COUNTY OF EL PASO, TEXAS

ANNUAL FINANCIAL AND COMPLIANCE REPORTS WITH INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2017

GIBSON RUDDOCK PATTERSON LLC
certified public accountants

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

County Judge and Members of Commissioners Court
County of El Paso, Texas

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the budgetary comparison statements of the County of El Paso, Texas (County), as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units, which report total assets of $674,528,971, total net position of $156,121,518, and total revenues of $666,219,297. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component units, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, the aggregate remaining fund information, and the budgetary comparison statements of the County as of September 30, 2017, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents on pages 6 through 27 and pages 106 through 112, respectively, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the State of Texas Uniform Grant Management Standards, and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 30, 2018, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

Clifton Rubbock Potter LLC

El Paso, Texas
March 30, 2018

MANAGEMENT'S DISCUSSION & ANALYSIS

Management's Discussion and Analysis

As management of the County of El Paso (County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 through 12 of this report.

Financial Highlights

Combined County assets and deferred outflows of resources from governmental and business type activities exceeded liabilities and deferred inflows of resources at the close of fiscal year 2017 by $23,318,736 which represents total net position. Of this amount, $13,857,293 or 59.43 percent relates to governmental-type activities while $9,461,443 or 40.57 percent represents business-type activities. Total net position is comprised of restricted and unrestricted assets and net investment in capital assets. Net investment in capital assets totaled $66,073,814 or 283.35 percent of total net position. Restricted assets represent funds subject to constraints that are imposed externally by creditors, debt covenants, grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets totaled $77,562,509 or 332.62 percent of total net position of which $76,263,590 relates to the primary government and $1,298,919 relates to business type activities. Unrestricted net position on the other hand may be used to meet the county's ongoing obligations to citizens and creditors and totaled ($120,317,587) or (515.97) percent of total net position.

The significance of the negative unrestricted net position is attributable to implementation of GASB 68/71 Accounting and Financial Reporting for Pensions and pension transition for contributions made subsequent to the measurement date, respectively. The implementation of these standards requires governments to calculate and report the costs and obligations associated with pensions in their basic financial statements. Employers are required to recognize amounts for all benefits provided through the plan which include the net pension asset or liability, deferred outflows of resources, deferred inflows of resources and pension expense.

The County's fiscal year 2017 operations resulted in total net position decreasing by ($15,261,550) or (39.56) percent below the prior year net position of $38,580,286. This was attributable to a decrease of ($14,939,417) or (51.88) percent in the governmental-type and a decrease in business-type activities of ($322,133) or (3.29) percent. Explanation of these changes is depicted hereafter in this management discussion and analysis.

Overview of the Financial Statements

Discussion and analysis here is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. The implementation of GASB 68 created a new category in the statement of net position for deferred outflows of resources; in prior years, this item was shown as a reduction of long-term liabilities. The statement of net position presents information on all of the County's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between these reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

The significance of implementation of GASB 68 is that the previously defined GASB Annual Required Contribution (ARC) has been eliminated under Statements 67 and 68 and is no longer relevant for financial reporting purposes.

Under GASB 68, employers who grant cost-of-living adjustments (COLAs) with a certain frequency are considered as granting COLAs that are repeating or 'substantively automatic' for purposes of GASB calculations, which can significantly increase future pension liability projections. As of the measurement date, COLAs for El Paso County are considered to be substantively automatic under GASB 68 and therefore are included in the actuarial calculations for El Paso County. In response to this change and for the future, the County will focus on establishing and managing a formal funding policy that is separate from financial reporting calculations. Additional details regarding the County's pension benefit plan are discussed in the notes to the financial statements.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes).

Both of the government-wide financial statements distinguish functions of the County that are primarily supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges similar to business-type activities. The governmental activities of the County include general government, administration of justice, public safety, health and welfare, community services, resource development, culture and recreation and public works. The business-type activities of the County include the Water Systems and Solid Waste Project. The County Water Systems includes the East Montana Water Project, the Mayfair/Nuway Water Project, the Colonia Revolucion Water Project and the Square Dance Waste Water Project.

The government-wide financial statements include not only the County itself (known as the primary government), but also the discretely presented component units of the County, which include the Hospital District, known as University Medical Center (UMC), and Emergency Services Districts 1 and 2. The component units are included in this CAFR because the El Paso County Commissioners Court, the County's governing body, has the legal duty to exercise financial accountability over them by appointing their board members, approving their budgets and setting their tax rates as discussed in the letter of transmittal. Copies of any of the Districts' separately issued financial reports can be obtained directly from the Districts. The government-wide financial statements can be found on exhibits 1 and 2 of this report. Discretely presented Component Units are presented on exhibits 12 and 13.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. El Paso County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, it is our hope that readers will better understand the long-term impact of the County's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The County maintains multiple individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, special revenue-road and bridge fund, grant funds and capital projects 2012. Data from the other non-major governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The County adopts an annual appropriated budget for its general fund, special revenue and debt service funds. A budgetary comparison statement has been provided for these funds to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on Exhibits 3-7 of this report.

Proprietary Funds. The County maintains two different types of proprietary funds - Enterprise and Internal Service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for its County Solid Waste Project and County Water Systems consisting of East Montana Water Project, Mayfair/Nuway Water Project, Colonia Revolucion Water Project, and Square Dance Waste Water Project. The internal service fund is an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its employee health benefits and workers compensation. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The enterprise fund financial statements provide separate information for the County Water and Waste Water Systems and the County Solid Waste Project. The internal service funds are also presented in the proprietary fund financial statements.

The basic proprietary fund financial statements can be found on Exhibits 8-10 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statement can be found on Exhibit 11 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential for a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found immediately following the basic financial statements.

Other Information. The combining statements regarding non-major governmental funds are presented following the notes to the financial statements. In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the County's changes in net pension liability and employer contributions to the plan. Combining and individual fund statements and schedules are presented following the supplementary information of this report.

Government-Wide Financial Analysis
As previously noted, net position may serve over time as a useful indicator of a government's financial position. In fiscal year 2015 the County implemented GASB 68 and at that time liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources resulting in a net positon of ($45,236,688) and subsequently due to changes in actuarial data the County's net position increased by $83,816,974 for a revised net positon as of September 30, 2016 totaling $38,580,286. As of September 30, 2017, the County's net position declined by ($15,261,550) or (39.56) percent to net position of $23,318,736. Therefore, it is vitally important to keep in mind the prior year's results as the current fiscal year financial data is discussed for comparison purposes.

In the case of the County, assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by $23,318,736 at the close of fiscal year 2017. By far the largest component of the County's net position represents restricted assets and resources that are subject to external restrictions on how they may be used. Restricted assets total $77,562,509 and are comprised of capital project funds totaling $41,954,956 or 54.09 percent, special purpose funds totaling $33,209,285 or 42.82 percent, enterprise funds totaling $1,258,121 or 1.62 percent of restricted assets. Also included are debt service funds totaling $1,140,147 or 1.47 percent of total restricted net position. The next category relates to unrestricted net position totaling ($120,317,587) or (515.97) percent of total net position, which may be used to meet the County's ongoing obligations to citizens and creditors. The second largest component is net investment in capital assets (e.g., land, buildings, machinery, and equipment) totaling $66,073,814 or 283.35 percent of total net position, which is net of any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Furthermore, as of September 30, 2017, the County's net position for governmental activities decreased by ($14,939,417) or (51.88) percent and business-type activities decreased by ($322,133) or (3.29) percent for a net overall decrease of ($15,261,550) or (39.56) percent from the previous fiscal year. Net investment in capital assets from governmental and business-type activities decreased by ($296,803), or .45 percent. There was a net increase of $4,278,993 or 5.84 percent in restricted assets reported, composed of an increase of $3,205,295 related to governmental activities and an increase of $1,073,698 related to business-type activities. Unrestricted net position totaled ($120,317,587) and decreased by ($19,243,740) or (19.04) percent, which included a decrease of ($18,174,263) related to governmental activities and a decrease of ($1,069,477) related to business-type activities.

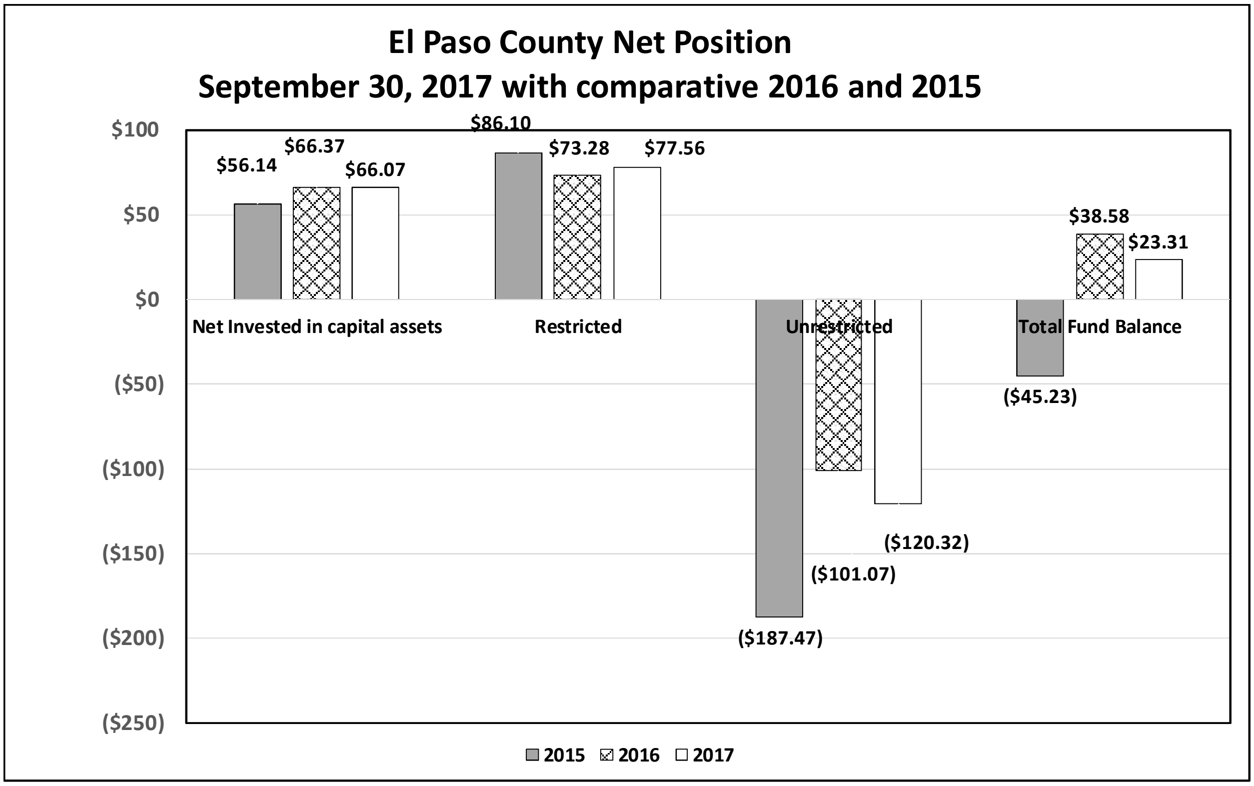
El Paso County, Texas Net Position

	Governmental Activities		Business-type Activities		Total	
	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016
Current and other assets	$ 210,492,006	$ 201,261,218	$ 2,222,827	$ 2,190,557	$ 212,714,833	$ 203,451,775
Capital assets	258,373,859	271,490,952	9,130,185	9,490,115	267,504,044	280,981,067
Total assets	468,865,865	472,752,170	11,353,012	11,680,672	480,218,877	484,432,842
Deferred outflows of resources	84,907,691	99,097,656	63,121	72,067	84,970,812	99,169,723
Long-term liabilities outstanding	513,431,349	513,892,007	1,669,350	1,693,749	515,100,699	515,585,756
Other liabilities	22,974,432	24,858,876	229,726	204,055	23,204,158	25,062,931
Total liabilities	536,405,781	538,750,883	1,899,076	1,897,804	538,304,857	540,648,687
Deferred inflows of resources	3,510,482	4,302,233	55,614	71,359	3,566,096	4,373,592
Net position:						
Net investment in capital assets	58,457,629	58,428,078	7,616,185	7,942,539	66,073,814	66,370,617
Restricted	76,263,590	73,058,295	1,298,919	225,221	77,562,509	73,283,516
Unrestricted	(120,863,926)	(102,689,663)	546,339	1,615,816	(120,317,587)	(101,073,847)
Total net position	$ 13,857,293	$ 28,796,710	$ 9,461,443	$ 9,783,576	$ 23,318,736	$ 38,580,286

On a global perspective, the County's total assets from governmental and business-type activities decreased by ($4,213,965) or (.87) percent. This increase was the culmination of a multitude of changes at the fund level, but more so, at the entity-wide level. Discussion here will focus on selective information to give the reader a basic understanding of changes by evaluating changes in the statement of net position and the associated changes in revenues and expenses. Detailed analysis and explanation will be focused on significant changes, which occurred throughout the various levels within these financial statements.

The overall decrease in net position of the County can be better understood when evaluating the changes to net position, total assets and deferred outflows of resources minus total liabilities and deferred inflows of resources. Total assets amounted to $480,218,877 a decrease of ($4,213,965) or (.87) percent and deferred outflows of resources totaled $84,970,812 and decreased by ($14,198,911) or (14.32) percent most significantly due to a decrease due to pension in governmental funds totaling ($13,485,865) or (14.47) percent and business-type activities totaling ($8,946) or (12.41) percent. Liabilities on the other hand totaled $538,304,857, a decrease of ($2,343,830) or (.43) percent and deferred inflows of resources totaled $3,566,096 and decreased by ($807,496) or (18.46) percent most significantly related to an decrease due to pension in governmental funds totaling ($756,942) or (19.11) percent and business-type activities totaling ($15,745) or (22.06) percent.

Further analysis reflects that the majority of all assets relate to governmental activities totaling $468,865,865 and represents 97.64 percent of total assets. Overall, capital assets (net of related depreciation) totaled $267,504,044 and decreased by ($13,477,023) or (4.80) percent from the prior year, mainly due to County facilities being constructed. Capital assets are comprised for the most part of land, roads, equipment, buildings and construction in progress.



For entity-wide reporting purposes under GASB 34, capital expenditures made at the fund level must be reversed from expenses at the entity-wide level financial statements and reflected as capital assets net of depreciation. For this reason, you may observe fund level expenditure amounts in excess of what is reported at the entity-wide level or vice versa. Total assets decreased by ($4,213,965) or (.87) percent. This change was the result of the netting of multiple changes such as a decrease in capital assets related to construction in progress for a net amount of ($12,968,171) or (22.74) percent attributed mostly to the on-going construction and renovation of County facilities, a decrease in Building totaling ($7,091,088) or (5.95) percent and a decrease to receivables net of allowance totaling ($3,446,849) or (8.34) percent due to a decrease in billings to the granting agencies for pending reimbursement. At the same time decreases were offset by increases such as to cash and cash equivalents totaling $12,719,248 or 7.87 percent and an increase in capital asset improvements totaling $9,236,182 or 132.08 percent. The significance of this can be further evaluated by shifting attention away from assets and liabilities and focusing on the changes to the component of total net position, which is discussed immediately following discussion on total liabilities.

Overall, entity-wide liabilities were $538,304,857 and decreased by ($2,343,830) or (.43) percent. Further analysis reflects the majority of liabilities relate to governmental activities totaling $536,405,781 or 99.65 percent and business type activities totaling $1,899,076 or .35 percent.

Compared to fiscal year 2016, liabilities decreased in the areas of bonds due in more than one year totaling ($13,350,348) or (6.44) percent and was offset mainly due to an increase in net pension liability by $10,635,604 or 4.77 percent due to third year actuarial adjustments relating to implementation of GASB 68. Other changes of lesser significance included declines in retainage payable of ($1,705,594) or (63.38) percent, a decline in due to other governments of ($1,315, 429) or (87.95) percent, a decrease in claims and judgements payable of ($965,716) or (32.88), a decrease in compensated absences due in more than one year totaling ($919,985) or (4.51) percent, a decrease in bonds due within one year of ($424,000) or (3.41) percent. Other increases that netted with the prior decreases included contingent liabilities totaling $2,217,000 or 302.46 percent, OPEB liability due in more than one year totaling $2,139,662 or 5.98 percent and vouchers payable totaling $1,431,475 or 13.70 percent. For additional information regarding compensated

County of El Paso, Texas Changes in Net Position

	Governmental Activities		Business-type Activities		Total	
	FY2017	FY2016	FY2017	FY2016	FY2017	FY2016
Revenues:						
Program revenues:						
Charges for services	$ 63,764,273	$ 69,004,261	$ 1,794,334	$ 1,774,243	$ 65,558,607	$ 70,778,504
Operating grants and contributions	27,730,796	27,082,292	-	-	27,730,796	27,082,292
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	178,121,519	173,450,207			178,121,519	173,450,207
Other taxes	57,353,651	51,048,811			57,353,651	51,048,811
Other	3,924,078	4,253,026	$13,911	7,308	3,937,989	4,260,334
Total revenues	330,894,317	324,838,597	1,808,245	1,781,551	332,702,562	326,620,148
Expenses:						
General government	67,828,176	53,842,151			67,828,176	53,842,151
Administration of justice	75,459,399	49,737,499			75,459,399	49,737,499
Public safety	149,160,252	92,424,024			149,160,252	92,424,024
Health and welfare	12,870,950	10,014,216			12,870,950	10,014,216
Community services	3,657,790	2,440,186			3,657,790	2,440,186
Resource development	844,135	147,771			844,135	147,771
Culture and recreation	11,229,292	6,199,448			11,229,292	6,199,448
Public works	16,624,047	16,701,104			16,624,047	16,701,104
Interest on long-term debt	8,166,016	8,313,460			8,166,016	8,313,460
Enterprise fund			2,163,597	2,430,942	2,163,597	2,430,942
Total expenses	345,840,057	239,819,859	2,163,597	2,430,942	348,003,654	242,250,801
Increase (decrease) in net position before transfers	(14,945,740)	85,018,738	(355,352)	(649,391)	(15,301,092)	84,369,347
Transfers	(33,219)	-	33,219	-	-	-
Increase in net position	(14,978,959)	85,018,738	(322,133)	(649,391)	(15,301,092)	84,369,347
Net position October 1	28,796,710	(55,669,655)	9,783,576	10,432,967	38,580,286	(45,236,688)
Prior period adjustment	39,542	(552,373)	-	-	39,542	(552,373)
Net position September 30	$ 13,857,293	$ 28,796,710	$ 9,461,443	$ 9,783,576	$ 23,318,736	$ 38,580,286

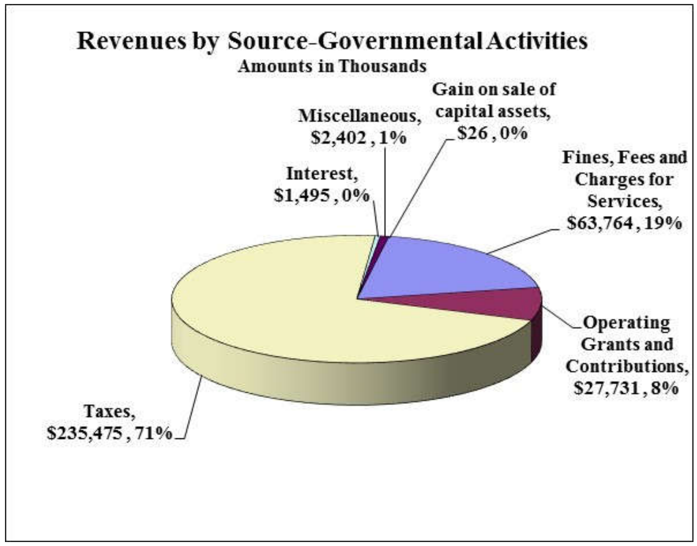
absences and other post-employment benefits, please see notes 1-L and 3-J, respectively.

The decrease in the County's overall net position by ($15,261,550) or (39.56) percent is due to the third year impacts of GASB 68 requiring government agencies to post actuarially projected net pension asset or liability tied directly to the fiscal year 2016 first year implementation which resulted in a corresponding fiscal year 2015 ending net position totaling ($45,236,688) which in part rebounded in fiscal year 2016 and declined again in fiscal year 2017. The current year decrease in net position was attributable to governmental activities totaling ($14,939,417) and to business-type activities totaling ($322,133). Other factors impacting overall net position represent the degree to which total expenditures totaling $348,018,937 outpaced revenues totaling $332,702,561. Due to increased pension expense and its impact on current year expenditure trends in comparison to the prior fiscal year, a reconciliation of expenditures has been provided in the expenditure discussion section of this document in order to provide comparative information exclusive of the impact of pension expense.

Overall, revenues grew by $6,082,413 or 1.86 percent mainly due to an increase in the maintenance and operations and debt service levies, charges for services, and growth in sales tax revenue. Expenses increased by $105,752,853 or 43.65 percent attributed for the most part by changes in actuarial pension expense in the current year which added to other increases relating to personnel costs associated to cost of living and fringe benefits increases for all employees, but most significantly by continued expenditure of capital bond funds for existing construction projects.

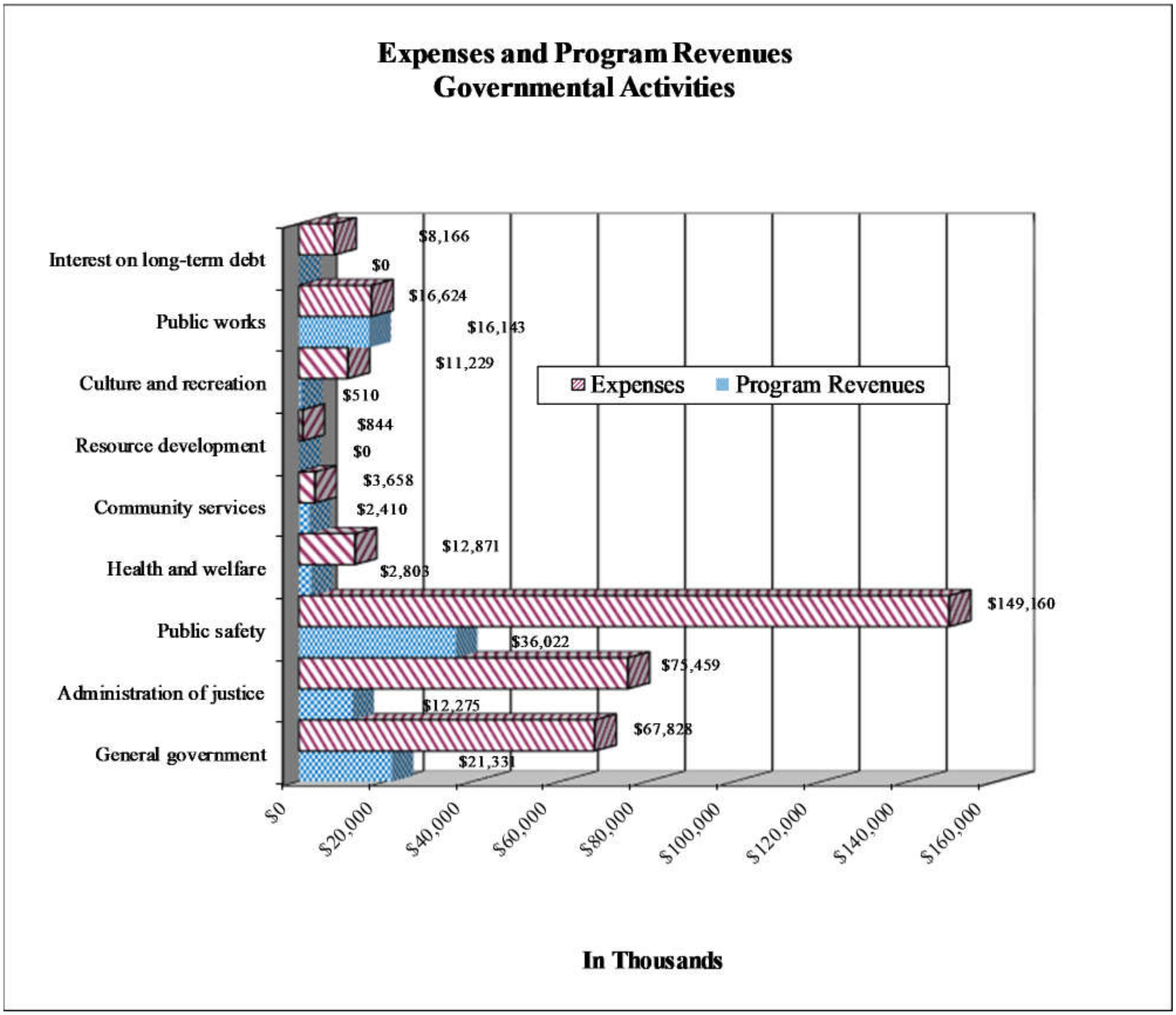
From here forward in the discussion, please note that the increases and decreases in entity-wide expenses in the various functions of County government are the result of a combination of financial impacts, such as depreciation expense, compensated absences, other post-employment benefits (OPEB), pension expense, allocation of profit/loss of the internal service funds back to departments and the conversion of capital outlays which are reflected at the entity-wide level as expenses by function.

Governmental Activities



Governmental activities during fiscal year 2017 resulted in a decrease in net position of ($14,939,417), or (51.88) percent which represents (97.89) percent of the total decrease for the primary government. Comparative fiscal year 2017 and 2016 data relating to these changes is shown in the table on the prior page and is discussed below. Total revenues from governmental activities increased by $6,055,720 or 1.86 percent over the previous year. Other taxes comprised of sales and uses taxes, hotel taxes, mixed beverage alcohol taxes increased by $6,304,840 or 12.35 percent; property taxes increased by $4,671,312 or 2.69 percent and operating grants and contributions grew by $648,504 or 2.39 percent. Increase were offset by declines which occurred in areas such as charges for services by ($5,239,988) or (7.59) percent and general revenues-other by ($328,948) or (7.73) percent. The increase in property taxes is attributable to increases in existing taxable property values, growth in new properties added to the tax rolls and an increase to the tax rate. In 2013 the Commissioners Court opted to raise the tax rate in fiscal year to $0.408870 from $0.361196 per $100 of assessed valuation, and in 2014 it was necessary to raise the rate to $0.433125 and in 2015 thru 2017 grew and remained at $0.452694.

Expenses in governmental activities increased by $106,020,198 or 44.21 percent and comprise 100.24 percent of the overall entity-wide increase of $105,752,853. Significant increases were evident in most areas such as in public safety by $56,736,228 or 61.39 percent, administration of justice by $25,721,900 or 51.72 percent, general government by $13,986,025 or 25.98 percent, culture and recreation by 5,029,844 or 81.13 percent, health and welfare by 2,856,734 or 28.53 percent, community services by $1,217,604 or 49.90 percent, resource development by $696,364 or 471.25 percent. Increases were netted with interest on long-term debt which decreased by ($147,444) or (1.77) percent and public works by ($77,057) or (.46) percent. The significance of the fiscal year increase is mainly attributable adjustment of pension expense in compliance with GASB 68 and added to other increases such as spending on capital projects, personnel and associated benefits growth.



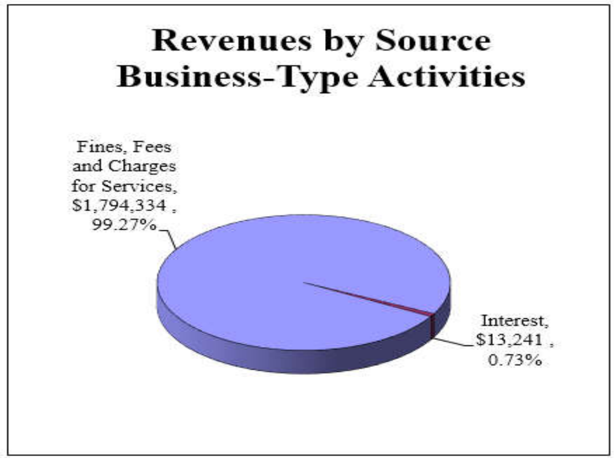
Changes mentioned previously within each of the functions above are the result of a combination of factors both at the fund level and more materially at the entity-wide level as explained in the discussion of the changes in the statement of net position. More specific information can be found in the fund level discussion. Factors affecting expenses that are recognized in governmental activities and not presented in the individual government funds can be found on Exhibits 3.1 and 4.1 of the basic financial statements.

County of El Paso, Texas Supplemental Information - Reconciliation of Expenses for Pension Expense in the Statement of Changes in Net Position		
	Totals	
	FY2017	FY2016
Expenses (Excluding Pension Expenses)		
General government	$63,133,970	$67,020,260
Administration of justice	69,927,045	64,498,438
Public safety	137,876,610	127,914,553
Health and welfare	12,341,793	11,644,117
Community services	3,634,450	2,486,099
Resource development	750,770	354,377
Culture and recreation	10,505,499	8,908,299
Public works	16,102,695	18,147,346
Interest on long-term debt	8,166,016	8,313,460
Enterprise fund	2,161,795	2,490,616
Total expenses	$324,600,643	$311,777,565
Pension Expense		
General government	$4,694,206	($13,178,109)
Administration of justice	5,532,354	(14,760,939)
Public safety	11,283,642	(35,490,529)
Health and welfare	529,157	(1,629,901)
Community services	23,340	(45,913)
Resource development	93,365	(206,606)
Culture and recreation	723,793	(2,708,851)
Public works	521,352	(1,446,242)
Interest on long-term debt	0	0
Enterprise fund	1,802	(59,674)
Total expenses	$23,403,011	($69,526,764)
Expenses (Including Pension Expenses)		
General government	$67,828,176	$53,842,151
Administration of justice	75,459,399	49,737,499
Public safety	149,160,252	92,424,024
Health and welfare	12,870,950	10,014,216
Community services	3,657,790	2,440,186
Resource development	844,135	147,771
Culture and recreation	11,229,292	6,199,448
Public works	16,624,047	16,701,104
Interest on long-term debt	8,166,016	8,313,460
Enterprise fund	2,163,597	2,430,942
Total expenses	$348,003,654	$242,250,801

In order to provide a more precise depiction of current year operations in comparison to the prior fiscal year, a reconciliation of expenditures from the statement of activities has been provided above exclusive of pension expense. Total expenses increased by $12,823,078 or 4.11 percent which results from a netting of increases totaling $19,230,284 and decreases totaling $6,407,206. Significant increases were evident in numerous areas such as pubic safety by $9,962,057 or 7.79 percent, administration of justice by $5,428,607 or 8.42 percent, culture and recreation by $1,597,200 or 17.93 percent, community services by $1,148,351 or 46.19 percent health and welfare by $697,676 or 5.99 percent and resource development by $396, 393 or 111.86 percent. Decreases were seen it areas such as general government by ($3,886,290) or (5.80) percent, public works by ($2,044,651) or (11.27) percent, enterprise fund by ($328,821) or (13.20) percent.

Business-type Activities
Business-type activities resulted in a decrease in net position of ($322,133) or (3.29) percent and accounted for 2.11 percent of the total change in the primary government's net position. Comparative fiscal year 2017 and 2016 data relating to these changes is reflected on Exhibit 8 of this report.

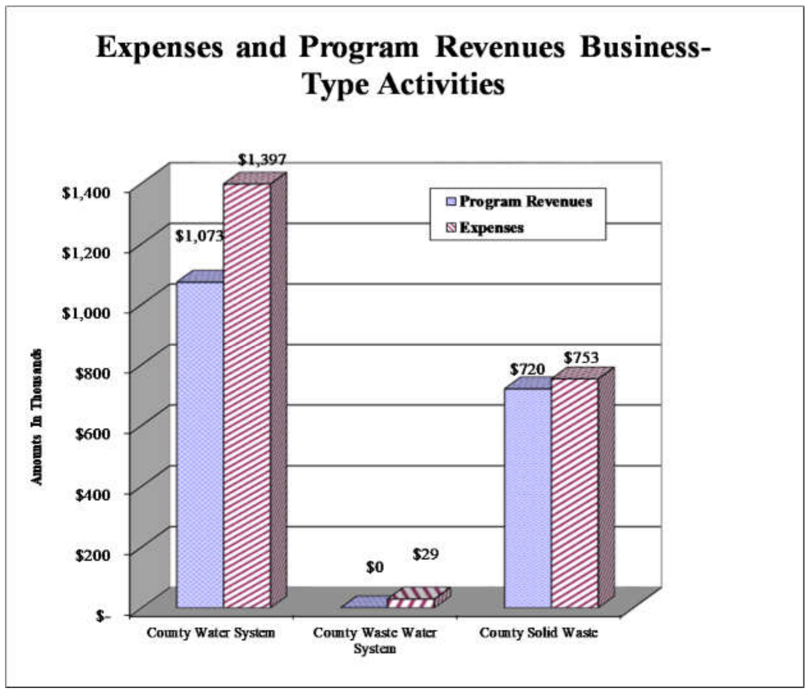
Overall revenues increased by $26,694 or 1.50 percent for a total of $1,808,245. Charges for services increased by $20,091 or 1.13 along with an increase in other revenues by $6,603 or 90.35 percent due to an increase in interest rates.



Expenses in this area totaled $2,163,597 a decrease of ($267,345) or (11.00) percent and is mainly related to water system operations and allocation of pension expense applicable to the enterprise operations.

Financial Analysis of the Government's Funds

Governmental Funds



The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the County's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

For fiscal year 2016, the Commissioners Court authorized significantly increasing the use of assigned fund balance as a component of subsequent fiscal year budgets by creating an emergency reserve of approximately $30 million which is over and above the amount needed to balance the subsequent fiscal year budget. It is noteworthy to clarify the significance of this change between the assigned and unassigned fund balances was first implemented in the fiscal year 2017 General Fund adopted budget. As stated in the County's Financial Policies, "Assignments will be made when necessary to utilize reserves to balance the proposed budget as needed or in the event of unforeseen circumstances that arise and require the expenditure of funds for which there was not an offsetting revenue source to account for the increase in unplanned appropriations, i.e. a catastrophic event."

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

Therefore, beginning with fiscal year 2017 budget, pursuant to the County's Financial Policies, the Commissioners Court directed that a portion of the projected unassigned yearend fund balance be assigned and placed as a line item in the budget after considering the portion to be assigned in balancing the subsequent fiscal year 2018 general fund operating budget, which the amount totaled $34,939,364, an increase of $7,639,372 above the prior assignment of $27,299,992. Based on the County Auditor's fiscal year 2017 year-end fund balance projection and 2018 revenue estimate certifications, the Budget Officer again recommended to the Commissioner Court the earmarking of $30 million as a line item in the 2018 fiscal year general fund budget **to be used only in the unlikely event of an unforeseen emergency**. As a result, the County ended fiscal year 2017 with an assigned fund balance in the general fund of $65,043,153, an increase of $6,120,325 or 10.39 percent. Additionally, the resulting unassigned fund balance totaled $18,021,762 or an increase of $1,373,463 or 8.25 percent.

In light of the significance of this change, assuming the $30 million assigned for emergencies for all intent and purposes remained unassigned, the committed and assigned fund balance in the general fund as of September 30, 2017 in comparison would have totaled $34,939,364, an increase of $7,639,372 or 27.98 percent; conversely, the unassigned fund balance would have totaled $48,021,762, an increase of $1,373,463 or 2.94 percent over the prior year. Based on this assumption, El Paso County stayed within its minimum target goal of 10-15 percent fund balance reserve with a ratio of 14.66 percent in comparison to the fiscal year 2018 adopted general fund budget of $327,620,967.

At the end of the fiscal year, the County's governmental funds reported combined ending net position of $13,857,293 a decrease of ($14,939,417) or (51.88) percent in comparison with the prior year. Unrestricted net position constitutes ($120,863,926) or (872.20) percent of total net position, which typically represents the amount that is available for spending at the government's discretion. The remainder of fund balance is non-spendable, restricted, committed or assigned to indicate that it has already been earmarked. The majority of the restricted amount is attributable to capital projects, debt service, grants, and special revenue funds whose restrictions are stipulated by bond covenants, external resource providers or enabling legislation. The committed amount represents the Commissioners Court's formal action to use the funds for capital improvements within the County. The assigned amount is attributable to funds set aside to cover outstanding encumbrances at year end and an amount to balance the 2018 fiscal year's budget.

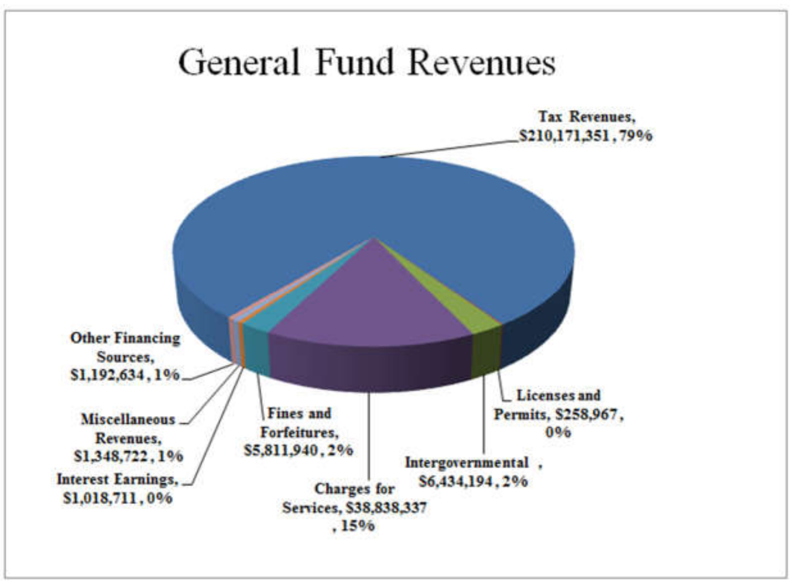
The general fund is the chief operating fund of the County. Fund balance totaled $83,073,924, an increase of $7,498,084 or 9.92 percent. At the end of the fiscal year, $18,021,762 was unassigned while assigned totaled $65,043,153 of which only $35,043,153 represents the amount assigned to balance the general fund budget for fiscal year 2018 and $30,000,000 relates to assigned and designated for emergencies as previously discussed. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures or annual operating revenues. The Commissioners Court utilized unassigned reserves in balancing the fiscal year 2018 operating budget in order to cover an expenditure level that exceeded the corresponding estimated revenues certified in the budget by the County Auditor. In comparison to fiscal year 2017, the amount required to cover this gap increased by $7,639,372 or 13.33 percent.

Grant funds ended the fiscal year with a fund balance of $2,895,437, an increase of $32,697 or 1.14 percent.

The Capital Projects reported as a major fund ended the fiscal year with a fund balance of $41,954,956 and decreased by ($2,851,609) or (6.36) percent due to the continuation and project completion of projects which were covered with these funds**.** Additionally, non-major capital project funds ended the fiscal year with fund balance of $14,573,557 and increased by $1,001,892 or 7.38 percent due to receipt of additional capital funding during the year.

The debt service fund ended the fiscal year with a fund balance of $2,068,175, an increase of $797,144 or 62.72 percent, mainly due to an increase in excess sales and use tax transferred into the debt service fund at fiscal yearend as statutorily required.

The special revenue funds in the aggregate ended the year with a fund balance of $33,209,285, an increase of $5,215,971 or 18.63 percent compared to the previous year and is utilized to account for a variety of funds whereby which are restricted as to their use. The most recent addition relates to the Transportation Fee Fund for an extra auto license fee of $10 that was added to auto registrations in El Paso County to fund road improvement and construction projects through the Camino Real Regional Mobility Authority starting in January 2014**.**



General Fund Trends

A myriad of factors contributed to the general fund's financial position. Factors included actual revenues and other financing sources over expenditures and other financing uses in the amount of $7,432,093. Actual revenues before transfers in totaled $263,882,222 an increase of $6,725,595 or 2.62 percent over fiscal year 2016. Further analysis reflects that various revenues increased by $6.73 million. Increases to revenues were primarily due to an increase in the taxes category totaling $10.3 million or 5.16 percent mainly due to the addition of new property values to the tax rolls and increase in sales and use tax, intergovernmental totaling $1,353,100 or 26.63 percent, interest earnings totaling $700,572 or 220.21 percent, fines and forfeitures totaling $429,691 or 7.98 percent and also an increase to licenses and permits by $11,974 or 4.85 percent. This increase netted with decreases such as charges for services category by ($5,073,576) or (11.55) percent, miscellaneous revenues totaling ($1,008,659) or (42.79) percent and other financing sources totaling ($35,570) or 2.90 percent.

General Fund Revenues	2017 Actuals	2016 Actuals	Amount Increase (Decrease) from FY2016	Percent Increase (Decrease)	2017 actual as a % of Total Revenues and Other Financing Sources
Tax Revenues	$210,171,351	$199,858,858	$10,312,493	5.16%	79.29%
Licenses and Permits	258,967	246,993	$11,974	4.85%	0.10%
Intergovernmental	6,434,194	5,081,094	$1,353,100	26.63%	2.43%
Charges for Services	38,838,337	43,911,913	($5,073,576)	-11.55%	14.65%
Fines and Forfeitures	5,811,940	5,382,249	$429,691	7.98%	2.19%
Interest Earnings	1,018,711	318,139	$700,572	220.21%	0.38%
Miscellaneous Revenues	1,348,722	2,357,381	($1,008,659)	-42.79%	0.51%
Other Financing Sources	1,192,634	1,228,204	($35,570)	-2.90%	0.45%
Total revenues and other sources	$265,074,856	$258,384,831	$6,690,025	2.59%	100.00%

Further analysis of the general fund reflects revenue increases totaling $12,807,830 were netted by revenue declines totaling ($6,117,805) encompassing the prior discussion.

It is note-worthy to mention that various factors and actions by the County during the fiscal year had the effect of mitigating erosion of the fund balance and unspent budgeted amounts within the general fund. Emphasis and focus by the Commissioners Court, elected officials and department heads in fiscal year 2018 remained on efficient operations and cost saving measures. This included

General Fund Expenditures	2017 Actuals	2016 Actuals	Amount Increase (Decrease) from FY2016	Percent Increase (Decrease)	2017 actual as a % of Total Revenues and Other Financing Sources
Current:					
General Government	$50,962,318	$55,525,646	(4,563,328)	-8.22%	19.78%
Administration of Justice	61,970,794	58,327,167	3,643,627	6.25%	24.05%
Public Safety	118,818,913	109,799,208	9,019,705	8.21%	46.12%
Health and Welfare	7,996,670	7,779,818	216,852	2.79%	3.10%
Resource Development	727,463	343,077	384,386	112.04%	0.28%
Culture and Recreation	5,545,840	4,230,559	1,315,281	31.09%	2.15%
Public Works	137,301	108,205	29,096	26.89%	0.05%
Capital Outlays	566,382	253,040	313,342	123.83%	0.22%
Other Financing Uses	10,917,082	6,727,922	4,189,160	62.27%	4.24%
Total Expenditures (Uses)	$257,642,763	$243,094,642	$14,548,121	5.98%	100.00%

the continual monitoring of attrition, thorough evaluation and analysis of staffing resource requests and implementation of reorganization of staffing resources consistent with the County's fiscal policies and procedures.

Comparison of the general fund appropriations including carryforward appropriations reflects an increase in fiscal year 2017 of $50,850,339 or 19.20 percent over fiscal year 2016 total budget of $264,913,980. As depicted in the chart above, actual expenditures and transfers-out in fiscal year

2017 increased by $14,548,121 or 5.98 percent bringing the total of general fund expenditures and transfers out to $257,642,763.

This moderate overall growth was mainly attributed to a one percent cost of living adjustment afforded to County employees excluding elected officials and those covered by collective bargaining and an increased cost of related fringe benefits such as employee health premiums and matching employer retirement benefit contributions. Increases overall approximated $19,111,449 and netted with declines of ($4,563,328). Increases were experienced in a variety of areas such as in the area of public safety which netted an increase of $9 million or 8.21 percent, other financing uses netted an increase of $4,189,160 or 62.27 percent mainly attributable to a one time transfer to the Road and Bridge funds in support of enhanced county road paving projects. In the area of Administration of Justice net increases totaled $3.6 million or 6.25 percent and it should be noted that many declines netted with other declines in this category as well as others. In the area of culture and recreation netted an increase of $1,315,281 or 31.09 percent among various other increases of lesser significance. These increases were netted by a decline in general government of ($4.5) million or (8.22) percent.

Further analysis depicts that area of significant increases such as public safety which includes the County sheriff and jails and juvenile probation department, administration of justice which included council of judges, district attorney, county attorney, public defender and the office of criminal justice coordination. Other areas of moderate increase included general government which included budget and fiscal policy, human resources, district clerk, information technology, and facilities management. In culture and recreation increase were experienced in areas such as the golf course, rural parks and pools and the sportspark. Areas of net significant declines were due to various areas such as general government which included affected departments such as county administration, human resources-EHN (contractual), county elections, and the general and administration account controlled by Commissioners Court. Health and welfare also experienced declines such as in the border children mental health department. Note, some of the increases and decreases mentioned above relate to continual assessment and restructuring of departments under the commissioners court and direction of the county administrator and have a netting affect for which further analysis is needed.

General Fund Budgetary Highlights

The fiscal year 2017 adopted budget of $314,178,971 did not increase during the fiscal year other than for carryover appropriations totaling $1,585,348 bringing the original budget total to $315,764,319. This budget included $27,299,992 of fund balance reserves to balance the fiscal year 2017 budget gap of appropriations in excess of estimated revenues. The only changes were for reallocations within expenditure classifications and between classifications as approved by the Court.

General Fund Budgetary Variance Highlights

Analysis of budget actual trends in Exhibit 5 depicts actual revenues were $8,132,971 more than estimates and occurred with all areas experiencing positive variances except for motor vehicle sales tax and intergovernmental which had unfavorable variances of ($492,463) or (8.72) percent and ($172,772) or (2.61) percent. Further analysis of this overall favorable variance depicts increases in charges for services of $6,277,894 or 19.28 percent, sales tax of $668,087 or 1.48 percent, interest of $653,711 or 179.10, fines and forfeitures of $504,490 or 9.51 percent, and property taxes of $395,886 or .25% and miscellaneous revenues of $193,416 or 16.74 among other minor variances.

Favorable appropriation variances were experienced in all functions of the County's general fund as the Commissioners Court and County departments remained frugal and the Court continued its cost containment/reduction policies such as monitoring staffing vacancies and instituting reorganization and restructuring of departments, no appropriation transfers between categories of personnel, operating and capital without sufficient justification for approval by the Court and encouraging efficiencies in business practices.

Overall favorable expenditures and transfers out appropriation variances totaled $29,377,425 (for discussion purposes, the overall variance totaled $59,377,425 less the Court's $30 million designation for emergencies discussed earlier in this document) which represents 10.34 percent of the adopted general fund budget with carryover. The most significant favorable variances were experienced in the areas of general government, public safety, administration of justice and health and welfare which totaled $47,015,074, $4,602,785, $1,932,151 and $1,025,194 or 79.18, 7.75, 3.25 and 1.73 percent of the total overall appropriation variances respectively. The majority of these variances in general government related to appropriations in the general and administrative account totaling $39.5 million or 84.16 percent of the variance in this area for various contingencies which totaled $2,168,972 allocated to areas such as personnel and benefits, maintenance of operating, professional services, judicial legal fees and capital contingency accounts for which expenditure trends did not require appropriation transfers. The second significant increase in this area related to the information technology department totaling $1,724,643 or 15.59 percent. In the area of public safety the majority of the variance or $2.8 million or 2.78 percent related to the Sheriff's Department mainly due to continued efforts of cost savings relating to operation of the County's Downtown Jail and Eastside Jail Annex facilities as well as other areas such as Sheriff CID, courthouse security and Sheriff Law (Patrol). Another significant variance was attributable to the Juvenile Probation Departments which totaled $1,313,446 or 8.78 percent. In the area of administration of justice the most significant change occurred in the council of judges administration totaling $1,932,151 or 3.02 percent, district attorney totaling $477,219 or 2.97 percent, county attorney totaling $470,016 or 6.24 percent, and criminal law magistrate judges totaling $30,555 or 2.85 percent, county courts administration totaling $12,020 or 1.57 percent and numerous other departments. Favorable variances overall included unspent personnel and fringe benefit appropriations throughout the budget because of continued due diligence oversight of the County's hiring policy and other departmental cost saving initiatives. In regard to operating appropriations, the favorable variance was mainly due to frugal use of operating and contingency funds under the control of the Commissioners Court and collaborative efforts of elected officials and department heads. The appropriation variance for transfers-out totaled $761,307 or 7.31 percent and relates to leveraging county matching funds to secure state and federal grant funding.

Capital Asset and Debt Administration

Capital assets

El Paso County, Texas Summary of Capital Assets (Net of Depreciation)						
	Governmental Activities		Business-type Activities		Totals	
Categories	2017	2016	2017	2016	2017	2016
Land	$17,962,933	$17,962,933	$19,770	$19,770	$17,982,703	$17,982,703
Easements	110,000	110,000			110,000	110,000
Artwork	56,255	56,255			56,255	56,255
Buildings	112,040,609	119,131,697			112,040,609	119,131,697
Improvements	16,228,847	6,992,665			16,228,847	6,992,665
Equipment	18,745,726	17,588,869	$9,093,031	$9,450,385	27,838,757	27,039,254
Furniture and Fixtures	196,532	243,817			196,532	243,817
Infrastructure	7,772,239	8,138,652			7,772,239	8,138,652
Vehicles	7,385,194	8,367,548	17,384	19,960	7,402,578	8,387,508
Roads	26,547,926	28,389,892			26,547,926	28,389,892
Bridges and culverts	7,008,976	7,111,418			7,008,976	7,111,418
Leased equipment	249,004	359,417			249,004	359,417
IT Systems in progress	0	3,501,496			-	3,501,496
Construction in progress	44,069,618	53,536,293		-	44,069,618	53,536,293
Total assets	$258,373,859	$271,490,952	$9,130,185	$9,490,115	$267,504,044	$280,981,067

The County's capital assets for governmental and business type activities as of September 30, 2017, amounted to $267,504,044 net of accumulated depreciation. This investment in capital assets includes land, easements, artwork, buildings, improvements, equipment, vehicles, roads, bridges, leased equipment, and IT systems and construction in progress. The total change in the County's capital assets for the current fiscal year was a net decrease of ($13,477,023) or (4.80) percent, comprised of an decrease of ($13,117,093) or (4.83) percent in governmental activities and a decrease of ($359,930) or (3.79) percent in the business-type activities.

Major capital asset activity occurring during fiscal year 2017 funded with the debt issued in previous fiscal years were either completed or substantially completed such as the Sportspark Complex Renovations and the implementation of an ERP Financial Management Software. Some of the ongoing projects are Courthouse Improvements, Jail Annex Expansion, Far Eastside Parks and Improvements, Fabens Airport renovations, and an Infrastructure and Forest Migration project for information technology. Additional information on the County's capital assets can be found in note 3-C and Exhibits G1- G3.

Long-term Debt

El Paso County's Outstanding Debt						
	Governmental Activities		Business-Type Activities		Totals	
Type of Debt	2017	2016	2017	2016	2017	2016
General obligation bonds	$106,255,000	$115,085,000			$106,255,000	$115,085,000
Certificates of obligation bonds	80,835,000	84,390,000			80,835,000	84,390,000
Revenue bonds			$1,514,000	$1,547,000	1,514,000	1,547,000
Total	$187,090,000	$199,475,000	$1,514,000	$1,547,000	$188,604,000	$201,022,000

At the end of the fiscal year, the County had total bonded debt outstanding of $188,604,000 as reflected above. Of this amount, $187,090,000 comprises debt backed by the full faith and credit of the government. The remainder of the County's debt represents revenue bonds secured solely by specified revenue sources. During the current fiscal year the County's total debt decreased by ($12,418,000) or (6.18) percent due to the payment of principal on the debt.

In December 2011, the Commissioners Court issued new debt to refinance some of its existing debt, taking advantage of favorable interest rates. In July 2012, the Commissioners Court issued Certificates of Obligation for a multitude of projects, including the ongoing construction of the port of entry, expansion of the jail annex, and acquisition of software and hardware for the County's information and technology systems. During 2015, the County issued General Obligation Refunding Bonds, Series 2015 for the purpose of advance refunding a portion of the County's Certificates of Obligation, Series 2012; and General Obligation Refunding Bonds, Taxable Series 2015A for the purpose of advance refunding a portion of the County's Taxable Certificates of Obligation, Series 2007A.

On April 14, 2016, the County issued General Obligation Refunding Bonds, Series 2016A in the par amount of $48,805,000 to advance refund a portion of the County's Certificates of Obligation, Series 2007 and General Obligation Refunding Bonds, Series 2007 for the purpose of debt service savings. This refunding resulted in a present value savings of 8.8 percent on the refunded bonds and a present value savings of 9.47 percent on the refunding bonds, and a net present value savings of $4,623,892. The bonds were issued at a net premium of $7,645,207.

On April 14, 2016, the County issued General Obligation Refunding Bonds, Taxable Series 2016B in the par amount of $40,735,000 to advance refund a portion of the County's Certificates of Obligation, Series 2001, Series 2007 and Series 2012 and General Obligation Refunding Bonds, Series 2007 and Series 2011 for the purpose of debt service savings and also for the purpose of reducing or eliminating the amount of tax-exempt debt currently allocated to certain County-owned facilities. This refunding resulted in a present value savings of 5.15 percent on the refunded bonds and a present value savings of 4.73 percent on the refunding bonds, and a net present value savings of $1,926,280.

At the time of the above recent issuances, both Moody's Investors Service and Fitch Ratings reaffirmed a stable outlook for El Paso County with ratings of Aa2 and AA, respectively. These ratings reflect the County's diverse and moderately growing economic base that benefits from cross-border trade with Mexico, well managed financial operations with emphasis on long-range financial goals of maintaining ample reserves, and a manageable debt position.

This optimistic outlook is based on the actions exhibited by the Commissioners Court in establishing expenditure controls in fiscal years 2009 through 2013 and moderate expenditure growth in 2015, negative expenditures growth in 2016 and resumed moderate growth in 2017. Assuming the local economy continues to remain stable, future outlook remains positive based on the premise that trends in revenue will remain stable but revenue enhancements may be warranted if the growth in expenditures over the next few fiscal years outpaces revenues to a point of substantially depleting fund balance reserves. Maintaining an equitable budget balancing strategy should support the County's revenues and expenditures staying relatively in alignment for the future. Furthermore, future gains of budgetary alignment will be dependent upon the actions of the Commissioners Court, statutory mandates imposed by the State and the impact of economic conditions in the El Paso region. More detailed information on the County's indebtedness may be found in note 3-F.

Economic Factors and Next Year's Budgets and Rates

- According to the Texas Workforce Commission's October 2017 issue of Texas Labor Market Review, the statewide unemployment rate was 4.0 percent in September 2017. In comparison, the same time last year the rate was 4.2 percent. El Paso's unemployment rate for September was 5.3 percent in comparison to 5.3 percent in September 2016. El Paso's employment grew by 2.54 percent and a gain of 7900 jobs. The reason for the rate increase relates to gained momentum locally in various sectors as depicted in the transmittal letter and indicative of a robust local economy.

- Over the past fiscal year, between September 2016 and September 2017, El Paso added 7,900 jobs overall. Further analysis reflects 8,300 job gains netted with 400 employment losses. Some of the various job gains occurred in construction 700, transportation 800, financial activities 800, professional and business services 2,900, education and health services 1,400, leisure and hospitality 900, other services 200 and total government sectors 600. Minor declines occurred in the manufacturing and information sectors, which lost 100 and 300 respectively.

- El Paso's cultural and business ties as a border region with Mexico drive its economy. The renewed attraction of El Paso County as a favorable business environment, coupled with continued moderately low interest rates, continues to stimulate local construction activity. The El Paso labor market experienced very favorable gains in new jobs resulting from continued economic development initiatives.

- Assessed property values have averaged approximately 2.00 percent growth over the past five years.

- For fiscal year 2011 the tax rate was set at $0.363403 and decreased to $0.361196 per $100 of assessed valuation in 2012 as a result of increased property valuations and the addition of new property to the tax base. The tax rate was increased to $0.408870 in fiscal year 2013, and to $0.433125 in 2014 and increase to $0.452694 in 2015 and 2016. The tax rate was increased most significantly due to increase in the I&S tax rate for the repayment of the 2012 bond issue and due to a capital policy change to fund short-term capital outlays from the maintenance and operations tax rate equal to one penny rather than thru the issuance of debt.

- For fiscal year 2017, the tax rate remained the same at $0.452694.

- The overall fund balance of the general fund experienced stabilization and growth between fiscal years 2011 and 2015, increasing approximately $14 million or 42.9 percent in fiscal year 2011, slight growth by $3.7 million in fiscal year 2012, marginally declining by ($446,881) or (.89) percent in 2013, increasing by $1,087,654 or 2.18 percent in 2014, substantially growing by $9,861,241 in fiscal year 2015, $14,802,194 in 2016 and $7,498,084 in 2017.

- Sales and use tax revenues grew in 2010 after a decline in 2009 and continued to reflect positive growth through fiscal year 2017. On a positive note, inflationary trends in the region have continued trending favorably compared to the national levels.

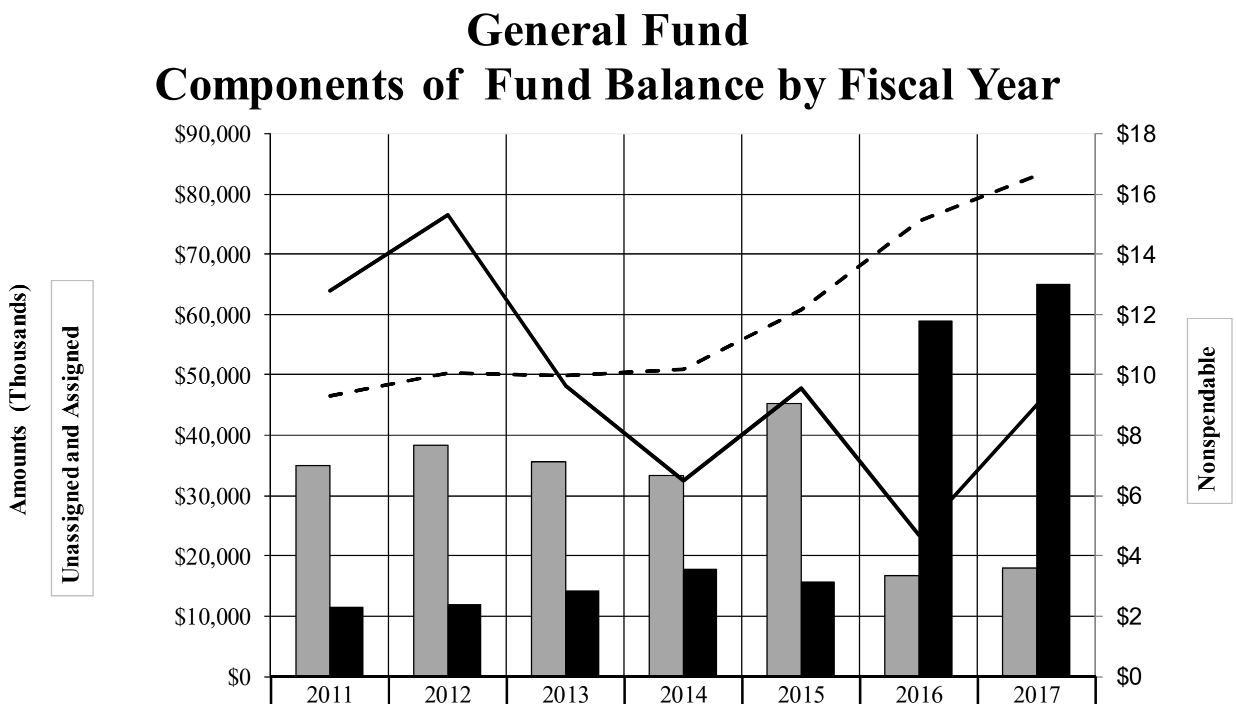
- The Commissioners Court will continue its focus of containing general fund expenditure growth while enhancing revenue growth in order to keep up with inflation.

All of these factors were considered in preparing the County's budget for the 2017 fiscal year.

The focus of the County remains on conservative fiscal management while addressing public service needs and State mandates. As of September 30, 2017, the Federal Funds rate was 1.25 percent and the Discount rate remained at 1.00 percent. Interest for the twelve months ended September 2017 was $1,508,615, up $904,139 or 149.57 percent when compared to $604,476 the prior fiscal year, due mainly to an increase in interest rates.

Unquestionably, the County faces continued challenges associated with meeting the steadily increasing demands for additional services and infrastructures for its rapidly growing population. The Commissioners Court members will continue to evaluate and analyze ways to streamline the County's operations by consolidating activities internally and with other governmental entities and downsizing, wherever possible, to achieve maximum cost effectiveness for the taxpayers. To date, inter-local governmental agreements have been the most popular method for consolidating activities with other governmental entities.

For the future, it is anticipated that in fiscal year 2018, the Court will continue to face funding challenges. Some of these challenges will include identification of new sources or increases to revenues through aggressive collection efforts of amounts due to the County and possible shifting of financial funding responsibilities from the State to the County. Other challenges include public health and welfare, public safety and culture and recreation in response to community needs. Healthcare benefit costs for County employees and retirees due to the trend of increasing health care costs, County workforce wages and fringe benefits and continuation of contractual collective bargaining salary adjustments for the Sheriff's Department remain major concerns. Further challenges facing the Court in the future are the increasing space needs, inflation and various other funding mandates placed upon the County as it continues to grow.



	2011	2012	2013	2014	2015	2016	2017
Unassigned	$35,058	$38,318	$35,673	$33,221	$45,162	$16,649	$18,021
Assigned	$11,521	$11,939	$14,142	$17,685	$15,602	$58,922	$65,043
Total Fund Balances	$46,593	$50,272	$49,825	$50,912	$60,774	$75,576	$83,073
Nonspendable	$13	$15	$10	$6	$10	$5	$9

At its discretion, the Court will continue to utilize some amount of fund balance, which is healthy in the sense that it keeps the County from building up excessive reserves and reduces a future burden on taxpayers. The Court increased its use of fund balance in the fiscal year 2018 budget by $7,639,372 compared to the amount used in fiscal year 2017. County government will continually strive to effectuate steady increases in revenue while costs are on the rise. In terms of overall financial condition, the County's present financial position is similar to most communities across the nation and will require that the Commissioners Court continue their focus on ensuring revenues and expenditures remain in alignment, while continually assessing the maintenance of adequate reserves at a minimum of no less than first quarter operating costs. The graph below is presented to reflect the change in the presentation of fund balance pursuant to the requirements of GASB 54 (Fund Balance Reporting and Governmental Fund Type Definitions), which the County implemented in fiscal year 2010. This graph above depicts how the general fund's fund balances have increased or decreased over a period of years.

Although it is healthy to utilize some amount of fund balance to balance a subsequent fiscal year budget and current designations are utilized to ensure statutory compliance of a balanced budget, caution should be exercised not to become dependent upon fund balance to support future expenditure growth in order to assure maintenance of reasonable fund balance reserves in accordance with County financial policies. Emphasis must be placed on generating adequate operational revenues to meet planned operational expenditures and it is paramount to maintaining sound financial stability and maintenance of realistic fund balance reserves. Departments will be challenged with continually assessing possible increased efficiencies in order to operate within their budgets. In order to maintain the County's favorable financial condition, more than ever, monitoring of expenditures will continue to be vital in forecasting budget inadequacies and identifying potential excesses.

The fiscal year 2018 budget adopted by the County totaled $412,228,363, a net increase of $34.7 million or 9.21 percent in comparison to the fiscal year 2017 adopted budget as amended. The budget preparation function is currently performed by the Budget and Fiscal Policy Department which was created in during fiscal year 2015. This department participates in the Government Finance Officers Association's Budget Presentation Award Program and the formal adopted budgets can be found on the County's web page as reflected below.
http://www.epcounty.com/budget/currentbudget.htm

This financial report is designed to provide a general overview of the County's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the El Paso County Auditor, 800 East Overland Avenue, Room 406, El Paso, Texas, 79901. This report can also be accessed through the County's web page as reflected below.
http://www.epcounty.com/auditor/publications/cafr.html

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BASIC FINANCIAL STATEMENTS

Exhibit 1

County of El Paso, Texas
Statement of Net Position
September 30, 2017

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	$172,480,519	$1,905,759	$174,386,278	$77,494,662
Investments				2,344,967
Receivables (net of allowance for uncollectible)	38,000,459	82,170	38,082,629	50,729,599
Inventories	9,009		9,009	10,113,000
Prepaid				14,216,458
Due from other funds	2,019		2,019	
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents		234,898	234,898	
Other assets				68,000,625
Capital Assets (net of accumulated depreciation):				
Land	17,962,933	19,770	17,982,703	23,832,838
Easements	110,000		110,000	
Artwork	56,255		56,255	
Buildings	112,040,609		112,040,609	343,137,683
Improvements	16,228,847		16,228,847	
Equipment	18,745,726	9,093,031	27,838,757	1,887,905
Furniture and fixtures	196,532		196,532	44,368,000
Infrastructure	7,772,239		7,772,239	
Vehicles	7,385,194	17,384	7,402,578	4,638,234
Roads	26,547,926		26,547,926	
Bridges and culverts	7,008,976		7,008,976	
Leased equipment	249,004		249,004	
Construction in progress	44,069,618		44,069,618	33,765,000
Total assets	468,865,865	11,353,012	480,218,877	674,528,971
DEFERRED OUTFLOWS OF RESOURCES				
Bond refunding	5,164,487		5,164,487	14,942,000
Goodwill				3,760,000
Pensions	79,743,204	63,121	79,806,325	30,175,338
Total deferred outflows of resources	84,907,691	63,121	84,970,812	48,877,338
LIABILITIES				
Vouchers payable	11,782,977	95,363	11,878,340	112,265,532
Retainage payable	985,366		985,366	
Claims payable	1,562,015		1,562,015	
Payroll liabilities	4,030,277	1,868	4,032,145	43,588
Due to others	161,498	115,900	277,398	
Due to other units	1,064,309		1,064,309	
Due to other governments	170,427	9,797	180,224	
Unearned revenue	277,153		277,153	
Accrued interest payable	968,826	6,798	975,624	298,038
Pension liabilities				22,286
Claims and judgments	1,971,584		1,971,584	
Noncurrent liabilities:				
Due within one year				
Bonds	11,960,000	34,000	11,994,000	8,907,000
Notes				386,803
Capital leases	91,182		91,182	1,336,036
Self-insured obligations				2,440,000
Due to third party payers				534,000
Contingent liabilities	2,950,000		2,950,000	
Compensated Absences	12,856,663		12,856,663	
Due in more than one year				
Bonds(net of related costs)	192,576,326	1,480,000	194,056,326	376,728,000
Notes				4,872,891
Capital leases	146,552		146,552	8,485,326
Self-insured obligations				625,000
Contingent liabilities	1,880,000		1,880,000	
Compensated absences	19,496,620		19,496,620	
Net Pension Liability	233,559,334	155,350	233,714,684	46,471,516
OPEB liability	37,914,672		37,914,672	686,000
Other long term liabilities				1,399,000
Total liabilities	536,405,781	1,899,076	538,304,857	565,501,016
DEFERRED INFLOWS OF RESOURCES				
Pensions	3,203,825	55,614	3,259,439	1,783,775
Bond refunding	306,657		306,657	
Total deferred inflows of resources	3,510,482	55,614	3,566,096	1,783,775
NET POSITION				
Net investment in capital assets	58,457,629	7,616,185	66,073,814	118,594,604
Restricted for:				
Capital Projects	41,954,956		41,954,956	
Grants	2,895,437		2,895,437	
Legislative	30,313,848		30,313,848	
Debt service	1,099,349	40,798	1,140,147	4,401,000
Enterprise fund:		1,258,121	1,258,121	
Health care				1,032,000
Unrestricted	(120,863,926)	546,339	(120,317,587)	32,093,914
Total net position	$13,857,293	$9,461,443	$23,318,736	$156,121,518

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

Exhibit 2

County of El Paso, Texas
Statement of Activities
For the Year Ended September 30, 2017

		Program Revenues			Net (expense) Revenue and Changes in Net Position			
		Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units
Functions/Programs	**Expenses**				**Governmental Activities**	**Business-type Activities**	**Total**	
Primary government:								
Governmental Activities:								
General government	$67,828,176	$15,807,500	$5,523,941		($46,496,735)		($46,496,735)	
Administration of justice	75,459,399	7,154,827	5,120,384		(63,184,188)		(63,184,188)	
Public safety	149,160,252	24,752,449	11,269,699		(113,138,104)		(113,138,104)	
Health and welfare	12,870,950	50,796	2,752,394		(10,067,760)		(10,067,760)	
Community services	3,657,790		2,410,466		(1,247,324)		(1,247,324)	
Resource development	844,135				(844,135)		(844,135)	
Culture and recreation	11,229,292	509,230	339		(10,719,723)		(10,719,723)	
Public works	16,624,047	15,489,471	653,573		(481,003)		(481,003)	
Interest on long-term debt	8,166,016				(8,166,016)		(8,166,016)	
Total governmental activities	345,840,057	63,764,273	27,730,796		(254,344,988)		(254,344,988)	
Business-type activities:								
County Water System	1,382,174	$1,073,834				($308,340)	(308,340)	
County Waste Water System	28,844					($28,844)	(28,844)	
County Solid Waste	752,579	720,500				(32,079)	(32,079)	
Total business-type activities	2,163,597	1,794,334				($369,263)	(369,263)	
Total primary government	$348,003,654	$65,558,607	$27,730,796		($254,344,988)	($369,263)	($254,714,251)	
Component units:								
Hospital district	$698,076,000	$354,272,000	$216,058,000					($127,746,000)
Emergency Services District 1	2,246,650	154,551	43,338					(2,048,761)
Emergency Services District 2	5,874,048	102,424	60,113					(5,711,511)
Total component units	$706,196,698	$354,528,975	$216,161,451					($135,506,272)
General revenues:								
Taxes:								
Property					$178,121,519		$178,121,519	$100,525,077
Hotel/Motel					3,720,772		3,720,772	
Sales					45,918,087		45,918,087	3,727,581
Motor vehicle sales tax					5,157,537		5,157,537	
Bingo					44,072		44,072	
Mixed beverage					2,513,183		2,513,183	
Interest					1,495,373	$13,242	1,508,615	562,974
Miscellaneous					2,402,388	669	2,403,057	(9,388,263)
Gain on sale of capital assets					26,317		26,317	101,502
Transfers					(33,219)	33,219		
Total general revenues and transfers					239,366,029	47,130	239,413,159	95,528,871
Change in net position					(14,978,959)	(322,133)	(15,301,092)	(39,977,401)
Net position - beginning					28,796,710	9,783,576	38,580,286	196,098,919
Prior period adjustment					39,542		39,542	
Net position - ending					$13,857,293	9,461,443	$23,318,736	$156,121,518

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

Exhibit 3

County of El Paso, Texas
Balance Sheet
Governmental Funds
September 30, 2017

	General	Special Revenue Road and Bridge Fund	Special Revenue Grants	County Capital Projects 2012	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	$86,657,620	$13,454,953		$29,254,207	$35,780,478	$165,147,258
Receivables (net of allowances for uncollectible):						
Taxes	21,002,657					21,002,657
Accounts	7,606,666	167,122	4,506,669		230,252	12,510,709
Due from other funds	220,657		2,508,375			2,729,032
Inventory of supplies	9,009					9,009
Total assets	$115,496,609	$13,622,075	$7,015,044	$29,254,207	$36,010,730	$201,398,665
Liabilities and fund balances						
Liabilities:						
Vouchers payable	$7,244,122	$699,801	$1,134,850	$958,682	$1,745,522	$11,782,977
Retainage Payable		3,497	47,002	914,126	20,741	985,366
Payroll liability	3,739,216	59,880	199,306		29,780	4,028,182
Due to others	51,262				110,236	161,498
Due to other funds	40,000		2,530,540		6,473	2,577,013
Due to other units	1,064,309					1,064,309
Due to other governments	169,132				1,295	170,427
Unearned revenue	69,244		207,909			277,153
Total liabilities	12,377,285	763,178	4,119,607	1,872,808	1,914,047	21,046,925
Deferred inflows of resources						
Unavailable revenue- property taxes	20,045,400					20,045,400
Total deferred inflows of resources	20,045,400					20,045,400
Fund Balances:						
Nonspendable:						
Inventory	9,009					9,009
Restricted:						
Temporary budgetary stabilization		7,900,000			13,325,628	21,225,628
Building construction/renovation				6,878,525	2,302,293	9,180,818
Bridge construction				16,552,646		16,552,646
General assistance					540,778	540,778
Parks					1,178,492	1,178,492
Public safety					429,755	429,755
Records management					504,734	504,734
Road construction/maintenance		4,958,897				4,958,897
Software/IT improvements				783,979	2,095,677	2,879,656
Debt service					2,068,175	2,068,175
Other purposes			2,895,437	1,426,364	2,699,166	7,020,967
Committed:						
Capital projects					5,429,184	5,429,184
Assigned:						
Imprest and change funds	99,260					99,260
Temporary budgetary stabilization	64,939,364					64,939,364
Other purposes	4,529			1,739,885	3,522,801	5,267,215
Unassigned:	18,021,762					18,021,762
Total fund balances	83,073,924	12,858,897	2,895,437	27,381,399	34,096,683	160,306,340
Total liabilities, deferred inflows, and fund balances	$115,496,609	$13,622,075	$7,015,044	$29,254,207	$36,010,730	$201,398,665

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

Exhibit 3.1

El Paso County, Texas
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Position
September 30, 2017

Total fund balances for governmental funds		$160,306,340
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Land	17,962,933	
Easements	110,000	
Artwork	56,255	
Buildings, net of accumulated depreciation	112,040,609	
Improvements, net of accumulated depreciation	16,228,847	
Equipment, net of accumulated depreciation	18,745,726	
Furniture and fixtures, net of accumulated depreciation	196,532	
Infrastructure, net of accumulated depreciation	7,772,239	
Vehicles, net of accumulated depreciation	7,385,194	
Roads, net of accumulated depreciation	26,547,926	
Bridges and culverts, net of accumulated depreciation	7,008,976	
Leased equipment, net of accumulated depreciation	249,004	
Construction in progress	44,069,618	
Total capital assets		258,373,859
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Unavailable revenue property taxes		20,045,400
Receivable for court costs, net of allowance for uncollectible accounts		4,367,851
Compensated Absences		(32,353,283)
OPEB liability		(37,914,672)
Net Pension Liability		(157,019,955)
Internal service fund is used to charge the health care costs for county employees, dependants, and retirees.		5,738,393
Long-term liabilities, including bonds payable, that are not due and payable in the current period and therefore not reported in the funds.		
Accrued interest on bonds	(968,826)	
General long-term debt	(187,090,000)	
Capital leases	(237,734)	
Contingent liabilities	(4,830,000)	
Claims and judgments	(1,971,584)	
Deferred bond premium	(12,588,496)	
Total long-term liabilities		(207,686,640)
Total net position of governmental activities		$13,857,293

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

Exhibit 4

County of El Paso, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2017

	General	Special Revenue Road and Bridge Fund	Special Revenue Grants	County Capital Projects 2012	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	$210,171,351				$23,833,379	$234,004,730
Licenses and permits	258,967					258,967
Intergovernmental revenues	6,434,194	$85,916	$19,776,439		1,434,247	27,730,796
Charges for services	38,838,337	6,803,875			11,638,058	57,280,270
Fines and Forfeitures	5,811,940				498,300	6,310,240
Interest	1,018,711	65,863	9,356	$188,675	172,860	1,455,465
Miscellaneous	1,348,722	8,766	481,967		517,646	2,357,101
Total Revenues	263,882,222	6,964,420	20,267,762	188,675	38,094,490	329,397,569
EXPENDITURES						
Current:						
General Government	50,962,318		65,960		3,537,659	54,565,937
Administration of justice	61,970,794		4,811,231		1,226,744	68,008,769
Public safety	118,818,913		10,395,946		1,324,277	130,539,136
Health and welfare	7,996,670		3,504,432		151,421	11,652,523
Community services			2,791,527		1,811	2,793,338
Resource development	727,463		1,437			728,900
Culture and recreation	5,545,840				3,543,219	9,089,059
Public works	137,301	5,005,490	641,251		6,444,125	12,228,167
Debt Service:						
Principal					12,385,000	12,385,000
Interest					8,209,804	8,209,804
Capital outlays	566,382	240,434	295,280	3,678,711	3,805,632	8,586,439
Total expenditures	246,725,681	5,245,924	22,507,064	3,678,711	40,629,692	318,787,072
Excess (deficiency) of revenues over (under) expenditures	17,156,541	1,718,496	(2,239,302)	(3,490,036)	(2,535,202)	10,610,497
OTHER FINANCING SOURCES (USES)						
Transfers in	1,192,634	3,000,000	2,732,273		6,962,935	13,887,842
Transfers out	(10,917,082)		(458,814)		(2,545,165)	(13,921,061)
Sale of capital assets					34,110	34,110
Total other financing sources and uses	(9,724,448)	3,000,000	2,273,459		4,451,880	891
Net change in fund balances	7,432,093	4,718,496	34,157	(3,490,036)	1,916,678	10,611,388
Fund balances - beginning	75,575,840	8,140,401	2,862,740	31,234,900	31,832,868	149,646,749
Prior year adjustment	74,322		(1,460)	(363,465)	347,137	56,534
Net change in reserve for inventories	(8,331)					(8,331)
Fund balances - ending	$83,073,924	$12,858,897	$2,895,437	$27,381,399	$34,096,683	$160,306,340

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

Exhibit 4.1

County of El Paso, Texas
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended September 30, 2017

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

Net change in fund balances - total governmental funds			$10,611,388
Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered another source of financing, but in the statement of net position, the lease obligation is reported as a liability.			(17,743)
Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net position, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.			
Debt issued:			
Deferred outflow on refunding		(704,100)	
Repayments			
Bond premium(loss)		1,356,348	
Deferred inflow on debt		34,809	
Principal payments		12,385,000	
Net adjustment			13,072,057
Court cost receivables, net of allowance for uncollectible amounts			(85,204)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.			
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.			
Unavailable revenue property taxes		1,470,440	
Additional contingent liabilities		(1,017,000)	
Additional compensated absences		428,388	
Additional other post employment benefits		(2,139,662)	
Pension expense		(23,401,209)	
Pension revenue		45,287	
Depreciation expense		(19,294,300)	
The net effect of various transactions involving capital assets (i.e., sales and retirements) is to increase net assets			
Additions	20,907,276		
Retirements	(14,817,603)		
Accumulated depreciation related to retirements	144,346	6,234,019	
Net effect of various miscellaneous transactions involving sale of capital assets		(39,824)	
Unpaid claims workers comp		965,716	
Change in purchasing inventory		(8,331)	
Expenses related to capital lease payments and retirements		92,330	
Accrued interest on bonds		43,788	
			(36,620,358)
Internal service fund is used to charge the health care costs for county employees, dependants, and retirees.			(1,939,099)
Prior period adjustments			
Change in net position of governmental activities			($14,978,959)

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

Exhibit 5

County of El Paso, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended September 30, 2017

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
REVENUES				
Taxes:				
Property	$156,142,586	$156,142,586	$156,538,472	$395,886
Sales	45,250,000	45,250,000	45,918,087	668,087
Motor vehicle sales tax	5,650,000	5,650,000	5,157,537	(492,463)
Bingo	54,000	54,000	44,072	(9,928)
Mixed beverage	2,400,000	2,400,000	2,513,183	113,183
Licenses and permits	257,500	257,500	258,967	1,467
Intergovernmental	6,606,966	6,606,966	6,434,194	(172,772)
Charges for services	32,560,443	32,560,443	38,838,337	6,277,894
Fines and forfeitures	5,307,450	5,307,450	5,811,940	504,490
Interest	365,000	365,000	1,018,711	653,711
Miscellaneous	1,155,306	1,155,306	1,348,722	193,416
Total revenues	255,749,251	255,749,251	263,882,222	8,132,971
EXPENDITURES				
Current:				
General government				
Personnel	46,420,473	41,572,427	35,744,452	5,827,975
Operating	56,642,686	56,413,296	15,226,197	41,187,099
Total general Government	103,063,159	97,985,723	50,970,649	47,015,074
Administration of justice				
Personnel	52,675,792	55,827,181	54,392,959	1,434,222
Operating	8,290,223	8,075,764	7,577,835	497,929
Total Administration of justice	60,966,015	63,902,945	61,970,794	1,932,151
Public safety				
Personnel	102,340,510	102,488,168	99,709,211	2,778,957
Operating	19,452,413	20,933,530	19,109,702	1,823,828
Total Public safety	121,792,923	123,421,698	118,818,913	4,602,785
Health and welfare				
Personnel	4,245,776	4,525,390	4,051,557	473,833
Operating	4,135,271	4,496,474	3,945,113	551,361
Total Health and welfare	8,381,047	9,021,864	7,996,670	1,025,194
Resource development				
Personnel	789,448	745,496	630,959	114,537
Operating	318,886	325,534	96,504	229,030
Total Resource development	1,108,334	1,071,030	727,463	343,567
Culture and recreation				
Personnel	2,601,190	3,138,216	2,991,174	147,042
Operating	3,026,871	3,294,418	2,554,666	739,752
Total Culture and recreation	5,628,061	6,432,634	5,545,840	886,794
Public works				
Personnel	56,408	88,758	59,702	29,056
Operating	830,130	890,358	77,599	812,759
Total Public works	886,538	979,116	137,301	841,815
Capital outlays	4,971,924	2,535,120	566,382	1,968,738
Total expenditures	306,798,001	305,350,130	246,734,012	58,616,118
Excess of revenues over expenditures	(51,048,750)	(49,600,879)	17,148,210	66,749,089
OTHER FINANCING SOURCES (USES)				
Transfers in	1,129,728	1,129,728	1,192,634	62,906
Transfers out	(7,380,970)	(10,414,189)	(9,652,882)	761,307
Capital leases				
Total other financing sources and uses	(6,251,242)	(9,284,461)	(8,460,248)	824,213
Net change in fund balances	(57,299,992)	(58,885,340)	8,687,962	67,573,302
Fund balances - beginning	90,060,140	90,060,140	90,060,140	
Prior period adjustment			74,322	74,322
Fund balances - ending	$32,760,148	$31,174,800	$98,822,424	$67,647,624

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

Exhibit 6

County of El Paso, Texas
Statement of Revenues, Expenditures, and
Changes in Fund Balances - Budget and Actual
Road and Bridge Special Revenue Fund
For the Year Ended September 30, 2017

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
Intergovernmental	$73,500	$73,500	$85,916	$12,416
Charges for services	6,960,000	6,960,000	6,803,875	(156,125)
Interest	25,750	25,750	65,863	40,113
Miscellaneous	5,000	5,000	8,766	3,766
Total revenues	7,064,250	7,064,250	6,964,420	(99,830)
EXPENDITURES				
Public Works				
Personnel	3,725,139	3,725,028	3,113,812	611,216
Operating	5,790,093	9,729,505	1,891,678	7,837,827
Total public works	9,515,232	13,454,533	5,005,490	8,449,043
Capital Outlays	545,000	377,316	240,434	136,882
Total expenditures	10,060,232	13,831,849	5,245,924	8,585,925
Excess (deficiency) of revenues over (under) expenditures	(2,995,982)	(6,767,599)	1,718,496	8,486,095
OTHER FINANCING SOURCES (USES)				
Transfers In		3,000,000	3,000,000	
Total other financing sources (uses)		3,000,000	3,000,000	
Net change in fund balance	(2,995,982)	(3,767,599)	4,718,496	8,486,095
Fund balances - beginning	8,140,401	8,140,401	8,140,401	
Fund balances - ending	$5,144,419	$4,372,802	$12,858,897	$8,486,095

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

Exhibit 7

County of El Paso, Texas
Special Revenue Fund - Grant Funds
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2017

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Intergovernmental	$23,275,393	$68,876,679	$19,776,439	($49,100,240)
Interest			9,356	9,356
Miscellaneous	814,753	3,356,659	481,967	(2,874,692)
Total revenues	24,090,146	72,233,338	20,267,762	(51,965,576)
Expenditures:				
General government:				
Personnel	60,667	184,188	61,689	122,499
Operating	6,000	13,585	4,271	9,314
Total general government	66,667	197,773	65,960	131,813
Administration of justice:				
Personnel	4,260,477	11,738,609	4,056,913	7,681,696
Operating	871,409	2,614,217	754,318	1,859,899
Total administration of justice	5,131,886	14,352,826	4,811,231	9,541,595
Public safety:				
Personnel	7,407,926	23,427,707	7,032,580	16,395,127
Operating	3,475,040	9,952,098	3,363,366	6,588,732
Total public safety	10,882,966	33,379,805	10,395,946	22,983,859
Health and welfare:				
Personnel	1,858,420	2,859,556	843,116	2,016,440
Operating	3,117,099	6,330,839	2,661,316	3,669,523
Total health and welfare	4,975,519	9,190,395	3,504,432	5,685,963
Resource development:				
Personnel				
Operating		49,088	1,437	47,651
Total resource development		49,088	1,437	47,651
Community services:				
Personnel	135,775	717,605	165,326	552,279
Operating	903,050	8,420,572	2,626,201	5,794,371
Total community services	1,038,825	9,138,177	2,791,527	6,346,650
Public works:				
Personnel	7,700	75,448	11,360	64,088
Operating	1,282,090	3,739,804	629,891	3,109,913
Total public works	1,289,790	3,815,252	641,251	3,174,001
Capital outlays	2,400,975	9,992,507	295,280	9,697,227
Total expenditures	25,786,628	80,115,823	22,507,064	57,608,759
Excess (deficiency) of revenues over (under) expenditures	(1,696,482)	(7,882,485)	(2,239,302)	5,643,183
Other financing sources (uses):				
Transfers in	4,636,554	7,977,127	2,732,273	(5,244,854)
Transfers out		(3,129)	(458,814)	(455,685)
Total other financing sources (uses)	4,636,554	7,973,998	2,273,459	(5,700,539)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	2,940,072	91,513	34,157	(57,356)
Fund balance - beginning	142,602	1,325,693	2,862,740	
Prior period adjustments			(1,460)	(1,460)
Fund balance - ending	$3,082,674	$1,417,206	$2,895,437	($58,816)

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

Exhibit 8

County of El Paso, Texas
Statement of Net Position
Proprietary Funds
September 30, 2017

	Business-type Activities-Enterprise Funds							
	El Paso County Water Projects (Current Year)	El Paso County Water Projects (Prior Year)	El Paso County Waste Water System (Current Year)	El Paso County Waste Water System (Prior Year)	County Solid Waste (Current Year)	County Solid Waste (Prior Year)	Total Current Year	Governmental Activities - Internal Service Fund
ASSETS								
Current assets:								
Cash and cash equivalents	$1,874,410	$1,827,929			$31,349	$33,454	$1,905,759	$7,333,261
Accounts receivable	20,779	36,248			61,391	62,372	82,170	119,242
Due from other funds	489,705	487,941					489,705	
Restricted cash and cash equivalents								
Customer deposits	115,900	114,000					115,900	
East Montana 1997A interest and sinking fund	16,892	15,132					16,892	
Total current assets	2,517,686	2,481,250			92,740	95,826	2,610,426	7,452,503
Noncurrent assets:								
Restricted cash, cash equivalents, and investments:								
East Montana 1997B construction fund								
East Montana Reserve fund	102,106	101,422					102,106	
Total restricted assets:	102,106	101,422					102,106	
Capital assets:								
Equipment, water system	14,212,503	14,212,503					14,212,503	
Vehicles	42,734	42,734					42,734	
Land	19,770	19,770					19,770	
Construction in Progress								
Less accumulated depreciation	(5,144,822)	(4,784,892)					(5,144,822)	
Total capital assets, net of accumulated depreciation	9,130,185	9,490,115					9,130,185	
Total noncurrent assets	9,232,291	9,591,537					9,232,291	
Total assets	11,749,977	12,072,787			92,740	95,826	11,842,717	7,452,503
DEFERRED OUTFLOWS OF RESOURCES								
Pensions	63,121	72,067					63,121	
Total deferred outflows of resources	63,121	72,067					63,121	
LIABILITIES								
Current liabilities:								
Accounts payable	7,330	5,376	27,080		60,953	61,280	95,363	
Customer deposits payable	115,900	114,000					115,900	
Claims payable								1,562,015
Payroll Liability	1,868	1,892					1,868	2,095
Due to others								
Due to other funds			$489,705				489,705	150,000
Due to other governments	9,797	9,928				4,621	9,797	
Current liabilities payable from restricted assets:								
East Montana Water Project 1997A payable	20,000	20,000					20,000	
Mayfair/Nuway Water System Bonds 2012 payable	5,000	5,000					5,000	
Colonia Revolucion Water Project Bonds payable	9,000	8,000					9,000	
Accrued interest payable	6,798	6,958					6,798	
Total current liabilities	175,693	171,154	516,785		60,953	65,901	753,431	1,714,110
Noncurrent liabilities:								
East Montana Water Project 1997A payable	760,000	780,000					760,000	
Mayfair/Nuway Water System Bonds 2012 payable	253,000	258,000					253,000	
Colonia Revolucion Water Project Bonds payable	467,000	476,000					467,000	
Net Pension Liability	155,350	146,749					155,350	
Total noncurrent liabilities	1,635,350	1,660,749					1,635,350	
Total liabilities	1,811,043	1,831,903	516,785		60,953	65,901	2,388,781	1,714,110
DEFERRED INFLOWS OF RESOURCES								
Pensions	55,614	71,359					55,614	
Total deferred inflows of resources	55,614	71,359					55,614	
NET POSITION								
Net investment in capital assets	7,616,185	7,942,539					7,616,185	
Restricted for:								
Debt	40,798	39,958					40,798	
East Montana Water Project	18,995	17,196					18,995	
County Solid Waste					31,787	29,925	31,787	
Square Dance Waste Water								
Vista Del Este Water Project	1,064,652						1,064,652	
County Water System Reserve Fund	102,106	101,422					102,106	
County Water System Repair Reserve Fund	7,800	5,400					7,800	
East Montana 1997B construction fund								
East Montana 1997A interest and sinking	17,361	15,782					17,361	
Mayfair/Nuway interest and sinking	5,148	5,933					5,148	
Colonia Revolucion 2013 interest and sinking	10,272	9,605					10,272	
Unrestricted:								
County Water System	1,063,124	2,103,757					1,063,124	
County Solid Waste								
Square Dance Waste Water			(516,785)	(487,941)			(516,785)	
Internal Service fund								5,738,393
Total net position	$9,946,441	$10,241,592	($516,785)	($487,941)	$31,787	$29,925	$9,461,443	$5,738,393

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

Exhibit 9

County of El Paso, Texas
Statement of Revenues, Expenses, and
Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2017

	Business-type Activities-Enterprise Funds							
	El Paso County Water Projects (Current Year)	El Paso County Water Projects (Prior Year)	El Paso County Waste Water System (Current Year)	El Paso County Waste Water System (Prior Year)	County Solid Waste (Current Year)	County Solid Waste (Prior Year)	Total Current Year	Governmental Activities - Internal Service Fund
OPERATING REVENUES								
Charges for services	$1,073,834	$1,070,788			$720,500	$703,455	$1,794,334	
Miscellaneous					$669		669	
Employee premiums								$6,317,169
Employer premiums								14,128,400
Retiree premiums								1,250,751
Cobra								22,054
Other								91,745
Total operating revenues	1,073,834	1,070,788			721,169	703,455	1,795,003	21,810,119
OPERATING EXPENSES								
Personnel expenses	100,459	53,685					100,459	
Operating expenses	82,449	108,184					82,449	
Depreciation	359,930	359,881					359,930	
Public utilities	686,392	560,756					686,392	
Professional services	97,443	96,191	$28,844	$487,952	752,579	707,523	878,866	
Claims								20,153,327
Administrative								3,635,799
Total operating expenses	1,326,673	1,178,697	28,844	487,952	752,579	707,523	2,108,096	23,789,126
Operating income (loss)	(252,839)	(107,909)	(28,844)	(487,952)	(31,410)	(4,068)	(313,093)	(1,979,007)
NONOPERATING REVENUES (EXPENSES)								
Interest revenue	13,189	7,195			53	113	13,242	39,908
Interest expense	(55,501)	(56,770)					(55,501)	
Total nonoperating revenues (expenses)	(42,312)	(49,575)			53	113	(42,259)	39,908
Income(loss) before contributions and transfers	(295,151)	(157,484)	(28,844)	(487,952)	(31,357)	(3,955)	(355,352)	(1,939,099)
Transfer in					33,219		33,219	
Change in Net Position	(295,151)	(157,484)	(28,844)	(487,952)	1,862	(3,955)	(322,133)	(1,939,099)
Total net position, beginning	10,241,592	10,399,076	(487,941)	11	29,925	33,880	9,783,576	7,677,492
Total net position, ending	$9,946,441	$10,241,592	($516,785)	($487,941)	$31,787	$29,925	$9,461,443	$5,738,393

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

Exhibit 10

County of El Paso, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2017

	Business-type Activities-Enterprise Funds							
	El Paso County Water Projects (Current Year)	**El Paso County Water Projects (Prior Year)**	**El Paso County Waste Water System (Current Year)**	**El Paso County Waste Water System (Prior Year)**	**County Solid Waste (Current Year)**	**County Solid Waste (Prior Year)**	**Total Current Year**	**Governmental Activities - Internal Service Fund**
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from customers	$1,089,309	$650,121	$1,764	$487,941	$717,529	$703,821	$1,808,602	
Payments for personnel expenses	(98,681)	(119,952)					(98,681)	
Payments for operating expenses	(80,495)	(165,821)	27,080		(327)	3,838	(53,742)	
Payments for utilities	(686,392)	(560,756)					(686,392)	
Payments for professional services	(97,443)	(96,191)	($28,844)	($487,952)	(752,579)	(707,523)	(878,866)	
Receipts from employee premiums								$6,513,671
Receipts from employer premiums								14,114,276
Receipts from retiree premiums								1,250,751
Receipts from cobra premiums								22,054
Receipts from miscellaneous services								91,745
Receipts for due to others								(11,023)
Payments for claims								(19,267,635)
Payments for administrative expenses								(3,635,799)
Net cash provided (used) by operating activities	126,298	(292,599)		(11)	(35,377)	136	90,921	(921,960)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Transfers from other funds	(1,064,000)				33,219		(1,030,781)	
Net cash provided (used) by noncapital financing activities					33,219		33,219	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Interest paid	(55,661)	(56,931)					(55,661)	
Principal repayments	(33,000)	(33,000)					(33,000)	
Net cash provided (used) by capital and related financing activities	(88,661)	(89,931)					(88,661)	
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipt of interest	13,188	7,195			53	113	13,241	39,908
Net cash provided (used) by investing activities	13,188	7,195			53	113	13,241	39,908
Net increase(decrease) in cash and cash equivalents	50,825	(375,335)		(11)	(2,105)	249	48,720	(882,052)
Cash and cash equivalents, beginning of year	2,058,483	2,433,818		11	33,454	33,205	2,091,937	8,215,313
Cash and cash equivalents, end of year	$2,109,308	$2,058,483			$31,349	$33,454	$2,140,657	$7,333,261
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:								
Operating income (loss)	($252,838)	($107,907)	($28,844)	($487,952)	($31,410)	($4,068)	($313,092)	($1,979,007)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation	359,930	359,879					359,930	
(Increase) decrease in accounts receivable	15,469	63,395			981	($64)	16,450	182,378
(Increase) decrease in due from other funds	(1,764)	(487,941)					(1,764)	(11,023)
Increase (decrease) in customer deposits	1,900	3,500					1,900	
Increase (decrease) in vouchers payable	1,954	(57,637)	27,080		(327)	3,838	28,707	
Increase (decrease) in claims liability								
Increase (decrease) in payroll liability	(24)	(6,593)					(24)	885,692
Increase (decrease) in pension liability	1,802	(59,674)					1,802	
Increase (decrease) in due to other funds			1,764	487,941			1,764	
Increase (decrease) in due to other governments	(131)	379			(4,621)	430	(4,752)	
Total adjustments	379,136	(184,692)	28,844	487,941	(3,967)	4,204	404,013	1,057,047
Net Cash Provided (Used) by Operating Activities	$126,298	($292,599)		($11)	($35,377)	$136	$90,921	($921,960)

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

Exhibit 11

County of El Paso, Texas
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
September 30, 2017

	Agency Funds
Assets	
Cash and cash equivalents	$37,706,608
Accounts receivable	112,265
Restricted-funds custodial capacity cash equivalents	7,918,109
Total Assets	45,736,982
Liabilities	
Accounts payable	728,570
Payroll liabilities	3,184,379
Due to others	30,183,343
Due to other funds	2,423
Due to other governmental agencies	11,638,267
Total Liabilities	$45,736,982
Net Position	-

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

County of El Paso, Texas
Statement of Net Position - Component Units
September 30, 2017

	Component Units			
	Hospital District	Emergency Services District #1	Emergency Services District #2	Total
ASSETS				
Cash and cash equivalents	$72,990,000	$484,196	$4,020,466	$77,494,662
Investments	217,000	2,127,967		2,344,967
Receivables (net of allowance for uncollectible)	49,116,000	273,877	1,339,722	50,729,599
Inventories	10,113,000			10,113,000
Prepaid	14,150,000	21,035	45,423	14,216,458
Other assets	67,986,000	10,000	4,625	68,000,625
Capital Assets (net of accumulated depreciation):				
Land	22,336,000	289,479	1,207,359	23,832,838
Buildings	329,627,000	4,655,668	8,855,015	343,137,683
Equipment		212,339	1,675,566	1,887,905
Furniture and fixtures	44,368,000			44,368,000
Vehicles		1,232,666	3,405,568	4,638,234
Construction in progress	33,765,000			33,765,000
Total assets	644,668,000	9,307,227	20,553,744	674,528,971
Deferred Outflows of Resources				
Loss on Bond Refunding	14,942,000			14,942,000
Goodwill	3,760,000			3,760,000
Pensions	30,086,000		89,338	30,175,338
Total deferred outflows of resources	48,788,000		89,338	48,877,338
LIABILITIES				
Vouchers payable	111,969,000	12,446	284,086	112,265,532
Payroll liabilities		21,686	21,902	43,588
Accrued interest payable		47,208	250,830	298,038
Pension liabilities			22,286	22,286
Noncurrent liabilities:				
Due within one year				
Bonds	8,907,000			8,907,000
Notes		386,803		386,803
Capital leases		42,663	1,293,373	1,336,036
Self-insured obligations	2,440,000			2,440,000
Due to third party payers	534,000			534,000
Due in more than one year				
Bonds(net of related costs)	376,728,000			376,728,000
Notes		4,872,891		4,872,891
Capital leases		245,231	8,240,095	8,485,326
Self-insured obligations	625,000			625,000
Net pension liability	46,487,000		(15,484)	46,471,516
OPEB liability	686,000			686,000
Other long term liabilities	1,399,000			1,399,000
Total liabilities	549,775,000	5,628,928	10,097,088	565,501,016
Deferred Inflows of Resources				
Pensions	1,779,000		4,775	1,783,775
Total deferred inflows of resources	1,779,000		4,775	1,783,775
NET POSITION				
Net investment in capital assets	111,142,000	1,842,564	5,610,040	118,594,604
Restricted for:				
Debt service	4,401,000			4,401,000
Health care	1,032,000			1,032,000
Unrestricted	25,327,000	1,835,735	4,931,179	32,093,914
Total net position	$141,902,000	$3,678,299	$10,541,219	$156,121,518

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

Exhibit 13

County of El Paso, Texas
Statement of Revenue, Expenses, and Changes in Net Position
Component Units
For the Year Ended September 30, 2017

	Component Units			
	Hospital	Emergency Services		
	District	District #1	District #2	Total
Revenues				
Program Revenues:				
Charges for services	$354,272,000	$154,551	$102,424	$354,528,975
Operating grants and contributions	216,058,000	43,338	60,113	216,161,451
Total program revenues	570,330,000	197,889	162,537	570,690,426
Expenses	(698,076,000)	(2,246,650)	(5,874,048)	(706,196,698)
Net program revenues(expenses)	(127,746,000)	(2,048,761)	(5,711,511)	(135,506,272)
General revenues:				
Taxes:				
Property	95,526,000	2,034,561	2,964,516	100,525,077
Sales			3,727,581	3,727,581
Interest	549,000	13,600	374	562,974
Miscellaneous	(9,457,000)	48,245	20,492	(9,388,263)
Gain (loss) on sale of capital assets		6,597	94,905	101,502
Total general revenues and transfers	86,618,000	2,103,003	6,807,868	95,528,871
Change in net position	(41,128,000)	54,242	1,096,357	(39,977,401)
Change in Reporting Entity - EPCH				
Net position - beginning	183,030,000	3,624,057	9,444,862	196,098,919
Net position - ending	$141,902,000	$3,678,299	$10,541,219	$156,121,518

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

COUNTY OF EL PASO, TEXAS
Notes to the Financial Statements
September 30, 2017

Note 1. Summary of Significant Accounting Policies

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

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

A. Description of Government-wide Financial Statements

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

B. Reporting Entity

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

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

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

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

Note 1. Summary of Significant Accounting Policies

B. Reporting Entity (Continued)

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

The Hospital District operates University Medical Center (UMC), a non-profit organization. In 2016 UMC became the sole corporate member of El Paso Children's Hospital (EPCH) and began presenting EPCH as a blended component unit on January 1, 2016. UMC is the sole corporate member of El Paso First Health Plans, Inc. d/b/a El Paso Health (the Health Plan). The Health Plan is organized as a health maintenance organization (HMO) licensed only in Texas to provide prepaid health coverage to employees and dependents of various organizations in its service area. Complete financial statements for UMC 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.

The Special Revenue – Road and Bridge Fund is used to account for funds dedicated for the purpose of constructing and maintaining county roads and bridges. The principal funding source is the extra auto license registration fee.

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

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

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

The County reports the following non-major governmental funds:

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

The County additionally reports the following fund types:

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

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

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

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

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

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

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

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 Waste Water System is funded with other financing sources, grants and USDA-RUS loan until it becomes operational, then it will recognize a waste water service fee 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 2017 totaled $377,467,108. Throughout the year, the Commissioners Court amended the budget for an aggregate increase total of $41,100,569. These increases represented statutorily provided increases for additional funding by granting agencies and intergovernmental agreements bringing the overall budget total to $517,206,838, 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, 2017

Date of Amendment	General Fund	Special Revenue Fund	Enterprise Fund	Debt Service Fund	Capital Projects Fund	Grants	Total Funding Amounts
October 6, 2016	$314,178,971	$35,234,257	$3,394,469	$20,594,806	$4,064,605	$0	$377,467,108
Total amendments		3,019,988	9,556,041		368,040	28,156,500	41,100,569
Subtotal	$314,178,971	$38,254,245	$12,950,510	$20,594,806	$4,432,645	$28,156,500	$418,567,677
Carry over Re-appropriation	1,585,348	881,160			44,210,201	51,962,452	98,639,161
Totals	$315,764,319	$39,135,405	$12,950,510	$20,594,806	$48,642,846	$80,118,952	$517,206,838

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	$98,822,424
Revenues: Non-Budgeted	
Expenditures: Non-budgeted	(8,331)
Revenues over (under) Expenditures	8,331
Other financing sources (uses): Non-budged	(1,264,200)
Excess (deficiency) of revenues and Other financing sources over (under) Expenditures and other financing uses	(1,255,869)
Change in reserve for inventory	(8,331)
Prior years differences	(14,484,300)
Statement of Revenues, Expenditures and Changes in Fund Balances	$83,073,924

The non-budgeted expenditure in the general fund is a change in the reserve for inventory of $8,331, which represents the amount of inventory consumed during the year, and $1,264,200 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 or a letter of credit from the Federal Home Loan Bank of Dallas. The County has opted for the letter of credit to collateralize deposits in excess of FDIC insurance. 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 UMC 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 UMC 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.

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, 2017.

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 purchased and then adjusted for the remaining inventory at year end as a change in fund balance under the purchases method. 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 $77,562,509 of restricted assets, of which $30,313,848 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, works of art, historical treasures, and similar assets and capital assets received in a service concession arrangement are reported at acquisition value on date donated.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

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

Assets of the UMC 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.

Note 1. Summary of Significant Accounting Policies (Continued)

K. Deferred outflows/inflows of resources (Continued)

The UMC has three 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, is for goodwill from taking over operations of EPCH. The third, 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.

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 three 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 for bond refunding and is amortized over life of the refunding bonds on the statement of net position. The third, is a deferred inflow on pensions for the difference between expected and actual experience on the plan reported on the statement of net position.

UMC 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.

Note 1. Summary of Significant Accounting Policies (Continued)

K. Deferred outflows/inflows of resources (Continued)

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.

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, 2017, the County's total liability for vested vacation leave totaled $15,460,310.

All full-time, regular non-elected employees who have completed three (3) months of full time service are eligible to use accrued sick leave with pay. An employee earns sick leave at the rate of 10 working days per year and may accumulate a maximum sick leave balance of 90 working days. Outstanding sick leave balances are canceled, without recompense, upon termination, resignation, retirement or death except in the case of sheriff's officers. In accordance with the provisions of Governmental Accounting Standard Board, Statement No. 16, Accounting for Compensated Absences, no liability is recorded for non-vesting accumulating rights to receive sick pay benefits.

A liability in the amount of $16,892,973 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 $32,353,283 of which $12,856,663 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.

Note 1. Summary of Significant Accounting Policies (Continued)

L. Compensated Absences (Continued)

Non-exempt employees who are authorized or permitted to work in excess of forty (40) hours in a workweek are entitled to compensatory time off at a rate one and one-half times for all time actually worked over forty (40) hours in a workweek. Paid and unpaid leave of any type taken during a workweek do not count as hours worked in computing overtime. Non-exempt employees may not have a balance of more than eighty (80) hours of compensatory time at any given time. A non-exempt employee will be paid for all compensatory time the employee has earn, but not used, at the time of separation from employment.

There is no legal requirement, nor is the County obligated, to pay overtime or grant compensatory time to FLSA-exempt employees. Department Heads or designees may grant compensatory time off on an hour for hour basis for hours worked in excess of the forty (40) hour work week to an exempt employee.

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.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

N. Fund Balances (Continued)

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 $2,699,166 reported as other governmental funds consists of $2,654,055 special revenue funds and $45,111 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.

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 $4,529 in the general fund is for carryover encumbrances from prior year for general operating purposes. The other purposes amount of $3,522,801 in other governmental funds consists of $3,522,800 for capital projects and $1 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.

Note 1. Summary of Significant Accounting Policies (Continued)

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.

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.

Q. New Accounting Pronouncements

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* 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* effective for fiscal years beginning after June 15, 2017; the County will implement in fiscal year 2018. GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* effective for reporting periods beginning after June 15, 2015; and GASB Statement No. 77, *Tax Abatement Disclosures*, effective for financial statements for periods beginning after December 15, 2015. The County has implemented both GASB Statements No. 76 and 77.

In December 2015, GASB issued Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*. The objective of this Statement is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This statement is for fiscal year reporting periods beginning after December 15, 2015. This statement is not applicable to the County.

Note 1. Summary of Significant Accounting Policies (Continued)

Q. New Accounting Pronouncements (Continued)

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.

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 accounting 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. This Statement was implemented in fiscal year 2016.

Note 1. Summary of Significant Accounting Policies (Continued)

Q. New Accounting Pronouncements (Continued)

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.

In March 2017 GASB issued Statement No. 85 *Omnibus 2017*. The objective of this statement is to address practice issues that have been identified during implementation and application of certain GASB statements. This statement becomes effective for reporting periods beginning after June 15, 2017.

In May 2017 GASB Issued Statement No, 86 *Certain Debt Extinguishment Issues*. The primary objective of this statement is to improve the accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with resources other than proceeds of refunding debt are placed in an irrevocable trust for the sole purpose of extinguishing debt. This statement becomes effective for reporting periods beginning after June 15, 2017.

In June 2017 GASB issued Statement No. 87 *Leases*. The objective of this statement is to better meet the information needs of financial statement users by improving accounting and reporting for leases by governments. This statement increases the usefulness of the financial statements by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. Under this statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and the lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about the government's leasing activities. This statement becomes effective for reporting periods beginning after December 15, 2019.

Statements 78, 80, and 81 are not applicable to the County. Statements 83, 84, 85, 86, and 87 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 if 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 $220,240,546 consisting of cash and cash equivalents. Of this amount, $1,873,308 represents custodial funds from the County Clerk's Probate Account, $6,044,801 represents funds held in the District Clerk's Custodial Account and $234,898 represents restricted assets for business-type activities. The bank balance of $92,861,729 was covered by $250,000 federal depository insurance with the remaining bank balance collateralized with an irrevocable Letter of credit from the Federal Home Loan Bank of Dallas, Texas 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 UMC, the discretely presented component unit, was $68,903.000, consisting of cash and cash equivalents. At September 30, 2017, the UMC's deposits were either insured or collateralized in accordance with state law. In addition, EPCH, The Health Plan and the Foundation held balances in excess of FDIC limits at September 30, 2017. Bank balances in excess of FDIC limits totaled $190 thousand for EPCH, $21.1 million for Health Plan, and $3.5 million for the Foundation. As non-profit entities, EPCH, Health Plan and Foundation are precluded from obtaining collateral for such balances.

The carrying amount of the deposits for the ESD1, the discretely presented component unit, was $484,196, 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 $4,020,466, consisting of cash and cash equivalents. The bank balance was covered by $250,000 federal deposit insurance and the remaining bank balance collateralized by pledged securities with a market value of $5,293,000 as of September 30, 2017.

As of September 30, 2017, 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	$25,997,236	0.06
TexPool Prime investment pool	97,570,641	1.19
Total	$123,567,877	0.95

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:

Note 3. Detailed notes on all funds (Continued)

A. Deposits and Investments (Continued)

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.

As of September 30, 2017, the UMC 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, 2017	**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	$9,215,000	$9,215,000	-	-
U.S. Agency Obligations	20,502,000	-	$20,502,000	-
Commercial paper	28,179,000	-	28,179,000	-
U.S. Treasury obligations	4,997,000	-	4,997,000	-
Total	$62,893,000	$9,215,000	$53,678,000	

ESD1 had the following investments as of September 30, 2017:

Unrestricted Investment Type	**Fair Value**
Certificates of Deposits	$2,127,967
Total	$2,127,967

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

Note 3. Detailed notes on all funds (Continued)

A. Deposits and Investments (Continued)

ESD1's policy for mitigating interest rate risk is to limit the maximum weighted average maturity of investment portfolios to 365 days. In addition, the policy includes structuring the investment portfolio so that investments mature to meet cash requirements for ongoing operations and diversify maturities and staggering purchase dates to minimize the impact of market fluctuations over time. ESD1 invests operating funds primarily in certificates of deposit, shorter-term securities, money market mutual funds, or local government investment pools functioning as money market mutual funds.

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 UMC 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.

ESD1 minimizes credit risk by limiting investments to the safest types of investments, pre-qualifying financial institutions and broker/dealers with which ESD1 will do business, and diversifying the investment portfolio so that potential losses on individual issuers are minimized.

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

El Paso County Investment at September 30, 2017	Standard & Poor's Rating
Local Government Investment Pools	AAAm

Component Unit Investment at September 30, 2017	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.

UMC 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 UMC holds investments in eight single issuers that represent more than 5% of total investments.

Note 3. Detailed notes on all funds (Continued)

A. Deposits and Investments (Continued)

ESD1 and ESD2 place no limit on the amount the district may invest in any one issuer. ESD1 holds investments in ten 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 UMC's deposits may not be returned to the respective entity. The County, UMC, and ESD1 protect their deposits by requiring the depository bank to fully collateralize the amount in excess of federal depository insurance 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 UMC 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 UMC 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 UMC's investment policies strictly limit the entity's exposure to riskier types of securities such as commercial paper by limiting the maximum maturity and maximum investment.

B. Receivables

Receivables as of September 30, 2017 for the general, major special revenue road and bridge fund, major special revenue grant funds, and other governmental, including applicable allowances for uncollectable accounts, are as follows:

	General	Major Special Road and Bridge Fund	Major Special Revenue-Grant Funds	Other Governmental Funds	Total
Receivables:					
Taxes	$21,214,805				$21,214,805
Accounts	7,606,666	$167,122	$4,369,077	$230,252	12,373,117
Notes			137,592		137,592
Less: allowance for uncollectable	(212,148)				(212,148)
Net total receivables	$28,609,323	$167,122	$4,506,669	$230,252	$33,513,366

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.

Note 3. Detailed notes on all funds (Continued)

B. Receivables (Continued)

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)	$20,045,400	
Court costs and fines (general fund)		$69,244
Draw-downs prior to meeting eligibility requirements (grants)		207,909
Total deferred /unearned revenue for governmental funds	$20,045,400	$277,153

C. Capital assets

Capital assets activity for the year ended September 30, 2017, 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	$17,962,933				17,962,933
Easements	110,000				110,000
Information Technology System in progress	3,501,496	$363,466	$633,491	($4,498,453)	-
Construction in progress	53,536,293	(351,570)	1,052,584	(10,167,689)	44,069,618
Total capital assets, not being depreciated	75,166,977	11,896	1,686,075	(14,666,142)	62,198,806
Capital assets, being depreciated:					
Bridges and culverts	10,087,369		164,394		10,251,763
Buildings	277,080,806	(25,000)	930,418		277,986,224
Equipment	50,445,039	215	6,527,921	(863,797)	56,109,378
Furniture and fixtures	1,154,479	(6,010)	-	(6,279)	1,142,190
Improvements	15,157,941		10,277,099		25,435,040
Infrastructure	9,823,740				9,823,740
Leased equipment	479,064			(27,551)	451,513
Roads	51,930,587		436,858		52,367,445
Vehicles	22,812,109	706	884,511	(552,675)	23,144,651
Total capital assets, being depreciated	438,971,134	(30,089)	19,221,201	(1,450,302)	456,711,944

Note 3. Detailed notes on all funds (Continued)

C. Capital assets (Continued)

Less accumulated depreciation for:					
Bridges and culverts	(2,975,951)		(266,836)		(3,242,787)
Buildings	(157,949,109)	(2,428)	(7,994,078)		(165,945,615)
Equipment	(32,856,170)	21,299	(5,388,606)	859,825	(37,363,652)
Furniture and fixtures	(910,662)		(41,275)	6,279	(945,658)
Improvements	(8,165,276)	16	(1,040,933)		(9,206,193)
Infrastructure	(1,685,088)		(366,413)		(2,051,501)
Leased equipment	(119,647)		(108,692)	25,830	(202,509)
Roads	(23,540,695)	93	(2,278,917)		(25,819,519)
Vehicles	(14,444,561)	(17,775)	(1,808,550)	511,429	(15,759,457)
Total accumulated depreciation	(242,647,159)	1,205	(19,294,300)	1,403,363	(260,536,891)
Total capital assets, being depreciated, net	196,323,975	(28,884)	(73,099)	(46,939)	196,175,053
Governmental activities capital assets, net	$271,490,952	($16,988)	$1,612,976	($14,713,081)	$258,373,859
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	(22,774)		(2,576)		(25,350)
Water systems	(4,762,118)		(357,354)		(5,119,472)
Total accumulated depreciation	(4,784,892)		(359,930)		(5,144,822)
Total capital assets, being depreciated, net	9,470,345		(359,930)		9,110,415
Business-type activities capital assets, net	$9,490,115		($359,930)		$9,130,185

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

Governmental activities:	
General Government	$6,666,301
Administration of Justice	222,866
Public Safety	5,781,180
Health and Welfare	179,437
Community Service	183,231
Resource Development	65
Culture and Recreation	2,057,361
Public Works	4,203,859
Total depreciation expense governmental activities	$19,294,300
Business-type activities:	
Vehicles	$2,576
Water systems	357,354
Total depreciation expense Business-type activities	$359,930

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

Note 3. Detailed notes on all funds (Continued)

C. Capital assets (Continued)

Construction Commitments

The County has several active projects as of September 30, 2017. The projects include New Jail Annex Unit, Tornillo-Guadalupe Port of Entry Toll System, Ascarate Park Water Well Project, and Fabens Airport Facility Renovations.

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

Project	Spent-to-date	Remaining Commitment
Governmental Activities		
New Jail Annex Unit	42,479,172	3,412,937
Tornillo Guadalupe Port of Entry Toll System	1,578,903	110,688
Ascarate Park Water Well Project	4,738	192,271
Fabens Airport Facility Renovations	6,805	2,274,881
Total	$44,069,618	$5,990,777

Component units

Capital asset activity for the UMC for the year ended September 30, 2017, was as follows:

	Beginning Balance	Increases	Transfer Disposals/ Retirements	Ending Balances
Capital assets, not being depreciated:				
Land	$16,824,000	$5,512,000		$22,336,000
Construction in progress	57,401,000		($23,636,000)	33,765,000
Total capital assets, not being depreciated	74,225,000	5,512,000	(23,636,000)	56,101,000
Capital assets, being depreciated:				
Buildings and improvements	441,875,000	42,466,000	(70,000)	484,271,000
Movable and fixed equipment	267,135,000	14,666,000	(120,000)	281,681,000
Total capital assets, being depreciated	709,010,000	57,132,000	(190,000)	765,952,000
Less accumulated depreciation for:				
Buildings, improvements and equipment	(363,738,000)	(28,367,000)	148,000	(391,957,000)
Total accumulated depreciation	(363,738,000)	(28,367,000)	148,000	(391,957,000)
Total capital assets, being depreciated, net	345,272,000	28,765,000	(42,000)	373,995,000
UMC capital assets, net	$419,497,000	$34,277,000	($23,678,000)	$430,096,000

The UMC construction in progress at September 30, 2017, 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 2020 and will be paid using the unexpended proceeds of the 2013 Combination Tax and Revenue Certificates of Obligation bonds.

Note 3. Detailed notes on all funds (Continued)

C. Capital assets (Continued)

Capital asset activity for the ESD1 for the year ended September 30, 2017, was as follows:

	Beginning Balance	Increases	Transfer Disposals/ Retirements	Ending Balances
Capital assets, not being depreciated:				
Land	$179,764	$109,715		$289,479
Total capital assets, not being depreciated	$179,764	$109,715		$289,479
Capital assets, being depreciated:				
Buildings and improvements	$5,081,965	$9,805		$5,091,770
Heavy Trucks	3,662,298	67,287	($57,370)	3,672,215
Equipment	1,207,898	54,541	(4,597)	1,257,842
Total capital assets, being depreciated	9,952,161	131,633	(61,967)	10,021,827
Less accumulated depreciation for:				
Buildings and improvements	(307,950)	(128,152)		(436,102)
Heavy Trucks	(2,219,215)	(277,704)	57,370	(2,439,549)
Equipment	(926,980)	(120,157)	1,634	(1,045,503)
Total accumulated depreciation	(3,454,145)	(526,013)	59,004	(3,921,154)
Total capital assets, being depreciated, net	6,498,016	(394,380)	(2,963)	6,100,673
ESD1 capital assets, net	$6,677,780	($284,665)	($2,963)	$6,390,152

Total provision for depreciation of $526,013 was charged to public safety of ESD1. Capital assets pledged as security for long-term debt had a cost of $5,994,542.

Capital asset activity for the ESD2 for the year ended September 30, 2017, 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	12,850,848			12,850,848
Transportation equipment	17,821,777	$623,280		18,445,057
Other equipment	5,008,183			5,008,183
Total capital assets, being depreciated	35,680,808	623,280		36,304,088
Less accumulated depreciation for:				
Buildings and improvements	(3,672,640)	(323,193)		(3,995,833)
Transportation Equipment	(14,047,937)	(991,552)		(15,039,489)
Other equipment	(3,033,496)	(299,121)		(3,332,617)
Total accumulated depreciation	(20,754,073)	(1,613,866)		(22,367,939)
Total capital assets, being depreciated, net	14,926,735	(990,586)		13,936,149
ESD2 capital assets, net	$16,134,094	($990,586)		$15,143,508

Note 3. Detailed notes on all funds (Continued)

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, 2017, is as follows:

	Due From	Due To
General Fund		
Grants	$22,165	
Jury Fund	40,000	
Payroll	2,019	
District Attorney Apportionment Supplement	6,473	
General Fund		$40,000
Workers Comp	150,000	
	220,657	40,000
Internal Services Fund		
Workers Comp		150,000
		150,000
Special Revenue		
District Attorney Apportionment Supplement		6,473
		6,473
Major Special Revenue-Grants		
34th Judicial District Prosecution Initiative		136,729
65th District Family Drug Court		34,647
384th District Drug Court		41,032
409th District Drug Court		33,985
Access and Visitation		9,037
BCMHC Non-Traditional Services	3,983	
Border Crime Initiative Program Income	654	
Byrne Justice Assistance Grant		81,225
Child Protective Services	139,212	
Colonia Self-Help Center	194,530	
Continuum of Care Program		33,805
COPS Building Trust w/ People of Color		7,185
COPS in Schools	135,739	
DA Border Prosecution		189,059
DIMS Project	10,911	
Domestic Violence High Risk Team	22,281	
Domestic Violence Unit		40,133
DRO Touch Screen Access Law Kiosk	2,645	
DWI Court Program		26,364
El Paso/NM Transit System		35,015
Emergency Food and Shelter	33,000	
Emergency Solution Grant Program		4,700
Explorer Post Task Force	924	
Feasible Transportation Study		60,340
HIDTA Program Income	962,967	
Homeland Security Communication Response		1,342
Juvenile Board State Aid Imprest Fund	58,346	
Juvenile Supervision Tools		58,126
Nutrition Meals	127,023	
ONDCP Multiple Initiatives		673,916
Operation Stonegarden		178,778
Organized Crime Drug Enforcement Task Force		73,343
Project Border Star		29,866
Project Hope		28,742
Prostitution Prevention Program		15,031

Note 3 . Detailed notes on all funds (Continued)

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

	Due From	Due To
Protective Order Court	12,490	36,951
Public Defender Office Expansion	101,662	
Routine Airport Maintenance Program	1,266	
Rural Bus Auction Proceeds	3,129	
Rural Transit Assistance Program		110,963
Sheriff Mental Health Stigma Aware	40,656	
Sheriff Crime Victim Services	1,795	1,521
Sheriff's Step		17,536
Sheriff's Training Academy		21,946
Sparks/West Way Sidewalk Improvement		26,786
Teen Intervention		8,700
Texas Juvenile Justice Department	276,041	150,084
Texas Tobacco Enforcement Program	14,014	
TJJD Title IV-E Enhanced Billing	324,637	
Van Pool Program	31,200	49,441
Veterans Court		84,618
Victim Witness Services		90,726
Victim of Crime Act		39,012
Willoughby Area Water Service Project		99,856
Ysleta, Socorro, San Elizario Circular Route	9,270	
Subtotal	2,508,375	2,530,540
Grand Total	$2,729,032	$2,727,013

The difference in the due to due from totals is $2,019 from the Proprietary Fund-Payroll Fund to the General Fund.

The following are the transfers in and out as of September 30, 2017:

	Transfers Out Actual	Transfers In Actual
General Fund		
Access and Visitation	$8,028	
Child Protective Services	878,299	
Court Reporter		$343,820
DIMS Project	408,217	
Domestic Violence Unit	131,045	
EL Paso County Mobility Project	82,160	
ESGCITY	3,590	
Excess Grant Match		458,814
Excess Sales Tax	1,264,200	
General & Administrative	7,105,915	185,000
Justice Court Manager		205,000
Nutrition	150,000	
Protective Order – Match	109,980	
Public Defender Expansion	567,586	
Rural Transit	85,000	
Sheriff Crime Victim	31,097	
Sheriff Victims of Crime	23,938	
Victim Witness Services	68,027	
Subtotal	10,917,082	1,192,634
Major Special Revenue-Grants		
Airport Maintenance		$1,935
Access and Visitation		8,028
Child Protective Services	$179,738	878,299
Cops in School		157,359
County Attorney Problem Solving Attorney	9,791	
DIMS Project	48,196	408,217
Domestic Violence Unit	3,192	131,045
Emergency Solution Grant Program		3,590
Feasible Transportation Study		82,160
Nutrition	150,000	150,000
Protective Order Court		109,980

Note 3 . Detailed notes on all funds (Continued)

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

	Transfers Out Actual	Transfers In Actual
Public Defender Expansion		567,586
Sheriff Crime Victim Services	1,143	31,097
Texas Capital	66,754	
Van Pool Program		102,026
Victims of Crime Act		23,938
Victim Witness Services		68,027
Ysleta, Socorro, San Eli Circular Route		8,986
Subtotal	458,814	2,732,273
Major Special Revenue		
Road and Bridge		3,000,000
Subtotal		3,000,000
Non Major Special Revenue		
County Tourist Promotion	2,459	1,553,075
County Historical Commission		2,459
Coliseum Tourist Promotion	1,553,075	
Courthouse Security	185,000	
Court reporter Service	343,820	
Juvenile Case Manager	205,000	
Subtotal	2,289,354	1,555,534
Capital Projects		
County Capital Improvements		3,887,390
Subtotal		3,887,390
Debt Service		
G. O. Refunding Series 2016A	158,000	1,264,200
Taxable G.O. Refunding 2016B		158,000
G. O. Refunding Series 2016C		97,811
Taxable Certificates of Obligation Series 2016D	97,811	
Subtotal	255,811	1,520,011
Grand total	$13,921,061	$13,887,842

The difference in the transfers in and out is from a transfer out of the general fund to the Enterprise Fund-County Solid waste for $33,219.

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, 2017, amounted to $437,427.

Capital Leases

The County leases equipment through capital leasing arrangements in the governmental fund types. Payments during fiscal year ended September 30, 2017, amounted to $92,330. 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.

Note 3. Detailed notes on all funds (Continued)

E. Leases (Continued)

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Machinery and equipment	$451,513
Less: accumulated depreciation	167,916
Total	$283,597

The future minimum lease payments and the net present value of these minimum lease payments as of September 30, 2017, for the County are as follows:

	Year ending September 30	Governmental Activities
	2018	$91,182
	2019	89,777
	2020	76,360
	2021	20,544
Total minimum lease payments		277,863
Less: Interest		40,129
Present value of future Minimum lease payments		$237,734

The annual capital lease payments as of September 30, 2017, for ESD1 are as follows:

Year ending September 30	Principal	Interest	Total
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	51,236	4,914	56,150
2023	53,637	2,513	56,150
Total	$287,894	$49,006	$336,900
Less amount due within one year	42,663		
Amount due after one year	$245,231		

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.

Note 3 . Detailed notes on all funds (Continued)

E. Leases (Continued)

The annual capital lease payments as of September 30, 2017 for ESD2 are as follows:

Year ending September 30	Governmental Activities
2018	$1,293,373
2019	1,336,288
2020	1,298,866
2021	1,182,421
2022	1,237,686
2023-2027	2,748,039
2028-2032	436,795
Total	$9,533,468

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 $187,090,000. The ending balance of the revenue bonds is $1,514,000.

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.

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	2018	325,000
General Obligation Refunding, Series 2011	2.125 – 5.25%	2011	2022	1,320,000
Certificates of Obligation, Series 2012	2.00 – 5.00%	2012	2032	66,740,000
General Obligation Refunding, Series 2015	5.00%	2015	2026	15,230,000
General Obligation Taxable Refunding, Series 2015A	0.650 – 3.671%	2015	2026	7,915,000
General Obligation Refunding, Series 2016A	1.125 – 5.00%	2016	2032	44,630,000
General Obligation Taxable Refunding, Series 2016B	0.95 – 3.666%	2016	2032	37,160,000
Taxable Certificates of Obligation, Series 2016C	2.95%	2016	2022	1,390,000
Certificates of Obligation, Series 2016D	3.28%	2016	2032	3,500,000
				$187,090,000

Note 3 . Detailed notes on all funds (Continued)

F. Long-term Debt (Continued)

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

Year Ending September 30	Governmental Activities Principal	Interest	Total
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	13,735,000	5,952,739	19,687,739
2023-2027	56,450,000	22,255,975	78,705,975
2028-2032	67,270,000	8,225,855	75,495,855
	$187,090,000	$65,178,131	$252,268,131

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	$780,000
$272,000 Mayfair/Nuway Water System Revenue Bonds, Series 2012	2.25%	2012	2052	258,000
$500,000 Colonia Revolućion Water System Revenue Bonds, Series 2013	2.25%	2013	2053	476,000
Total				$1,514,000

Revenue bond debt service requirements to maturity are as follows:

Year Ending September 30	Principal	Interest	Total
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	44,000	48,349	92,349
2023-2027	240,000	214,703	454,703
2028-2032	299,000	161,433	460,433
2033-2037	379,000	93,390	472,390
2038-2042	112,000	39,141	151,141
2043-2047	126,000	25,907	151,907
2048-2052	139,000	11,076	150,076
2053	19,000	429	19,429
	$1,514,000	$804,164	$2,318,164

Note 3. Detailed notes on all funds (Continued)

F. Long-term Debt (continued)

Prior Years

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, 2017, $47,815,000 of the refunded bond remains outstanding with an estimated escrow balance of $48,412,108.

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, 2017, $34,460,000 of the refunded bonds remain outstanding with an estimated escrow balance of $35,075,977.

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.

Note 3. Detailed notes on all funds (Continued)

F. Long-term Debt (continued)

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.

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.

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, 2017, $7,405,000 of the refunded bond remains outstanding with an estimated escrow balance of $7,590,284.

Note 3. Detailed notes on all funds (Continued)

F. Long-term Debt (continued)

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.

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 and other county rural parks and recreational facilities. 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.

Note 3. Detailed notes on all funds (Continued)

F. Long-term Debt (continued)

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2017, was as follows:

	Beginning Balance	Adjustments	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:						
Bonds payable:						
General obligation bonds	$115,085,000			($8,830,000)	$106,255,000	$8,365,000
Certificates of obligation bonds	84,390,000			(3,555,000)	80,835,000	3,595,000
Bond Premium	18,802,674			(1,356,348)	17,446,326	
Total bonds payable	218,277,674			(13,741,348)	204,536,326	11,960,000
Capital leases	312,321		17,743	(92,330)	237,734	91,182
Claims and judgments	2,937,300		1,458,724	(2,424,440)	1,971,584	1,971,584
Contingent liabilities	3,813,000		4,830,000	(3,813,000)	4,830,000	2,950,000
Compensated absences	32,781,671		32,353,283	(32,781,671)	32,353,283	12,856,663
Net Pension Liability	222,932,331		37,620,007	(26,993,004)	233,559,334	
OPEB Liability	35,775,010		2,139,622		37,914,672	
Governmental activity Long-term liabilities	$516,829,307		$78,419,419	($79,845,793)	$515,402,933	$29,829,429
Business-type activities:						
Bonds payable:						
Revenue Bonds	$1,547,000			($33,000)	$1,514,000	$34,000
Total bonds payable	1,547,000			(33,000)	1,514,000	34,000
Net Pension Liability	146,749		$26,457	(17,856)	155,350	
Business-type activity Long-term liabilities	$1,693,749		$26,457	($50,856)	$1,669,350	$34,000

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

No-commitment debt

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

The following is a summary of the long-term debt at September 30, 2017, for the UMC component unit:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-term debt					
Bonds payable	$357,005,000	$106,790,000	($115,470,000)	$348,325,000	$7,050,000
Bond premium and discount	30,454,000	8,217,000	(1,361,000)	37,310,000	1,857,000
Total long-term debt	$387,459,000	$115,007,000	($116,831,000)	$385,635,000	$8,907,000

Note 3. Detailed notes on all funds (Continued)

F. Long-term Debt (continued)

In April 2017, UMC refunded $107.8 Million of the then outstanding $110.0 million Series 2008A General Obligation Bonds with $106.8 million of Series 2017 General Obligation Refunding Bonds. Interest rates on the 2017 refunding bonds range from 4% to 5%. The 2017 bond are secured by ad valorem tax. The maturity schedule of the 2017 bonds was consistently maintained with the 2008A bonds. As a result of the refunding UMC decreased its total debt service requirements by $8.3 million ($6.1 million present value) and incurred an accounting loss of approximately $6.5 million. The accounting loss on the debt refunding is being amortized into interest expense using a straight-line method over the term of the bond issuance, which matures in 2038. The balance of the deferred loss on the refunding is $6.4 million at September 30, 2017 and is included as a deferred outflow of resources on the component unit balance sheet. Any 2017 Bonds maturing after August 15, 2028 are subject to optional early redemption at par by UMC on or after August 15, 2027. The Series 2017 Bonds are direct obligations of UMC and are payable from ad valorem tax.

In May 2013, the UMC 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%. The Series 2013 Bonds are direct obligations of UMC and are payable from ad valorem tax.

In May 2013, UMC refunded $115.9 million of the $120 million Series 2005 Combination Tax and Revenue Bonds with $110.4 million Series 2013 General Obligation Refunding Bonds. Interest rates range from 3% to 5%. The bonds are secured by a pledge of ad valorem taxes. The maturity schedule of the 2013 refunding bonds is consistent with the 2005 bonds. This refunding decreased UMC's total debt service requirement by $13.3 million and resulted in an accounting loss of $10.6 million, which is being amortized using the straight-line method into interest expense over the life of the bonds, which mature in 2035. The balance on the deferred loss is $8.5 million at September 30, 2017. Bonds maturing on or after August 15, 2024 are subject to early redemption on or after August 15, 2023.

In October 2009, UMC refunded the Series 2002 Public Property Finance Contractual Obligations and Series 1998 General Obligation refunding Bonds with $25.8 million Refunding Bonds, Series 2009. The Series 2009 Bonds are direct obligations of UMC and are payable from ad valorem tax.

In May 2008, UMC issued $120.1 million Series 2008A General Obligation Bonds. Proceeds of the bonds financed the construction and equipping of EPCH with a stated interest rate ranging from 4.00% to 4.25%. The Series 2008A General Obligation Bonds, at the option of UMC, provide for early redemption on obligations having stated maturities on or after August 15, 2019, in whole or in part, on August 15, 2018, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption. The Series 2008A Bonds are direct obligations of UMC and are payable from ad valorem tax. A significant portion of the series 2008A Bonds were advance refunded in April 2017.

Note 3. Detailed notes on all funds (Continued)

F. Long-term Debt (continued)

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

	Principal	Interest	Total
Year ending September 30			
2018	$7,050,000	16,629,000	23,679,000
2019	7,290,000	16,335,000	23,625,000
2020	7,635,000	15,989,000	23,624,000
2021	8,020,000	15,607,000	23,627,000
2022	8,410,000	15,216,000	23,626,000
2023-2027	48,650,000	69,480,000	118,130,000
2028-2032	61,825,000	56,308,000	118,133,000
2033-2037	77,555,000	40,572,000	118,127,000
2038-2042	98,970,000	20,923,000	119,893,000
2043	22,920,000	1,146,000	24,066,000
	$348,325,000	$268,205,000	$616,530,000

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 UMC. 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.

G. Contingent Liabilities

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

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the County's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government. Presently, an amount of $4,830,000 for probable losses has been accrued as a contingency and is reported at the government-wide financial statements. Of this amount, $2,950,000 is reported due within one year and $1,880,000 due in more than one year.

Rebatable arbitrage is evaluated and estimated on an annual basis. At September 30, 2017, 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, 2017, assuming the County does not use the bond funds within the specified period.

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

Note 3. Detailed notes on all funds (Continued)

G. Contingent Liabilities

In the normal course of business, the UMC 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 UMC's self-insurance program or by commercial insurance. The UMC 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 as of September 30, 2017, ESD1 was involved in litigation with the City of El Paso for compensation owed to ESD1 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 and has not been recorded as a receivable on ESD1's books.

ESD2 had no contingent liabilities.

H. Deferred Compensation

The County offers its employees a deferred compensation plan that permits them to defer a portion of their current salary until future years. Any contributions made to the deferred compensation plan, in compliance with Section 457 of the Internal Revenue Code, are not available to employees until termination of employment, retirement, death or an unforeseen emergency. Contributions to the plan are administered by Nationwide Retirement Solutions, VOYA and VALIC, as third party administrators. In accordance with the provisions of the IRC Section 457(g), the plan assets are in custodial accounts for the exclusive benefit of the plan participants and beneficiaries. The County provides neither administrative services nor investment advice to the plans. Therefore, in accordance with GASB 32, no fiduciary relationship exists between the County and the deferred compensation pension plans. At September 30, 2017, the plan assets were valued at $30,920,009.

UMC 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 $0 zero for 2017.

I. Pension Obligations

Texas County and District Retirement System (TCDRS)

<u>*Plan Description*</u> - 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, UMC 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

Note 3. Detailed notes on all funds (Continued)

I. Pension Obligations (Continued)

of age, or when the sum of their age and years of service equals 75 or more. Members of the County, UMC, and ESD2 plans are vested after eight years of service. 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.

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 UMC'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, 2015 and 2016, are:

	County		UMC		ESD2	
	2015	2016	2015	2016	2015	2016
Inactive employees or beneficiaries currently receiving benefits	1,145	1,231	551	592	-	-
Inactive employees entitled to but not yet receiving benefits	1,437	1,498	2,645	2,790	-	-
Active employees	2,932	2,960	2,618	2,694	N/A	N/A
	5,514	5,689	5,814	6,076	N/A	N/A

Funding Policy - The County, UMC 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 15.57% for the months of the accounting year in 2016, and 16.45% for the months of the accounting year in 2017. The UMC employer contribution rate for the fiscal years ending September 30, 2017 and 2016 was 6.5% and 6.4%, respectively. ESD2 contributed 11.08% for the period of October 1, 2016 through December 31, 2016 and 9.91% for January 1, 2017 through the fiscal year ending September 30, 2017.

Note 3. Detailed notes on all funds (Continued)

I. Pension Obligations (Continued)

The contribution rates payable by the employee members for calendar year 2017 were: County, 7%; UMC, 5%; ESD2, 7%.

Actuarial Assumptions - The total pension liability in the December 31, 2016 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, 2016, 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.

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 2017 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	13.50%	4.70%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index[3]	16.00%	7.70%
Global Equities	MSCI World (net) Index	1.50%	5.00%
International Equities - Developed	MSCI World Ex USA (net)	10.00%	4.70%
International Equities - Emerging	MSCI EM Standard (net) Index	7.00%	5.70%
Investment-Grade Bonds	Bloomberg Barclays Capital U.S. Aggregate Bond Index	3.00%	0.60%
High-Yield Bonds	Citigroup High-Yield Cash-Pay Capped Index	3.00%	3.70%
Opportunistic Credit	Citigroup High-Yield Cash-Pay Capped Index	2.00%	3.83%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.15%
Distressed Debt	Cambridge Associates Distressed Securities Index[4]	3.00%	6.70%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% FRSE EPRA/NAREIT Global Real Estate Index	2.00%	3.85%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	5.60%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index[5]	6.00%	7.20%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	20.00%	3.85%
		100.00%	

(1) Target asset allocation adopted at the April 2017 TCDRS Board meeting.
(2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 2.0%, per Cliffwater's 2017 capital market assumptions.
(3) Includes Vintage years 2006-present of Quarter Pooled Horizon IRRs
(4) Includes Vintage years 2005-present of Quarter Pooled Horizon IRRs
(5) Includes vintage years 2007-present of Quarter pooled Horizon IRRs.

UMC:

Asset Class	Target Allocation	Long-term Expected Real Rate of Return
Equities		
US Equities	13.5%	4.7%
International Equities-Developed	10.0%	4.7%
International Equities-Emerging	7.0%	5.7%
Global Equities	1.5%	5.0%
Hedge Funds	20.0%	3.9%
High-Yield Investments		
High-Yield Bonds	3.0%	3.7%
Opportunistic Credit	2.0%	3.8%
Distressed Debt	3.0%	6.7%
Direct Lending	10.0%	8.2%
Private Equity	16.0%	7.7%
Real Assets		
REITs	2.0%	3.9%
Private Real Estate Partnerships	6.0%	7.2%
Master Limited Partnerships	3.0%	5.6%
Investment-Grade Bonds	3.0%	0.6%
	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	13.5%	4.70%
Private Equity	16.0%	7.70%
Global Equities	1.5%	5.00%
International Equities - Developed	10.0%	4.70%
International Equities - Emerging	7.0%	5.70%
Investment-Grade Bonds	3.0%	0.60%
High-Yield Bonds	3.0%	3.70%
Opportunistic Credit	2.0%	3.83%
Direct Lending	10.0%	8.15%
Distressed Debt	3.0%	6.70%
REIT Equities	2.0%	3.85%
Master Limited Partnerships (MLPs)	3.0%	5.60%
Private Real Estate Partnerships	6.0%	7.20%
Hedge Funds	20.0%	3.85%
	100.0%	

[(1)] Geometric real rates of return in addition to assumed inflation of 1.6%, per Cliffwater's 2017 capital market assumptions.

Discount Rate - The discount rate used to measure the total pension liability was 8.1%. 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, 2016, 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, 2015	$931,221,269	$708,750,384	$222,470,885
Changes for the Year:			
Service Cost	28,653,626		28,653,626
Interest on total pension liability [(1)]	75,075,334		75,075,334
Effects of plan changes[(2)]	(3,296,494)		(3,296,494)
Effect of economic/demographic gains or losses	377,139		377,139
Effects of assumptions changes or inputs	-		-
Refund of contributions	(2,424,551)	(2,424,551)	
Benefit payments	(31,836,532)	(31,836,532)	
Administrative expenses		(570,719)	570,719
Member contributions		12,095,806	(12,095,806)
Net investment income		52,458,717	(52,458,717)
Employer contributions		26,801,554	(26,801,554)
Other [(3)]		(684,796)	684,796
Balances as of December 31, 2016	$997,769,791	$764,589,863	$233,179,928

[(1)] Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.
[(2)] Reflects that assumed substantively automatic COLA was not adopted for 2017.
[(3)] 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, 2017 for the UMC are:

	Total Pension Liability	Increase (Decrease) Fiduciary Net Position	Net Pension Liability (Asset)
Balances at September 30, 2016	$346,424,000	$302,223,000	$44,201,000
Changes for the year:			
Service cost	12,162,000		12,162,000
Interest on total pension liability	28,134,000		28,134,000
Effect of economic/demographic gains or losses	865,000		865,000
Refund of contributions	(1,082,000)	(1,082,000)	
Benefit payments	(9,225,000)	(9,225,000)	
Administrative expenses		(244,000)	244,000
Member contributions		7,060,000	(7,060,000)
Net investment income		22,427,000	(22,427,000)
Employer Contributions		8,981,000	(8,981,000)
Other changes		651,000	(651,000)
Net changes	30,854,000	28,568,000	2,286,000
Balances at September 30, 2017	$377,278,000	$330,791,000	$46,487,000

Changes in the total pension liability, plan fiduciary net position and the net pension liability for the year ended December 31, 2016, for ESD2 are:

	Total Pension Liability	Increase (Decrease) Fiduciary Net Position	Net Pension Liability (Asset)
Balances at December 31, 2015	$103,171	$101,714	$1,457
Changes for the year:			
Service cost	$127,824		$127,824
Interest on total pension liability	13,433		13,433
Effect of plan changes			
Effect of economic/demographic gains or losses	(4,688)		(4,688)
Effect of assumptions changes or inputs			
Refund of contributions	0		0
Benefit payments	0		0
Administrative expenses		(84)	84
Member contributions		54,427	(54.427)
Net investment income		7,762	(7,762)
Employer Contributions		86,150	(86,150)
Other changes		5,255	(5,255)
Net changes	136,569	153,510	(16,941)
Balances at December 31, 2016	$239,740	$255,224	($15,484)

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	$1,143,174,654	$997,769,791	$878,190,785
Fiduciary net position	764,589,864	764,589,863	764,589,864
Net pension liability/ (asset)	$378,584,790	$233,179,928	$113,600,921
UMC:			
Net pension liability/ (asset)	$102,374,000	$46,487,000	$785,000
ESD2:			
Total pension liability	$292,616	$239,740	$198,508
Fiduciary net position	255,224	255,224	255,224
Net pension liability/ (asset)	$37,392	($15,484)	($56,716)

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 $50,653,802. As of September 30, 2017, 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	$3,158,252	$2,277,977
Changes in assumptions		8,311,952
Net difference between projected and actual earnings		48,830,287
Changes in proportionate share	53,536	53,536
Contributions made subsequent to measurement date		20,216,478
	$3,211,788	$79,690,230

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:	
2017	$18,604,663
2018	18,604,663
2019	16,621,639
2020	2,368,146
2021	62,853
Thereafter	0

The $20,216,478 reported as deferred outflows of resources related to pensions resulted from County contributions subsequent to the measurement date and will be recognized as a deduction of the net pension liability in the year ended September 30, 2018.

For the year ended September 30, 2017, the UMC recognized pension expense of approximately $15.2 million. At September 30, 2017, the UMC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Note 3. Detailed notes on all funds (Continued)

I. Pension Obligations (Continued)

	Deferred Inflows of Resources	Deferred Outflows of Resources
Differences between expected and actual experience	$1,779,000	$648,000
Changes in assumptions		2,152,000
Net difference between projected and actual earnings on pension plan investments		19,936,000
Contributions made subsequent to measurement date		7,350,000
	$1,779,000	$30,086,000

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:	
2018	$7,086,000
2019	7,250,000
2020	6,163,000
2021	458,000
	$20,957,000

For the year ended September 30, 2017, the ESD2 reported pension expense of $74,180. At September 30, 2017, 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	$4,775	$6,426
Changes in assumptions		745
Net difference between projected and actual earnings		6,947
Contributions made subsequent to measurement date		75,220
	$4,775	$89,338

*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:	
2018	$77,919
2019	2,699
2020	1,702
2021	449
2022	1,794
	$84,563

At September 30, 2017, ESD2 reported a payable of $22,286 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, 2017, there were 235 fire or emergency services departments participating in TESRS. Eligible participants include volunteer emergency services personnel who are members in good standing of a participating department.

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, 2017, 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 FY2017 was $97,786.

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, 2017, as shown in the following table:

	ESD1 Pension Expense	ESD2 Pension Expense	Total Pension Expense TESRS
Service Cost	$16,126	$19,377	$35,503
Interest	95,818	115,132	210,950
Projected earnings on pension plan investments	(74,273)	(89,245)	(163,518)
Amortization of differences between projected and actual earnings on plan investments	8,502	10,216	18,718
Amortization of changes of assumptions	2,729	3,280	6,009
Amortization of differences between expected and actual experience	198	238	436
Amortization of changes in proportionate share	11,464	(16,365)	(4,901)
Pension plan administrative expense	1,865	2,241	4,106
	$62,429	$44,874	$107,303

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:

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%

Note 3. Detailed notes on all funds (Continued)

I. Pension Obligations (Continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.75%. No projection of cash flows was used to determine the discount rate because the August 31, 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	$453,591	$242,896	$109,980
ESD2	545,026	291,860	132,150
Total	$998,617	$534,756	$242,130

The net pension liability was measured as of August 31, 2017 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2016 and rolled forward to August 31, 2017. 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, 2016 through August 31, 2017.

At August 31, 2017, the County's proportion of the collective net pension liability was 1.012% for ESD1 which was an increase of 0.258% from its proportion as of August 31, 2016. At August 31, 2017, the County's proportion of the collective net pension liability was 1.216% for ESD2 which was a decrease of 0.118% from its proportion as of August 31, 2016.

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions - for the year ended September 30, 2017, the County recognized pension expense of $35,287 and Revenue of $35,287 for support provided by the State, which represented $16,028 for ESD1 and $19,259 for ESD2.

As of September 30, 2017, 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:

Note 3. Detailed notes on all funds (Continued)

I. Pension Obligations (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$567	
Changes in assumptions	7,812	
Net difference between projected and actual earnings	49,868	
Changes in proportionate share	49,985	$47,651
Contributions made subsequent to measurement date	7,863	
	$116,095	$47,651

The $7,863 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, 2018.

At September 30, 2017, the County reported a payable of $7,863 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:	
2018	28,917
2019	45,504
2020	(2,979)
2021	(10,861)
Thereafter	-
Total	$60,581

J. Other Post-employment Health Care Benefits

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

As of September 30, 2017, there were 2,353 active employees and 58 retirees without Medicare 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, as of September 30, 2017 there were 141 retirees 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, 2017, retirees currently receiving benefits contributed $527,768 and the County contributed $724,373 toward the cost of health insurance premiums. Total benefits paid on behalf of retirees and their dependents during the fiscal year ended September 30, 2017 was $1,196,945.

Note 3. Detailed notes on all funds (Continued)

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

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

Annual OPEB Cost and Net OPEB Obligation. The County's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. 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)	$3,137,896
Interest on Net OPEB Obligation	1,431,000
Adjustment to annual required contribution	(1,394,034)
Annual OPEB cost	3,174,862
Contributions for year ended September 30, 2017	(1,035,200)
Increase in net OPEB obligation	2,139,662
Net OPEB obligation – Beginning of year	35,775,010
Net OPEB obligation – End of year	$37,914,672

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 2017 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
9/30/15	$2,845,792	$462,989	16.3%	$33,384,349
9/30/16	$3,080,997	$690,336	22.4%	$35,775,010
9/30/17	$3,174,862	$1,035,200	32.6%	$37,914,672

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 $165,369,461 is 19.05%.

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.

Note 3. Detailed notes on all funds (Continued)

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

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 4.25% after 15 years
Medical trend (post-65)	Initial rate of 5.70%, declining to an ultimate rate of 4.25% after 15 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.

In January 2017, UMC began to provide certain medical benefits to eligible retirees. Employees who retire from UMC, the Health Plan or the Foundation with 20 or more years of service are able to elect medical coverage for themselves (and spouses and dependents, as applicable). Benefits end when the retiree reaches age 65 or starts receiving Medicare benefits. UMC funds these other postemployment benefits on a pay-as-you-go basis, meaning UMC will pay benefits as they come due rather than creating a trust to accumulate assets to pay for benefits.

UMC's annual OPEB cost 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 represent a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years.

As of January 1, 2017, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was $6.3 million resulting in an unfunded actuarial accrued liability of $6.3 million. The net OPEB obligation as September 30, 2017 was $686 thousand.

Note 3. Detailed notes on all funds (Continued)

K. Property Taxes (Continued)

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

Tax Rate. The County's total tax rate for fiscal year 2017 was $0.452694 per $100 of assessed valuation; $0.401487 was allocated for maintenance and operations, of which, one cent is allocated to the County’s Capital Improvement Plan, and $0.051207 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.

Note 3. Detailed notes on all funds (Continued)

L. Tax Abatements

El Paso County enters into tax abatement agreements with local businesses under Texas Local Government Code, Chapter 381 - County Development and Growth. Texas Local Government Code, Chapter 381 - County Development and Growth allows counties to provide loans and grants in exchange for business location and commercial activity. All agreements are approved by Commissioner's Court.

It is the policy of the County of El Paso to provide incentives to selected private businesses that make or will make a measureable difference in achieving economic growth and development, expanding and diversifying the tax base, and creating new quality jobs within the County of El Paso. The County requires that projects in the incentive agreements demonstrate the potential to generate revenues to the County which outweigh costs associated with those incentives. The project must also fall under at least one of four categories (quality jobs, business type, capital intensive project, local home grown business) or one of eight investment zones (Downtown El Paso, Mission Trail, County Airport in Fabens, Tornillo Port of Entry, Northwest, Northgate, Alameda, and Horizon City) within the County. Some agreements provide for a rebate of property, sales, use or occupational taxes based on incremental taxes and others provide for a sharing of the taxes (percentage rebates) above certain amounts.

If a project is not completed as specified, or the terms of the agreement are not met, the county has the right to cancel or amend agreements, recapture any rebated or exempted taxes, and assess penalty payments for the amounts previously secured by County liens against the property and all previously waived fees and abated/rebated taxes shall become due to the county. For the fiscal year ended September 30, 2017, the County abated taxes totaling $229,484. Those projects that have a total estimated rebate, or other commitment, of $1,000,000 million or more are detailed below.

Hotel Don Quixote (Doubletree Hotel) – In November 2006, the County of El Paso agreed to reimburse 100% of Hotel Occupancy Tax (HOT) through a 381 agreement. Hotel Don Quixote agreed to construct and or repair an approximately 200-room hotel and to create and sustain a total of 46 full time positions. $158,361 of Hotel Occupancy Taxes was rebated to Hotel Don Quixote, reducing the respective tax revenue for the fiscal year.

EPT Development Monticello – In January 2012, through a 20 year redevelopment agreement, the County agreed to rebate 50% of the County's portion of the ad valorem incremental tax value. The developer agreed to construct a smart code development, mixed development, apartments, and retail establishments. The maximum rebate amount is $12,230,000. No payments were issued in fiscal year 2017 and the County was not in a position to make a reasonable estimate on accrual amounts; therefore, the county's tax revenue was not reduced in relation to this agreement.

Note 3. Detailed notes on all funds (Continued)

L. Tax Abatements (Continued)

The Fountains at Farah, L.P. – In February 2009, the County entered into an agreement under which this developer would construct an upscale shopping center and the County would reimburse 100% of the ad valorem real property tax revenue increment based upon the increased value of the property over the base property tax valuation. The county also agrees to reimburse 100% of the County's one-half percent of Sales and Use Tax revenue. The maximum rebate amount is Net Present Value (NPV) adjusted $3,900,000. No payments were issued in fiscal year 2017 and the county was not in a position to make a reasonable estimate on accrual amounts; therefore, the County's tax revenue was not reduced in relation to this agreement.

EWM P1 – In November 2015, through a real property rebate agreement, the County agreed to rebate 100% of the value of the County's portion of the incremental ad valorem property tax revenue generated by the development above the base value (real and personal). The company agrees to construct a water production and chemical manufacturing facility, create 10 new positions and retain at least 90% of those positions during each full tax year. The maximum rebate amount is $1,423,726. No payments were issued in fiscal year 2017 and the county was not in a position to make a reasonable estimate on accrual amounts; therefore, the County's tax revenue was not reduced in relation to this agreement.

EP Vida – In July 2013, the County entered into an agreement to rebate 100% of the County's portion of the incremental ad valorem property tax revenue for 60 consecutive quarters as well as 100% of the County's sales and use tax portion for 40 consecutive quarters after the effective date. EP Vida agreed to develop a four star rating hotel or higher and a specialty retail center conforming to smart code design as well as create and retain 300 positions until the end of year 2026. The maximum rebate amount is $5,795,903. No payments were issued in fiscal year 2017 and the county was not in a position to make a reasonable estimate on accrual amounts; therefore, the County's tax revenue was not reduced in relation to this agreement.

Hunt Metro 31 – In the agreement entered into in December 2014, the County agrees to rebate 100% of the value of the County's portion of the incremental ad valorem property tax revenue generated by the development above the base value. The term for the agreement is 10 years or when the maximum payout is reached. Hunt Metro has agreed to develop, construct, and maintain a new 30.802 acre "Smart Code", transit-oriented development. The maximum payout is $5,000,000. No payments were issued in fiscal year 2017 and the county was not in a position to make a reasonable estimate on accrual amounts; therefore, the County's tax revenue was not reduced in relation to this agreement.

<u>*Tax Abatement Agreements of Other Governments that Reduce El Paso County Tax Revenue*</u> - The county established a quantitative threshold of $500,000 total estimated rebate, or other commitment attributed to agreements of other governmental entities that will reduce the County's tax revenue to determine which foregone tax revenues to disclose individually.

Hotel Don Quixote (Doubletree Hotel) - Property tax revenues were reduced by $65,713, in the current fiscal year, under an agreement entered into by the City of El Paso.

Note 3. Detailed notes on all funds (Continued)

M. 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.

N. Risk Management

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

The County retains the risk of loss relating to workers compensation and unemployment liability. Contributions to cover any claims for unemployment are made to a third party administrator with the liability funded on a pay-as-you-go basis. Contribution adjustments are made throughout the year in order to maintain the reserves necessary to meet future claims determined on historical trends. Claims for workers compensation are processed through a third party administrator and also funded on a pay-as-you-go-basis. The estimated potential claims, which are reported in the accompanying financial statements, totaled $1,971,584. 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, 2017	Year Ended September 30, 2016
Unpaid claims, beginning of fiscal year	$2,937,300	$2,753,713
Incurred claims (including incurred but not reported)	1,458,724	2,047,355
Claim payments	(2,424,440)	(1,863,768)
Unpaid claims, end of fiscal year	$1,971,584	$2,937,300

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 2017, 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 $1,481,514, which will be liquidated within sixty days.

Note 3. Detailed notes on all funds (Continued)

O. 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, 2017, encumbrances amounted to $5,267,215, of which $4,529 relates to the general fund, $1,739,885 to the major capital projects 2012, $1 to the special revenue fund, and $3,522,801 to the non-major capital projects fund.

P. 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.

Q. Federal Commodities

For fiscal year ended September 30, 2017, the County received federal commodities in the amount of $7,987 for the Juvenile Probation Department.

R. Prior Period Adjustments

Prior period adjustments totaling $56,534 were made at the fund level to include $74,322 in the General Fund, ($1,460) in the Special Revenue-Grants, ($363,465) in County Capital Projects 2012, $254,637 in County Capital Improvements 2001, and $92,500 in County Capital Projects 2007A. Two prior period adjustments were made at the entity wide level for capital assets in the net amount of $16,992,which includes minor rounding errors related to system conversion.

S. 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.

T. Related Party Transactions

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

Note 3. Detailed notes on all funds (Continued)

U. Subsequent Events

In November 15, 2017 the County entered into a State Infrastructure Bank Loan agreement (SIB Loan) with the Texas Department of Transportation (TXDOT) for a loan in the amount of $4,920,000 at 1.85% interest rate to finance the construction, improvement, operation or repair of the I-10 Ramp Improvements between Airway and Viscount Boulevards located in El Paso County, Texas. The loan is for 15 years with payments beginning in 2018.

On December 21 2017 the County issued $50,255,000 General Obligation Refunding Bonds, Series 2017 to advance refund $53,880,000 of the Certificates of Obligation Bonds, Series 2012 maturing on or after February 15, 2022 with a call date of February 15, 2021.This refunding resulted in a present value savings of 10.42 percent on the refunded bonds and a present value savings of 11.18 percent on the refunding bonds, and a net present value savings of $5,616,795. The bonds were issued at a premium of $9,878,817. The refunding reduced future debt service costs by $6,931,337 and resulted in an economic gain of $5,615,627. The liability associated with the bond was removed from the related payables. As of December 21, 2017, $52,050,000 of the refunded bond remains outstanding with an estimated escrow balance of $59,703,445.

On November 7, 2017, ESD1 purchased land at a purchase price of $718,740 at the address of Desert Canyon at Mission Ridge Unit 2, Lot 13, Block 2, El Paso County, Texas using proceeds from long-term debt which were committed by an ordinance issued by the EDS1's Board of Commissioners to be used for the construction of a new fire station building. The purchase agreement with the seller of the land establishes various commitments, under which ESD1 is required to begin construction of a new facility within thirty months of the purchase of the land.

REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information

Schedule of Changes in Net Pension Liability and Related Ratios
County of El Paso
Year Ended December 31

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total Pension Liability										
Service cost	$28,653,626	$29,545,850	$29,172,832	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	75,075,334	73,345,362	70,530,931	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	(3,296,494)	(95,847,633)	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	0	12,467,930	0							
Effect of economic/demographic (gains) or losses	377,139	(4,737,378)	3,927,389	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(34,261,083)	(30,298,225)	(26,161,836)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	66,548,522	(15,524,094)	77,469,316	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	931,221,269	946,745,363	869,276,047	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, ending (a)	$997,769,791	$931,221,269	$946,745,363	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary Net Position										
Employer contributions	$26,801,554	$24,826,415	$24,527,009	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Member contributions	12,095,806	11,298,180	11,207,319	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Investment income net of investment expenses	52,458,717	(9,496,448)	44,436,493	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(34,261,083)	(30,298,225)	(26,161,836)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expenses	(570,719)	(512,359)	(529,596)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other	(684,796)	(660,025)	152,151	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in fiduciary net position	55,839,479	(4,842,462)	53,631,540	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, beginning	708,750,384	713,592,846	659,961,306	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, ending (b)	$764,589,863	$708,750,384	$713,592,846	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability / (asset), ending = (a)-(b)	$233,179,928	$222,470,885	$233,152,517	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position as a % of total pension liability	76.63%	76.11%	75.37%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pensionable covered payroll	$179,136,023	$159,868,763	$159,778,176	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a % of covered payroll	135.46%	139.16%	145.92%							

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

Schedule of Employer Contributions
County of El Paso
Last 10 Fiscal Years

Fiscal Year	Actuarially Determined Contribution [1]	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll [2]	Actual Contribution as a % of Covered Payroll
2015	$24,656,583	$24,667,674	$(11,091)	$159,275,156	15.5%
2016	25,561,943	25,561,934	9	164,295,397	15.6%
2017	27,307,213	27,310,104	(2,892)	168,438,249	16.2%

[1] TCDRS calculates actuarially determined contributions on a calendar year basis. Procedures have been applied to actuarial amounts to roll forward to the fiscal year amounts as required by GASB 68.
[2] Payroll is calculated based on contributions as reported to TCDRS.

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

Valuation date:
Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rate:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining Amortization period	13.6 years (based on contribution rate calculated in12/31/16 valuation)
Asset valuation method	5-year smoothed market
Inflation	3.0%
Salary increases	Varies by age and service. 4.9% average over career including inflation
Investment rate of return	8.0%, net of investment expenses, including inflation
Retirement age	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
Mortality	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.
Changes in Plan Provisions Reflected in the Schedule*	Effective with the 2015 calendar year, employer contributions reflect that a 2% flat COLA was adopted. Effective with the 2016 calendar year, employer contributions reflect that a 1% flat COLA was adopted.

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

Schedule of Funding Progress
Other Postemployment Benefits Plan
County of El Paso

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/2011	0	$59,808,706	59,808,706	0%	$152,329,012	39.26%
9/30/2014[(1)]	0	26,748,051	26,748,051	0%	160,228,947	16.69%
9/30/2016	0	31,501,267	31,501,267	0%	165,369,461	19.05%

(1) A change in the plan for retirees over 65 resulted in a significant cost savings to the County and retirees and reduced the actuarial accrued liability.

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total Pension Liability										
Service cost	$12,162,000	$11,531,000	$11,453,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	28,134,000	26,051,000	23,877,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	0	(2,467,000)	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	0	4,304,000	0							
Effect of economic/demographic (gains) or losses	865,000	(3,230,000)	(656,000)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(10,307,000)	(9,474,000)	(8,088,000)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	30,854,000	26,715,000	26,586,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	346,424,000	319,709,000	293,123,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, ending (a)	$377,278,000	$346,424,000	$319,709,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary Net Position										
Employer contributions	$8,981,000	$8,294,000	$8,342,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Member contributions	7,060,000	6,490,000	6,339,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Investment income net of investment expenses	22,427,000	(2,734,000)	18,629,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(10,307,000)	(9,474,000)	(8,088,000)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expenses	(244,000)	(217,000)	(221,000)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other	651,000	149,000	132,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in fiduciary net position	28,568,000	2,508,000	25,133,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, beginning	302,223,000	299,715,000	274,582,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, ending (b)	$330,791,000	$302,223,000	$299,715,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability / (asset), ending = (a)-(b)	$46,487,000	$44,201,000	$19,994,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position as a % of total pension liability	87.68%	87.24%	93.75%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pensionable covered payroll	$141,207,000	$129,797,000	$126,780,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a % of covered payroll	32.92%	34.05%	15.77%							

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

Schedule of Employer Contributions
El Paso County Hospital District – Component Unit

Year Ending September 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll [1]	Actual Contribution as a % of Covered Payroll
2015	$8,186,000	$8,186,000	0	$127,109,000	6.6%
2016	9,163,000	9,163,000	0	143,894,000	6.4%
2017	9,798,000	9,798,000	0	150,570,000	6.5%

[1] Payroll is calculated based on contributions as reported to TCDRS.

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here.

Valuation date:

Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal cost
Amortization method	Level percentage of payroll, closed
Remaining Amortization period	14.1 years
Asset valuation method	5-year smoothed non-asymptotic market
Inflation	3%
Salary increases	4.9% average over career including inflation
Investment rate of return	8%, net of pension plan investment expense, including inflation
Retirement age	61 (average)
Mortality	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously, Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.

Schedule of Funding Progress
Other Postemployment Benefits Plan
El Paso County Hospital District – Component Unit

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
01/01/2017	0	$6,332,000	$6,332,000	0%	$135,396,000	4.7%

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Total Pension Liability										
Service cost	$127,824	$99,145	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	13,433	3,595	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	0	(9,664)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	0	1,049								
Effect of economic/demographic (gains) or losses	(4,688)	9,046	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	136,569	103,171	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	103,171	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, ending (a)	$239,740	$103,171	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary Net Position										
Employer contributions	$86,150	$62,894	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Member contributions	54,427	39,735	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Investment income net of investment expenses	7,762	(872)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expenses	(84)	(38)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other	5,255	(5)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in fiduciary net position	153,510	101,714	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, beginning	101,714	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, ending (b)	$255,224	$101,714	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability / (asset), ending = (a)-(b)	($15,484)	$1,457	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position as a % of total pension liability	106.46%	98.59%	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pensionable covered payroll	$777,533	$567,640	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a % of covered payroll	-1.99%	0.26%								

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

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

Year Ending December 31*	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll [(1)]	Actual Contribution as a % of Covered Payroll
2015	$62,894	$62,894	0	$567,640	11.1%
2016	$86,150	$86,150	0	$777,533	11.1%

[(1)] Payroll is calculated based on contributions as reported to TCDRS.
* As reported by ESD2

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here.

Valuation date:
Actuarially determined contribution rates are calculated as of December 31, 2016.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Straight-line amortization method over expected working life
Asset valuation method	5-years, non-asymptotic
Inflation	3%
Salary increases	Varies by age and service. 4.9% average over career including inflation
Investment rate of return	8.10%, net of pension plan investment expense, including inflation
Cost-of-living adjustments	Are not considered to be substantively automatic under GASB 68. No assumption for future cost-of-living is included.
Retirement age	Average age 61
Mortality	RP-2000 Active Employee Mortality Table for males with a two year set-forward and the RP-2000 Active Employee Mortality Table for females with a four-year setback, both with the projection scale AA and then projected with 110% MP-2014 Ultimate Scale after that.

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

Year Ended September 30

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
County's Proportion of the net pension liability	2.228%	2.088%	1.903%	2.475%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
County's proportionate share of the net pension liability	$534,757	$608,195	$507,959	$449,748	N/A	N/A	N/A	N/A	N/A	N/A	N/A
County's number of active members *	175	175	199	200	N/A	N/A	N/A	N/A	N/A	N/A	N/A
County's net pension liability per active member	$3,056	$3,476	$2,553	$2,249	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	81.4%	76.3%	76.9%	83.5%	N/A	N/A	N/A	N/A	N/A	N/A	N/A

* There is no compensation for active members, so the number of active members is used instead. The members are volunteer firefighters.

This schedule is presented to illustrate the requirement to show information for 10 years. However, recalculations of prior years are not required, and if prior years are not reported in accordance with the standards of GASB 67/68, they should not be shown here. Therefore, we have shown only years for which the new GASB statements have been implemented.

Schedule of the County Component Unit Emergency Service Districts' Contributions for Texas Emergency Services Retirement System (TESRS)

Last 10 Fiscal Years

Year Ending September 30	Contractually Required Contribution	Actual Employer Contribution	Actual Non-Employer (County) Contribution	Contribution Deficiency (Excess)	Active Members*	Contributions per Active Member
ESD1						
2015	$23,143	$10,000	$23,143	($10,000)	48	$482
2016	22,776	10,000	20,556	(7,780)	47	650
2017	37,085	10,000	37,085	(10,000)	47	1,002
ESD2						
2015	$66,996		$66,996		151	$444
2016	55,932		55,932		128	437
2017	59,004		59,004		128	461

* There is no compensation for active members, so the number of active members is used instead. The members are volunteer firefighters.

GASB 68, Paragraph 81, requires that the data in this schedule be presented as of the County's respective fiscal year as opposed to the time period covered by the measurement year ending August 31. In addition, per Paragraph 138, "The information for all periods for the 10-year schedules that are required to be presented as required supplementary information may not be available initially. In these cases, during the transition period, that information should be presented for as many years as are available. The schedules should not include information that is not measured in accordance with the requirements of this Statement."

FEDERAL AND STATE AWARD SECTION

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GIBSON RUDDOCK PATTERSON LLC
certified public accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

County Judge and Members of Commissioners Court
County of El Paso, Texas

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison statements of the County of El Paso, Texas, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise the County of El Paso, Texas' basic financial statements, and have issued our report thereon dated March 30, 2018. Our report includes a reference to other auditors who audited the financial statements of the discretely presented component units, as described in our report on the County of El Paso, Texas' financial statements. This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County of El Paso, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of El Paso, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the County of El Paso, Texas' internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of El Paso, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Clifton Ruddock Petter LLC

El Paso, Texas
March 30, 2018

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND THE STATE OF TEXAS UNIFORM GRANT MANAGEMENT STANDARDS

County Judge and Members of Commissioners Court
County of El Paso, Texas

Report on Compliance for Each Major Federal and State Program

We have audited the County of El Paso, Texas' compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the State of Texas Uniform Grant Management Standards that could have a direct and material effect on each of the County of El Paso, Texas' major federal and state programs for the year ended September 30, 2017. The County of El Paso, Texas' major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The County of El Paso, Texas' basic financial statements include the operations of the discretely presented component units, which received $849,031 in federal awards and $1,419,972 in state awards, which are not included in County of El Paso, Texas' schedule of expenditures of federal and state awards during the year ended September 30, 2017. Our audit, described below, did not include the operations of the discretely presented component units because the component unit engaged other auditors to perform an audit of compliance. This report does not include the results of other auditors' testing of compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the State of Texas Uniform Grant Management Standards.

Management's Responsibility

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the County of El Paso, Texas' major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the State of Texas Uniform Grant Management Standards. Those standards, the Uniform Guidance and the State of Texas Uniform Grant Management Standards, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the County of El Paso, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of the County of El Paso, Texas' compliance.

Opinion on Each Major Federal and State Program

In our opinion, the County of El Paso, Texas, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2017.

Report on Internal Control Over Compliance

Management of the County of El Paso, Texas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County of El Paso, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the State of Texas Uniform Grant Management Standards, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of El Paso, Texas' internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the State of Texas Uniform Grant Management Standards. Accordingly, this report is not suitable for any other purpose.

Clw Ruddock Pott LLC

El Paso, Texas
March 30, 2018

SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of Auditor's Report issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
Were significant deficiencies in internal control disclosed?	None reported
Were material weaknesses in internal control disclosed?	No
Was any noncompliance disclosed that is material to the financial statements of the auditee, which would be required to be reported in accordance with Government Auditing Standards?	No

Federal and State Awards

Internal control over major federal and state award programs:	
Were significant deficiencies in internal control over major programs disclosed?	Federal - None reported State - None reported
Were material weaknesses in internal control over major programs disclosed?	Federal - No State - No
Type of auditor's report issued on compliance with major federal and state award programs:	Unmodified
Were there any audit findings that the auditor is required to report under Title 2 CFR 200.516 Audit findings paragraph (a) or the State of Texas UGMS?	Federal Programs - No State Programs - No

(Continued)

SUMMARY OF AUDITOR'S RESULTS

Major Federal Programs:	**Violence Against Women Formula Grants:** CFDA 16.588: Domestic Violence Unit and Protective Order Court; **Highway Planning and Construction:** CFDA 20.205: Van Pool, Sparks West Way Sidewalk Imp., Ysleta Socorro San Elizario Route, and Feasible Transportation Study; and **Social Services Block Grant:** CFDA 93.667: Home Delivered Meals.
Major State Programs:	**District Attorney Border Prosecution Grant:** BP-22837-07 and BP-22837-08; **Rural Transit Assistance Program:** RUR170124; and **Texas Juvenile Probation Grants:** TJJD Juvenile Board State Aid: TJJD-A-2017-071 and TJJD-A-2018-071, TJJD Special Needs Diversionary: TJJD-M-2017-071 and TJJD-M-2018-071, TJJD Juvenile Justice Alt. Education: TJJD-P-2015-071, TJJD-P-2016-071, and TJJD-P-2017-071, TJJD Prevention and Intervention Demonstration Project: TJJD-S-2017-071 and TJJD-S-2018-071, TJJD Prevention and Intervention Project-School Truancy: TJJD-T-2017-071 and TJJD-2018-071, TJJD Juvenile Justice Alt. Education-Supplemental: TJJD-W-2017-071, and TJJD Regional Diversion Alternatives Program: TJJD-R-2017-071.
Dollar threshold used to distinguish between type A and type B programs:	\$750,000 - Federal Programs \$300,000 - State Programs
Did auditee qualify as a low-risk auditee under 2 CFR 200.520 Criteria for a low-risk auditee and the State of Texas UGMS?	Yes - Federal Programs Yes - State Programs

FINANCIAL STATEMENT FINDINGS

There are no current year findings.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There are no current year findings.

STATE AWARD FINDINGS AND QUESTIONED COSTS

There are no current year findings.

COUNTY OF EL PASO, TEXAS

SCHEDULE OF STATUS OF PRIOR FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2017

FINANCIAL STATEMENT FINDINGS

There were no prior year findings.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no prior year findings.

STATE AWARD FINDINGS AND QUESTIONED COSTS

There were no prior year findings.

County of El Paso
Schedule of Expenditures of Federal and State Awards
Year Ended September 30, 2017

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2016-2017	State Expenditures 2016-2017
Federal Expenditures				
U. S. Department of Agriculture				
***Texas Department of Agriculture**				
National School Lunch Program	10.555	TX-071215	$ 147,530	
***TDHS - Commodities Distribution**				
El Paso County Juvenile Probation (Non-Cash)	10.565	071-050-A4	$ 7,987	
Total U.S. Department of Agriculture			**$ 155,517**	**$ -**
U. S. Department of Housing and Urban Development				
***Office of Rural Affairs within the Texas Department of Agriculture**				
Colonia Self Help Center	14.228	7214003	$ 15,176	
Wiloughby Area Water Service	14.228	7215035	$ 233,546	
Total for CFDA 14.228			$ 248,722	
***Texas Department of Housing and Community Affairs**				
***Project Vida**				
Emergency Solutions Grant Program	14.231	2016-0941	$ 55,836	
Total for CFDA 14.231			$ 55,836	
Community Development Block Grants				
***City of El Paso**				
Homebound Meals	14.218	16-1039-589	$ 73,683	
Total for CFDA 14.218			$ 73,683	
Continuum of Care	14.267	TX0364L6T031300	$ 4,966	
Continuum of Care	14.267	TX0364L6T031502	$ 56,123	
Total for CFDA 14.267			$ 61,089	
Total U.S. Department of Housing and Urban Development			**$ 439,330**	**$ -**
U. S. Department of Justice				
Office of Community Oriented Policing Services (COPS)				
Community Policing - COPS in Schools	16.710	2013-UL-WX-0018	$ 106,048	
COPS Building Trust People of Color	16.710	2014-CK-WX-0003	$ 35,832	
Total for CFDA 16.710			$ 141,880	
Asset Forfeiture Money Laundering Section				
El Paso County Sheriff's Office-Asset Sharing Dpt of Justice	16.922	TX0710000	$ 46,535	
Total for CFDA 16.922			$ 46,535	
Office of Justice Programs				
Organized Crime Drug Enforcement Task Force	16.111	SWTXW-0321H	$ 470	
Organized Crime Drug Enforcement Task Force	16.111	SWTXW-0621H	$ 2,977	
Organized Crime Drug Enforcement Task Force	16.111	SWTXW-0666H	$ 9,496	
Organized Crime Drug Enforcement Task Force	16.111	SWTXW-0742H	$ 6,695	
Organized Crime Drug Enforcement Task Force	16.111	SWTXW-0757H	$ 7,510	
Organized Crime Drug Enforcement Task Force	16.111	SWTXW-0770H	$ 8,429	
Organized Crime Drug Enforcement Task Force	16.111	SWTXW-0771H	$ 4,496	
Organized Crime Drug Enforcement Task Force	16.111	SWTXW-0781H	$ 24,923	
Organized Crime Drug Enforcement Task Force	16.111	SWTXW-0783H	$ 242,193	
Organized Crime Drug Enforcement Task Force	16.111	SWTXW-0790H	$ 12,927	
Organized Crime Drug Enforcement Task Force	16.111	SWTXW-0793H	$ 8,230	
Organized Crime Drug Enforcement Task Force	16.111	SIWG-00916	$ 5,201	
Total for CFDA 16.111			$ 333,547	

County of El Paso
Schedule of Expenditures of Federal and State Awards
Year Ended September 30, 2017

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2016-2017	State Expenditures 2016-2017
Edward Byrne Memorial Justice Assistant Grant	16.738	2013-DJ-BX-1029	$ 106,746	
Edward Byrne Memorial Justice Assistant Grant	16.738	2014-DJ-BX-0825	$ 207,464	
Edward Byrne Memorial Justice Assistant Grant	16.738	2015-DJ-BX-0831	$ 172,692	
Edward Byrne Memorial Justice Assistant Grant	16.738	2016-DJ-BX-0732	$ 166,432	
Total for CFDA 16.738			$ 653,334	
***Office of the Governor - Criminal Justice Division**				
Teen Intervention and Prevention Program	16.540	JA-30173-01	$ 42,623	
Total for CFDA 16.540			$ 42,623	
Victim Witness Services	16.575	VZ-13625-18	$ 253,345	
Victim of Crimes Act	16.575	VA-23931-06	$ 124,059	
Total for CFDA 16.575			$ 377,404	
Domestic Violence Unit	16.588	WF-13437-19	$ 135,417	
Domestic Violence Unit	16.588	WF-13437-20	$ 9,664	
Protective Order Court	16.588	WF-24316-07	$ 146,718	
Protective Order Court	16.588	WF-24316-08	$ 10,499	
Total for CFDA 16.588			$ 302,298	
Total U. S. Department of Justice			**$ 1,897,621**	**$ -**
U. S. Department of Transportation				
Federal Transit Administration				
***Texas Department of Transportation**				
Van Pool	20.205	CSJ#0924-06-376	$ 251,140	
Sparks/West Way Sidewalk Imp	20.205	CSJ#0924-06-512/513	$ 287,016	
& Isleta, Socorro, San Elizario Route	20.205	CSJ#9024-06-488	$ 298,183	
Feasible Transportation Study	20.205	CSJ#9024-06-527	$ 154,615	
Total for CFDA 20.205			$ 990,954	
El Paso County, Texas and Eastern New Mexico	20.509	ICB17012439	$ 420,180	
& Rural Transit Assistance Program	20.509	5316	$ 129,361	
& Rural Transit Assistance Program	20.509	RPT1601(24)013	$ 721,197	
Total for CFDA 20.509			$ 1,270,738	
Regional Public Transportation Plan	20.505	REG17012423	$ 44,447	
Total for CFDA 20.505			$ 44,447	
National Highway Traffic Safety Administration				
***Texas Department of Transportation**				
Sheriff's STEP Single Year Comprehensive 2016	20.600	2017-ElPasoCO-S-1YG-0035	$ 86,984	
Total for CFDA 20.600			$ 86,984	
Click it or Ticket	20.616	2017-ElPasoCO-CIOT-00037	$ 6,891	
Total for CFDA 20.616			$ 6,891	
Total U.S. Department of Transportation			**$ 2,400,014**	**$ -**
U. S. Department of Treasury				
Asset Forfeiture Money Laundering Section				
El Paso County Sheriff's Office-Asset Sharing Dpt of Treasury	21.016	TX0710000	$ 6,418	
Total for CFDA 21.016			$ 6,418	
Total U.S. Department of Treasury			**$ 6,418**	

County of El Paso
Schedule of Expenditures of Federal and State Awards
Year Ended September 30, 2017

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2016-2017	State Expenditures 2016-2017
U.S. Department of Health and Human Services				
***Texas Department of Aging and Disability Services**				
Social Services Block Grant-Home Delivered Meals	93.667	000173100	$ 1,180,347	
Total for CFDA 93.667			$ 1,180,347	
***Texas Department of Family and Protective Services**				
Promoting Safe and Stable Families -Child Protective	93.658	23940331	$ 245,872	
***Texas Juvenile Justice Department**				
Title IV-E	93.658	TJJD-E-2017-071	$ 27,561	
Total for CFDA 93.658			$ 273,433	
***Texas Attorney General**				
Access and Visitation Grant	93.597	17-C0129	$ 59,434	
Total for CFDA 93.597			$ 59,434	
Total U.S. Department of Health and Human Services			**$ 1,513,214**	**$ -**
U. S. Election Commission				
***Texas Secretary of State**				
HAVA Opportunity for Access	93.617	78175	$ 23,500	
Total for CFDA 97.617			$ 23,500	
Total U.S. Election Commission			**$ 23,500**	**$ -**
Executive Office of the President				
Office of National Drug Control Policy (ONDCP)				
34th Judicial Dist. Prosecution Initiative	95.001	G15SW0003A	$ 20,893	
34th Judicial Dist. Prosecution Initiative	95.001	G16SW0003A	$ 541,522	
34th Judicial Dist. Prosecution Initiative	95.001	G17SW0003A	$ 90,131	
Multiple Initiatives	95.001	G15SW0001A	$ 1,214,345	
Multiple Initiatives	95.001	G16SW0001A	$ 2,405,714	
Multiple Initiatives	95.001	G17SW0001A	$ 10,842	
Total for CFDA 95.001			$ 4,283,447	
Total Executive Office of the President			**$ 4,283,447**	**$ -**
U. S. Social Security Administration				
Social Security Incentive Payment	96.008	20100901	$ 47,400	
Total for CFDA 96.008			$ 47,400	
Total U.S. Social Security Administration			**$ 47,400**	**$ -**
U.S. Department of Homeland Security				
Emergency Food and Shelter National Board Program	97.024	803600-014 Phase 33	$ 73,835	
Total for CFDA 97.024			$ 73,835	
***Office of the Governor - Homeland Security Grants Division**				
Homeland Security Community Response	97.067	HS-29504-01	$ 2,205	
Homeland Security Community Response	97.067	HS-29504-02	$ 131,963	
Operation Stonegarden	97.067	HS-30070-01	$ 284,614	
Operation Stonegarden	97.067	HS-30070-02	$ 138,041	
Homeland Security Sustaining Special Response Team	97.067	HS-32213-01	$ 14,474	
Total for CFDA 97.067			$ 571,297	
Total U.S. Department of Homeland Security			**$ 645,132**	**$ -**

County of El Paso
Schedule of Expenditures of Federal and State Awards
Year Ended September 30, 2017

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2016-2017	State Expenditures 2016-2017
State Expenditures				
Office of the Governor - Criminal Justice Division				
& 384th Drug Court Program	N/A	SF-16921-14		$ 152,868
& 384th Drug Court Program	N/A	SF-16921-15		$ 14,028
409th Juvenile Drug Court	N/A	SF-18028-12		$ 84,508
409th Juvenile Drug Court	N/A	SF-18028-13		$ 9,417
# 65th Family Drug Court Program	N/A	DC-23858-06		$ (758)
65th Family Drug Court Program	N/A	DC-23858-07		$ 69,621
& DWI Court	N/A	SF-18692-10		$ 114,854
& DWI Court	N/A	SF-18692-11		$ 8,019
Protective Order Court	N/A	SF-24316-06		$ 60
Project Hope	N/A	SF-25765-05		$ 101,339
Project Hope	N/A	SF-25765-06		$ 9,231
& El Paso County Veterans Court	N/A	SF-25831-05		$ 158,962
& El Paso County Veterans Court	N/A	DC-25831-06		$ 13,878
Prostitution Prevention Program	N/A	SF-27856-03		$ 44,704
Juvenile Supervision Tool	N/A	SF-31420-01		$ 70,977
Office of the Governor - Homeland Division Grants Division				
District Attorney's Border Prosecution	N/A	BP-22837-07		$ 592,319
District Attorney's Border Prosecution	N/A	BP-22837-08		$ 66,655
Local Border Security Program	N/A	BL-29953-02		$ 239,285
Local Border Security Program	N/A	BL-29953-03		$ 11,689
***Rio Grande Council of Governments**				
Sheriff's Training Academy	N/A	SF-14285-15		$ 180,715
Sheriff's Training Academy	N/A	SF-14285-16		$ 8,376
Total Office of the Governor			**$ -**	**$ 1,950,747**
Texas Department of Agriculture				
Home-Delivered Meal Grant Program	N/A	HDM-17-2031		$ 114,076
Total Texas Department of Agriculture			**$ -**	**$ 114,076**
Office of the Attorney General				
Sheriff's Crime Victim's Liaison	N/A	17-72359		$ 37,474
Sheriff's Crime Victim's Liaison	N/A	18-80905		$ 4,354
Total Office of the Attorney General			**$ -**	**$ 41,828**
Texas Department of Transportation				
& Rural Transit Assistance Program	N/A	RUR170124		$ 330,254
Rutine Airport Maintenance Program	N/A	M1724FABN		$ 1,936
Total Texas Department of Transportation			**$ -**	**$ 332,190**
Texas Comptroller of Public Accounts				
Elections Chapter 19	N/A	TX Election CD Chapter 19		$ 103,979
Lateral Road Fund Distribution	N/A	94F0001072		$ 82,046
Sheriffs Continuing Education	N/a	TX Occup CD 1701.157		$ 57,895
Total Texas Comptroller of Public Accounts			**$ -**	**$ 243,920**
Texas Department of State Health Services				
Texas School Safety Center at TX State University-San Marcos				
Tobacco Enforcement Program FY 2016	N/A	2016-0529		$ 42,825
Texas Department of State Health Services			**$ -**	**$ 42,825**
Texas Task Force on Indigent Defense				
Public Defender Indigent Defense	N/A	212-17-071		$ 1,178,331

County of El Paso
Schedule of Expenditures of Federal and State Awards
Year Ended September 30, 2017

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2016-2017	State Expenditures 2016-2017
Public Defender Supplemental Indigent Defense	N/A	212-17-071-SC		$ 56,075
Public Defender Office Expansion	N/A	212-17-071		$ 482,793
Total Texas Task Force on Indigent Defense			**$ -**	**$ 1,717,199**
Texas Juvenile Justice Department				
TJJD Juvenile Board State Aid	N/A	TJJD-A-2017-071		$ 3,100,943
TJJD Juvenile Board State Aid	N/A	TJJD-A-2018-071		$ 212,526
TJJD Special Needs Diversionary	N/A	TJJD-M-2017-071		$ 50,342
TJJD Special Needs Diversionary	N/A	TJJD-M-2018-071		$ 13,919
TJJD Juvenile Justice Alt. Education	N/A	TJJD-P-2015-071		$ 14,706
TJJD Juvenile Justice Alt. Education	N/A	TJJD-P-2016-071		$ 87,392
TJJD Juvenile Justice Alt. Education	N/A	TJJD-P-2017-071		$ 116,315
TJJD Prevention and Intervention Demonstration Project	N/A	TJJD-S-2017-071		$ 128,136
TJJD Prevention and Intervention Demonstration Project	N/A	TJJD-S-2018-071		$ 11,502
TJJD Prevention and Intervention Project-School Truancy	N/A	TJJD-T-2017-071		$ 37,191
TJJD Prevention and Intervention Project-School Truancy	N/A	TJJD-T-2018-071		$ 5,784
TJJD Juvenile Justice Alt. Education-Supplemental	N/A	TJJD-W-2017-071		$ 2,971
TJJD Regional Diversion Alternatives Program	N/A	TJJD-R-2017-071		$ 113,132
Total Texas Juvenile Justice Department			**$ -**	**$ 3,894,859**
Texas District Courts-Comptroller Judiciary				
Reimbursement of State Witness	N/A	TX CD Cram Proc 35.27/104.003		$ 58,888
DA Apportionment Salaries	N/A	Gov CD Chpt 46.004		$ 22,500
Total Texas District Courts-Comptroller Judiciary			**$ -**	**$ 81,388**
Texas Department of Criminal Justice				
Reimbursement of Offender Transportation	N/A	Gov CD Chpt 499.125		$ 87,819
Total Texas Department of Criminal Justice			**$ -**	**$ 87,819**
Texas Department of Health and Human Services Commissions				
District Attorney Food stamp Fraud	N/A	OIG 042010A		$ 3,920
Total Texas Department of Health and Human Services Commissions			**$ -**	**$ 3,920**
Texas Veteran's Commission				
Veteran's Treatment Court	N/A	VTC_16_0385		$ 156,550
Veteran's Treatment Court	N/A	VTC_17_0480		$ 47,039
Fund for Veteran's Assistance	N/A	FVA-16B-0327		$ 100,000
Total Texas Veteran's Commission			**$ -**	**$ 303,589**
Texas Council on Family Violence				
Domestic Violence High Risk Team	N/A	2017-0089		$ 21,637
Total Texas Council on Family Violence			**$ -**	**$ 21,637**
Texas Commission on Environmental Quality				
***Rio Grande Council of Government**				
Municipal Solid Waste Grant Program	N/A	121516COELPFCM		$ 29,900
Total Texas Commission on Environmental Quality			**$ -**	**$ 29,900**
TOTAL FEDERAL AND STATE FINANCIAL ASSISTANCE			**$ 11,411,593**	**$ 8,865,897**

County of El Paso
Schedule of Expenditures of Federal and State Awards
Year Ended September 30, 2017

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2016-2017	State Expenditures 2016-2017
Federal Funds Expended			$ 11,411,593	
State Funds Expended			$ 8,865,897	
Total Funds Expended			$ 20,277,490	
Note:				
Special Revenues-Grants Total Expenditures			$ 22,965,878	
Plus Funds received through General Fund			$ 1,428,513	
Plus Funds received through Special Revenues			$ 470,823	
plus Juvenile Probation Commodities			$ 7,987	
Less Federal funds received not expended			$ (48,330)	
Plus Net Change in Fund balance			$ 34,157	
Less Non-Federal or State Funding Sources			$ (4,581,538)	
TOTAL FEDERAL AND STATE FINANCIAL ASSISTANCE			$ 20,277,490	
Revenues				
Special Revenues-Grants Total Revenues			$ 23,000,035	
Plus Revenues through General Fund			$ 1,428,513	
Plus Revenues through Special Revenues			$ 470,823	
Plus Juvenile Probation Commodities			$ 7,987	
Less Federal funds received not expended			$ (48,330)	
Less Non-Federal or State Funding Sources			$ (4,581,538)	
Adjusted Balance			$ 20,277,490	
			$ -	

State funds returned to State agency.
* Federal or State funds passed-through another government agency.
& Grants Required to use Program Income before Grant Funds.

1. GENERAL

The accompanying Schedule of Expenditures of Federal and State Awards presents the activity of all federal and state financial assistance programs of the County of El Paso, Texas (County) for the year ended September 30, 2017. The County's reporting entity is defined in Note 1 to the County's basic financial statements. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Federal and state awards provided to subrecipients are treated as expenditures when paid to the subrecipient.

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal and State Awards is presented using the modified accrual basis of accounting which is the same basis as the County's Governmental Fund financial statements. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the State of Texas Uniform Grant Management Standards.

3. SINGLE AUDIT MAJOR PROGRAM DETERMINATION

The Uniform Guidance and the State of Texas Uniform Grant Management Standards prescribe a risk-based approach to determining which federal and state programs are major programs, respectively. The approach includes consideration of current and prior audit experience, oversight by federal or state agencies and pass-through entities, and the inherent risk of the program.

4. REPORTING ENTITY

The County, for purposes of the supplementary schedule of expenditures of federal and state awards, includes all the funds of the primary government as defined by the Governmental Accounting Standards Board Statement No. 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Nos. 14 and 34*. It does not include the operations of the discretely presented component units.

The discretely presented component units received $849,031 in federal awards and $1,419,972 in state awards during the year ended September 30, 2017 which are not included in the schedule because the discretely presented component unit engaged other auditors to perform an audit in accordance with the Uniform Guidance and the State of Texas Uniform Grant Management Standards.

5. INDIRECT COST RATE

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