COUNTY OF EL PASO, TEXAS

ANNUAL FINANCIAL AND COMPLIANCE REPORTS
WITH INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2018

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, 2018, 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 $638,101,511, total net position of $120,476,664, and total revenues of $705,420,998. 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 aggregate discretely presented component units, each major fund, the aggregate remaining fund information, and the budgetary comparison statements of the County as of September 30, 2018, 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.

Emphasis of Matter

Change in Accounting Principle

As described in Note 1.Q. to the financial statements, in 2018, the County adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions.* Our opinion is not modified with respect to this matter.

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 26 and pages 106 through 114, 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 April 30, 2019, 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 solely 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.

Carr Riggs & Ingram LLC

El Paso, Texas
April 30, 2019

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, 2018. 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 2018 by $85,169,075 which represents total net position. Of this amount, $74,664,509 or 87.67 percent relates to governmental-type activities while $10,504,566 or 12.33 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 $63,397,037 or 74.44 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 $71,325,865 or 83.75 percent of total net position of which $69,887,709 relates to the primary government and $1,438,156 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 ($49,553,827) or (58.18) percent of total net position.

The negative unrestricted net position is attributable to pension and OPEB liabilities. Employers are required to recognize amounts for all benefits provided through the plans which include the net pension and total OPEB liabilities, deferred outflows of resources, deferred inflows of resources and pension and OPEB expenses.

During fiscal year 2018 the County implemented GASB Statement 75 Accounting for Other Post-Employment Benefits. This statement required an actuarial study be performed to determine the County's total OPEB liability. 2018 is the first year that this actuarial study was performed. The County provides OPEB benefits in the form of health and dental benefits through the County's Health and Dental Fund to retirees and their eligible dependents.

The County's fiscal year 2018 operations resulted in total net position increasing by $61,850,339 or 265.24 percent above the prior year net position of $23,318,736. This was attributable to an increase of $60,807,216 or 438.81 percent in the governmental-type and an increase in business-type activities of $1,043,123 or 11.02 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 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 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 11 and 12.

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-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 3-6 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 7-9 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 10 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, as well as changes in total OPEB liability and related ratios. 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). Subsequently due to changes in actuarial data the County's net position increased by $83,816,974 in 2016, declined by $15,261,550 in 2017 and increased in 2018 by $61,850,339 for a revised net positon as of $85,169,075 as of September 30, 2018. 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 $85,169,075 at the close of fiscal year 2018. 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 $71,325,865 and are comprised of capital project funds totaling $39,867,672 or 55.90 percent, special purpose funds totaling $29,073,324 or 40.76 percent, enterprise funds totaling $1,397,507 or 1.96 percent of restricted assets. Also included are debt service funds totaling $987,362 or 1.38 percent of total restricted net position. The next category relates to unrestricted net position totaling ($49,553,827) or (58.81) 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 $63,397,037 or 74.44 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, 2018, the County's net position for governmental activities increased by $60,807,216 or 438.81 percent and business-type activities increased by $1,043,121 or 11.02 percent for a net overall increase of $61,850,337 or 265.24 percent from the previous fiscal year. Net investment in capital assets from governmental activities decreased by ($2,834,048) or (4.85) percent and $157,269 or 2.06 percent for business-type activities. There was a net decrease of ($6,236,644) or (8.04) percent in restricted assets reported, composed of a decrease of ($6,375,881) or (8.36) percent related to governmental activities and an increase of $139,237 or 10.72 percent related to business-type activities. Unrestricted net position totaled ($49,553,827) and increased by $70,763,760, which included an increase of $70,017,145 related to governmental activities and an increase of $746,615 related to business-type activities.

On a global perspective, the County's total assets from governmental and business-type activities decreased by ($12,618,161) or (2.63) percent. This decrease was the culmination of a multitude of

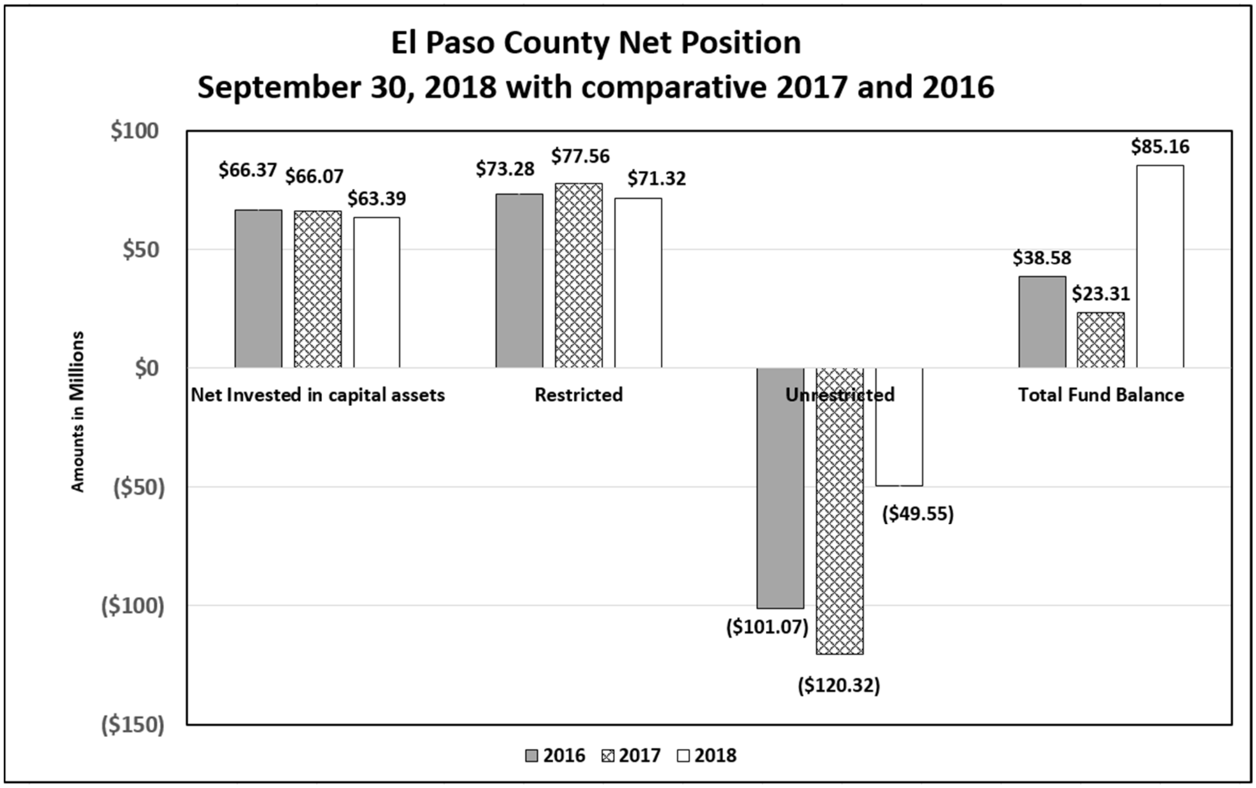
El Paso County, Texas Net Position						
	Governmental Activities		Business-type Activities		Total	
	FY2018	FY2017	FY2018	FY2017	FY2018	FY2017
Current and other assets	$ 206,758,066	$ 210,492,006	$ 3,631,436	$ 2,222,827	$ 210,389,502	$ 212,714,833
Capital assets	246,623,758	258,373,859	10,587,454	9,130,185	257,211,212	267,504,044
Total assets	453,381,824	468,865,865	14,218,890	11,353,012	467,600,714	480,218,877
Deferred outflows of resources	37,611,518	84,907,691	94,031	63,121	37,705,549	84,970,812
Long-term liabilities outstanding	371,760,718	513,431,349	2,947,372	1,669,350	374,708,090	515,100,699
Other liabilities	22,956,037	22,974,432	787,341	229,726	23,743,378	23,204,158
Total liabilities	394,716,755	536,405,781	3,734,713	1,899,076	398,451,468	538,304,857
Deferred inflows of resources	21,612,078	3,510,482	73,644	55,614	21,685,722	3,566,096
Net position:						
Net investment in capital assets	55,623,581	58,457,629	7,773,454	7,616,185	63,397,035	66,073,814
Restricted	69,887,709	76,263,590	1,438,156	1,298,919	71,325,865	77,562,509
Unrestricted	(50,846,781)	(120,863,926)	1,292,954	546,339	(49,553,827)	(120,317,587)
Total net position	$ 74,664,509	$ 13,857,293	$ 10,504,564	$ 9,461,443	$ 85,169,073	$ 23,318,736

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 increase 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 $467,600,714 a decrease of ($12,618,163) or (2.63) percent and deferred outflows of resources totaled $37,705,549 and decreased by ($47,265,263) or (55.63) percent most significantly due to a decrease in pensions in governmental funds totaling ($50,143,620) or (62.88) percent and an increase in business-type activities totaling $28,132 or 44.57 percent. Liabilities on the other hand totaled $398,451,468 a decrease of ($139,853,389) or (25.98) percent and deferred inflows of resources totaled $21,685,722 and increased by $18,119,626 or 508.11 percent. This change is most significantly related to an increase due to pensions which depicted an overall increase of $18,154,435 or 556.98, consisting of increases in governmental funds totaling $18,136,405 or 566.09 percent and business-type activities totaling $18,030 or 32.42 percent.

Further analysis reflects that the majority of all assets relate to governmental activities totaling $453,381,824 and represents 96.96 percent of total assets. Overall, capital assets (net of related depreciation) totaled $257,211,212 and decreased by ($10,292,832), or (3.85) percent from the prior year, mainly due to completion of County facilities being constructed and the related depreciation. 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 that accounted for 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 ($12,618,161) or (2.63) percent. This change was the result of the netting of multiple changes such as an decrease in capital assets related to construction in progress for a net amount of ($39,181,415) or (88.91) percent attributed mostly to the on-going construction and renovation of County facilities and various changes such as an increase in Buildings totaling $35,317,038 or 31.52 percent, and numerous decreases such as in equipment totaling ($3,345,305)



or (17.85) percent, and a decline in improvements totaling ($1,095,642) or (6.75) percent to name a few. Other significant changes include a decline in cash and cash equivalents totaling ($4,841,388) or (2.78) percent which is offset by an increase to receivables net of allowance totaling $2,425,167 or 6.37 percent due mainly to an increase in billings to the granting agencies for pending reimbursement. The significance of these changes 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 $398,451,468 and decreased by ($139,853,389) or (25.98) percent. Further analysis reflects the majority of liabilities relate to governmental activities totaling $394,716,755 or 99.06 percent and business type activities totaling $3,734,713 or .94 percent. Compared to fiscal year 2017, liabilities decreased mainly due to a decrease in net pension liability of ($138,754,537) or (59.37) percent due to fourth year actuarial adjustments relating to pensions. Other significant declines included bonds due more than one year totaling ($14,501,532) or (7.47) percent and a decline in net current and long-term contingent liabilities totaling ($1,460,000). Other changes of lesser significance included declines in claims payable of ($28,411) or (1.82) percent and a decrease in claims and judgements payable of ($194,597) or (9.87). These declines were netted with increases such as OPEB liability totaling $7,192,317 or 18.97 percent, the net change in short and long-term liability for compensated absences totaling $560,704 and vouchers payable totaling $1,219,984 or 10.27 percent. For additional information regarding compensated absences and other post-employment benefits, please see notes 1-L and 3-J, respectively.

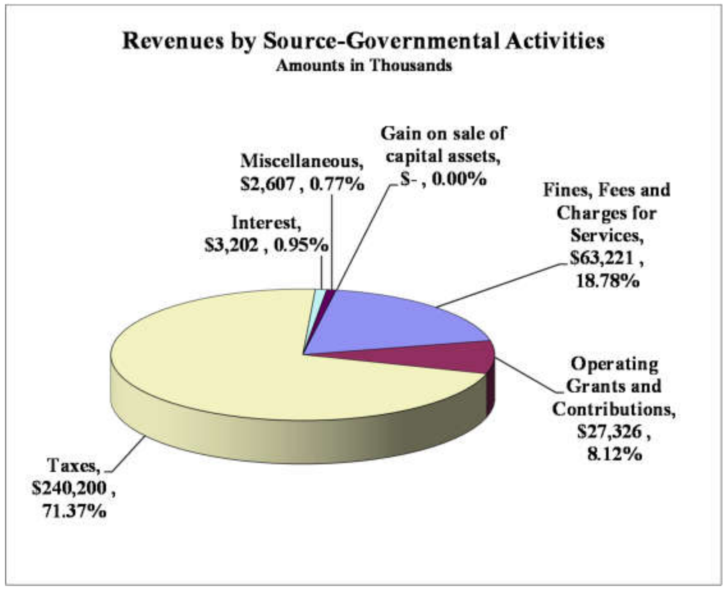
County of El Paso, Texas Changes in Net Position						
	Governmental Activities		Business-type Activities		Total	
	FY2018	FY2017	FY2018	FY2017	FY2018	FY2017
Revenues:						
Program revenues:						
Charges for services	$ 63,221,461	$ 63,764,273	$ 2,204,195	$ 1,794,334	$ 65,425,656	$ 65,558,607
Operating grants and contributions	27,325,728	27,730,796	1,408,257	-	28,733,985	27,730,796
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	180,168,973	178,121,519			180,168,973	178,121,519
Other taxes	60,031,097	57,353,651			60,031,097	57,353,651
Other	5,809,163	3,924,078	$40,260	13,911	5,849,423	3,937,989
Total revenues	336,556,422	330,894,317	3,652,712	1,808,245	340,209,134	332,702,562
Expenses:						
General government	48,288,647	67,828,176			48,288,647	67,828,176
Administration of justice	57,269,125	75,459,399			57,269,125	75,459,399
Public safety	107,553,227	149,160,252			107,553,227	149,160,252
Health and welfare	15,092,183	12,870,950			15,092,183	12,870,950
Community services	3,027,363	3,657,790			3,027,363	3,657,790
Resource development	632,567	844,135			632,567	844,135
Culture and recreation	11,143,404	11,229,292			11,143,404	11,229,292
Public works	24,669,432	16,624,047			24,669,432	16,624,047
Interest on long-term debt	6,771,747	8,166,016			6,771,747	8,166,016
Enterprise fund			2,572,383	2,163,597	2,572,383	2,163,597
Total expenses	274,447,695	345,840,057	2,572,383	2,163,597	277,020,078	348,003,654
Increase (decrease) in net position before transfers	62,108,727	(14,945,740)	1,080,329	(355,352)	63,189,056	(15,301,092)
Transfers	-	(33,219)	-	33,219	-	-
Increase in net position	62,108,727	(14,978,959)	1,080,329	(322,133)	63,189,056	(15,301,092)
Net position October 1	13,857,293	28,796,710	9,461,443	9,783,576	23,318,736	38,580,286
Prior period adjustment	(1,301,511)	39,542	(37,208)	-	(1,338,719)	39,542
Net position September 30	$ 74,664,509	$ 13,857,293	$ 10,504,564	$ 9,461,443	$ 85,169,073	$ 23,318,736

The increase in the County's overall net position by $61,850,339 or 265.24 percent is due to the fourth 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, declined in 2017 and significantly rebounded in 2018. The current year increase in net position was attributable to governmental activities totaling $60,807,216 and to business-type activities totaling $1,043,123. Other factors impacting overall net position represent the degree to which revenues totaling $340,209,134 outpaced expenditures totaling $277,020,076. Due to decreased 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 $7,506,572 or 2.26 percent mainly due to an increase in the maintenance and operations and debt service levies, growth in sales tax revenue and other revenues. Expenses decreased by ($70,983,578) or (20.40) percent attributed for the most part by changes in actuarial pension expense in the current year which reduced and netted with other increases relating to personnel costs attributed 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

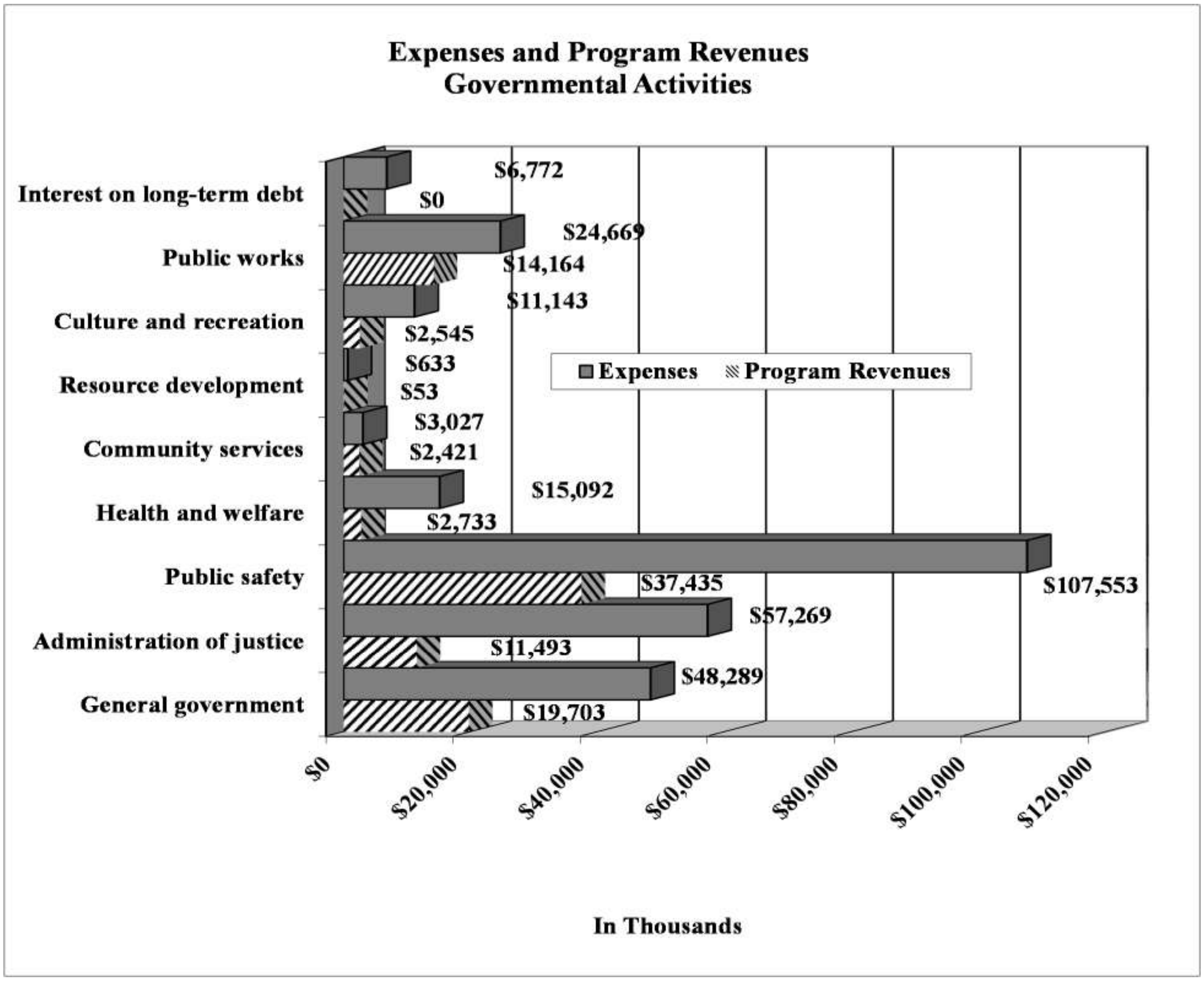


Governmental activities during fiscal year 2018 resulted in an increase in net position of $60,807,216 or 438.81 percent which represents 98.31 percent of the total increase for the primary government. Comparative fiscal year 2018 and 2017 data relating to these changes is shown in the table on the prior page and is discussed below. Total revenues from governmental activities increased by $5,662,105 or 1.71 percent over the previous year. General revenues-other increased by $1,885,085 or 48.04 percent. Other taxes comprised of sales and uses taxes, hotel taxes, mixed beverage alcohol taxes increased by $2,677,446 or 4.67 percent; property taxes increased by $2,047,454 or 1.15 percent. Increases were offset by declines which occurred in areas such as charges for services by ($542,812) or (0.85) percent, operating grants and contributions declined by ($405,068) or (1.46) 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 2018 grew and remained at $0.452694.

Expenses in governmental activities decreased by ($71,392,362) or (20.64) percent and comprise 100.58 percent of the overall entity-wide decrease of ($70,983,578). Increases occurred in public works by $8,045,385 or 48.40 percent, health and welfare by $2,221,233 or 17.26 percent and the enterprise fund by $408,784 or 18.89 percent. Significant decreases were evident in most areas such as in public safety by ($41,607,025) or (27.89) percent, general government by ($19,539,529) or (28.81) percent, administration of justice by ($18,190,274) or (24.11) percent, interest on long-term debt which decreased by ($1,394,269) or (17.07) percent, community services by ($630,427) or (17.24) percent, resource development by ($211,568) or (25.06) percent and culture and recreation by ($85,888) or (0.76) percent. The significance of the fiscal year decreases is mainly attributable adjustment of pension expense in compliance with GASB 68 and netted with 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.

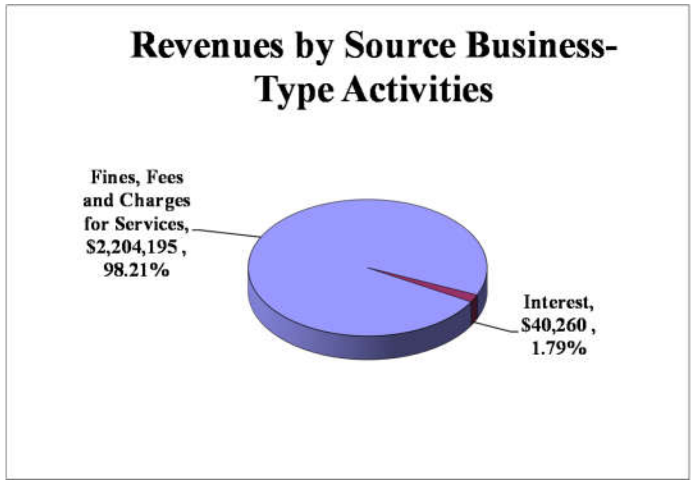
In order to provide a more precise depiction of current year operations in comparison to the prior fiscal year, a reconciliation of expenditures from the statement of activities has been provided above exclusive of pension expense on the following page.



County of El Paso, Texas Supplemental Information - Reconciliation of Expenses for Pension Expense in the Statement of Changes in Net Position		
	Totals	
	FY2018	FY2017
Expenses (Excluding Pension Expenses)		
General government	$62,357,857	$63,133,970
Administration of justice	73,215,272	69,927,045
Public safety	142,189,197	137,876,610
Health and welfare	16,616,447	12,341,793
Community services	3,074,263	3,634,450
Resource development	960,870	750,770
Culture and recreation	13,230,474	10,505,499
Public works	26,404,747	16,102,695
Interest on long-term debt	6,771,747	8,166,016
Enterprise fund	2,643,616	2,161,795
Total expenses	$347,464,490	$324,600,643
Pension Expense		
General government	($14,069,210)	$4,694,206
Administration of justice	(15,946,147)	5,532,354
Public safety	(34,635,970)	11,283,642
Health and welfare	(1,524,264)	529,157
Community services	(46,900)	23,340
Resource development	(328,303)	93,365
Culture and recreation	(2,087,070)	723,793
Public works	(1,735,315)	521,352
Interest on long-term debt		
Enterprise fund	(71,235)	1,802
Total expenses	($70,444,414)	$23,403,011
Expenses (Including Pension Expenses)		
General government	$48,288,647	$67,828,176
Administration of justice	57,269,125	75,459,399
Public safety	107,553,227	149,160,252
Health and welfare	15,092,183	12,870,950
Community services	3,027,363	3,657,790
Resource development	632,567	844,135
Culture and recreation	11,143,404	11,229,292
Public works	24,669,432	16,624,047
Interest on long-term debt	6,771,747	8,166,016
Enterprise fund	2,572,381	2,163,597
Total expenses	$277,020,076	$348,003,654

Business-type Activities

Business-type activities resulted in an increase in net position of $1,043,123 or 11.02 percent and accounted for 1.69 percent of the total change in the primary government's net position. Comparative fiscal year 2018 and 2017 data relating to these changes is reflected on Exhibit 8 of this report.



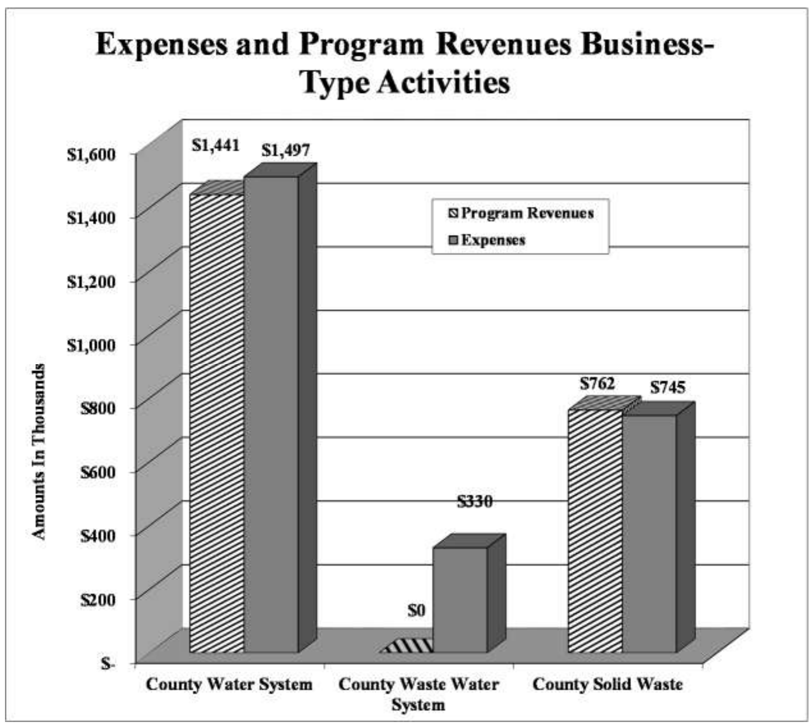
Overall revenues increased by $1,844,467 or 102 percent for a total of $3,652,712. Charges for services increased by $409,861 or 22.84 along with an increase in other revenues by $26,349 or 189.41 percent due to an increase in interest rates.

Expenses in this area totaled $2,572,381 an increase of $408,784 or 18.89 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 earmarking of unassigned 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 in the unassigned fund balance was first implemented in the fiscal year 2017 General Fund adopted budget and thereafter equal to 90 percent of the estimated unallocated fund balance reserves which grew to $37,772,839 in fiscal year 2019. 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 and continuing thru the fiscal year 2019 budget cycle, pursuant to the County's Financial Policies, the Commissioners Court directed that a portion of the projected unassigned year-end fund balance be earmarked for unforeseen emergencies. This amount is to be placed as a line item in the budget after considering the unassigned amount used in balancing the subsequent fiscal year 2019 general fund operating budget, which totaled $37.7 million, an increase of $2.8 million or 8.11 percent above the prior designation of $34.9 million. Based on the County Auditor's fiscal year 2018 year-end fund balance projection and 2019 revenue estimate certifications, the Budget Officer recommended to the Commissioners Court to earmark $37.9 million as a line item in the 2019 fiscal year general fund budget **to be used only in the unlikely event of an unforeseen emergency**. Note, these stabilization line items do not meet the criteria of restricted or committed funds and therefore designations to balance the ensuing fiscal year budget and earmarking of funds for unforeseen emergencies are required under GASB 54 to be reported as unassigned. As a result, the County ended fiscal year 2018 with the unassigned fund balance of $82,345,441, and increase by $2,885,771 or 3.63 percent of which $37,945,572 is earmarked by the County for unforeseen emergencies. In comparison to the fiscal year 2017 amount of $30,000,000, this earmarked amount increased by $7,945,572 or 26.49 percent and leaves a residual unassigned fund balance not otherwise earmarked totaling $6,627,030 or a decrease of ($7,893,276) or (54.36) percent. The fiscal year 2018 assigned fund balance in the general fund was $4,153,404, an increase of $548,162 or 15.20 percent.

Based on the fiscal year 2018 unassigned fund balance not otherwise earmarked of $6,627,030 plus the amount earmarked for unforeseen emergencies of $37,945,572 totaling $44,572,602, El Paso County stayed within its minimum target goal of 10-15 percent of its unassigned fund balance reserve with a ratio of 14.17 percent of the fiscal year 2019 adopted general fund budget of $314,662,417 ($352,607,989 net of the earmark for unforeseen emergencies of $37,945,572).

At the end of the fiscal year, the County's governmental funds reported combined ending net position of $74,664,509 an increase of $60,807,216 or 438.81 percent in comparison with the prior year. Unrestricted net position constitutes ($50,846,781) or (68.10) 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 2019 fiscal year's budget.

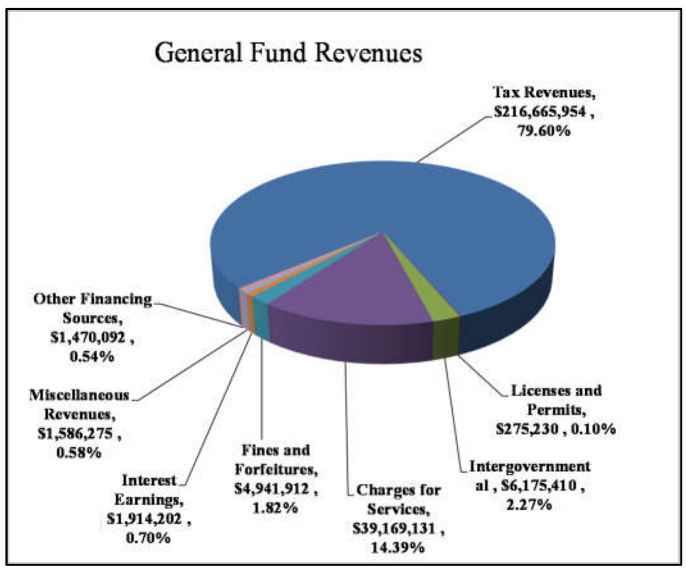
As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures or annual operating revenues. The Commissioners Court utilized unassigned reserves earmarked in balancing the fiscal year 2019 operating budget in order to cover an expenditure level that exceeded the corresponding estimated revenues certified in the budget by the County Auditor. In comparison to fiscal year 2018, the amount required to cover this budget gap increased by $2,833,475 or 8.11 percent.

Grant funds ended the fiscal year with a fund balance of $2,333,136, a decrease of ($562,301) or (19.42) percent.

The Capital Projects reported as a major fund ended the fiscal year with a fund balance of $27,112,118 and decreased by ($269,281) or (.98) 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 $12,755,554 and decreased by ($1,818,003) or (12.47) percent due to receipt of additional capital funding during the year.

The debt service fund ended the fiscal year with a fund balance of $1,844,728, a decrease of ($223,447) or (10.80) percent, mainly due to a decrease in excess sales and use tax transferred into the debt service fund at fiscal year-end as statutorily required.

The special revenue funds in the aggregate ended the year with a fund balance of $26,740,188, a decrease of ($3,573,660) or (11.79) percent compared to the previous year and is utilized to account for a variety of funds which are restricted as to their use.



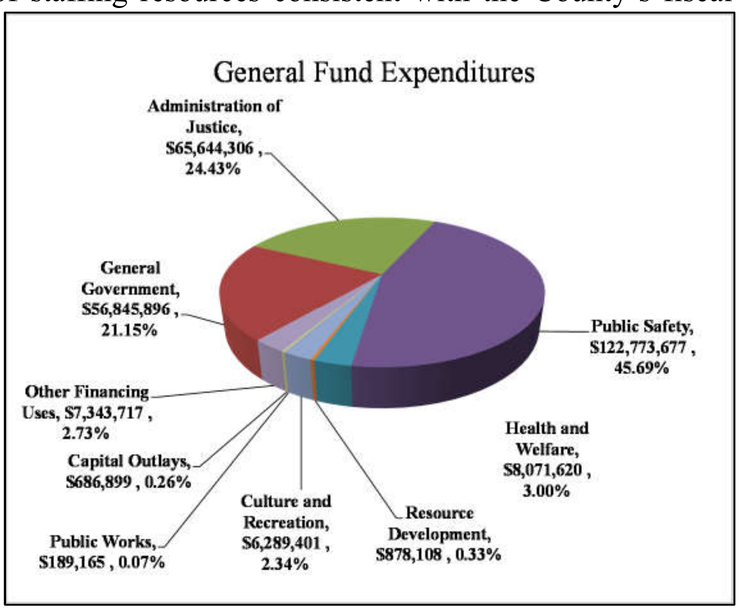
General Fund Trends

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 $3,475,417. Actual revenues before transfers in totaled $270,728,114 an increase of $6,845,892 or 2.59 percent over fiscal year 2017. Further analysis reflects that various revenues and other financing sources aggregated increases totaling $7,123,350. Increases were primarily due to an increase in the taxes category totaling $6.5 million or 3.09 percent mainly due to the addition of

General Fund Revenues	2018 Actuals	2017 Actuals	Amount Increase (Decrease) from FY2017	Percent Increase (Decrease)	2018 actual as a % of Total Revenues and Other Financing Sources
Tax Revenues	$216,665,954	$210,171,351	$6,494,603	3.09%	79.00%
Licenses and Permits	275,230	258,967	16,263	6.28%	0.10%
Intergovernmental	6,175,410	6,434,194	(258,784)	-4.02%	2.27%
Charges for Services	39,169,131	38,838,337	330,794	0.85%	14.39%
Fines and Forfeitures	4,941,912	5,811,940	(870,028)	-14.97%	1.82%
Interest Earnings	1,914,202	1,018,711	895,491	87.90%	0.70%
Miscellaneous Revenues	1,586,275	1,348,722	237,553	17.61%	0.58%
Other Financing Sources	1,470,092	1,192,634	277,458	23.26%	0.54%
Total revenues and other sources	$272,198,206	$265,074,856	$7,123,350	2.69%	99.40%

new property values to the tax rolls and an increase in sales and use tax, interest earnings totaling $895,491 or 87.90 percent, an increase in charges for services totaling $330,794 or .85 percent, other financing sources increased totaling $277,458 or 23.26 percent, an increase in miscellaneous revenues totaling $237,553 or 17.61 percent and also an increase to licenses and permits by $16,263 or 6.28 percent. These increases netted with aggregate decreases totaling ($1,128,812) which include areas such as fines and forfeitures totaling ($870,028) or (14.97) percent and intergovernmental totaling ($258,874) or (4.02) percent.

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 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 2018 of $13,441,996 or 4.28 percent over fiscal year 2017 total budget of $314,178,971. As depicted in the chart on the next page, actual expenditures and transfers-out in fiscal year 2018 increased by $11,080,026 or 4.30 percent bringing the total of general fund expenditures and transfers out to $268,722,789.

This moderate overall growth was mainly attributed to a 1.60 percent cost of living adjustment and a salary step plan adjustment of 2.5 percent afforded to eligible County employees excluding elected officials who's salaries were addressed separately and those covered by collective bargaining and an

General Fund Expenditures	2018 Actuals	2017 Actuals	Amount Increase (Decrease) from FY2017	Percent Increase (Decrease)	2018 actual as a % of Total Expenditures and Other Financing Uses
General Government	$56,845,896	$50,962,318	$5,883,578	11.54%	21.15%
Administration of Justice	65,644,306	61,970,794	3,673,512	5.93%	24.43%
Public Safety	122,773,677	118,818,913	3,954,764	3.33%	45.69%
Health and Welfare	8,071,620	7,996,670	74,950	0.94%	3.00%
Resource Development	878,108	727,463	150,645	20.71%	0.33%
Culture and Recreation	6,289,401	5,545,840	743,561	13.41%	2.34%
Public Works	189,165	137,301	51,864	37.77%	0.07%
Capital Outlays	686,899	566,382	120,517	21.28%	0.26%
Other Financing Uses	7,343,717	10,917,082	(3,573,365)	-32.73%	2.73%
Total Expenditures (Uses)	$268,722,789	$257,642,763	$11,080,026	4.30%	100.00%

increased cost of related fringe benefits such as employee health premiums and matching employer retirement benefit contributions. Increases overall aggregated $14,653,391 and netted with aggregate declines of ($3,573,365). Increases were experienced in a variety of areas such as in the area of general government netted an increase of $5.9 million or 11.54 percent, public safety which netted an increase of $4.0 million or 3.33 percent, administration of justice which netted an increase of $3.7 million or 5.93 percent and culture and recreation which netted an increase of $743,561 or 13.41 percent among other increases. These increases were offset by a decline in other financing uses totaling ($3.6) million or (32.73) percent mainly attributable to a one time transfer to the Road and Bridge funds in support of enhanced County road paving projects.

Further analysis depicts that areas of significant increases 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, 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, facilities management and the addition of El Paso Mobility Projects. In culture and recreation increases were experienced in areas such as the golf course, rural parks and pools and the sportspark. Other increase of less significance include resource development, capital outlays and health and welfare.

As mentioned above, the only area of significant decline was attributable to a one time transfer to the Road and Bridge funds in support of enhanced County road paving projects.

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 2018 adopted budget of $327,620,967 did not increase during the fiscal year other than for carryover appropriations totaling $3,426,948 bringing the original budget total to $331,047,915. This budget included $34,939,364 of fund balance reserves to balance the fiscal year 2018 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. Additionally, it is noteworthy to mention that fiscal year 2018 was the first year in which the County added a line item in the general fund budget totaling $30 million with the intention of maintaining an amount designated but unassigned for emergencies as previously discussed.

General Fund Budgetary Variance Highlights

Analysis of budget actual trends in Exhibit 5 depicts actual revenues and sources combined were $9,449,575 or 3.60 percent more than estimates and occurred with a majority of areas experiencing positive variance increases such as in charges for services of $6,989,738 or 21.72 percent, sales taxes of $2,253,155 or 4.89 percent, interest of $543,952 or 39.70 percent, miscellaneous revenues of $449,445 or 39.53 percent, mixed beverage of $155,423 or 6.22 percent and licenses and permits of $27,580 or 11.14 percent. Offsetting unfavorable variances included areas such as forfeitures totaling ($726,668) or (12.82) percent, property taxes totaling ($462,190) or (.29) percent, motor vehicle sales tax totaling ($148,323) or (2.80) percent, intergovernmental totaling ($25,442) or (.41) percent and bingo totaling ($25,159) or (46.59) percent.

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 $32,304,414 (for discussion purposes, the overall variance totaled $62,304,414 or 18.82 of total appropriations less the Court's $30 million designation for emergencies discussed earlier in this document) which represents 9.06 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 $47,748,052, $3,487,642, $3,164,344 and $913,101 or 45.64, 2.76, 4.60 and 10.16 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 $39,222,968 million or 80.10 percent, mainly attributable to the $30 million reserve for emergencies and other various contingencies which totaled $5,930,005 allocated to areas such as personnel and benefits, maintenance of operating, professional services, judicial legal fees and capital contingency accounts for which expenditure trends requiring only partial appropriation transfers. The second significant increase in this area related to the information technology department totaling $2.3 million or 18.58 percent. In the area of public safety the majority of the variance or $3.5 million or 2.76 percent related to the Sheriff's Department totaling $2.3 million 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 the Juvenile Probation Departments which totaled $902,426 or 5.87 percent and Courthouse security totaling $122,272 or 10.08 percent.. Another significant variance was attributable to in the area of administration of justice totaling $3,164,344 or 4.60 percent of which the most significant change occurred in the office of criminal coordination totaling $690,412 or 26.37 percent followed by the council of judges administration totaling $652,094 or 7.32 percent, district attorney totaling $650,606 or 3.81 percent, county attorney totaling $289,477 or 3.61 percent just to name a few. 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 $3,901,390 or 34.69 percent of which approximately $3 million relates to county projects such as regional transportation mobility and flood control projects where funds were not expended as planned and excesses relating to the leveraging of county matching funds to secure state and federal grant funding which expenditures were less than anticipated.

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	**2018**	**2017**	**2018**	**2017**	**2018**	**2017**
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	147,357,647	112,040,609			147,357,647	112,040,609
Improvements	15,133,205	16,228,847			15,133,205	16,228,847
Equipment	15,400,421	18,745,726			15,400,421	18,745,726
Furniture and Fixtures	277,234	196,532			277,234	196,532
Infrastructure	7,405,825	7,772,239	8,753,293	9,093,031	16,159,118	16,865,270
Vehicles	6,774,940	7,385,194	14,808	17,384	6,789,748	7,402,578
Roads	26,252,726	26,547,926			26,252,726	26,547,926
Bridges and culverts	6,562,825	7,008,976			6,562,825	7,008,976
Leased equipment	241,127	249,004			241,127	249,004
IT Systems in progress	2,595,884				2,595,884	-
Construction in progress	492,736	44,069,618	1,799,583		2,292,319	44,069,618
Total assets	$246,623,758	$258,373,859	$10,587,454	$9,130,185	$257,211,212	$267,504,044

The County's capital assets for governmental and business type activities as of September 30, 2018, amounted to $257,211,212 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 ($10,292,832) or (3.85) percent, comprised of an decrease of ($11,750,101) or (4.55) percent in governmental activities and a increase of $1,457,269 or 15.96 percent in the business-type activities.

During fiscal year 2018, some of the major initiatives funded with the debt issued in previous fiscal years and completed were the implementation of the Payroll/HR component of the ERP Financial Management Software and the Jail Annex Expansion. Some of the ongoing projects funded with the debt issued in previous fiscal years are Courthouse Improvements, Far Eastside Parks and Improvements, Fabens Airport renovations, purchase of new Elections Equipment, construction of an Employee Fitness Center, and 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	2018	2017	2018	2017	2018	2017
General obligation bonds	$147,285,000	$106,255,000			$147,285,000	$ 106,255,000
Certificates of obligation bonds	23,360,000	80,835,000	1,334,000	-	24,694,000	80,835,000
SIB Loan	4,632,402	-			4,632,402	-
Revenue bonds			$1,480,000	$1,514,000	1,480,000	1,514,000
Total	$175,277,402	$187,090,000	$ 2,814,000	$1,514,000	$178,091,402	$ 188,604,000

At the end of the fiscal year, the County had total bonded debt outstanding of $178,091,402 as reflected above. Of this amount, $175,277,402 comprises debt backed by the full faith and credit of the government. The remainder of the County's debt of $2,814,000 represents revenue bonds secured solely by specified revenue sources. During the current fiscal year the County's total debt decreased by ($10,512,598) or (5.57) percent due to the payment of principal on the debt.

In November 15, 2017, the County entered into a State Infrastructure Bank (SIB) Loan agreement with the State of Texas Department of transportation to provide funding for improvements to on/off ramps from Interstate 10 between airway and Viscount Boulevards located in El Paso County, Texas.

On December 21, 2017, the County issued tax exempt General Obligation Refunding bonds, Series 2017 to advance refund a portion of the Certificates of Obligation bonds, Series 2012 that mature on or after February 15, 2022, with a call date of February 15, 2021. This refunding provided the County with a net present value savings of $5,616,795.

On April 10, 2018 the County issued Taxable Certificates of Obligation bonds, Series 2017 in the amount of $1,334,000 to the United States Department of Agriculture – Rural Utilities System (USDA-RUS) as part of a grant-loan agreement with USDA-RUS to secure $5,193,000 in grant funding for the construction of a sewer system in the Desert Acceptance subdivision on the east side of El Paso County.

On July 18, 2018, Moody's reaffirmed El Paso County's rating of Aa2 and referred to the County's very strong credit position and its Aa2 rating being equivalent to the median rating of Aa2 for US counties. 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 and 2018. 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 Labor Market Review, as of September 2018 the statewide unemployment rate was 3.8 percent in September 2018. In comparison, the same time last year the rate was 4.0 percent. El Paso's unemployment rate for September was 4.0 percent in comparison to 4.2 percent in September 2017.

- Over the past fiscal year, between September 2017 and September 2018, El Paso's employment grew by 2.37 percent and gained 7,400 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. Further details are delineated in the El Paso MSA Employment by Industry table in the transmittal letter to this report.

- 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 2.68 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 remained the same thru 2018. 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.

- The overall fund balance of the general fund experienced stabilization and growth between fiscal years 2011 and 2015, increasing approximately $14 million or 42.95 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 and moderately in 2018 totaling $3,435,530.

- Sales and use tax revenues grew in 2010 after a decline in 2009 and continued to reflect positive growth through fiscal year 2018. 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.

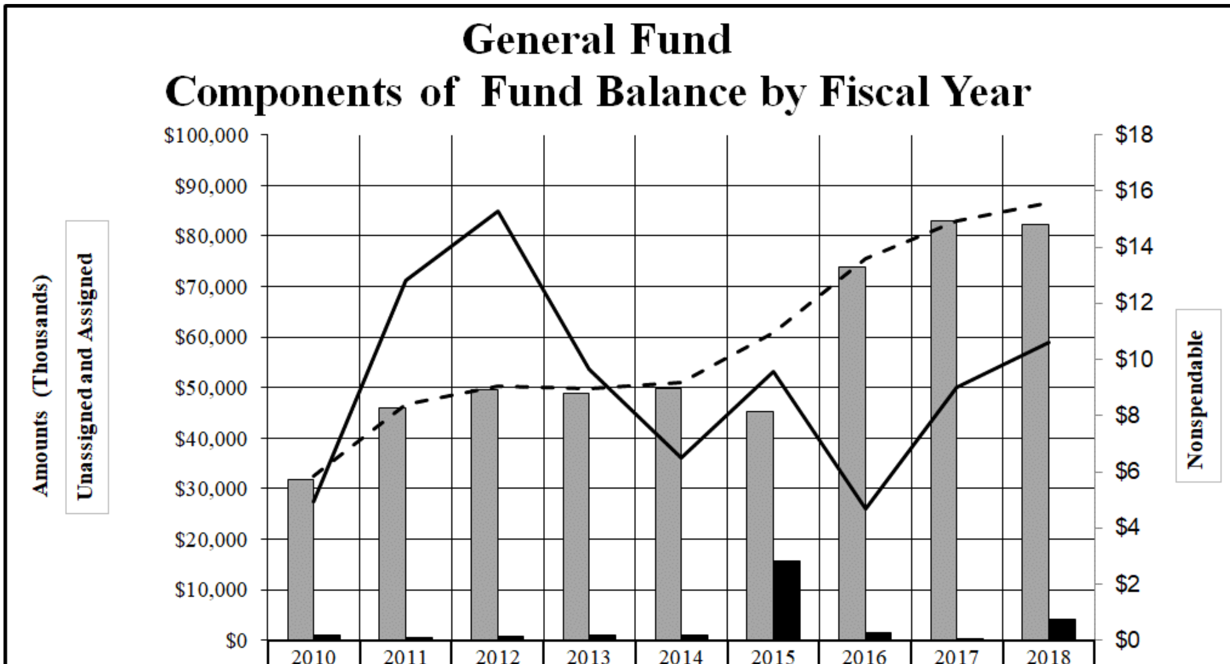
All of these factors were considered in preparing the County's budget for the 2019 fiscal year.

The focus of the County remains on conservative fiscal management while addressing public service needs and State mandates. As of September 30, 2018, the Federal Funds rate was 2.25 percent. Interest for the twelve months ended September 2018 was $3,242,082, up $1,733,467 or

114.90 percent when compared to $904,139 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 2019, 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.



	2010	2011	2012	2013	2014	2015	2016	2017	2018
Unassigned	$31,685	$45,978	$49,514	$48,814	$49,856	$45,176	$73,949	$82,960	$82,345
Assigned	$904	$601	$742	$1,001	$1,050	$15,588	$1,622	$104	$4,154
Total Fund Balances	$32,593	$46,593	$50,272	$49,825	$50,912	$60,774	$75,576	$83,073	$86,510
Nonspendable	$5	$13	$15	$10	$6	$10	$5	$9	$11

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 2019 budget by

$2,833,475 compared to the amount used in fiscal year 2018. 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 on the prior page 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 2019 overall budget adopted by the County totaled $426,342,208, a net increase of $14.1 million or 3.42 percent in comparison to the fiscal year 2018 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

BASIC FINANCIAL STATEMENTS

County of El Paso, Texas
Statement of Net Position
September 30, 2018

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Units
ASSETS				
Cash and cash equivalents	$166,877,270	$2,667,620	$169,544,890	$43,990,361
Investments				3,702,861
Receivables (net of allowance for uncollectible)	39,798,287	709,509	40,507,796	64,463,047
Inventories	10,609		10,609	11,223,000
Prepaid				9,679,695
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents		254,307	254,307	
Properties held for sale	71,900		71,900	
Other assets				61,366,625
Capital Assets (net of accumulated depreciation):				
Land	17,962,933	19,770	17,982,703	26,067,195
Easements	110,000		110,000	
Artwork	56,255		56,255	
Buildings	147,357,647		147,357,647	328,839,344
Improvements	15,133,205		15,133,205	
Equipment	15,400,421		15,400,421	2,954,915
Furniture and fixtures	277,234		277,234	41,947,000
Infrastructure	7,405,825	8,753,293	16,159,118	
Vehicles	6,774,940	14,808	6,789,748	4,021,468
Roads	26,252,726		26,252,726	
Bridges and culverts	6,562,825		6,562,825	
Leased equipment	241,127		241,127	
Construction in progress	3,088,620	1,799,583	4,888,203	39,846,000
Total assets	453,381,824	14,218,890	467,600,714	638,101,511
DEFERRED OUTFLOWS OF RESOURCES				
Bond refunding	4,814,638		4,814,638	14,157,000
Goodwill				3,304,000
OPEB	3,197,296	2,778	3,200,074	90,000
Pensions	29,599,584	91,253	29,690,837	12,600,648
Total deferred outflows of resources	37,611,518	94,031	37,705,549	30,151,648
LIABILITIES				
Vouchers payable	12,546,596	551,728	13,098,324	115,460,771
Retainage payable	341,375	89,979	431,354	
Claims payable	1,533,604		1,533,604	
Payroll liabilities	4,232,749	3,118	4,235,867	56,321
Due to others	158,369	118,400	276,769	
Due to other units	1,124,985		1,124,985	
Due to other governments	158,884	12,915	171,799	
Unearned revenue	184,473		184,473	
Accrued interest payable	898,015	11,201	909,216	323,165
Pension liabilities				17,646
Claims and judgments	1,776,987		1,776,987	
Noncurrent liabilities:				
Due within one year				
Bonds	13,910,703	54,000	13,964,703	9,061,000
Notes				437,654
SIB Loan	292,918		292,918	
Capital leases	104,368		104,368	1,464,667
Self-insured obligations				2,544,000
Contingent liabilities	1,930,000		1,930,000	
Compensated Absences	15,165,589		15,165,589	
Due in more than one year				
Bonds	176,794,794	2,760,000	179,554,794	367,667,000
Notes				7,435,237
SIB Loan	4,339,484		4,339,484	
Capital leases	100,700		100,700	7,911,339
Self-insured obligations				500,000
Contingent liabilities	1,440,000		1,440,000	
Compensated absences	17,748,398		17,748,398	
Net pension Liability	94,865,930	94,217	94,960,147	27,968,529
Total OPEB liability	45,067,834	39,155	45,106,989	1,278,000
Other long term liabilities				508,000
Total liabilities	394,716,755	3,734,713	398,451,468	542,633,329
DEFERRED INFLOWS OF RESOURCES				
OPEB				412,000
Pensions	21,340,230	73,644	21,413,874	4,731,166
Bond refunding	271,848		271,848	
Total deferred inflows of resources	21,612,078	73,644	21,685,722	5,143,166
NET POSITION				
Net investment in capital assets	55,623,581	7,773,454	63,397,035	111,764,468
Restricted for:				
Capital projects	39,867,672		39,867,672	
Grants	2,333,136		2,333,136	
Legislative	26,740,188		26,740,188	
Debt service	946,713	40,649	987,362	4,900,000
Enterprise fund		1,397,507	1,397,507	
Health care				1,465,000
Unrestricted	(50,846,781)	1,292,954	(49,553,827)	2,347,196
Total net position	$74,664,509	$10,504,564	$85,169,073	$120,476,664

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, 2018

Functions/Programs	Expenses	Program Revenues: Fees, Fines, and Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (expense) Revenue and Changes in Net Position — Primary Government: Governmental Activities	Primary Government: Business-type Activities	Primary Government: Total	Component Units
Primary government:								
Governmental Activities:								
General government	$48,288,647	$15,433,602	$4,269,601		($28,585,444)		($28,585,444)	
Administration of justice	57,269,125	5,900,494	5,592,054		(45,776,577)		(45,776,577)	
Public safety	107,553,227	25,585,880	11,849,271		(70,118,076)		(70,118,076)	
Health and welfare	15,092,183	56,632	2,676,047		(12,359,504)		(12,359,504)	
Community services	3,027,363		2,421,313		(606,050)		(606,050)	
Resource development	632,567	52,974			(579,593)		(579,593)	
Culture and recreation	11,143,404	2,544,519	469		(8,598,416)		(8,598,416)	
Public works	24,669,432	13,647,360	516,973		(10,505,099)		(10,505,099)	
Interest on long-term debt	6,771,747				(6,771,747)		(6,771,747)	
Total governmental activities	274,447,695	63,221,461	27,325,728		(183,900,506)		(183,900,506)	
Business-type activities:								
County Water System	1,497,447	1,441,394				($56,053)	(56,053)	
County Waste Water System	330,429		1,408,257			1,077,828	1,077,828	
County Solid Waste	744,507	762,801				18,294	18,294	
Total business-type activities	2,572,383	2,204,195	1,408,257			1,040,069	1,040,069	
Total primary government	$277,020,078	$65,425,656	$28,733,985		($183,900,506)	$1,040,069	($182,860,437)	
Component units:								
Hospital district	$727,320,000	$386,152,000	$212,901,000					($128,267,000)
Emergency Services District 1	2,594,530	143,607	50,478					(2,400,445)
Emergency Services District 2	5,688,322	103,924	22,726					(5,561,672)
Total component units	$735,602,852	$386,399,531	$212,974,204					($136,229,117)
General revenues:								
Taxes:								
Property					$180,168,973		$180,168,973	$110,021,332
Hotel/Motel					3,842,001		3,842,001	
Sales					48,353,155		48,353,155	3,488,691
Motor vehicle sales tax					5,151,677		5,151,677	
Bingo					28,841		28,841	
Mixed beverage					2,655,423		2,655,423	
Interest					3,201,822	$40,260	3,242,082	946,612
Donations								75,000
Miscellaneous					2,607,092		2,607,092	(8,527,957)
Gain on sale of capital assets					249		249	43,585
Total general revenues and transfers					246,009,233	40,260	246,049,493	106,047,263
Change in net position					62,108,727	1,080,329	63,189,056	(30,181,854)
Net position - beginning					13,857,293	9,461,443	23,318,736	156,121,518
Cummulative effect of Applying GASB 75								(5,463,000)
Prior period adjustment					(1,301,511)	(37,208)	(1,338,719)	
Net position - ending					$74,664,509	$10,504,564	$85,169,073	$120,476,664

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, 2018

	General	Special Revenue Grants	County Capital Projects 2012	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	$88,326,787	$1	$27,308,584	$44,454,498	$160,089,870
Receivables (net of allowances for uncollectible):					
Taxes	21,630,876				21,630,876
Accounts	9,692,218	4,745,267	124,633	87,346	14,649,464
Due from other funds	1,126,624	1,759,545		45,580	2,931,749
Properties held for sale	71,900				71,900
Inventory of supplies	10,609				10,609
Total assets	$120,859,014	$6,504,813	$27,433,217	$44,587,424	$199,384,468
Liabilities and fund balances					
Liabilities:					
Vouchers payable	$8,387,025	$1,147,915	$22,738	$2,988,918	$12,546,596
Retainage Payable	10,270		298,361	32,744	341,375
Payroll liability	3,913,981	215,765		100,908	4,230,654
Due to others	40,966			117,403	158,369
Due to other funds	79,758	2,696,169		5,822	2,781,749
Due to other units	1,124,985				1,124,985
Due to other governments	157,725			1,159	158,884
Unearned revenue	72,645	111,828			184,473
Total liabilities	13,787,355	4,171,677	321,099	3,246,954	21,527,085
Deferred inflows of resources					
Unavailable revenue- property taxes	20,562,205				20,562,205
Total deferred inflows of resources	20,562,205				20,562,205
Fund Balances:					
Nonspendable:					
Inventory	10,609				10,609
Restricted:					
Temporary budgetary stabilization				18,248,947	18,248,947
Building construction/renovation			1,808,671	2,169,597	3,978,268
Bridge construction			3,153,130		3,153,130
General assistance				562,118	562,118
Parks				1,088,961	1,088,961
Public safety				829,059	829,059
Records management				474,767	474,767
Road construction/maintenance				4,744,695	4,744,695
Software/IT improvements			541,404	902,956	1,444,360
Equipment			5,800,000		5,800,000
Debt service				1,844,728	1,844,728
Other purposes		2,333,136	13,126,954	1,880,602	17,340,692
Committed:					
Capital projects				6,854,702	6,854,702
Assigned:					
Imprest and change funds	97,310				97,310
Temporary budgetary stabilization	-				
Other purposes	4,056,094		2,681,959	1,739,338	8,477,391
Unassigned	82,345,441				82,345,441
Total fund balances	86,509,454	2,333,136	27,112,118	41,340,470	157,295,178
Total liabilities, deferred inflows, and fund balances	$120,859,014	$6,504,813	$27,433,217	$44,587,424	$199,384,468

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, 2018

Total fund balances for governmental funds		$157,295,178
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	147,357,647	
Improvements, net of accumulated depreciation	15,133,205	
Equipment, net of accumulated depreciation	15,400,421	
Furniture and fixtures, net of accumulated depreciation	277,234	
Infrastructure, net of accumulated depreciation	7,405,825	
Vehicles, net of accumulated depreciation	6,774,940	
Roads, net of accumulated depreciation	26,252,726	
Bridges and culverts, net of accumulated depreciation	6,562,825	
Leased equipment, net of accumulated depreciation	241,127	
Construction in progress	3,088,620	
Total capital assets		246,623,758
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Unavailable revenue property taxes		20,562,205
Receivable for court costs, net of allowance for uncollectible accounts		3,498,832
Compensated Absences		(32,913,987)
OPEB liability		(41,870,538)
Net Pension Liability		(86,606,576)
Internal service fund is used to charge the health care costs for county employees, dependants, and retirees		5,120,816
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	(898,015)	
General long-term debt	(170,645,000)	
SIB Loan	(4,632,402)	
Capital leases	(205,068)	
Contingent liabilities	(3,370,000)	
Claims and judgments	(1,776,987)	
Deferred bond premium	(15,517,707)	
Total long-term liabilities		(197,045,179)
Total net position of governmental activities		$74,664,509

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, 2018

	General	Special Revenue Grants	County Capital Projects 2012	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	$216,665,954			$23,017,311	$239,683,265
Licenses and permits	275,230				275,230
Intergovernmental revenues	6,175,410	$20,067,718		1,082,600	27,325,728
Charges for services	39,169,131			19,099,700	58,268,831
Fines and Forfeitures	4,941,912			604,507	5,546,419
Interest	1,914,202	4,812	$499,422	701,340	3,119,776
Miscellaneous	1,586,275	514,954	113,608	352,055	2,566,892
Total Revenues	270,728,114	20,587,484	613,030	44,857,513	336,786,141
EXPENDITURES					
Current:					
General government	56,845,896	150,063		3,738,741	60,734,700
Administration of justice	65,644,306	5,158,838		1,085,549	71,888,693
Public safety	122,773,677	10,428,806		1,193,456	134,395,939
Health and welfare	8,071,620	3,637,926		74,689	11,784,235
Community services		2,946,732			2,946,732
Resource development	878,108	1,163			879,271
Culture and recreation	6,289,401			3,572,833	9,862,234
Public works	189,165	542,508		18,425,555	19,157,228
Debt service:					
Principal				13,107,598	13,107,598
Interest				6,842,558	6,842,558
Bond issuance costs				428,680	428,680
Capital outlays	686,899	96,992	905,424	6,678,189	8,367,504
Total expenditures	261,379,072	22,963,028	905,424	55,147,848	340,395,372
Excess (deficiency) of revenues over (under) expenditures	9,349,042	(2,375,544)	(292,394)	(10,290,335)	(3,609,231)
OTHER FINANCING SOURCES (USES)					
Transfers in	1,403,064	2,371,491		6,140,101	9,914,656
Transfers out	(7,343,717)	(633,459)		(1,937,480)	(9,914,656)
Premium (discount) on bonds issued				9,878,817	9,878,817
SIB Loan Proceeds				4,920,000	4,920,000
Refunding bonds issued				50,255,000	50,255,000
Payment to refunded bond escrow agent				(59,703,445)	(59,703,445)
SIB Loan to TXDOT				(4,920,000)	(4,920,000)
Capital leases	67,028				67,028
Sale of capital assets				21,702	21,702
Total other financing sources and uses	(5,873,625)	1,738,032		4,654,695	519,102
Net change in fund balances	3,475,417	(637,512)	(292,394)	(5,635,640)	(3,090,129)
Fund balances - beginning	83,073,924	2,895,437	27,381,399	46,955,580	160,306,340
Prior year adjustment	(19,175)	75,211	23,113	20,530	99,679
Net change in reserve for inventories	(20,712)				(20,712)
Fund balances - ending	$86,509,454	$2,333,136	$27,112,118	$41,340,470	$157,295,178

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

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, 2018

Amount reported for governmental activities in the statement of activities are different because:			
Net change in fund balances - total governmental funds			($3,090,129)
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.			(67,028)
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:			
Refunding bonds issued		(50,255,000)	
SIB Loan		(4,920,000)	
Premium on bonds issued		(9,878,817)	
Deferred outflow on refunding		(822,182)	
Repayments			
To escrow agent		59,703,445	
Bond premium(loss)		1,913,534	
Deferred inflow on debt		34,809	
Principal payments		13,107,598	
Net adjustment			8,883,387
Court cost receivables, net of allowance for uncollectible amounts			(869,019)
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		516,805	
Additional contingent liabilities		1,460,000	
Additional compensated absences		(560,704)	
Additional other post employment benefits		(2,478,207)	
Pension expense		70,373,179	
Pension revenue		40,200	
Depreciation expense		(21,009,721)	
The net effect of various transactions involving capital assets (i.e., sales and retirements) is to increase net assets			
Additions	53,711,226		
Retirements	(44,438,017)		
Accumulated depreciation related to retirements	40,020	9,313,229	
Net effect of various miscellaneous transactions involving sale of capital assets		(76,571)	
Unpaid claims workers comp		141,090	
Change in purchasing inventory		(20,712)	
Expenses related to capital lease payments and retirements		99,694	
Accrued interest on bonds		70,811	
			57,869,093
Internal service fund is used to charge the health care costs for county employees, dependants, and retirees.			(617,577)
Prior period adjustments			
Change in net position of governmental activities			$62,108,727

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

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, 2018

	Budgeted Amounts			Variance with Final Budget - Positive
	Original	Final	Actual Amounts	(Negative)
REVENUES				
Taxes:				
Property	$160,939,048	$160,939,048	$160,476,858	($462,190)
Sales	46,100,000	46,100,000	48,353,155	2,253,155
Motor vehicle sales tax	5,300,000	5,300,000	5,151,677	(148,323)
Bingo	54,000	54,000	28,841	(25,159)
Mixed beverage	2,500,000	2,500,000	2,655,423	155,423
Licenses and permits	247,650	247,650	275,230	27,580
Intergovernmental	6,200,852	6,200,852	6,175,410	(25,442)
Charges for services	32,179,393	32,179,393	39,169,131	6,989,738
Fines and forfeitures	5,668,580	5,668,580	4,941,912	(726,668)
Interest	1,370,250	1,370,250	1,914,202	543,952
Miscellaneous	1,136,830	1,136,830	1,586,275	449,445
Total revenues	261,696,603	261,696,603	270,728,114	9,031,511
EXPENDITURES				
Current:				
General government				
Personnel	52,998,213	45,914,603	38,456,140	7,458,463
Operating	59,014,421	58,700,057	18,410,468	40,289,589
Total General government	112,012,634	104,614,660	56,866,608	47,748,052
Administration of justice				
Personnel	55,372,364	59,694,102	57,586,265	2,107,837
Operating	8,519,809	9,114,548	8,058,041	1,056,507
Total Administration of justice	63,892,173	68,808,650	65,644,306	3,164,344
Public safety				
Personnel	100,754,501	102,231,219	100,265,373	1,965,846
Operating	20,721,961	24,030,100	22,508,304	1,521,796
Total Public safety	121,476,462	126,261,319	122,773,677	3,487,642
Health and welfare				
Personnel	4,526,407	4,246,944	4,079,666	167,278
Operating	4,448,303	4,737,777	3,991,954	745,823
Total Health and welfare	8,974,710	8,984,721	8,071,620	913,101
Resource development				
Personnel	751,192	876,393	812,408	63,985
Operating	104,860	118,511	65,700	52,811
Total Resource development	856,052	994,904	878,108	116,796
Culture and recreation				
Personnel	3,123,544	3,451,619	3,129,691	321,928
Operating	3,349,679	3,586,886	3,159,710	427,176
Total Culture and recreation	6,473,223	7,038,505	6,289,401	749,104
Public works				
Personnel	88,758	92,275	91,307	968
Operating	120,540	127,865	97,858	30,007
Total Public works	209,298	220,140	189,165	30,975
Capital outlays	909,815	2,879,909	686,899	2,193,010
Total expenditures	314,804,367	319,802,808	261,399,784	58,403,024
Excess of revenues over expenditures	(53,107,764)	(58,106,205)	9,328,330	67,434,535
OTHER FINANCING SOURCES (USES)				
Transfers in	985,000	985,000	1,403,064	418,064
Transfers out	(12,816,600)	(11,245,107)	(7,343,717)	3,901,390
Total other financing sources and uses	(11,831,600)	(10,260,107)	(5,873,625)	4,386,482
Net change in fund balances	(64,939,364)	(68,366,312)	3,454,705	71,821,017
Fund balances - beginning	98,822,424	98,822,424	98,822,424	
Prior period adjustment			(19,175)	(19,175)
Fund balances - ending	$33,883,060	$30,456,112	$102,257,954	$71,801,842

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

Exhibit 6

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, 2018

	Budgeted Amounts			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Intergovernmental	$5,662,418	$54,405,066	$20,067,718	($34,337,348)
Interest			4,812	4,812
Miscellaneous	347,400	1,094,371	514,954	(579,417)
Total revenues	6,009,818	55,499,437	20,587,484	(34,911,953)
Expenditures:				
General government:				
Personnel		128,906	63,831	65,075
Operating		238,198	86,232	151,966
Total general government		367,104	150,063	217,041
Administration of justice:				
Personnel	210,141	8,099,746	4,105,809	3,993,937
Operating	42,052	1,935,000	1,053,029	881,971
Total administration of justice	252,193	10,034,746	5,158,838	4,875,908
Public safety:				
Personnel	2,733,629	18,214,861	7,051,355	11,163,506
Operating	1,962,839	9,706,139	3,377,451	6,328,688
Total public safety	4,696,468	27,921,000	10,428,806	17,492,194
Health and welfare:				
Personnel		1,064,113	936,816	127,297
Operating		3,477,418	2,701,110	776,308
Total health and welfare		4,541,531	3,637,926	903,605
Resource development:				
Operating		104,088	1,163	102,925
Total resource development		104,088	1,163	102,925
Community services:				
Personnel	96,000	782,886	240,768	542,118
Operating	918,167	10,683,176	2,705,964	7,977,212
Total community services	1,014,167	11,466,062	2,946,732	8,519,330
Public works:				
Personnel	7,700	75,448		75,448
Operating	492,300	3,443,425	542,508	2,900,917
Total public works	500,000	3,518,873	542,508	2,976,365
Capital outlays	29,138	1,502,915	96,992	1,405,923
Total expenditures	6,491,966	59,456,319	22,963,028	36,493,291
Excess (deficiency) of revenues over (under) expenditures	(482,148)	(3,956,882)	(2,375,544)	1,581,338
Other financing sources (uses):				
Transfers in	304,126	4,301,633	2,371,491	(1,930,142)
Transfers out		(3,129)	(633,459)	(630,330)
Total other financing sources (uses)	304,126	4,298,504	1,738,032	(2,560,472)
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(178,022)	341,622	(637,512)	(979,134)
Fund balance - beginning	3,082,674	1,417,206	2,895,437	
Prior period adjustments			75,211	75,211
Fund balance - ending	$2,904,652	$1,758,828	$2,333,136	($903,923)

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

County of El Paso, Texas
Statement of Net Position
Proprietary Funds
September 30, 2018

	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	$2,503,146	$1,874,410	$87,889		$76,585	$31,349	$2,667,620	$6,787,400
Accounts receivable	88,260	20,779	557,334		63,915	61,391	709,509	19,115
Due from other funds		489,705						
Restricted cash and cash equivalents								
Customer deposits	118,400	115,900					118,400	
East Montana 1997A interest and sinking fund	32,246	16,892					32,246	
Total current assets	2,742,052	2,517,686	645,223		140,500	92,740	3,527,775	6,806,515
Noncurrent assets:								
Restricted cash, cash equivalents, and investments:								
County Water System Reserve fund	103,661	102,106					103,661	
Total restricted assets:	103,661	102,106					103,661	
Capital assets:								
Infrastructure	14,235,269	14,212,503					14,235,269	
Vehicles	42,734	42,734					42,734	
Land	19,770	19,770					19,770	
Construction in Progress			1,799,583				1,799,583	
Less accumulated depreciation	(5,509,900)	(5,144,822)					(5,509,900)	
Total capital assets, net of accumulated depreciation	8,787,873	9,130,185	1,799,583				10,587,456	
Total noncurrent assets	8,891,534	9,232,291	1,799,583				10,691,117	
Total assets	11,633,586	11,749,977	2,444,806		140,500	92,740	14,218,892	6,806,515
DEFERRED OUTFLOWS OF RESOURCES								
Pensions	91,253	63,121					91,253	
OPEB	2,778						2,778	
Total deferred outflows of resources	94,031	63,121					94,031	
LIABILITIES								
Current liabilities:								
Accounts payable	6,424	7,330	455,214	$27,080	90,090	60,953	551,728	
Retainage payable			89,979				89,979	
Customer deposits payable	118,400	115,900					118,400	
Claims payable								1,533,604
Payroll Liability	3,118	1,868					3,118	2,095
Due to other funds				489,705				150,000
Due to other governments	12,915	9,797					12,915	
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	9,000					9,000	
Desert Acceptance Cert Oblig Sewer Bonds 2017 Payable			20,000				20,000	
Accrued interest payable	6,649	6,798	4,552				11,201	
Total current liabilities	181,506	175,693	569,745	516,785	90,090	60,953	841,341	1,685,699
Noncurrent liabilities:								
East Montana Water Project 1997A payable	740,000	760,000					740,000	
Mayfair/Nuway Water System Bonds 2012 payable	248,000	253,000					248,000	
Colonia Revolucion Water Project Bonds payable	458,000	467,000					458,000	
Desert Acceptance Cert Oblig Sewer Bonds 2017 Payable			1,314,000				1,314,000	
Net Pension Liability	94,217	155,350					94,217	
Total OPEB Liability	39,155						39,155	
Total noncurrent liabilities	1,579,372	1,635,350	1,314,000				2,893,372	
Total liabilities	1,760,878	1,811,043	1,883,745	516,785	90,090	60,953	3,734,713	1,685,699
DEFERRED INFLOWS OF RESOURCES								
Pensions	73,644	55,614					73,644	
Total deferred inflows of resources	73,644	55,614					73,644	
NET POSITION								
Net investment in capital assets	7,307,873	7,616,185	465,583				7,773,456	
Restricted for:								
Debt	40,649	40,798					40,649	
East Montana Water Project	22,457	18,995					22,457	
County Solid Waste					50,410	31,787	50,410	
Desert acceptance Waste Water			95,478				95,478	
Vista Del Este Water Project	1,083,321	1,064,652					1,083,321	
County Water System Reserve Fund	103,661	102,106					103,661	
County Water System Repair Reserve Fund	10,308	7,800					10,308	
East Montana 1997A interest and sinking	17,483	17,361					17,483	
Mayfair/Nuway interest and sinking	4,832	5,148					4,832	
Colonia Revolucion 2013 interest and sinking	9,557	10,272					9,557	
Unrestricted:								
County Water System	1,292,954	1,063,124					1,292,954	
Desert acceptance Waste Water				(516,785)				
Internal Service fund								5,120,816
Total net position	$9,893,095	$9,946,441	$561,061	($516,785)	$50,410	$31,787	$10,504,566	$5,120,816

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

Exhibit 8

County of El Paso, Texas
Statement of Revenues, Expenses, and
Changes in Fund Net Position
Proprietary Funds
For the Year Ended September 30, 2018

	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	$1,441,394	$1,073,834			$762,801	$720,500	$2,204,195	
Miscellaneous						669		
Employee premiums								$608,283
Employer premiums								20,168,238
Retiree premiums								1,639,840
Cobra								42,017
Other								78,197
Total operating revenues	1,441,394	1,073,834			762,801	721,169	2,204,195	22,536,575
OPERATING EXPENSES								
Personnel expenses	75,528	100,459					75,528	
Operating expenses	70,340	82,449					70,340	
Depreciation	365,080	359,930					365,080	
Public utilities	831,899	686,392					831,899	
Professional services	100,364	97,443	$297,234	$28,844	744,507	752,579	1,142,105	
Claims								19,245,059
Administrative								3,991,139
Total operating expenses	1,443,211	1,326,673	297,234	28,844	744,507	752,579	2,484,952	23,236,198
Operating income (loss)	(1,817)	(252,839)	(297,234)	(28,844)	18,294	(31,410)	(280,757)	(699,623)
NONOPERATING REVENUES (EXPENSES)								
Interest revenue	39,913	13,189	18		329	53	40,260	82,046
Interest expense	(54,234)	(55,501)	(9,547)				(63,781)	
Bond issuance costs			(23,648)				(23,648)	
Total nonoperating revenues (expenses)	(14,321)	(42,312)	(33,177)		329	53	(47,169)	82,046
Income(loss) before contributions and transfers	(16,138)	(295,151)	(330,411)	(28,844)	18,623	(31,357)	(327,926)	(617,577)
Capital contributions			1,408,257				1,408,257	
Transfer out						33,219		
Change in Net Position	(16,138)	(295,151)	1,077,846	(28,844)	18,623	1,862	1,080,331	(617,577)
Total net position, beginning	9,946,441	10,241,592	(516,785)	(487,941)	31,787	29,925	9,461,443	5,738,393
Prior period adjustment	(37,208)						(37,208)	
Total net position, ending	$9,893,095	$9,946,441	$561,061	($516,785)	$50,410	$31,787	$10,504,566	$5,120,816

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

Exhibit 9

County of El Paso, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2018

	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	$1,869,236	$1,089,309			$760,277	$717,529	$2,629,513	
Payments for personnel expenses	(109,136)	(98,681)					(109,136)	
Payments for operating expenses	(71,246)	(80,495)					(71,246)	
Payments for utilities	(831,899)	(686,392)					(831,899)	
Payments for professional services	(100,364)	(97,443)	(297,234)	($28,844)	(715,370)	(752,906)	(1,112,968)	
Receipts from employee premiums								$668,065
Receipts from employer premiums								20,208,583
Receipts from retiree premiums								1,639,840
Receipts from cobra premiums								42,017
Receipts from miscellaneous services								78,197
Payments for claims								(19,273,470)
Payments for administrative expenses								(3,991,139)
Net cash provided (used) by operating activities	756,591	126,298	(297,234)	(28,844)	44,907	(35,377)	504,264	(627,907)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Transfers from other funds						33,219		
Net cash provided (used) by noncapital financing activities						33,219		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Bond proceeds			1,310,352				1,310,352	
Capital contributions			879,331				879,331	
Interest paid	(54,383)	(55,661)	(4,995)				(59,378)	
Principal repayments	(34,000)	(33,000)					(34,000)	
Equipment	(22,766)						(22,766)	
Construction in progress			(1,799,583)	28,844			(1,799,583)	
Net cash provided (used) by capital and related financing activities	(111,149)	(88,661)	385,105	28,844			273,956	
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipt of interest	39,911	13,188	$18		329	53	40,258	82,046
Net cash provided (used) by investing activities	39,911	13,188	18		329	53	40,258	82,046
Net increase(decrease) in cash and cash equivalents	685,353	50,825	87,889		45,236	(2,105)	818,478	(545,861)
Cash and cash equivalents, beginning of year	2,109,308	2,058,483			31,349	33,454	2,140,657	7,333,261
Prior period adjustment	(37,208)						(37,208)	
Cash and cash equivalents, end of year	$2,757,453	$2,109,308	$87,889		$76,585	$31,349	$2,921,927	$6,787,400
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:								
Operating income (loss)	($1,817)	($252,838)	($297,234)	($28,844)	$18,294	($31,410)	($280,757)	($699,623)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation	365,080	359,930					365,080	
(Increase) decrease in accounts receivable	(67,481)	15,469			(2,524)	981	(70,005)	100,127
(Increase) decrease in due from other funds	489,705	(1,764)					489,705	
Increase (decrease) in customer deposits	2,500	1,900					2,500	
Increase (decrease) in vouchers payable	(906)	1,954			29,137	(327)	28,231	
Increase (decrease) in payroll liability	1,250	(24)					1,250	(28,411)
Increase (decrease) in pension liability	(71,235)	1,802					(71,235)	
Increase (decrease) in OPEB liability	36,377						36,377	
Increase (decrease) in due to other governments	3,118	(131)				(4,621)	3,118	
Total adjustments	758,408	379,136			26,613	(3,967)	785,021	71,716
Net Cash Provided (Used) by Operating Activities	$756,591	$126,298	($297,234)	($28,844)	$44,907	($35,377)	$504,264	($627,907)

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

Exhibit 10

County of El Paso, Texas
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
September 30, 2018

	Agency Funds
Assets	
Cash and cash equivalents	$39,566,024
Accounts receivable	168,158
Restricted-funds custodial capacity cash equivalents	7,055,914
Total Assets	46,790,096
Liabilities	
Accounts payable	517,186
Payroll liabilities	3,416,364
Due to others	31,345,570
Due to other governmental agencies	11,510,976
Total Liabilities	$46,790,096
Net Position	-

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

Exhibit 11

County of El Paso, Texas
Statement of Net Position - Component Units
September 30, 2018

	Component Units			
	Hospital District	Emergency Services District #1	Emergency Services District #2	Total
ASSETS				
Cash and cash equivalents	$38,337,000	$1,199,168	$4,454,193	$43,990,361
Investments	-	3,702,861		3,702,861
Receivables (net of allowance for uncollectible)	62,947,000	267,634	1,248,413	64,463,047
Inventories	11,223,000			11,223,000
Prepaid	9,611,000	23,272	45,423	9,679,695
Other assets	61,362,000		4,625	61,366,625
Capital assets (net of accumulated depreciation):				
Land	23,849,000	1,010,836	1,207,359	26,067,195
Buildings	315,720,000	4,525,882	8,593,462	328,839,344
Equipment		174,888	2,780,027	2,954,915
Furniture and fixtures	41,947,000			41,947,000
Vehicles		965,257	3,056,211	4,021,468
Construction in progress	39,846,000			39,846,000
Total assets	604,842,000	11,869,798	21,389,713	638,101,511
Deferred Outflows of Resources				
Loss on bond refunding	14,157,000			14,157,000
Goodwill	3,304,000			3,304,000
OPEB	90,000			90,000
Pensions	12,480,000		120,648	12,600,648
Total deferred outflows of resources	30,031,000		120,648	30,151,648
LIABILITIES				
Vouchers payable	115,070,000	15,171	375,600	115,460,771
Payroll liabilities		25,840	30,481	56,321
Accrued interest payable		73,173	249,992	323,165
Pension liabilities			17,646	17,646
Noncurrent liabilities:				
Due within one year				
Bonds	9,061,000			9,061,000
Notes		437,654		437,654
Capital leases		44,661	1,420,006	1,464,667
Self-insured obligations	2,544,000			2,544,000
Due in more than one year				
Bonds(net of related costs)	367,667,000			367,667,000
Notes		7,435,237		7,435,237
Capital leases		200,570	7,710,769	7,911,339
Self-insured obligations	500,000			500,000
Net pension liability	27,984,000		(15,471)	27,968,529
Total OPEB liability	1,278,000			1,278,000
Other long term liabilities	508,000			508,000
Total liabilities	524,612,000	8,232,306	9,789,023	542,633,329
Deferred Inflows of Resources				
OPEB	412,000			412,000
Pensions	4,715,000		16,166	4,731,166
Total deferred inflows of resources	5,127,000		16,166	5,143,166
NET POSITION				
Net investment in capital assets	103,457,000	1,801,184	6,506,284	111,764,468
Restricted for:				
Debt service	4,900,000			4,900,000
Health care	1,465,000			1,465,000
Unrestricted	(4,688,000)	1,836,308	5,198,888	2,347,196
Total net position	$105,134,000	$3,637,492	$11,705,172	$120,476,664

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

Exhibit 12

County of El Paso, Texas
Statement of Revenue, Expenses, and Changes in Net Position
Component Units
For the Year Ended September 30, 2018

	Component Units			
	Hospital	Emergency Services		
	District	District #1	District #2	Total
Revenues				
Program Revenues:				
Charges for services	$386,152,000	$143,607	$103,924	$386,399,531
Operating grants and contributions	212,901,000	50,478	22,726	212,974,204
Total program revenues	599,053,000	194,085	126,650	599,373,735
Expenses	(727,320,000)	(2,594,530)	(5,688,322)	(735,602,852)
Net program revenues(expenses)	(128,267,000)	(2,400,445)	(5,561,672)	(136,229,117)
General revenues:				
Taxes:				
Property	104,590,000	2,311,523	3,119,809	110,021,332
Sales			3,488,691	3,488,691
Interest	907,000	39,137	475	946,612
Donations			75,000	75,000
Miscellaneous	(8,535,000)	3,573	3,470	(8,527,957)
Gain (loss) on sale of capital assets		5,405	38,180	43,585
Total general revenues and transfers	96,962,000	2,359,638	6,725,625	106,047,263
Change in net position	(31,305,000)	(40,807)	1,163,953	(30,181,854)
Net position - beginning	141,902,000	3,678,299	10,541,219	156,121,518
Cummulative effect of Applying GASB 75	(5,463,000)			(5,463,000)
Net position - ending	$105,134,000	$3,637,492	$11,705,172	$120,476,664

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

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 55 active members, of which 27 are Emergency Medical Technicians (EMT) certified at the basic level, one certified at the intermediate level, and eight certified at the paramedic level. The department has 33 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.

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 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.

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

The County reports the following major governmental funds:

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

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

The County Capital Projects 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.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

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

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.

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

The proprietary fund distinguishes between operating and non-operating revenues and expenses. Operating revenues and expenses result from providing services in connection with the proprietary fund's principal operations. The East Montana Water Project recognizes tap and water service fees as operating revenues. The County Waste Water System is funded with other financing sources, grants, and USDA-RUS loan until it becomes operational, and then it will recognize a wastewater 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 2018 totaled $412,228,363. Throughout the year, the Commissioners Court amended the budget for an aggregate increase total of $90,458,682. These increases represented statutorily provided increases for additional funding by granting agencies and intergovernmental agreements bringing the overall budget total to $602,811,911, 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, 2018

Date of Amendment	General Fund	Special Revenue Fund	Enterprise Fund	Debt Service Fund	Capital Projects Fund	Grants	Total Funding Amounts
August 28, 2017	$327,620,967	$47,429,134	$11,808,505	$19,814,484	$5,555,273	$0	$412,228,363
Total amendments		(487,373)	(358,392)	60,491,704	4,920,000	25,892,743	90,458,682
Subtotal	$327,620,967	$46,941,761	$11,450,113	$80,306,188	$10,475,273	$25,892,743	$502,687,045
Carry over Re-appropriation	3,426,948	3,044,476			39,427,233	54,226,209	100,124,866
Totals	$331,047,915	$49,986,237	$11,450,113	$80,306,188	$49,902,506	$80,118,952	$602,811,911

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	$102,257,954
Expenditures: Non-budgeted	(39,887)
Revenues over (under) Expenditures	39,887
Excess (deficiency) of revenues and Other financing sources over (under) Expenditures and other financing uses	39,887
Prior period adjustment	(19,175)
Change in reserve for inventory	(20,712)
Prior years differences	(15,748,500)
Statement of Revenues, Expenditures and Changes in Fund Balances	$86,509,454

The non-budgeted expenditure in the general fund is a change in the reserve for inventory of $20,712, which represents the amount of inventory consumed during the year.

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 reported on the balance sheet are stated at amortized cost. 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 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, 2018.

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 $71,325,865 of restricted assets, of which $26,740,188 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.

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

J. Capital Assets (Continued)

Assets of the 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 three 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 deferred charge on the other post-employment benefits for assumption changes or inputs, and contributions made after the measurement date. The third, for a deferred charge on pensions for differences between the net difference between projected and actual earnings on plan investments and contributions subsequent to the measurement date.

The UMC has four deferred outflows; the first is the 2017 debt refunding loss amortization, second is the Children's Hospital goodwill amortization, third is attributable to changes in certain pension plan items, and fourth is for other postemployment benefits.

Note 1. Summary of Significant Accounting Policies (Continued)

K. Deferred outflows/inflows of resources (Continued)

ESD2 has one deferred outflow relating to pensions.

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 two deferred inflow of resources, for pensions and other post employments benefits.

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

L. Compensated Absences

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

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

Vacation leave may be accumulated up to a maximum of two times the annual vacation benefit (20, 30 or 40 days depending on the number of years of service). Employees lose, without pay, unused vacation leave, which exceeds this limit. Regular part-time employees accumulate vacation leave at half the rate of regular full-time employees. On September 30, 2018, the County's total liability for vested vacation leave totaled $16,362,154.

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 $16,551,834 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 $32,913,988 of which $15,165,589 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.

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 earned, but not used, at the time of separation from employment.

Note 1. Summary of Significant Accounting Policies (Continued)

L. Compensated Absences (Continued)

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.

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 $1,880,602 reported as other governmental funds consists of $1,880,602 special revenue.

Note 1. Summary of Significant Accounting Policies (Continued)

N. Fund Balances (Continued)

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 Executive Budget Director. Assignments may occur subsequent to fiscal year end.

The assigned other purposes amount of $4,056,094 in the general fund is for carryover encumbrances from prior year for general operating purposes. The other purposes amount of $1,739,338 in other governmental funds consists of $1,739,338 for capital projects. Both are carryover encumbrances from the prior year.

Unassigned Fund Balance – Represents the amount designated for emergencies in budgeting the general fund, budgetary appropriation for shortfalls in projected revenue in the general fund, and 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. Stabilization amounts of $37,945,572 and $37,772,839 for emergencies and budgetary shortfalls, respectively, are included in this category as authorized by Commissioners Court. Commissioners Court may authorize an emergency expenditure only in a case of grave public necessity to meet an unusual and unforeseen condition

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

O. Comparative Data/reclassifications

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

Note 1. Summary of Significant Accounting Policies (Continued)

Q. New Accounting Pronouncements

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.

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 implemented in fiscal year 2018.

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 and was implemented in FY2018.

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 and was implemented in FY2018.

Note 1. Summary of Significant Accounting Policies (Continued)

Q. New Accounting Pronouncements (Continued)

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.

In April 2018, GASB issued Statement No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements.* The objective of this statement is to improve the information disclosed in the notes to the financial statements related to debt, including direct borrowings and direct placements. Clarifies which liabilities governments should include when disclosing information related to debt. This statement requires that additional essential information related to debt be disclosed in the notes financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. This statement becomes effective for reporting periods beginning after June 15, 2018.

In June 2018, GASB issued Statement No. 89 *Accounting for Interest Cost Incurred before the end of a Construction Period.* This statement requires that interest cost incurred before the end of a construction period be recognized as an expense in the period in which the cost is incurred for financial statements prepared using the economic resources measurement focus. As a result, interest cost incurred before the end of a construction period will not be included in the historical cost of a capital asset reported in a business-type activity or enterprise fund. In financial statements prepared using the current financial resources measurement focus, interest cost incurred before the end of a construction period should be recognized as an expenditure on a basis consistent with governmental fund accounting standards. This statement becomes effective for reporting periods beginning after December 15, 2019.

In August 2018, GASB issued Statement No. 90, *Majority Equity Interests-an amendment of GASB statements No. 14 and No. 61.* The primary objective of this statement is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of the financial statement information component units. Defines a majority equity interest and specifies that a majority equity interest be reported as an investment if a government's holding of the equity interest meets the definition of an investment and be measured using the equity method, unless it is held for a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment or permanent fund. This statement is effective for reporting periods beginning after December 15, 2018.

Note 1. Summary of Significant Accounting Policies (Continued)

Q. New Accounting Pronouncements (Continued)

Statements 83, 84, 87, 88, 89, and 90 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 increase 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.

Note 2. Legal Compliance – Budgets (Continued)

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 affecting appropriations at these levels occurs 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 $216,421,135 consisting of cash and cash equivalents. Of this amount, $1,630,209 represents custodial funds from the County Clerk's Probate Account, $5,425,705 represents funds held in the District Clerk's Custodial Account and $254,307 represents restricted assets for business-type activities. The bank balance of $56,679,772 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 $33,994,000, consisting of cash and cash equivalents. At September 30, 2018, 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, 2018. Bank balances in excess of FDIC limits totaled $1.0 million for EPCH, $31.9 million for Health Plan, and $2.4 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 $1,199,168, 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 $4,454,193, 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 $5,646,114 as of September 30, 2018.

As of September 30, 2018, the County had the following temporary investments included in cash and cash equivalents, reported at amortized cost, which approximates the value of the pool shares.

Investment Type	Amortized Cost	Weighted Average Maturity (Years)
TexPool investment pool	$14,381,808	0.02
TexPool Prime investment pool	139,636,603	0.86
Total	$154,018,411	0.78

Note 3. Detailed notes on all funds (Continued)

A. Deposits and Investments (Continued)

Management is not aware of the presence of any limitation or restrictions on withdrawals such as redemption notice periods, maximum transaction amounts, and the qualifying external investment pool's authority to impose liquidity fees or redemption gates.

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

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

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

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

As of September 30, 2018, 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, 2018	**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 funds	$22,862,000	$22,862,000		
U.S. Agency Obligations	7,981,000		$7,981,000	
Commercial paper	18,615,000		18,615,000	
U.S. Treasury obligations	9,975,000		9,975,000	
Total	$59,433,000	$22,862,000	$36,571,000	

ESD1 had the following investments as of September 30, 2018:

Unrestricted Investment Type	**Fair Value**
Certificates of Deposits	$3,702,861
Total	$3,702,861

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.

Note 3. Detailed notes on all funds (Continued)

A. Deposits and Investments (Continued)

The UMC has established interest rate risk policy requires that total investments have a weighted-average maturity of 5 years or less.

ESD1's policy for mitigating interest rate risk is to limit the maximum weighted average maturity of investment portfolios to 365 days. 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, 2018	Standard & Poor's Rating
Local Government Investment Pools	AAAm

Component Unit Investment at September 30, 2018	Standard & Poor's Rating
U.S. Agency Obligations	AA+
Money Market Mutual Funds	AAA
Commercial Paper	A-1- to 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.

Note 3. Detailed notes on all funds (Continued)

A. Deposits and Investments (Continued)

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.

ESD1 and ESD2 place no limit on the amount the district may invest in any one issuer. ESD1 holds investments in fourteen 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, 2018, for the general, major special revenue grant funds, major capital projects 2012 fund, and other governmental, including applicable allowances for uncollectable accounts, are as follows:

	General	Major Special Revenue-Grant Fund	Major Capital Projects 2012 Funds	Other Governmental Funds	Total
Receivables:					
Taxes	$21,849,370				$21,849,370
Accounts	9,692,218	$4,622,095	$124,633	$87,346	14,526,292
Notes		123,172			123,172
Less: allowance for uncollectable	(218,494)				(218,494)
Net total receivables	$31,323,094	$4,745,267	$124,633	$87,346	$36,280,340

Note 3. Detailed notes on all funds (Continued)

B. Receivables (Continued)

Property taxes receivables are reported net of unrealizable amounts. The taxes receivable account represents uncollected tax levies of the past twenty years on real property and the last four years on personal property in accordance with State statute. The allowance for estimated uncollectable taxes is one percent of the total delinquent taxes receivable, including penalties and interest, as of September 30, 2018. Based on a five-year trend of the taxes receivable, including penalties and interest, the County deferred approximately 94.55 percent until collection of those revenues. In calculating the taxes revenue, a period of 60 days is used to measure availability since the taxes for any current tax year are materially received well into the next fiscal year. Expenditure accruals are also being recognized 60 days after the fiscal year end.

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

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

	Unavailable	Unearned
Delinquent property taxes receivable (general fund)	$20,562,205	
Court costs and fines (general fund)		$72,645
Draw-downs prior to meeting eligibility requirements (grants)		111,828
Total unavailable /unearned revenue for governmental funds	$20,562,205	$184,473

C. Capital assets

Capital assets activity for the year ended September 30, 2018, 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			$2,595,884		2,595,884
Construction in progress	44,069,618		821,115	($44,397,997)	492,736
Total capital assets, not being depreciated	62,198,806		3,416,999	(44,397,997)	21,217,808

Note 3. Detailed notes on all funds (Continued)

C. Capital assets (Continued)

	Beginning Balance	Prior Period Adjustment	Increases	Decreases	Ending Balance
Capital assets, being depreciated:					
Bridges and culverts	10,251,763	($191,000)			10,060,763
Buildings	277,986,224	138,642	44,624,702		322,749,568
Equipment	56,109,378		2,164,673	(239,618)	58,034,433
Furniture and fixtures	1,142,190		126,411		1,268,601
Improvements	25,435,040	32,540	47,672		25,515,252
Infrastructure	9,823,740				9,823,740
Leased equipment	451,513		58,364		509,877
Roads	52,367,445		1,973,406		54,340,851
Vehicles	23,144,651		1,298,999	(123,502)	24,320,148
Total capital assets, being depreciated	456,711,944	(19,818)	50,294,227	(363,120)	506,623,233
Less accumulated depreciation for:					
Bridges and culverts	(3,242,787)	8,186	(263,337)		(3,497,938)
Buildings	(165,945,615)		(9,446,306)		(175,391,921)
Equipment	(37,363,652)		(5,505,462)	235,102	(42,634,012)
Furniture and fixtures	(945,658)		(45,709)		(991,367)
Improvements	(9,206,193)		(1,175,854)		(10,382,047)
Infrastructure	(2,051,501)		(366,414)		(2,417,915)
Leased equipment	(202,509)	34,594	(100,835)		(268,750)
Roads	(25,819,519)		(2,268,606)		(28,088,125)
Vehicles	(15,759,457)		(1,837,198)	51,447	(17,545,208)
Total accumulated depreciation	(260,536,891)	42,780	(21,009,721)	286,549	(281,217,283)
Total capital assets, being depreciated, net	196,175,053	22,962	(29,284,506)	(76,571)	225,405,950
Governmental activities capital assets, net	$258,373,859	$22,962	($32,701,505)	($44,474,568)	$246,623,758
Business-type Activities:					
Capital assets, not being depreciated:					
Land	$19,770				$19,770
Construction in progress			$1,799,583		1,799,583
Total capital assets, not being depreciated	19,770		1,799,583		1,819,353
Capital assets, being depreciated:					
Vehicles	42,734				42,734
Water systems	14,212,503	($2,984)	25,750		14,235,269
Total capital assets, being depreciated	14,255,237	(2,984)	25,750		14,278,003
Less accumulated depreciation for:					
Vehicles	(25,350)		(2,576)		(27,926)
Water systems	(5,119,472)		(362,504)		(5,481,976)
Total accumulated depreciation	(5,144,822)		(365,080)		(5,509,902)
Total capital assets, being depreciated, net	9,110,415	(2,984)	(339,330)		8,768,101
Business-type activities capital assets, net	$9,130,185	($2,984)	$1,460,253		$10,587,454

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

Governmental activities:	
General Government	$6,911,116
Administration of Justice	156,087
Public Safety	7,288,549
Health and Welfare	201,907
Community Service	129,883
Resource Development	65
Culture and Recreation	2,141,132
Public Works	4,180,982
Total depreciation expense Governmental activities	$21,009,721

Note 3. Detailed notes on all funds (Continued)

C. Capital assets (Continued)

Business-type activities:	
Vehicles	$2,576
Water systems	362,504
Total depreciation expense	
Business-type activities	$365,080

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

Construction Commitments

The County has several active projects as of September 30, 2018. The projects include Ascarate Park Water Well Project, Fabens Airport Facility Renovations, Courthouse/Parking Garage Elevator Renovations, Employee Fitness Center, and ITD Infrastructure and Forest Migration Project. The Enterprise Fund has one project, the Desert Acceptance Wastewater System.

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

Project	Spent-to-date	Remaining Commitment
Governmental Activities		
Ascarate Park Water Well Project	$5,306	$191,703
Fabens Airport Facility Renovations	98,009	2,183,676
Courthouse/Parking Garage Elevator Renovations	368,599	1,441,324
Employee Fitness Center	20,822	1,274,803
Total	$492,736	$5,091,506
Information Technology Commitments		
ITD Infrastructure and Forest Migration Project	$2,595,884	$876,116
Total	$2,595,884	$876,116
Enterprise Fund		
Desert Acceptance Wastewater System	$1,799,583	$5,678,052
Total	$1,799,583	$5,678,052

Component units

Capital asset activity for the UMC for the year ended September 30, 2018, was as follows:

	Beginning Balance	Increases	Transfer Disposals/ Retirements	Ending Balances
Capital assets, not being depreciated:				
Land	$22,336,000	$1,513,000		$23,849,000
Construction in progress	33,765,000	7,003,000	($922,000)	39,846,000
Total capital assets, not being depreciated	56,101,000	8,516,000	(922,000)	63,695,000
Capital assets, being depreciated:				
Buildings and improvements	484,271,000	923,000		485,194,000
Movable and fixed equipment	281,681,000	11,031,000	(290,000)	292,422,000
Total capital assets, being depreciated	765,952,000	11,954,000	(290,000)	777,616,000

Note 3. Detailed notes on all funds (Continued)

C. Capital assets (Continued)

Less accumulated depreciation for:				
Buildings, improvements and equipment	(391,957,000)	(28,280,000)	288,000	(419,949,000)
Total accumulated depreciation	(391,957,000)	(28,280,000)	288,000	(419,949,000)
Total capital assets, being depreciated, net	373,995,000	(16,326,000)	(2,000)	357,667,000
UMC capital assets, net	$430,096,000	($7,810,000)	($924,000)	$421,362,000

The UMC construction in progress at September 30, 2018, primarily represents the costs incurred to fund approximately $150 million of capital improvements, including outpatient medical clinics, renovate existing hospital inpatient floors, and purchase equipment for the main campus. These projects will be constructed through 2020 and will be paid using the unexpended proceeds of the 2013 Combination Tax and Revenue Certificates of Obligation bonds.

Capital asset activity for the ESD1 for the year ended September 30, 2018, was as follows:

	Beginning Balance	Increases	Transfer Disposals/ Retirements	Ending Balances
Capital assets, not being depreciated:				
Land	$289,479	$721,357		$1,010,836
Total capital assets, not being depreciated	289,479	721,357		1,010,836
Capital assets, being depreciated:				
Buildings and improvements	5,091,770			5,091,770
Heavy Trucks	3,672,215		($37,228)	3,634,987
Equipment	1,257,842	60,590		1,318,432
Total capital assets, being depreciated	10,021,827	60,590	(37,228)	10,045,189
Less accumulated depreciation for:				
Buildings and improvements	(436,102)	(129,786)		(565,888)
Heavy Trucks	(2,439,549)	(267,409)	37,228	(2,669,730)
Equipment	(1,045,503)	(98,041)		(1,143,544)
Total accumulated depreciation	(3,921,154)	(495,236)	37,228	(4,379,162)
Total capital assets, being depreciated, net	6,100,673	(434,646)		5,666,027
ESD1 capital assets, net	$6,390,152	$286,711		$6,676,863

Total provision for depreciation of $495,236 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, 2018, 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	$62,228		12,913,076
Transportation equipment	18,445,057	627,493	($630,000)	18,442,550
Other equipment	5,008,183	1,135,305		6,143,488
Total capital assets, being depreciated	36,304,088	1,825,026	(630,000)	37,499,114

Note 3. Detailed notes on all funds (Continued)

C. Capital assets (Continued)

	Beginning Balance	Increases	Transfer Disposals/ Retirements	Ending Balances
Less accumulated depreciation for:				
Buildings and improvements	(3,995,833)	(323,781)		(4,319,614)
Transportation Equipment	(15,039,489)	(976,850)	630,000	(15,386,339)
Other equipment	(3,332,617)	(30,844)		(3,363,461)
Total accumulated depreciation	(22,367,939)	(1,331,475)	630,000	(23,069,414)
Total capital assets, being depreciated, net	13,936,149	493,551		14,429,700
ESD2 capital assets, net	$15,143,508	$493,551		$15,637,059

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, 2018, is as follows:

	Due From	Due To
General Fund		
Grants	$936,624	
Payroll	30,000	
Jury Fund	40,000	
Sheriff State Forfeiture		$39,758
General Fund		40,000
Workers Comp	150,000	
	1,156,624	79,758
Internal Services Fund		
Workers Comp		150,000
		150,000
Special Revenue		
DA Special Account	5,822	
DA Apportionment Fund		5,822
Sheriff State Forfeiture	39,758	
	45,580	5,822
Major Special Revenue-Grants		
34th Judicial District Prosecution Initiative		132,863
65th District Family Drug Court		31,925
384th District Drug Court		36,168
409th District Drug Court		27,750
Access and Visitation		7,307
BCMHC Non-Traditional Services	3,602	
Border Crime Initiative Program Income	25	41,534
Child Protective Services		34,886
Colonia Self-Help Center		101,156
Continuum of Care Program	750	
COPS Building Trust w/ People of Color	82	
COPS Community Policing Development		5,385
COPS in Schools	53,252	
DA Border Prosecution		271,820
DIMS Project	26,083	
Domestic Violence High Risk Team	14,263	
Domestic Violence Unit	1,622	42,820

Note 3 . Detailed notes on all funds (Continued)

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

	Due From	Due To
DRO Touch Screen Access Law Kiosk	290	
DWI Court Program	1,960	16,267
Elections Chapter 19		20,864
Emergency Food and Shelter		35,451
Emergency Solution Grant Program	200	
Explorer Post Task Force	924	
Feasible Transportation Study		46,469
HIDTA Program Income	994,258	
Homeland Security Communication Response		436
Homeland Security Sustaining Special Response Team	24	
Homeless & Housing Services Program	850	
Juvenile Board State Aid Imprest Fund	50,275	
Nutrition Meals	159,816	
Oñate Crossing/Old Fort Bliss	5,000	
ONDCP Multiple Initiatives		664,555
Operation Stonegarden		116,398
Organized Crime Drug Enforcement Task Force		40,053
Project Hope		15,687
Protective Order Court	4,980	31,891
Public Defender Mental Health Advocacy Unit		221,811
Regional Mental Health Stigma Reduction	12,959	
Rural Bus Auction Proceeds	3,129	
Rural Transit Assistance Program		216,310
Sheriff Crime Victim Services		4,599
Sheriff's Step		29,590
Sheriff's Training Academy		30,960
Texas Juvenile Justice Department	99,112	195,520
Texas Tobacco Enforcement Program	17,108	
Texas Veterans Commission General Assistance	861	87,927
TJJD Title IV-E Enhanced Billing	243,189	
Van Pool Program		11,138
Veterans Court		70,868
Victim Witness Services		67,734
Victim of Crime Act	15,880	38,027
Ysleta, Socorro, San Elizario Circular Route	49,051	
Subtotal	1,759,545	2,696,169
Grand Total	$2,961,749	$2,931,749

The difference in the due to due from totals is $30,000 from the Proprietary Fund-Payroll Fund to the General Fund.

The following are the transfers in and out as of September 30, 2018:

	Transfers Out Actual	Transfers In Actual
General Fund		
1st Chance Program		$27,900
Access and Visitation	$8,480	
Child Protective Services	787,591	
Court Reporter		$366,705
DIMS Project	408,218	
Domestic Violence Unit	120,694	
EL Paso County Mobility Project	379,607	
Excess Grant Match		633,459
General & Administrative	4,619,341	222,000
Justice Court Manager		153,000
Nutrition	200,000	
Protective Order – Match	111,866	
Public Defender Expansion	178,646	
Rural Transit	372,929	
Sheriff Crime Victim	33,559	
Sheriff Victims of Crime	40,407	
Veterans Assistance	17,764	
Victim Witness Services	64,615	
Subtotal	7,343,717	1,403,064

Note 3 . Detailed notes on all funds (Continued)

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

	Transfers Out Actual	Transfers In Actual
Major Special Revenue-Grants		
Access and Visitation		8,480
Child Protective Services	259,194	787,591
DIMS Project	37,053	408,218
Domestic Violence Unit	147	120,694
Emergency Solution Grant Program	1	
Feasible Transportation Study		3,160
Nutrition	150,000	200,000
Oñate Crossing/Old Fort Bliss		5,000
Protective Order Court	604	111,866
Public Defender Expansion	169,940	
Public Defender Mental Health Advocacy Unit		178,646
Routine Airport Maintenance Program		21,722
Sheriff Crime Victim Services	1,771	33,559
Texas Capital	14,749	
Van Pool Program		254,398
Veterans Court		17,764
Victims of Crime Act		40,407
Victim Witness Services		64,615
Ysleta, Socorro, San Eli Circular Route		115,371
Subtotal	633,459	2,371,491
Non Major Special Revenue		
County Tourist Promotion	5,200	1,039,956
County Historical Commission		200
Coliseum Tourist Promotion	1,039,956	
Courthouse Security	222,000	
Court reporter Service	366,705	
Juvenile Case Manager	153,000	
1st Chance Program	27,900	
Subtotal	1,814,761	1,040,156
Capital Projects		
County Capital Improvements		3,974,542
Courthouse Improvement Lower Level		531,000
Subtotal		4,505,542
Debt Service		
Taxable Certificates of Obligation Series 2007A	1,219	
Certificates of Obligation Series 2012	121,500	113,799
Taxable G. O. Refunding Series 2015A		1,219
Taxable Certificates of Obligation Series 2016D		121,500
State Infrastructure Bank Loan 2017		357,885
Subtotal	122,719	594,403
Grand total	$9,914,656	$9,914,656

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, 2018, amounted to $478,902.

Capital Leases

The County leases equipment through capital leasing arrangements in the governmental fund types. Payments during fiscal year ended September 30, 2018, amounted to $99,694. 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	$509,877
Less: accumulated depreciation	268,750
Total	$241,127

The future minimum lease payments and the net present value of these minimum lease payments as of September 30, 2018, for the County are as follows:

	Year ending September 30	Governmental Activities
	2019	$104,368
	2020	90,951
	2021	35,135
	2022	6,080
Total minimum lease payments		236,534
Less: Interest		31,466
Present value of future Minimum lease payments		$205,068

The annual capital lease payments as of September 30, 2018, for ESD1 are as follows:

Year ending September 30	Principal	Interest	Total
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	$245,231	$35,519	$280,750
Less amount due within one year	44,661		
Amount due after one year	$200,570		

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, 2018 for ESD2 are as follows:

Year ending September 30	Governmental Activities
2019	$1,420,006
2020	1,385,330
2021	1,271,738
2022	1,329,966
2023	1,064,800
2024-2028	2,538,044
2029-2033	120,891
Total	9,130,775
Less current portion	1,420,006
Long-term debt less current portion	$7,710,769

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 and loan

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 and State Infrastructure Bank Loan outstanding was $175,277,402 for governmental activities. The ending balance of the revenue and certificate of obligation bonds is $2,814,000 for business type activities.

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 SIB loan is an obligation whereby the County borrowed funds from the State Infrastructure Bank to be repaid 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. The County has established a policy to repay the Loan from the M&O portion of the Ad Valorem Tax rate. The Loan has principal maturities on August 15th. Interest is payable semi-annually on February and August 15th.

Note 3. Detailed notes on all funds (Continued)

F. Long-term Debt (Continued)

The general and certificates of obligation bonds and loan currently outstanding for governmental activities 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
General Obligation Refunding, Series 2011	2.125 – 5.25%	2011	2022	475,000
Certificates of Obligation, Series 2012	2.00 – 5.00%	2012	2021	9,845,000
General Obligation Refunding, Series 2015	5.00%	2015	2026	15,230,000
General Obligation Taxable Refunding, Series 2015A	0.650 – 3.671%	2015	2026	7,625,000
General Obligation Refunding, Series 2016A	1.125 – 5.00%	2016	2032	40,730,000
General Obligation Taxable Refunding, Series 2016B	0.95 – 3.666%	2016	2032	33,830,000
Taxable Certificates of Obligation, Series 2016C	2.95%	2016	2022	1,135,000
Certificates of Obligation, Series 2016D	3.28%	2016	2032	3,500,000
General Obligation Refunding Bonds, Series 2017	5.00%	2017	2032	49,395,000
SIB Loan S2017-005-01	1.85%	2017	2032	4,632,402
				$175,277,402

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

Year Ending September 30	Governmental Activities Principal	Governmental Activities Interest	Total
2019	$12,317,918	$7,282,982	$19,600,900
2020	12,828,337	6,826,976	19,675,313
2021	13,403,856	6,347,114	19,750,970
2022	13,744,478	5,805,128	19,549,606
2023	10,335,203	5,299,410	15,634,613
2024-2028	58,705,673	19,048,809	77,754,482
2029-2032	53,921,937	5,157,351	59,079,288
	$175,277,402	$55,767,770	$231,045,172

Revenue and Certificate of Obligation Bonds

The County also issued bonds where the County pledged income derived from the acquired or constructed assets to pay debt service. The revenue and certificate of obligation bonds have principal maturities on August 15th. Interest is payable semi-annually on February and August 15th. The revenue and certificate of obligation bonds outstanding for business type activities 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	$760,000
$272,000 Mayfair/Nuway Water System Revenue Bonds, Series 2012	2.25%	2012	2052	253,000
$500,000 Colonia Revolućion Water System Revenue Bonds, Series 2013	2.25%	2013	2053	467,000
El Paso County Sewer System				
$1,334,000 Desert Acceptance Taxable Certificate of Obligation, Series 2017	2.75%	2018	2057	1,334,000
Total				$2,814,000

Note 3. Detailed notes on all funds (Continued)

F. Long-term Debt (Continued)

Revenue and certificate of obligation bond debt service requirements to maturity are as follows:

Year Ending September 30	Principal	Interest	Total
2019	$54,000	$84,274	$138,274
2020	65,000	88,039	153,039
2021	65,000	85,712	150,712
2022	66,000	83,329	149,329
2023	67,000	80,947	147,947
2024-2028	372,000	367,507	739,507
2029-2033	448,000	294,208	742,208
2034-2038	488,000	202,634	690,634
2039-2043	292,000	139,075	431,075
2044-2048	329,000	99,923	428,923
2048-2053	361,000	55,774	416,774
2054-2057	207,000	14,410	221,410
	$2,814,000	$1,595,832	$4,409,832

Current Year

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 September 30, 2018, $53,880,000 of the refunded bond remains outstanding with an estimated escrow balance of $56,647,433.

On April 10, 2018, the County issued $1,334,000 Taxable Certificates of Obligation Bonds, Series 2017 with the U. S. Department of Agriculture – Rural Utilities System, for the purpose of constructing a sewer system in the Desert Acceptance subdivision of the County. These bonds are payable from a pledge of sewer system revenues and ad valorem taxes with a final maturity in February 2057.

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. The refunded bonds were redeemed in full in February 2018.

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, 2018, $2,295,000 of the refunded bonds remain outstanding with an estimated escrow balance of $2,396,079.

On July 21, 2016, the County issued Taxable Certificate of Obligation bonds, Series 2016C in the par amount of $2,700,000 for 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)

On July 21, 2016, the County issued Tax-exempt 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, with 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. The refunded bonds were redeemed in full in February 2018.

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. Bond Series 2007 and 2007A were defeased on April 14, 2016 and redeemed in full in February 2018.

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, 2018, was as follows:

	Beginning Balance	Adjustments	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:						
Bonds payable:						
General obligation bonds	$106,255,000		$50,255,000	($9,225,000)	$147,285,000	$6,570,000
Certificates of obligation bonds	80,835,000			(57,475,000)	23,360,000	5,455,000
Bond Premium	17,446,326		9,878,817	(7,264,646)	20,060,497	1,885,703
Total bonds payable	204,536,326		60,133,817	(73,964,646)	190,705,497	13,910,703
State Infrastructure Bank 2017			4,920,000	(287598)	4,632,402	292,918
Capital leases	237,734		67,028	(99,694)	205,068	104,368
Claims and judgments	1,971,584	($53,507)	1,399,002	(1,540,092)	1,776,987	1,776,987
Contingent liabilities	4,830,000		3,370,000	(4,830,000)	3,370,000	1,930,000
Compensated absences	32,353,283		32,913,988	(32,353,283)	32,913,988	15,165,589
Net Pension Liability	233,559,334		175,734	(138,869,138)	94,865,930	
Total OPEB Liability	37,914,672	1,510,571	6,829,980	(1,187,389)	45,067,834	
Governmental activity Long-term liabilities	$515,402,933	$1,457,064	$109,809,549	($253,131,840)	$373,537,706	$33,180,565
Business-type activities:						
Bonds payable:						
Certificate of obligation Bonds			$1,334,000		$1,334,000	$20,000
Revenue Bonds	$1,514,000			($34,000)	1,480,000	34,000
Total bonds payable	1,514,000		1,334,000	(34,000)	2,814,000	54,000
Net Pension Liability	155,350		77,210	(138,343)	94,217	
Total OPEB Liability		$34,224	5,934	(1,003)	39,155	
Business-type activity Long-term liabilities	$1,669,350	$34,224	$1,417,144	($173,346)	$2,947,372	$54,000

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, 2018, for the UMC component unit:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-term debt					
Bonds payable	$348,325,000		($7,050,000)	$341,275,000	$7,290,000
Bond premium and discount	37,310,000		(1,857,000)	35,453,000	1,771,000
Total long-term debt	$385,635,000		($8,907,000)	$376,728,000	$9,061,000

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 $6.1 million at September 30, 2018, 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 secured with ad valorem taxes.

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 of 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 $8.1 million at September 30, 2018. Bonds maturing after August 24, 2024 are subject to early redemption at par 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. Prior to being paid in full in 2018, the Series 2009 Bonds are direct obligations of UMC and were 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. Prior to maturing in 2018, the Series 2008A Bonds were direct obligations of UMC and were payable from ad valorem tax. A significant portion of the series 2008A Bonds were advance refunded in April 2017 and paid in full in 2018.

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			
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	8,805,000	14,817,000	23,622,000
2024-2028	51,065,000	67,072,000	118,137,000
2029-2033	64,765,000	53,361,000	118,126,000
2034-2038	81,090,000	37,040,000	118,130,000
2039-2043	104,195,000	16,137,000	120,332,000
	$341,275,000	$251,574,000	$592,849,000

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.

In October 2018, UMC entered into a tax anticipation loan agreement with aggregate principal advances not to exceed $25 million. The loan is scheduled to mature on February 28, 2019, at which point all outstanding principal and interest are due in full.

G. Contingent Liabilities

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

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the County's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government. Presently, an amount of $3,370,000 for probable losses has been accrued as a contingency and is reported at the government-wide financial statements. Of this amount, $1,930,000 is reported due within one year and $1,440,000 due in more than one year.

Rebatable arbitrage is evaluated and estimated on an annual basis. At September 30, 2018, 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, 2018, assuming the County uses the bond funds within the specified period.

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.

Note 3. Detailed notes on all funds (Continued)

G. Contingent Liabilities (Continued)

ESD1 as of September 30, 2018, 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, 2018, the plan assets were valued at $33,700,818.

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 $587,000 for 2018.

Note 3. Detailed notes on all funds (Continued)

I. Pension Obligations

Texas County and District Retirement System (TCDRS)

Plan Description - TCDRS is a statewide, agent multiple employer, public employee retirement system. The system provides retirement, disability, and survivor benefits. The system is administered by a Board of Trustees appointed by TCDRS. Each participating employer in TCDRS has a separate plan. Benefit provisions are contained in a plan document and were established and can be amended by the governing body of the County, 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, for the County and ESD2, with 20 years of service regardless of age; for UMC, with 30 years of service regardless of age; for UMC and ESD2, 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, 2016 and 2017, are:

	County		UMC		ESD2	
	2016	2017	2016	2017	2016	2017
Inactive employees or beneficiaries currently receiving benefits	1,231	1,309	592	637	-	-
Inactive employees entitled to but not yet receiving benefits	1,498	1,552	2,790	2,957	-	-
Active employees	2,960	2,949	2,694	2,758	N/A	N/A
	5,689	5,810	6,076	6,352	N/A	N/A

Note 3. Detailed notes on all funds (Continued)

I. Pension Obligations (Continued)

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 16.45% for the months of the accounting year in 2017. Beginning in January 2018, the County contributed using an elected rate of 17.13%. This rate exceeds the actuarially determined rate. The UMC employer contribution rate for the fiscal years ending September 30, 2018, and 2017 was 6.7% and 6.5%, respectively. ESD2 contributed 9.91% for the period of October 1, 2017 through December 31, 2017, and 9.70% for January 1, 2018, through the fiscal year ending September 30, 2018.

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, 2017, 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.

All actuarial assumptions that determined the total pension liability as of December 31, 2017, were based on the results of an actuarial experience study for the period January 1, 2013 to December 31, 2016, except when required to be different by GASB 68.

The source of the mortality assumptions is as follows;

Depositing members	90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Mortality Table for females, projected with 110% of the MP-2014 Ultimate scale after 2014.
Service retirees, beneficiaries and non-depositing members	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females both projected with 110% of the MP-2014 Ultimate scale after 2014.
Disabled retirees	130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

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 2018 information for a 10 year time horizon.

Note 3. Detailed notes on all funds (Continued)

I. Pension Obligations (Continued)

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 2017.

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

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	11.50%	4.55%
Private Equity	Cambridge Associates Global Private Equity & Venture Capital Index[3]	16.00%	7.55%
Global Equities	MSCI World (net) Index	1.50%	4.85%
International Equities - Developed	MSCI World Ex USA (net)	11.00%	4.55%
International Equities - Emerging	MSCI Emerging Markets (net) Index	8.00%	5.55%
Investment-Grade Bonds	Bloomberg Barclays U.S. Aggregate Bond Index	3.00%	0.75%
Strategic Credit	FTSE High-Yield Cash-Pay Capped Index	8.00%	4.12%
Direct Lending	S&P/LSTA Leveraged Loan Index	10.00%	8.06%
Distressed Debt	Cambridge Associates Distressed Securities Index[4]	2.00%	6.30%
REIT Equities	67% FTSE NAREIT Equity REITs Index + 33% S&P Global REIT (net) Index	2.00%	4.05%
Master Limited Partnerships (MLPs)	Alerian MLP Index	3.00%	6.00%
Private Real Estate Partnerships	Cambridge Associates Real Estate Index[5]	6.00%	6.25%
Hedge Funds	Hedge Fund Research, Inc. (HFRI) Fund of Funds Composite Index	18.00%	4.10%
		100.00%	

(1) Target asset allocation adopted at the April 2018 TCDRS Board meeting.
(2) Geometric real rates of return equal the expected return minus the assumed inflation rate of 1.95, per Cliffwater's 2018 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	11.5%	4.6%
International Equities-Developed	11.0%	4.6%
International Equities-Emerging	8.0%	5.6%
Global Equities	1.5%	4.9%
Hedge Funds	18.0%	4.1%
High-Yield Investments		
Strategic Credit	8.0%	4.1%
Distressed Debt	2.0%	6.3%
Direct Lending	10.0%	8.1%
Private Equity	16.0%	7.6%
Real Assets		
REITs	2.0%	4.1%
Private Real Estate Partnerships	6.0%	6.3%
Master Limited Partnerships	3.0%	6.0%
Investment-Grade Bonds	3.0%	0.8%
	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	11.5%	4.55%
Private Equity	16.0%	7.55%
Global Equities	1.5%	4.85%
International Equities - Developed	11.0%	4.55%
International Equities - Emerging	8.0%	5.55%
Investment-Grade Bonds	3.0%	0.75%
Strategic Credit	8.0%	4.12%
Direct Lending	10.0%	8.06%
Distressed Debt	2.0%	6.30%
REIT Equities	2.0%	4.05%
Master Limited Partnerships (MLPs)	3.0%	6.00%
Private Real Estate Partnerships	6.0%	6.25%
Hedge Funds	18.0%	4.10%
	100.0%	

[(1)] Geometric real rates of return in addition to assumed inflation of 1.95%, per Cliffwater's 2018 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, 2017, 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, 2016	$997,769,791	$764,589,864	$233,179,928
Changes for the Year:			
Service Cost	29,740,838		29,740,838
Interest on total pension liability [(1)]	81,728,395		81,728,395
Effects of plan changes[(2)]	(85,764,813)		(85,764,813)
Effect of economic/demographic gains or losses	(12,940,267)		(12,940,267)
Effects of assumptions changes or inputs	(705,508)		(705,508)
Refund of contributions	(2,033,178)	(2,033,178)	
Benefit payments	(35,738,394)	(35,738,394)	
Administrative expenses		(583,624)	583,624
Member contributions		11,850,504	(11,850,504)
Net investment income		111,634,438	(111,634,438)
Employer contributions		27,848,674	(27,848,674)
Other [(3)]		20,332	(20,332)
Balances as of December 31, 2017	$972,056,865	$877,588,616	$94,468,249

[(1)] Reflects the change in the liability due to the time value of money. TCDRS does not charge fees or interest.
[(2)] Reflects Decrease in substantively automatic COLA valued.
[(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, 2018 for the UMC are:

	Total Pension Liability	Increase (Decrease) Fiduciary Net Position	Net Pension Liability (Asset)
Balances at September 30, 2017	$377,278,000	$330,791,000	$46,487,000
Changes for the year:			
Service cost	12,690,000		12,690,000
Interest on total pension liability	31,131,000		31,131,000
Effect of economic/demographic gains or losses	1,746,000		1,746,000
Effect of assumptions changes or inputs	1,902,000		1,902,000
Refund of contributions	(1,252,000)	(1,252,000)	
Benefit payments	(10,234,000)	(10,234,000)	
Administrative expenses		(256,000)	256,000
Member contributions		7,683,000	(7,683,000)
Net investment income		48,385,000	(48,385,000)
Employer Contributions		10,064,000	(10,064,000)
Other changes		96,000	(96,000)
Net changes	35,983,000	54,486,000	(18,503,000)
Balances at September 30, 2018	$413,261,000	$385,277,000	$27,984,000

Changes in the total pension liability, plan fiduciary net position and the net pension liability for the year ended December 31, 2017, for ESD2 are:

	Total Pension Liability	Increase (Decrease) Fiduciary Net Position	Net Pension Liability (Asset)
Balances at December 31, 2016	$239,740	$255,225	$(15,485)
Changes for the year:			
Service cost	$145,296		$145,296
Interest on total pension liability	31,188		31,188
Effect of plan changes			
Effect of economic/demographic gains or losses	40,311		40,311
Effect of assumptions changes or inputs	(6,560)		(6,560)
Refund of contributions			
Benefit payments			
Administrative expenses		(310)	310
Member contributions		69,676	(69.676)
Net investment income		39,961	(39,961)
Employer Contributions		98,641	(98,641)
Other changes		2,253	(2,253)
Balances at December 31, 2017	$449,975	$465,446	($15,471)

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.

Note 3. Detailed notes on all funds (Continued)

I. Pension Obligations (Continued)

	1% Decrease 7.10%	Current Discount Rate 8.10%	1% Increase 9.10%
County:			
Total pension liability	$1,107,174,129	$972,056,865	$858,965,477
Fiduciary net position	877,588,616	877,588,616	877,588,616
Net pension liability/ (asset)	$229,585,513	$94,468,249	($18,623,139)
UMC:			
Net pension liability/ (asset)	$89,515,000	$27,984,000	($22,801,000)
ESD2:			
Total pension liability	$553,267	$449,975	$368,816
Fiduciary net position	465,446	465,446	465,446
Net pension liability/ (asset)	$87,821	($15,471)	($96,630)

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions - Pension expense recognized by the County in the reporting period for TCDRS amounted to negative $41,168,078. As of September 30, 2018, 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	$13,152,245	$1,560,556
Changes in assumptions	587,923	6,233,965
Net difference between projected and actual earnings	7,487,312	
Contributions made subsequent to measurement date		21,738,833
	$21,227,480	$29,533,354

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:	
2018	$6,400,671
2019	4,417,647
2020	(9,835,846)
2021	(12,141,135)
2022	(2,274,296)
Thereafter	0

The $21,738,833 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, 2019.

At September 30, 2018, the County reported a payable of $3,217,824 to TCDRS for the outstanding amount of contributions to the pension plan for the year then ended.

For the year ended September 30, 2018, the UMC recognized pension expense of approximately $13.1 million. At September 30, 2018, the UMC reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$1,742,000	$807,000
Changes in assumptions	2,503,000	
Net difference between projected and actual earnings on pension plan investments		3,908,000
Contributions made subsequent to measurement date	8,235,000	
	$12,480,000	$4,715,000

Note 3. Detailed notes on all funds (Continued)

I. Pension Obligations (Continued)

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:	
2019	$3,892,000
2020	2,805,000
2021	(2,898,000)
2022	(4,269,000)
	($470,000)

For the year ended September 30, 2018, the ESD2 reported pension expense of $80,471. At September 30, 2018, 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	$3,282	$38,738
Changes in assumptions	5,368	668
Net difference between projected and actual earnings	7,516	3,503
Contributions made subsequent to measurement date		77,739
	$16,166	$120,648

*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:	
2019	$81,001
2020	2,265
2021	1,012
2022	3,517
Thereafter	16,687
	$104,482

At September 30, 2018, ESD2 reported a payable of $17,646 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.

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.

Note 3. Detailed notes on all funds (Continued)

I. Pension Obligations (Continued)

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.

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.

Note 3. Detailed notes on all funds (Continued)

I. Pension Obligations (Continued)

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, 2017, the Part Two contributions were established by the board to be 2% of the Part One contributions beginning September 1, 2017. Based on the August 31, 2018, actuarial valuation, the Part Two contributions are not required for an adequate contribution arrangement.

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, 2018, there were 238 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, 2018, as well as each of the two previous years, total contributions to TESRS by ESD1 totaled $10,000 per year.

The County makes semi-annual contributions to the TESRS on behalf of both Emergency Services Districts. The County's total contribution to TESRS for FY2018 was $100,229.

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, 2018, as shown in the following table:

	ESD1 Pension Expense	ESD2 Pension Expense	Total Pension Expense TESRS
Service Cost	$14,325	$21,878	$36,203
Interest	89,038	135,984	225,022
Projected earnings on pension plan investments	(72,553)	(110,807)	(183,360)
Amortization of differences between projected and actual earnings on plan investments	1,721	2,629	4,350
Amortization of changes of assumptions	2,425	3,703	6,128
Amortization of differences between expected and actual experience	(76)	(117)	(193)
Amortization of changes in proportionate share	17,465	(18,647)	(1,182)
Pension plan administrative expense	1,422	2,171	3,593
Changes in benefit provisions	25,400	38,792	64,192
	$79,167	$75,586	$154,753

Note 3. Detailed notes on all funds (Continued)

I. Pension Obligations (Continued)

Actuarial Assumptions - The total pension liability in the August 31, 2018, 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 5.01%) 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 0.26% 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%	5.81%
Small cap domestic	15%	5.92%
Developed international	15%	6.21%
Emerging markets	5%	7.18%
Master limited partnership	5%	7.61%
Real Estate	5%	4.46%
Fixed income	23%	1.61%
Cash	0%	
Total	100%	
Weighted average		5.01%

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, 2018, 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's 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.

Note 3. Detailed notes on all funds (Continued)

I. Pension Obligations (Continued)

Net pension liability/ (asset)	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
ESD1	$386,805	$194,637	$65,026
ESD2	590,748	297,261	99,312
Total	$977,553	$491,898	$164,338

The net pension liability was measured as of August 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of August 31, 2018. 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, 2017 through August 31, 2018.

At August 31, 2018, the County's proportion of the collective net pension liability was 0.899% for ESD1, which was a decrease of 0.113% from its proportion as of August 31, 2017. At August 31, 2018, the County's proportion of the collective net pension liability was 1.373% for ESD2 which was an increase of 0.157% from its proportion as of August 31, 2017.

Pension Expense and Deferred Outflows/Inflows of Resources Related to Pensions - for the year ended September 30, 2018, the County recognized pension expense of $30,200 and Revenue of $30,200 for support provided by the State, which represented $11,950 for ESD1 and $18,250 for ESD2.

As of September 30, 2018, the County reported its proportionate share of the TESRS deferred outflows and inflows of resources related to pensions for both Emergency Services Districts from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$134	$1,417
Changes in assumptions	1,838	
Net difference between projected and actual earnings		27,187
Changes in proportionate share	43,542	53,665
Contributions made subsequent to measurement date	7,818	
	$53,331	$82,269

The $7,818 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, 2019.

At September 30, 2018, the County reported a payable of $7,818 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:	
2019	27,254
2020	(22,184)
2021	(27,087)
2022	(14,739)
Thereafter	
Total	($36,756)

Note 3. Detailed notes on all funds (Continued)

J. Other Post-employment Health Care Benefits

Plan Description. The County provides for all full-time employees of the County, post-retirement medical and prescription drug benefits (OPEB) 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. The County's defined benefit OPEB plan is the same plan that provides health and dental benefits to all regular full time employees and their dependents. The plan is a single employer defined benefit OPEB plan administered by Aetna on behalf of the County. Texas Local Government Code §172 allows the County to establish a risk pool board to provide uniform group health benefits to the employees. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB statement 75.

Benefits provided. The Plan offers three plans to employees, retirees under 65, and their dependents in the High Deductible Health Plan (CDHP), Core, and Buy-up medical plan. The County also offers health care benefits to retirees over 65 through the Aetna Medicare Advantage Plan. The Plan has separate rate schedules, determined on annually, for active employees, retirees, and retirees over 65 for the employee, retiree, and their respective dependents. Retirees in the CDHP, Core, and Buy-up plans pay approximately 38.10 percent, 38.10 percent, and 49.76 percent, respectively, of the total premium cost for insurance coverage. For retirees over 65 in the Aetna Medicare Advantage Plan the County pays half of the monthly premium for the retiree.

Employees covered by benefit terms. As of September 30, 2018, the following employees were covered by the benefit term:

Inactive plan members or beneficiaries currently receiving benefit payments	164
Active plan members	2,694
Total plan members	2,858

Total OPEB Liability

The County's total OPEB Liability of $45,106,989 was measured as of December 31, 2017, and was determined by an actuarial valuation as of that date. This is the first actuarial valuation performed for the County's OPEB

Actuarial Methods and Assumptions – the total OPEB liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Note 3. Detailed notes on all funds (Continued)

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

Actuarial Methods and Assumptions

Actuarial Cost Method	Individual Entry-Age Normal
Discount Rate	3.31% as of December 31, 2017 (the rate changed from 3.81% as of December 31, 2016).
Inflation	2.50%
Salary Increases	0.50% to 5.00%, not including wage inflation of 3.25%
Demographic Assumptions	Based on the experience study covering the four-year period ending December 31, 2016, as conducted by the Texas County and District Retirement System (TCDRS).
Mortality	For healthy retirees, the gender-distinct RP-2014 Healthy Annuitant Mortality Tables are used with male rates multiplied by 130% and female rates multiplied by 110%. Those rates are projected on a fully generational basis based on 110% of the ultimate rates of Scale MP-2014.
Health Care Trend Rates	Pre-65: Initial rate of 7.50% declining to an ultimate rate of 4.25% after 15 years. Post-65: Initial rate of 6.50% declining to an ultimate rate of 4.25% after 15 years.
Participation Rates	22% for those retiring between the ages 50 and 64; 45% for those retiring after age 65 or through disability

Discount Rate

For the purpose of this valuation, the municipal bond rate is 3.31% (based on the daily rate closest to but not later than the measurement date of the Fidelity "20-Year Municipal GO AA Index"). The Discount rate was 3.81% as of the prior measurement date.

Changes in the Total OPEB Liability

	Total OPEB Liability
Total OPEB Liability – Beginning	$39,426,555
Service cost	2,112,805
Interest on Total OPEB Liability	1,520,389
Changes of benefit terms	
Difference between expected and actual experience of the total OPEB liability	
Changes of assumptions or other inputs	3,202,720
Benefit payments	(1,155,480)
Net change in total OPEB liability	5,680,434
Total OPEB Liability- Ending	$45,106,989

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the Plan's total OPEB liability, calculated using a discount rate of 3.31%, as well as what the Plan's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

	1% Decrease 2.31%	Current Discount Rate 3.31%	1% Increase 4.31%
Total OPEB liability	$52,650,153	$45,106,989	$39,014,606

Note 3. Detailed notes on all funds (Continued)

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

Sensitivity of the total OPEB liability to changes in the in the healthcare cost trend rates. The following presents the Plan's total OPEB liability, calculated using the assumed trend rates as well as what the Plan's total OPEB liability would be if it were calculated using a trend rate one percent lower or one percent higher:

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB liability	$37,784,822	$45,106,989	$54,595,446

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, the County recognized OPEB expense $3,633,194. At September 30, 2018, the County reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	0	0
Changes in assumptions	$2,889,609	0
Contributions made subsequent to measurement date	310,465	
Total	$3,200,074	

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB, excluding contributions made subsequent to the measurement date of $310,465, will be recognized in OPEB expense as follows:

Year ending September 30	Net Deferred Outflow/(inflows)
2019	313,111
2020	313,111
2021	313,111
2022	313,111
2023	313,111
Thereafter	1,324,054
Total	$2,889,609

Plan description and benefits provided – Component Unit. In January 2017, UMC began to provide certain medical benefits to eligible retirees. Effective May 1, 2018, plan eligibility for employees who retire from UMC, the Health Plan or the Foundation was changed from 20 years of service to age 60 and 20 years of service. Eligible employees are able to elect medical coverage for themselves (and spouses and dependents, as applicable). Benefits will end when the retiree reaches age 65 or starts receiving Medicare benefits, whichever occurs first. UMC funds these other postemployment benefits on a pay-as-you-go basis, meaning UMC will pay benefits as they come due. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement 75.

At June 30, 2018, the following UMC employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	24
Active plan members	2,693
Total plan members	2,717

Note 3. Detailed notes on all funds (Continued)

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

Total OPEB Liability – Component Unit

UMC's total OPEB liability of $1.3 million was measured as of June 30, 2018, and was determined by an actuarial valuation as of May 1, 2018. No significant differences existed between the May1, 2018 and the June 30, 2018, which would have required a roll-forward to the measurement date of June 30, 2018.

Actuarial Methods and Assumptions – Component Unit – UMC's total OPEB liability in May 1, 2018, actuarial valuation report was determined using the following actuarial assumptions and the entry age normal actuarial cost method, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Methods and Assumptions

Actuarial Cost Method	Entry-Age Normal
Discount Rate	3.30% including inflation (3.40% in prior year).
Salary Increases	2.00%
Mortality	Mortality rates are from the SOA RPH-2014 Adjusted to 2006 Total Dataset Headcount-weighted. Mortality with MP-2017 Full Generational Improvement.
Health Care Trend Rates	7.50% decreasing to 4.50% in 2028.

Discount Rate – Component Unit

The discount rate used to measure UMC's total OPEB liability was 3.40%, which reflects the index rate for 20-year tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher as of the measurement date.

Changes in the Total OPEB Liability – Component Unit

	Total OPEB Liability
UMC Total OPEB Liability – October 1, 2017	$6,148,000
Service cost	540,000
Interest	227,000
Changes in benefit terms	(5,272,000)
Difference between actual and expected	94,000
Changes of assumptions and inputs	(440,000)
Benefit payments	(19,000)
Total OPEB Liability- September 30, 2018	$1,278,000

Sensitivity of the UMC's total OPEB liability to changes in the discount rate – Component Unit. The total OPEB liability has been calculated using a discount rate of 3.30%. The following table presents what UMC's total OPEB liability would be if it were calculated using a discount rate that is one percent lower or one percent higher:

	1% Decrease 2.30%	Current Discount Rate 3.30%	1% Increase 4.30%
Total OPEB liability	$1,433,000	$1,278,000	$1,206,000

Note 3. Detailed notes on all funds (Continued)

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

Sensitivity of the total OPEB liability to changes in the in the healthcare cost trend rates – Component Unit. The following presents UMC's total OPEB liability, calculated using the assumed trend rates as well as what UMC's total OPEB liability would be if it were calculated using a trend rate one percent lower or one percent higher:

	1% Decrease	Current Discount Rate	1% Increase
Total OPEB liability	$1,172,000	$1,278,000	$1,482,000

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2018, UMC recognized a negative OPEB expense of $4.6 million. At September 30, 2018, UMC reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$88,000	
Changes in assumptions		$412,000
Benefit payments made subsequent to measurement date	2,000	
Total	$90,000	$412,000

At September 30, 2018, UMC reported $2 thousand as deferred outflows of resources related to OPEB resulting from UMC benefit payments subsequent to the measurement date and prior to year-end that will be recognized as a reduction of the total OPEB liability at September 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources at September 30, 2018, related to OPEB, will be recognized in OPEB expense as follows:

Year ending September 30	Net Deferred Outflow/(inflows)
2019	(22,000)
2020	(22,000)
2021	(22,000)
2022	(22,000)
2023	(22,000)
Thereafter	(214,000)
Total	($324,000)

K. Property Taxes

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

Note 3. Detailed notes on all funds (Continued)

K. Property Taxes (Continued)

Tax Rate. The County's total tax rate for fiscal year 2018 was $0.452694 per $100 of assessed valuation; $0.404746 was allocated for maintenance and operations, of which, one cent is allocated to the County's Capital Improvement Plan, and $0.047948 was allocated to the debt service funds. State law permits the County to levy property taxes up to $0.80 per $100 of assessed valuation for the general fund and up to $0.15 per $100 assessed valuation for the road and bridge fund.

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

The property tax code:

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

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

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

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

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

L. 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 Commissioners Court.

Note 3. Detailed notes on all funds (Continued)

L. Tax Abatements (Continued)

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, 2018, the County abated taxes totaling $1,795,639. 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 October 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. $122,864 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 $6,891,697. No payments were issued in fiscal year 2018 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.

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. $594,256 of ad valorem taxes and $1,016,963 sales and use taxes were reimbursed to The Fountains at Farah during fiscal year 2018.

Note 3. Detailed notes on all funds (Continued)

L. Tax Abatements (Continued)

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 2018 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 June 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 and mixed beverage 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 2018. Payments are expected to begin in fiscal year 2021.

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 2018. Payments are expected to begin in fiscal year 2019.

WestStar Tower – Under the agreement entered into in May 2018, the County agrees to rebate 75% of the value of the County's portion of the ad valorem real and personal property tax rate. WestStar has agreed to redevelop a property into a new multi-level, multi-tenant building. The building will serve as corporate headquarters for Hunt Companies and WestStar Bank. WestStar Tower will offer on-site parking with approximately 725 parking spaces available to the public. Additionally, the ground-level floor will be comprised of retail space along with park-like green space also available to the public. The maximum payout is $2,934,722. No payments were issued in fiscal year 2018. Payments are expected to begin in fiscal year 2023.

Tax Abatement Agreements of Other Governments that Reduce El Paso County Tax Revenue - 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 $53,487, 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 $1,776,987. 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, 2018	Year Ended September 30, 2017
Unpaid claims, beginning of fiscal year	$1,971,584	$2,937,300
Prior period adjustment	(53,507)	
Incurred claims (including incurred but not reported)	1,399,002	1,458,724
Claim payments	(1,540,092)	(2,424,440)
Unpaid claims, end of fiscal year	$1,776,987	$1,971,584

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 2018, 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 $1,404,214, 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, 2018, encumbrances amounted to $8,477,391, of which $4,056,094 relates to the general fund, $2,681,959 to the major capital projects 2012, and $1,739,338 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, provides 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, 2018, the County received federal commodities in the amount of $4,079 for the Juvenile Probation Department.

R. Prior Period Adjustments

Prior period adjustments totaling $99,679 were made at the fund level to include ($19,175) in the General Fund, $75,211 in the Special Revenue-Grants, $137,252 in the Special Revenue Fund, $23,113 in County Capital Projects 2012, and ($116,722) in County Capital Projects 2007. Prior period adjustments were made at the entity wide level for a net amount of $1,401,190, for OPEB, capital asset changes, and claims liabilities.

Due to the implementation of GASB No. 75, the County restated its beginning net position within governmental activities and business-type activities to properly reflect the total OPEB liability and deferred outflow of resources as prescribed by this accounting standard. This adjustment was recorded at the fund level for the proprietary funds only, and recorded at the government wide level for both the governmental and business-type activities. The table below summarizes the changes to net position as a result of this change in accounting method.

	Governmental Activities	Business-type Activities
Prior year ending net position	$13,857,293	$9,461,443
Implementation of GASB 75	(1,510,571)	(34,224)
Restated beginning net position	$12,346,722	$9,427,219

Note 3. Detailed notes on all funds (Continued)

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.

U. Subsequent Events

Effective October 1, 2018, ESD1 became a participating employer in the Texas County and District Retirement System (TCDRS). Participation of all of ESD1 employees is mandatory, except for employees of the Horizon Volunteer Fire Department, which is a component unit of ESD1. TCDRS is a statewide, agent multiple-employer, public-employee retirement system. TCDRS serves 760 participating counties and districts throughout Texas. Each employer maintains its own customized plan of benefits. Plan provisions are adopted by the governing body of each employer, within the options available in the TCDRS Act. Employers have the flexibility and local control to adjust benefits annually and pay for those benefits based on their needs and budgets.

Each employer has a defined benefit plan that functions similarly to a cash balance plan. The assets of the plans are pooled for investment purposes, but each employer’s plan assets may be used only for the payment of benefits to the members of that employer’s plan. It is intended that the pension plan be construed and administered in a manner that the retirement system will be considered qualified under Section 401(a) of the Internal Revenue Code. A percentage of each employee’s paycheck is deposited into his or her TCDRS account. That percentage (from 4% to 7%) is set by the employer. The employee’s savings grow, by law, at a rate of 7%, compounded annually. The employer selects a matching rate – at least “dollar for dollar” up to $2.50 per $1.00 in the employee’s account

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REQUIRED SUPPLEMENTARY INFORMATION

Required Supplementary Information

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total Pension Liability										
Service cost	$29,740,838	$28,653,627	$29,545,850	$29,172,832	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	81,728,395	75,075,334	73,345,362	70,530,931	N/A	N/A	N/A	N/A	N/A	N/A
Effect of plan changes	(85,764,813)	(3,296,494)	(95,847,633)		N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	(705,508)		12,467,930							
Effect of economic/demographic (gains) or losses	(12,940,267)	377,139	(4,737,378)	3,927,389	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(37,771,572)	(34,261,083)	(30,298,225)	(26,161,836)	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	(25,712,926)	66,548,522	(15,524,094)	77,469,316	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	997,769,791	931,221,269	946,745,363	869,276,047	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, ending (a)	$972,056,865	$997,769,791	$931,221,269	$946,745,363	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary Net Position										
Employer contributions	$27,848,674	$26,801,554	$24,826,415	$24,527,009	N/A	N/A	N/A	N/A	N/A	N/A
Member contributions	11,850,504	12,095,806	11,298,180	11,207,319	N/A	N/A	N/A	N/A	N/A	N/A
Investment income net of investment expenses	111,634,438	52,458,717	(9,496,448)	44,436,493	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(37,771,572)	(34,261,083)	(30,298,225)	(26,161,836)	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expenses	(583,624)	(570,719)	(512,359)	(529,596)	N/A	N/A	N/A	N/A	N/A	N/A
Other	20,332	(684,796)	(660,025)	152,151	N/A	N/A	N/A	N/A	N/A	N/A
Net change in fiduciary net position	112,998,752	55,839,479	(4,842,462)	53,631,540	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, beginning	764,589,864	708,750,384	713,592,846	659,961,306	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, ending (b)	$877,588,616	$764,589,864	$708,750,384	$713,592,846	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability / (asset), ending = (a)-(b)	$94,468,249	$233,179,928	$222,470,885	$233,152,517	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position as a % of total pension liability	90.28%	76.63%	76.11%	75.37%	N/A	N/A	N/A	N/A	N/A	N/A
Pensionable covered payroll	$169,292,907	$179,136,023	$159,868,763	$159,778,176	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a % of covered payroll	55.80%	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%
2018	28,925,785	29,369,745	(443,960)	173,294,959	16.9%

(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 rates:

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, closed
Remaining Amortization period	12.2 years (based on contribution rate calculated in12/31/17 valuation)
Asset valuation method	5-year smoothed market
Inflation	2.75%
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	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate Scale after 2014.
Changes in assumptions and Methods Reflected in the Schedule of Employer Contributions*	2015: New inflation, mortality and other assumptions were reflected. 2017: New mortality assumptions were reflected.
Changes in Plan Provisions Reflected in the Schedule*	2015: calendar year, employer contributions reflect that a 2% flat COLA was adopted. 2016: calendar year, employer contributions reflect that a 1% flat COLA was adopted. 2017: New Annuity Purchase Rates were reflected for benefits earned after 2017.

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

County of El Paso
Schedule of Changes in Total OPEB Liability and Related Ratios
Year Ending September 30,

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Total OPEB Liability										
Service cost	$2,112,805	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest	1,520,389	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes in Benefit Terms		N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Difference between expected and actual experience		N/A	N/A	N/A						
Changes of assumptions or other inputs	3,202,720	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(1,155,480)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	5,680,434	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, beginning	39,426,555	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, ending	$45,106,989	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered-payroll	$170,180,386	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability as a % of covered payroll	26.51%									

Notes to Schedule:
Changes of assumptions. Reflects a change in the discount rate from 3.81% as of December 31, 2016 to 3.31% as of December 31, 2017.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the County will present information for those years for which information is available.

Note: No assets are accumulated in a trust that meets the criteria in Paragraph 4 of GASB Statement 75.

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total Pension Liability										
Service cost	$12,690,000	$12,162,000	$11,531,000	$11,453,000	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	31,131,000	28,134,000	26,051,000	23,877,000	N/A	N/A	N/A	N/A	N/A	N/A
Effect of plan changes			(2,467,000)		N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	1,902,000		4,304,000							
Effect of economic/demographic (gains) or losses	1,746,000	865,000	(3,230,000)	(656,000)	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(11,486,000)	(10,307,000)	(9,474,000)	(8,088,000)	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	35,983,000	30,854,000	26,715,000	26,586,000	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	377,278,000	346,424,000	319,709,000	293,123,000	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, ending (a)	$413,261,000	$377,278,000	$346,424,000	$319,709,000	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary Net Position										
Employer contributions	$10,064,000	$8,981,000	$8,294,000	$8,342,000	N/A	N/A	N/A	N/A	N/A	N/A
Member contributions	7,683,000	7,060,000	6,490,000	6,339,000	N/A	N/A	N/A	N/A	N/A	N/A
Investment income net of investment expenses	48,385,000	22,427,000	(2,734,000)	18,629,000	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	(11,486,000)	(10,307,000)	(9,474,000)	(8,088,000)	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expenses	(256,000)	(244,000)	(217,000)	(221,000)	N/A	N/A	N/A	N/A	N/A	N/A
Other	96,000	651,000	149,000	132,000	N/A	N/A	N/A	N/A	N/A	N/A
Net change in fiduciary net position	54,486,000	28,568,000	2,508,000	25,133,000	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, beginning	330,791,000	302,223,000	299,715,000	274,582,000	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, ending (b)	$385,277,000	$330,791,000	$302,223,000	$299,715,000	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability / (asset), ending = (a)-(b)	$27,984,000	$46,487,000	$44,201,000	$19,994,000	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position as a % of total pension liability	93.23%	87.68%	87.24%	93.75%	N/A	N/A	N/A	N/A	N/A	N/A
Pensionable covered payroll	$153,652,000	$141,207,000	$129,797,000	$126,780,000	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a % of covered payroll	18.21%	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%
2018	10,420,000	10,420,000	0	155,455,000	6.7%

[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	13.7 years
Asset valuation method	5-year smoothed non-asymptotic market
Inflation	2.75%
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	130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate scale after 2014.

El Paso County Hospital District
Schedule of Changes in Total OPEB Liability and Related Ratios
Year Ending September 30,

	2018	**2017**	**2016**	**2015**	**2014**	**2013**	**2012**	**2011**	**2010**	**2009**
Total OPEB Liability										
Service cost	$540,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest	227,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Changes in Benefit Terms	(5,272,000)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Difference between expected and actual experience	94,000	N/A	N/A	N/A						
Changes of assumptions or other inputs	(440,000)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments	(19,000)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total OPEB liability	(4,870,000)	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, beginning	6,148,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability, ending	$1,278,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Covered-employee payroll	$142,625,000	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total OPEB liability as a % of covered payroll	0.90%									

Notes to Schedule:
Benefit changes. Effective May 1, 2018, plan eligibility was changed to age 60 and 20 years of service.
Changes of assumptions. Changes in per capita costs, contribution premiums, trends, retirement, turnover, disability, and discount rate.
This schedule is presented as of the measurement date for the fiscal year.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the District will present information for those years for which information is available.

Schedule of Changes in Net Pension Liability and Related Ratios
El Paso County Emergency Services District 2 – Component Unit

Year Ended December 31

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Total Pension Liability										
Service cost	$145,296	$127,824	$99,145	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Interest on total pension liability	31,188	13,433	3,595	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of plan changes			(9,664)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effect of assumption changes or inputs	(6,560)		1,049							
Effect of economic/demographic (gains) or losses	40,311	(4,688)	9,046	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions	0	0	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in total pension liability	210,235	136,569	103,171	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, beginning	239,740	103,171	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Total pension liability, ending (a)	$449,975	$239,740	$103,171	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary Net Position										
Employer contributions	$98,641	$86,150	$62,894	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Member contributions	69,676	54,427	39,735	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Investment income net of investment expenses	39,961	7,762	(872)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Benefit payments/refunds of contributions				N/A	N/A	N/A	N/A	N/A	N/A	N/A
Administrative expenses	(309)	(84)	(38)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Other	2,253	5,255	(5)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net change in fiduciary net position	210,222	153,510	101,714	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, beginning	255,224	101,714	0	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position, ending (b)	$465,446	$255,224	$101,714	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability / (asset), ending = (a)-(b)	($15,471)	($15,484)	$1,457	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Fiduciary net position as a % of total pension liability	103.44%	106.46%	98.59%	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pensionable covered payroll	$995,368	$777,533	$567,640	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Net pension liability as a % of covered payroll	-1.55%	-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%
2017	$98,641	$98,641	0	$995,368	9.9%

(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, 2017.

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	2.75%
Salary increases	Varies by age and service. 4.85% 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	Depositing members: 90% of the RP-2014 Active Employee Mortality Table for males and 90% of the RP-2014 Active Employee Mortality Table for females, projected with 110% of the MP-2014 Ultimate Scale after 2014. Service retirees, beneficiaries and non-depositing members: 130% of the RP-2014 Healthy Annuitant Mortality Table for males and 110% of the RP-2014 Healthy Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate Scale after 2014. Disabled retirees: 130% of the RP-2014 Disabled Annuitant Mortality Table for males and 115% of the RP-2014 Disabled Annuitant Mortality Table for females, both projected with 110% of the MP-2014 Ultimate Scale after 2014.

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
County's Proportion of the net pension liability	2.272%	2.228%	2.088%	1.903%	2.475%	N/A	N/A	N/A	N/A	N/A
County's proportionate share of the net pension liability	$491,898	$534,757	$608,195	$507,959	$449,748	N/A	N/A	N/A	N/A	N/A
County's number of active members *	232	175	175	199	200	N/A	N/A	N/A	N/A	N/A
County's net pension liability per active member	$2,120	$3,056	$3,476	$2,553	$2,249	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability	84.3%	81.4%	76.3%	76.9%	83.5%	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
2018	32,755	10,000	32,755	(10,000)	76	563
ESD2						
2015	$66,996		$66,996		151	$444
2016	55,932		55,932		128	437
2017	59,004		59,004		128	461
2018	67,474		67,474		156	433

* 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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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, 2018, 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 April 30, 2019. 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.

Clark Ruddock Patten LLC

El Paso, Texas
April 30, 2019

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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, 2018. 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 expended $1,274,806 in federal awards and $844,657 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, 2018. 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.

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, 2018.

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 each 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.

Clar Riddock P&A LLC

El Paso, Texas
April 30, 2019

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:	**Water and Waste Disposal Systems for Rural Communities:** CFDA 10.760: Square Dance Waste Water Project (Loan); **Water and Waste Disposal Loans and Grants (Section 306C):** CFDA 10.770: Square Dance Waste Water Project (Grant); **Crime Victim Assistance:** CFDA 16.575: Victim Witness Services and Victim of Crimes Act; and **Homeland Security Grant Program:** CFDA 97.067: Homeland Security Community Response, Operation Stonegarden, and Homeland Security Sustaining Special Response Team.
Major State Programs:	**Rifle Resistant Body Armor:** BG-34601-01; **Texas Juvenile Probation Grants:** TJJD Juvenile Board State Aid: TJJD-A-2018-071 and TJJD-A-2019-071, TJJD Special Needs Diversionary: TJJD-M-2018-071 and TJJD-M-2019-071, TJJD Juvenile Justice Alt. Education: TJJD-P-2017-071, TJJD Prevention and Intervention Demonstration Project: TJJD-S-2018-071 and TJJD-S-2019-071, TJJD Prevention and Intervention Project-School Truancy: TJJD-2018-071, TJJD Juvenile Justice Alt. Education-Supplemental: TJJD-W-2017-071, and TJJD Regional Diversion Alternatives Program: TJJD-R-2017-071, TJJD-R-2018-071, and TJJD-R-2019-071; **Texas Veterans Commission:** Veterans Treatment Court VTC_17_0480 and VTC_18_0601, and General Assistance VSO_18_0609.

(Continued)

SUMMARY OF AUDITOR'S RESULTS

Dollar threshold used to distinguish between type A and type B programs:	Federal Programs - $750,000 State Programs - $300,000
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?	Federal Programs - Yes State Programs - Yes

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, 2018

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, 2018

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2017-2018	State Expenditures 2017-2018
Federal Expenditures				
U. S. Department of Agriculture				
Rural Development				
# Colonia Revolucion Water Project	10.760	RD Grant	$ (2,984)	
Square Dance Waste Water Project (Loan)	10.760	RUS Bulletin 1780-27	$ 1,334,000	
Total for CFDA 10.760			$ 1,331,016	
Square Dance Waste Water Project (Grant)	10.770	RUS Bulletin 1780-12	$ 1,408,257	
***Texas Department of Agriculture**				
National School Lunch Program	10.555	TX-071215	$ 150,129	
***TDHS - Commodities Distribution**				
El Paso County Juvenile Probation (Non-Cash)	10.565	071-050-A4	$ 4,079	
Total U.S. Department of Agriculture			**$ 2,893,481**	**$ -**
U. S. Department of Housing and Urban Development				
***Office of Rural Affairs within the Texas Department of Agriculture**				
Wiloughby Area Water Service	14.228	7215035	$ 82,976	
Texas Department of Housing and Commuity Affairs				
Colonia Self Help Center	14.228	7214003	$ 278,924	
Community Development Block Grants				
***City of El Paso**				
Homebound Meals	14.218	17-1039-1403	$ 64,027	
Continuum of Care	14.267	TX0364L6T031502	$ 14,243	
Total U.S. Department of Housing and Urban Development			**$ 440,170**	**$ -**
U. S. Department of Justice				
Bureau of Justice Assistance				
State Criminal Alien Assistance Program (SCAAP)	16.606	2019-AP-BX-0296	$ 299,183	
Office of Community Oriented Policing Services (COPS)				
COPS Building Trust People of Color	16.710	2014-CK-WX-0003	$ 908	
COPS Community Policing Development	16.710	2017-CK-WX-0016	$ 8,626	
Total for CFDA 16.710			$ 9,534	
Asset Forfeiture Money Laundering Section				
El Paso County Sheriff's Office-Asset Sharing Dpt of Justice	16.922	TX0710000	$ 74,758	
Office of Justice Programs				
Organized Crime Drug Enforcement Task Force	16.111	SWTXW-0742H	$ 1,667	
Organized Crime Drug Enforcement Task Force	16.111	SWTXW-0770H	$ 4,622	
Organized Crime Drug Enforcement Task Force	16.111	SWTXW-0781H	$ 22,462	
Organized Crime Drug Enforcement Task Force	16.111	SWTXW-0783H	$ 10,900	
Organized Crime Drug Enforcement Task Force	16.111	SWTXW-0790H	$ 5,546	
Organized Crime Drug Enforcement Task Force	16.111	SWTXW-0793H	$ 5,528	
Organized Crime Drug Enforcement Task Force	16.111	SWTXW-0813H	$ 9,684	
Organized Crime Drug Enforcement Task Force	16.111	SWTXW-0815H	$ 4,685	
Organized Crime Drug Enforcement Task Force	16.111	SWTXW-0816H	$ 7,256	
Organized Crime Drug Enforcement Task Force	16.111	SWTXW-0825H	$ 170,734	
Organized Crime Drug Enforcement Task Force	16.111	SWTXW-0845H	$ 5,424	
Organized Crime Drug Enforcement Task Force	16.111	SWTXW-0846H	$ 6,828	
Total for CFDA 16.111			$ 255,336	

County of El Paso
Schedule of Expenditures of Federal and State Awards
Year Ended September 30, 2018

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2017-2018	State Expenditures 2017-2018
Edward Byrne Memorial Justice Assistant Grant	16.738	2014-DJ-BX-0825	$ 21,348	
Edward Byrne Memorial Justice Assistant Grant	16.738	2015-DJ-BX-0831	$ 39,562	
Edward Byrne Memorial Justice Assistant Grant	16.738	2016-DJ-BX-0732	$ 10,046	
Total for CFDA 16.738			$ 70,956	
***Office of the Governor - Criminal Justice Division**				
Victim Witness Services	16.575	VZ-13625-18	$ 247,949	
Victim of Crimes Act	16.575	VA-23931-07	$ 154,874	
Total for CFDA 16.575			$ 402,823	
Domestic Violence Unit	16.588	WF-13437-19	$ 5,313	
Domestic Violence Unit	16.588	WF-13437-20	$ 137,333	
Domestic Violence Unit	16.588	WF-13437-21	$ 9,643	
Protective Order Court	16.588	WF-24316-08	$ 144,566	
Protective Order Court	16.588	WF-24316-09	$ 11,617	
Total for CFDA 16.588			$ 308,472	
EP County Mobile Identification System	16.738	DJ-33659-01	$ 104,100	
Total U. S. Department of Justice			**$ 1,525,162**	**$ -**
U. S. Department of Transportation				
Federal Transit Administration				
***Texas Department of Transportation**				
Van Pool	20.205	CSJ#0924-06-556	$ 118,089	
Sparks/West Way Sidewalk Imp	20.205	CSJ#0924-06-512/513	$ 9,728	
& Ysleta, Socorro, San Elizario Route	20.205	CSJ#9024-06-488	$ 215,899	
& Ysleta, Socorro, San Elizario Route	20.205	CSJ#0924-06-555	$ 97,118	
Feasible Transportation Study	20.205	CSJ#9024-06-527	$ 161,385	
Total for CFDA 20.205			$ 602,219	
El Paso County, Texas and Eastern New Mexico	20.509	ICB17012439	$ 385,165	
El Paso County, Texas and Eastern New Mexico	20.509	ICB1901(24)030-18	$ 41,399	
& Rural Transit Assistance Program	20.509	RPT1601(24)013	$ 355,262	
& Rural Transit Assistance Program	20.509	RPT1701 24 032-17	$ 582,837	
Total for CFDA 20.509			$ 1,364,663	
Regional Public Transportation Plan	20.505	REG17012423		
Total for CFDA 20.505			$ -	
National Highway Traffic Safety Administration				
***Texas Department of Transportation**				
Sheriff's STEP Single Year	20.600	2018-ElPasoCO-S-1YG-0073	$ 82,193	
Sheriff's STEP IDM 2018	20.616	2018-ElPasoCO-IDM-00003	$ 10,182	
Click it or Ticket	20.616	2018-ElPasoCO-CIOT-00005	$ 4,389	
Total for CFDA 20.616			$ 14,571	
Total U.S. Department of Transportation			**$ 2,063,646**	**$ -**
U. S. Department of Treasury				
Asset Forfeiture Money Laundering Section				
El Paso County Sheriff's Office-Asset Sharing Dpt of Treasury	21.016	TX0710000	$ 8,361	
Total U.S. Department of Treasury			**$ 8,361**	

County of El Paso
Schedule of Expenditures of Federal and State Awards
Year Ended September 30, 2018

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2017-2018	State Expenditures 2017-2018
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	$ 1,123,649	
***Texas Department of Family and Protective Services**				
Promoting Safe and Stable Families -Child Protective	93.658	23940331	$ 252,135	
***Texas Juvenile Justice Department**				
Title IV-E	93.658	TJJD-E-2018-071	$ 14,192	
Total for CFDA 93.658			$ 266,327	
***Texas Attorney General**				
Access and Visitation Grant	93.597	17-C0129	$ 62,415	
Total U.S. Department of Health and Human Services			**$ 1,452,391**	**$ -**
Executive Office of the President				
Office of National Drug Control Policy (ONDCP)				
34th Judicial Dist. Prosecution Initiative	95.001	G17SW0003A	$ 546,485	
34th Judicial Dist. Prosecution Initiative	95.001	G18SW0003A	$ 145,720	
Multiple Initiatives	95.001	G16SW0001A	$ 1,547,344	
Multiple Initiatives	95.001	G17SW0001A	$ 2,202,221	
Multiple Initiatives	95.001	G18SW0001A	$ 5,284	
Total for CFDA 95.001			$ 4,447,054	
Total Executive Office of the President			**$ 4,447,054**	**$ -**
U. S. Social Security Administration				
Social Security Incentive Payment	96.008	20100901	$ 64,200	
Total U.S. Social Security Administration			**$ 64,200**	**$ -**
U.S. Department of Homeland Security				
Emergency Food and Shelter National Board Program	97.024	803600-014 Phase 34	$ 60,469	
Emergency Food and Shelter National Board Program	97.024	803600-014 Phase 35	$ 67,951	
Total for CFDA 97.024			$ 128,420	
***Office of the Governor - Homeland Security Grants Division**				
Homeland Security Community Response	97.067	HS-29504-03	$ 210,040	
Operation Stonegarden	97.067	HS-30070-02	$ 396,777	
Operation Stonegarden	97.067	HS-30070-03	$ 121,035	
Homeland Security Sustaining Special Response Team	97.067	HS-32213-01	$ 33,350	
Total for CFDA 97.067			$ 761,202	
Total U.S. Department of Homeland Security			**$ 889,622**	**$ -**
State Expenditures				
Office of the Governor - Criminal Justice Division				
& 384th Drug Court Program	N/A	SF-16921-15		$ 168,960
& 384th Drug Court Program	N/A	SF-16921-16		$ 13,951
409th Juvenile Drug Court	N/A	SF-18028-13		$ 81,614
409th Juvenile Drug Court	N/A	SF-18028-14		$ 7,909
65th Family Drug Court Program	N/A	DC-23858-08		$ 79,784
65th Family Drug Court Program	N/A	SF-23858-09		$ 4,803
& DWI Court	N/A	SF-18692-11		$ 132,658
& DWI Court	N/A	SF-18692-12		$ 4,271
Project Hope	N/A	SF-25765-06		$ 106,160
Project Hope	N/A	SF-25765-07		$ 11,586
& El Paso County Veterans Court	N/A	DC-25831-06		$ 116,361
& El Paso County Veterans Court	N/A	DC-25831-07		$ 6,999
Rifle Resistant Body Armor	N/A	BG-34601-01		$ 199,910

County of El Paso
Schedule of Expenditures of Federal and State Awards
Year Ended September 30, 2018

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2017-2018	State Expenditures 2017-2018
Office of the Governor - Homeland Division Grants Division				
District Attorney's Border Prosecution	N/A	BP-22837-07		$ 159
District Attorney's Border Prosecution	N/A	BP-22837-08		$ 944,127
District Attorney's Border Prosecution	N/A	BP-22837-09		$ 80,768
Local Border Security Program	N/A	BL-29953-03		$ 262,164
***Rio Grande Council of Governments**				
Sheriff's Training Academy	N/A	SF-14285-16		$ 10,405
Sheriff's Training Academy	N/A	SF-14285-16		$ 144,997
Total Office of the Governor			**$ -**	**$ 2,377,586**
Texas Department of Agriculture				
Home-Delivered Meal Grant Program	N/A	HDM-18-3214		$ 110,048
Total Texas Department of Agriculture			**$ -**	**$ 110,048**
Office of the Attorney General				
Sheriff's Crime Victim's Liaison	N/A	18-80905		$ 37,646
Sheriff's Crime Victim's Liaison	N/A	19-87007		$ 4,358
Total Office of the Attorney General			**$ -**	**$ 42,004**
Texas Department of Transportation				
& Rural Transit Assistance Program	N/A	RUR 1701(24)		$ 63,220
& Rural Transit Assistance Program	N/A	RUR 1801(24)		$ 367,468
& Rural Transit Assistance Program	N/A	RUR 1901(24)		$ 19,227
Routine Airport Maintenance Program	N/A	M182AFABN		$ 21,722
Total Texas Department of Transportation			**$ -**	**$ 471,637**
Texas Comptroller of Public Accounts				
Elections Chapter 19	N/A	TX Election CD Chapter 19- FY16		$ 41,714
Elections Chapter 19		TX Election CD Chapter 19- FY17		$ 23,516
Elections Chapter 19		TX Election CD Chapter 19- FY18		$ 15,481
Lateral Road Fund Distribution	N/A	94F0001072		$ 91,880
Sheriffs Continuing Education	N/a	TX Occup CD 1701.157		$ 55,411
Total Texas Comptroller of Public Accounts			**$ -**	**$ 228,002**
Texas Department of State Health Services				
Texas School Safety Center at TX State University-San Marcos				
Tobacco Enforcement Program FY 2017	N/A	2016-0529		$ 300
Texas Department of State Health Services			**$ -**	**$ 300**
Texas Task Force on Indigent Defense				
Public Defender Indigent Defense	N/A	212-18-071		$ 826,342
Public Defender Supplemental Indigent Defense	N/A	212-18-071-SC		$ 45,906
Public Defender Mental Health Advocacy and Litigation	N/A	212-18-D02		$ 714,587
Total Texas Task Force on Indigent Defense			**$ -**	**$ 1,586,835**
Texas Juvenile Justice Department				
TJJD Juvenile Board State Aid	N/A	TJJD-A-2019-071		$ 227,278
TJJD Juvenile Board State Aid	N/A	TJJD-A-2018-071		$ 3,246,196
TJJD Special Needs Diversionary	N/A	TJJD-M-2018-071		$ 36,441
TJJD Special Needs Diversionary	N/A	TJJD-M-2019-071		$ 10,235
TJJD Juvenile Justice Alt. Education	N/A	TJJD-P-2017-071		$ 97,150
TJJD Prevention and Intervention Demonstration Project	N/A	TJJD-S-2018-071		$ 124,162
TJJD Prevention and Intervention Demonstration Project	N/A	TJJD-S-2019-071		$ 20,129
TJJD Prevention and Intervention Project-School Truancy	N/A	TJJD-T-2018-071		$ 33,096
TJJD Juvenile Justice Alt. Education-Supplemental	N/A	TJJD-W-2017-071		$ 400
TJJD Regional Diversion Alternatives Program (Reimbursement)	N/A	TJJD-R-2017-071		$ 179,224
TJJD Regional Diversion Alternatives Program (Reimbursement)	N/A	TJJD-R-2019-071		$ 36,444
TJJD Regional Diversion Alternatives Program (Allocation)	N/A	TJJD-R-2018-071		$ 4,233
Total Texas Juvenile Justice Department			**$ -**	**$ 4,014,988**

County of El Paso
Schedule of Expenditures of Federal and State Awards
Year Ended September 30, 2018

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2017-2018	State Expenditures 2017-2018
Texas District Courts-Comptroller Judiciary				
Reimbursement of State Witness	N/A	TX CD Cram Proc 35.27/104.003		$ 94,433
DA Apportionment Salaries	N/A	Gov CD Chpt 46.004		$ 22,500
Total Texas District Courts-Comptroller Judiciary			**$ -**	**$ 116,933**
Texas Department of Criminal Justice				
Reimbursement of Offender Transportation	N/A	Gov CD Chpt 499.125		$ 72,905
Total Texas Department of Criminal Justice			**$ -**	**$ 72,905**
Texas Department of Health and Human Services Commissions				
District Attorney Food stamp Fraud	N/A	OIG 042010A		$ 2,520
Total Texas Department of Health and Human Services Commissions			**$ -**	**$ 2,520**
Texas Veterans Commission				
Veterans Treatment Court	N/A	VTC_17_0480		$ 152,769
Veterans Treatment Court	N/A	VTC_18_0601		$ 73,387
Veterans General Assistance	N/A	VSO_18_0609		$ 145,228
Total Texas Veterans Commission			**$ -**	**$ 371,384**
Texas Council on Family Violence				
Domestic Violence High Risk Team	N/A	2017-0089		$ 21,363
Domestic Violence High Risk Team	N/A	2018-0140		$ 29,762
Total Texas Council on Family Violence			**$ -**	**$ 51,125**
Texas Commission on Environmental Quality				
***Rio Grande Council of Government**				
Municipal Solid Waste Grant Program	N/A	582-18-8056		$ 22,666
Total Texas Commission on Environmental Quality			**$ -**	**$ 22,666**
TOTAL FEDERAL AND STATE FINANCIAL ASSISTANCE			**$ 13,784,087**	**$ 9,468,933**

County of El Paso
Schedule of Expenditures of Federal and State Awards
Year Ended September 30, 2018

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number		Federal Expenditures 2017-2018	State Expenditures 2017-2018
Federal Funds Expended			$	13,784,087	
State Funds Expended			$	9,468,933	
Total Funds Expended			$	23,253,020	
Note:					
Special Revenues-Grants Total Expenditures			$	23,596,487	
Plus Funds received through General Fund			$	1,402,969	
Plus Funds received through Special Revenues			$	405,559	
Plus Funds received through Enterprise Accounts			$	2,742,257	
plus Juvenile Probation Commodities			$	4,079	
Less Federal funds received not expended			$	(40,691)	
Plus Net Change in Fund balance			$	(637,512)	
Less Non-Federal or State Funding Sources			$	(4,220,128)	
TOTAL FEDERAL AND STATE FINANCIAL ASSISTANCE			$	23,253,020	
Revenues					
Special Revenues-Grants Total Revenues			$	22,958,975	
Plus Revenues through General Fund			$	1,402,969	
Plus Revenues through Special Revenues			$	405,559	
Plus Revenues through Enterprise Accounts			$	2,742,257	
Plus Juvenile Probation Commodities			$	4,079	
Less Federal funds received not expended			$	(40,691)	
Less Non-Federal or State Funding Sources			$	(4,220,128)	
Adjusted Balance			$	23,253,020	
			$	-	

Federal funds returned to Federal 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, 2018. 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 expended $1,274,806 in federal awards and $844,657 in state awards during the year ended September 30, 2018 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.