipment, parks and open space, major building projects, major technology projects, and other permanent improvements. The General Obligation Refunding Bonds were issued to restructure the County's long-term debt structure taking advantage of favorable interest rates. This refunding issue refunded $5,575,000 of the Combination Limited Tax and Surplus Obligations Series 1997, $6,700,000 Certificates of Obligation Series 1998, $9,745,000 General Obligation Refunding Bonds Series 1998, $6,095,000 Certificates of Obligation Series 2001, and $19,580,000 Certificates of Obligation Series 2002. This refunding resulted in a combined present value savings to the County of $1,245,949. Those bonds were defeased on April 14, 2016.

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2016, was as follows:

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

Note 3. Detailed notes on all funds (Continued)

F. Long-term Debt (continued)

No-commitment debt

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

The following is a summary of the long-term debt at September 30, 2016, for the Hospital District component unit:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-term debt					
Bonds payable	$363,490,000		($6,485,000)	$357,005,000	$6,755,000
Bond premium and discount	31,920,000		(1,466,000)	30,454,000	1,466,000
Total long-term debt	$395,410,000		($7,951,000)	$387,459,000	$8,221,000

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%.

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

	Principal	**Interest**	**Total**
Year ending September 30			
2017	$6,755,000	17,311,000	24,066,000
2018	7,050,000	17,013,000	24,063,000
2019	7,345,000	16,719,000	24,064,000
2020	7,695,000	16,370,000	24,065,000
2021	8,080,000	15,986,000	24,066,000
2022-2026	46,675,000	73,652,000	120,327,000
2027-2031	59,260,000	61,068,000	120,328,000
2032-2036	74,815,000	45,506,000	120,321,000
2037-2041	94,580,000	25,747,000	120,327,000
2042-2043	44,750,000	3,384,000	48,134,000
	$357,005,000	$292,756,000	$649,761,000

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. Those bonds are considered no-commitment debt since the County is not obligated in any way to pay any part of the principal or interest.

Note 3. Detailed notes on all funds (Continued)

G. Contingent Liabilities

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

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the County's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government. Presently, an amount of $3,813,000 for probable losses has been accrued as a contingency and is reported at the government-wide financial statements. Of this amount, $733,000 is reported due within one year and $3,080,000 due in more than one year.

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

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

ESD1 was involved in litigation with the City of El Paso for compensation owed of $123,405 as a result of annexation of land within the jurisdiction of ESD1. ESD1 was awarded $25,675 in 2014, which was collected in 2015. The remaining amount of $97,730 is still pending appeals. This amount has not been recorded as a receivable on the books of the ESD1.

ESD2 had no contingent liabilities.

Note 3. Detailed notes on all funds (Continued)

H. Deferred Compensation

The County offers its employees a deferred compensation plan that permits them to defer a portion of their current salary until future years. Any contributions made to the deferred compensation plan, in compliance with Section 457 of the Internal Revenue Code, are not available to employees until termination of employment, retirement, death or an unforeseen emergency. Contributions to the plan are administered by Nationwide Retirement Solutions, VOYA and VALIC, as third party administrators. In accordance with the provisions of the IRC Section 457(g), the plan assets are in custodial accounts for the exclusive benefit of the plan participants and beneficiaries. The County provides neither administrative services nor investment advice to the plans. Therefore, in accordance with GASB 32, no fiduciary relationship exists between the County and the deferred compensation pension plans. At September 30, 2016, the plan assets were valued at $27,699,553.

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

I. Pension Obligations

Texas County and District Retirement System (TCDRS)

Plan Description - TCDRS is a statewide, agent multiple employer, public employee retirement system. The system provides retirement, disability, and survivor benefits. The system is administered by a Board of Trustees appointed by TCDRS. Each participating employer in TCDRS has a separate plan. Benefit provisions are contained in a plan document and were established and can be amended by the governing body of the County, Hospital District and ESD2 for their separate plans within the options available in the state statutes governing TCDRS. Members can retire at age 60 and above with eight or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members of the County and ESD2 plans are vested after eight years of service, five years of service for the Hospital District. Members must leave their accumulated contributions in the plans to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer. Benefit amounts under each plan are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the respective governing bodies within the actuarial constraints imposed by the TCDRS Act so the resulting benefits can be expected to be adequately financed by the commitment of the respective entities to contribute to the plan. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Note 3. Detailed notes on all funds (Continued)

I. Pension Obligations (Continued)

The TCDRS does not issue a separate report that includes financial statements and required supplementary information for the system. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034 or from the website www.tcdrs.org.

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

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

Funding Policy - The County, Hospital District and ESD2 have elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The respective plans are funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The County contributed using the actuarially determined rate of 15.52% for the months of the accounting year in 2015, and 15.57% for the months of the accounting year in 2016. The Hospital District employer contribution rate for the fiscal years ending September 30, 2016 and 2015 was 6.4%. ESD2 contributed 11.08% for the fiscal year ending September 30, 2016.

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

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

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

Note 3. Detailed notes on all funds (Continued)

I. Pension Obligations (Continued)

The source of the mortality assumptions is as follows;

Depositing members	The RP-2000 Active Employee Mortality Table for males with a two-year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that.
Service retirees, beneficiaries and non-depositing members	The RP-2000 Combined Mortality Table projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that, with a one-year set-forward for males and no age adjustment for females.
Disabled retirees	RP-2000 Disabled Mortality Table projected to 2014 with scale AA and then projected with110% of the MP-2014 Ultimate scale after that, with no age adjustment for males and a two year set-forward for females.

The long-term expected rate of return - on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2016 information for a 7-10 year time horizon.

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

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

Note 3. Detailed notes on all funds (Continued)

I. Pension Obligations (Continued)

County:

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	14.50%	5.45%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index[3]	14.00%	8.45%
Global Equities	MSCI World (net) Index	1.50%	5.75%
International Equities - Developed	MSCI World Ex USA (net)	10.00%	5.45%
International Equities - Emerging	MSCI WorldWorld Ex USA (net)	8.00%	6.45%
Investment-Grade Bonds	Barclays Capital Aggregate Bond Index	3.00%	1.00%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	5.10%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	2.00%	5.09%
Direct Lending	Citigroup High-Yield Cash-Pay Capped Index	5.00%	6.40%
Distressed Debt	Citigroup High-Yield Cash-Pay Capped Index	3.00%	8.10%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	3.00%	4.00%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.80%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index[4]	5.00%	6.90%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	25.00%	5.25%
		100.00%	

[1] Target asset allocation adopted at the April 2016 TCDRS Board meeting.
[2] Geometric real rates of return in addition to assumed inflation of 1.6%, per Cliffwater's 2016 capital market assumptions.
[3] Includes Vintage years 2006-present of Quarter Pooled Horizon IRRs.
[4] Includes vintage years 2007-present of Quarter pooled Horizon IRRs.

Hospital District:

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

Note 3. Detailed notes on all funds (Continued)

I. Pension Obligations (Continued)

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

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

Discount Rate - The discount rate used to measure the total pension liability was 8.1% at December 31, 2015. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rate equal to the difference between actuarially determined contribution rates and the employee rate. Based on those assumptions, the pension plans' fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

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

Note 3. Detailed notes on all funds (Continued)

I. Pension Obligations (Continued)

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

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

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

	Total Pension Liability	Increase (Decrease) Fiduciary Net Position	Net Pension Liability (Asset)
Balances at December 31, 2014			
Changes for the year:			
Service cost	$99,145		$99,145
Interest on total pension liability	3,595		3,595
Effect of plan changes	(9,664)		(9,664)
Effect of economic/demographic gains or losses	9,046		9,046
Effect of assumptions changes or inputs	1,049		1,049
Refund of contributions	0	0	
Benefit payments	0	0	
Administrative expenses		(38)	38
Member contributions		39,735	(39.735)
Net investment income		(872)	872
Employer Contributions		62,894	(62,894)
Other changes		(5)	5
Net changes	103,171	101,714	1,457
Balances at December 31, 2015	$103,171	$101,714	$1,457

Note 3. Detailed notes on all funds (Continued)

I. Pension Obligations (Continued)

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

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
County:			
Total pension liability	$1,068,976,258	$931,221,269	$818,187,739
Fiduciary net position	708,750,384	708,750,384	708,750,384
Net pension liability/ (asset)	$360,225,874	$222,470,885	$109,437,355
Hospital District:			
Net pension liability/ (asset)	$96,010,000	$44,201,000	$1,866,000
ESD2:			
Total pension liability	$126,148	$103,171	$85,165
Fiduciary net position	101,714	101,714	101,714
Net pension liability/ (asset)	$24,434	$1,457	$(16,549)

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

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$3,947,815	$2,618,260
Changes in assumptions		10,389,941
Net difference between projected and actual earnings		60,344,786
Changes in proportionate share	68,755	68,755
Contributions made subsequent to measurement date		19,710,738
	$4,016,570	$93,132,480

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

Year ended December 31:	
2016	$17,524,943
2017	17,524,943
2018	17,524,943
2019	15,541,919
2020	1,288,424
Thereafter	0

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

Note 3. Detailed notes on all funds (Continued)

I. Pension Obligations (Continued)

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

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$2,750,000	
Changes in assumptions		$3,228,000
Net difference between projected and actual earnings		24,404,000
Contributions made subsequent to measurement date		6,556,000
	$2,750,000	$34,188,000

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

Year ending September 30:	
2017	$6,410,000
2018	6,410,000
2019	6,574,000
2020	5,488,000
	$24,882,000

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

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

*as reported by ESD2

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

Year ending December 31:	
2017	$65,494
2018	1,915
2019	918
2020	4,587
	$74,829

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

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

Note 3. Detailed notes on all funds (Continued)

I. Pension Obligations (Continued)

Texas Emergency Services Retirement System (TESRS)

Plan Description - ESD1 and ESD2 offer a retirement plan to eligible members through the TESRS. TESRS administers a cost-sharing multiple employer pension system (the System) established and administered by the State of Texas to provide pension benefits for emergency services personnel who serve without significant monetary remuneration. TESRS is an agency of the State of Texas and its financial records comply with state statutes and regulations. The nine member Board of Trustees, appointed by the Governor, establishes policy for the administration of the TESRS.

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

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

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

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

Note 3. Detailed notes on all funds (Continued)

I. Pension Obligations (Continued)

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

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

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

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

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

The contribution requirement per active emergency services personnel member per month is not actuarially determined. Rather, the minimum contribution provisions were set by board rule, and there is no maximum contribution rate.

For the fiscal year ending September 30, 2016, as well as each of the two previous years, total contributions to TESRS by ESD1 totaled $10,000 per year.

The County makes quarterly contributions to the TESRS on behalf of both Emergency Services Districts. The County's total contribution to TESRS for FY2016 was $85,680.

Note 3. Detailed notes on all funds (Continued)

I. Pension Obligations (Continued)

The pension expense for ESD1 and ESD2 are based on their proportionate share of the collective pension expense based on TESRS' fiscal year ended August 31, 2016, as shown in the following table:

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

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

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

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

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

Note 3. Detailed notes on all funds (Continued)

I. Pension Obligations (Continued)

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

Discount Rate - The discount rate used to measure the total pension liability was 7.75%. No projection of cash flows was used to determine the discount rate because the August 31, 2016, actuarial valuation showed that expected contributions would pay the normal cost and amortize the unfunded actuarial accrued liability (UAAL) in 30 years using the conservative level dollar amortization method. Because of the 30-year amortization period with the conservative amortization method, the pension plan's fiduciary net position is expected to be available to make all projected future benefit payments of the current active and inactive members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

Net pension liability/ (asset)	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
ESD1	$371,830	$219,626	$122,649
ESD2	657,853	388,569	216,994
Total	$1,029,683	$608,195	$339,643

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

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

Note 3. Detailed notes on all funds (Continued)

I. Pension Obligations (Continued)

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

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

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

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

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

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

Year ended:	
2017	40,058
2018	40,056
2019	55,322
2020	8,103
Thereafter	-
Total	$143,539

J. Other Post-employment Health Care Benefits

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

Note 3. Detailed notes on all funds (Continued)

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

As of September 30, 2016, there were 2,660 active employees, 154 retirees, and their dependents receiving the benefits. The Plan provides for separate rate schedules for active employees, retirees and retirees over 65. The County in 2014 approved the Aetna Medicare Advantage Plan for retirees over 65, of which 104 are enrolled in the plan. The County also offers a High Deductible Health Plan (CDHP), Core, and Buy-up medical plan for both active employees and retirees. Retirees in the CDHP, Core, and Buy-up plans are expected to pay approximately 38.10 percent, 38.10 percent, and 49.76 percent, respectively, of the total premium cost for insurance coverage. For fiscal year ended September 30, 2016, retirees currently receiving benefits contributed $535,385 and the County contributed $690,336 toward the cost of health insurance premiums. Total benefits paid on behalf of retirees and their dependents during the fiscal year ended September 30, 2016 was $892,055.

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

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

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

The County's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2016 and the preceding two years were as follows:

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

Funded Status - Under the reporting parameters, the County's retiree health care plan is 0.0% funded with an estimated actuarial accrued liability exceeding actuarial assets by $31,501,267 at September 30, 2016. As of the most recent valuation, the ratio of the unfunded actuarial accrued liability to annual covered payroll of $164,295,397 is 19.17%.

Note 3. Detailed notes on all funds (Continued)

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

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

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

Actuarial Methods and Assumptions

Inflation Rate	2.50% per annum
Investment rate of return	4.00% per annum, net of expenses
Actuarial cost method	Projected Unit Credit Cost Method
Amortization method	Level as a percentage of employee payroll
Amortization period	30-year open amortization
Payroll growth	3.00% per annum
Medical trend (pre-65)	Initial rate of 7.50%, declining to an ultimate rate of 4.50% after 14 years
Medical trend (post-65)	Initial rate of 7.00%, declining to an ultimate rate of 4.25% after 11 years

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

K. Property Taxes

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

Note 3. Detailed notes on all funds (Continued)

K. Property Taxes (Continued)

Tax Rate. The County's total tax rate for fiscal year 2016 was $0.452694 per $100 of assessed valuation; $0.401819 was allocated for maintenance and operations, of which, one cent is allocated to the County's Capital Improvement Plan, and $0.050875 was allocated to the debt service funds. State law permits the County to levy property taxes up to $0.80 per $100 of assessed valuation for the general fund and up to $0.15 per $100 assessed valuation for the road and bridge fund.

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

The property tax code:

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

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

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

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

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

L. Federal and State Grants

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

M. Risk Management

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

Note 3. Detailed notes on all funds (Continued)

M. Risk Management (Continued)

The County retains the risk of loss relating to workers compensation and unemployment liability. Contributions to cover any claims for unemployment are made to a third party administrator with the liability funded on a pay-as-you-go basis. Contribution adjustments are made throughout the year in order to maintain the reserves necessary to meet future claims determined on historical trends. Claims for workers compensation are processed through a third party administrator and also funded on a pay-as-you-go-basis. The estimated potential claims, which are reported in the accompanying financial statements, totaled $2,937,300. This estimate includes amounts for non-incremental claim adjustment expenses related to specific claims. Changes in the balances of claims liabilities during the past year are as follows:

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

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

For fiscal year 2016, the County purchased stop loss insurance to cover individual health claims that exceed $225,000. During the fiscal year, three claims were filed with the stop loss insurance carrier. Also at year-end, the County had outstanding health claims in the amount of $676,323, which will be liquidated within sixty days.

N. Assigned for other purposes

Encumbrances outstanding at year-end are reported as assigned for other purposes as part of the new fund balance classifications. As of September 30, 2016, encumbrances amounted to $7,278,766, of which $1,527,176 relates to the general fund, $4,118,990 to the major capital projects 2012, $913,375 to the special revenue fund, and $719,225 to the non-major capital projects fund.

Note 3. Detailed notes on all funds (Continued)

O. Payroll and Workers Compensation Receivable/Payable

The County utilizes the payroll fund to account for those liabilities relating to payroll. The payroll fund maintains a $30,000 cash imprest balance to cover unforeseen payroll liabilities or adjustments necessary during the normal course of operations and to protect against the possibility of an overdraft because of such adjustments. The County utilizes a self-funded workers compensation fund to account for employer contributions and related workers compensation claims. As a means of ensuring adequate funds remain in this account, the County authorized maintaining a $150,000 imprest amount to ensure funds are available at all times to meet workers compensation claims during times should claims exceed contributions while the County which is responsible to pay for such claims provide additional funding. This amount represents an inter-fund loan which at year-end is reversed and reported in the general fund.

P. Federal Commodities

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

Q. Prior Period Adjustments

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

R. Joint Ventures

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

S. Related Party Transactions

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

T. Subsequent Events

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