



CITY OF EL PASO, TX

AUGUST 31, 2018



COMPREHENSIVE ANNUAL FINANCIAL REPORT



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CITY OF EL PASO, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE YEAR ENDED AUGUST 31, 2018



**Prepared by
Office of the Comptroller**



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**CITY OF EL PASO, TEXAS
COMPREHENSIVE ANNUAL FINANCIAL REPORT
YEAR ENDED AUGUST 31, 2018
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INTRODUCTORY SECTION





Office of the Comptroller

Mayor
Dee Margo

February 28, 2019

City Council

Honorable Mayor and City Council
City of El Paso, Texas

District 1
Peter Svarzbein

State law requires that every general-purpose local government publish, within six months of the close of each fiscal year, a complete set of audited financial statements. This report is published to fulfill that requirement for the fiscal year ended August 31, 2018.

District 2
Alexsandra Annello

District 3
Cassandra Hernandez

In addition, Section 7.21 of the City Charter requires an annual audit of all City accounts by an independent certified accountant. The Comprehensive Annual Financial Report (CAFR) is the summary of the City’s financial activities for the past fiscal year. We believe this CAFR is accurate in all material aspects; that it presents fairly the financial position and financial activities of the City measured by the financial activity of its various funds; and that all disclosures necessary to enable the reader to gain an understanding of the City’s financial affairs have been included.

District 4
Dr. Sam Morgan

District 5
Isabel Salcido

District 6
Claudia Ordaz Perez

The Office of the Comptroller assumes full responsibility for the completeness and reliability of the information contained in this report, based upon a comprehensive framework of internal control that have been established for this purpose. Because the cost of internal control should not exceed anticipated benefits, the objective is to provide reasonable, rather than absolute, assurance that the financial statements are free of any material misstatements.

District 7
Henry Rivera

District 8
Cissy Lizarraga

City Manager
Tommy Gonzalez

BKD, LLP, independent auditors, has issued unmodified (“clean”) opinions on the City’s financial statements for the year ended August 31, 2018. The independent auditor’s report is located at in the financial section of this report

Generally accepted accounting principles in the United States of America (GAAP) require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management’s Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The MD&A can be found immediately following the independent auditor’s report.

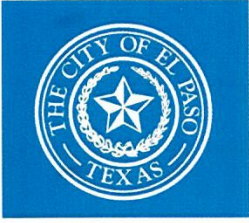
Profile of the City

El Paso was incorporated in 1873, and in 2018 celebrates the 145th year since its founding. The City is located at the confluence of two countries, the United States



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and Mexico, and three states, Texas, Chihuahua, and New Mexico, represents one-half of the largest binational metroplex in the Western Hemisphere with the regional population expected to exceed 3 million by 2030.

The City is located in far west Texas, and is the sixth largest city in state. The City's corporate limits encompass approximately 256 square miles. It is the county seat of 1,013 square mile El Paso County. It is approximately equidistant from the cities of Houston, Texas; Denver, Colorado; and Los Angeles, California. The area comprising the City of El Paso (estimated population 2018 – 678,058), the remainder of El Paso County (estimated population 2018 – 159,015) and Ciudad Juarez, Mexico (estimated population – 1.4 million) has a population in excess of 2.2 million.

The City operates under a Home Rule Charter with a Council-Manager form of government consisting of a mayor and eight council members. The mayor is elected at large for a four-year term. Council members are elected from eight single member districts for a four-year term. Elections are held bi-annually. The City Manager, appointed by the City Council, is responsible for the management of City employees and the administration of all City affairs.

The City provides a full range of services to the general public. These services include police and fire protection; emergency medical and health services; sanitation services; mass transit transportation; construction and maintenance of streets and infrastructure; recreational activities and cultural events; convention and cultural facilities, international airport and bridges, and general administrative services.

El Paso is the largest metro area along the Texas-Mexico border and boasts a best-in-class, business friendly operating environment while also offering a great living experience. The region represents one of the largest manufacturing centers in North America and is recognized as globally competitive. This is largely due to El Paso's unique quality of possessing the largest bilingual and bi-cultural workforce in the Western Hemisphere.

El Paso is a top 20% U.S. performing economy and continues to experience positive economic growth by attracting new businesses and helping existing companies to grow. The City's focus is to create new employment opportunities in 21st century industries, maintain a great quality of life and quality of place, and facilitate business growth at the local and international levels.

Some of the achievements for El Paso during the fiscal year include:

- All-America City – National League of Cities, 2018
- Best Place to Live 2018 (3rd Year in a row) Area Vibes – 2018
- Governor's Achievement Award for Performance Excellence – State of Texas, June 2018
- Top 5 Best Places to Retire (U.S. News & World Report, November 2017)



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Top 10 Digital Cities with Population over 500,000 (Center for Digital Cities, November 2017)
Top Convention Cities in the USA for 2018 (Meetingsource.com)
Top Retirement Destination for “Downtown” Living (Where to Retire – June 2018)
El Paso Fire Department – National Paramedic Accreditation (CAAHEP, January 2019)
El Paso International Airport – *Radiance* Public Art Project received People’s Choice Award (International CODAwards, September 2017)
El Paso Public Library – National Medal for Museum and Library Services (Institute of Library Services, May 2018); Achievement of Excellence in Libraries (Texas Municipal Library Directors Association, March 2018)
El Paso Zoo – National Accreditation (AZA Accreditation Commission, April 2018)
Environmental Services Department – Management Innovation Award (TPWA, June 2018)
SolSmart Gold Award – Leader in Fostering Solar Energy Growth, US Department of Energy (ICMA October 2017)
Silver Award – Regionalism and Cross-border Collaboration (IEDC, October 2018)
#4 Hottest Real Estate Markets to Watch in 2018 (Trullia, January 2018)

Financial Reporting Entity

The financial statements presented conform to the requirements of the Governmental Accounting Standards Board (GASB). GASB has established government-wide and combining fund financial statements as the required reporting level for governmental entities that present financial statements in accordance with GAAP.

This report includes financial statements of the funds required for those activities, organizations, and functions related to the City and that are controlled by or dependent upon the City’s governing body, which is the City Council. The financial statements present the City of El Paso, which includes the primary government and its component units.

The basic criterion for determining whether another governmental organization should be included as part of the primary government’s reporting entity is financial accountability. Financial accountability includes the appointment of a voting majority of the organization’s governing body *and* the ability of the primary government to impose its will on the organization or the existence of a financial benefit/burden relationship. An organization which is fiscally dependent on the primary government should be included as part of the reporting entity.

The following component units, although legally separate from the City, are reported as part of the reporting entity:



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Discretely Presented Component Units

El Paso Water Utilities (EPWater)

EPWater is a component unit of the City based on the selection of governing authority. The Public Service Board-El Paso Water Utilities consists of the Mayor of the City of El Paso and six residents of El Paso County. With the exception of the Mayor, all other trustees are appointed by the El Paso City Council. EPWU is a discretely presented component unit of the City in the government-wide financial statements.

El Paso Housing Finance Corporation (EPHFC)

The El Paso Housing Finance Corporation (HFC) is an independent entity, created pursuant to the Housing Finance Corporation Act by the City Council as a non-profit corporation to assist persons of low and moderate income with affordable housing. The City Council appoints its board consisting of seven directors. The EPHFC is a discretely presented component unit of the City in the government-wide financial statements.

Blended Component Units

Downtown Development Corporation (DDC)

The DDC was created and organized as a public non-profit local government corporation incorporated pursuant to Subchapter D of Chapter 431, Texas Transportation Code, as amended, to assist and act on behalf of the City in the performance of the City's governmental functions related to the downtown ballpark venue. The City Council operates as the Board of the DDC and certain City administrative staff (e.g. CFO, etc.) manage the activities for the DDC. The DDC is reported as a blended component unit of the City as a non-grant special revenue fund in the government-wide financial statements and the fund financial statements.

El Paso Metropolitan Planning Organization (MPO)

The MPO is responsible for cooperative decision-making by principal elected officials of general-purpose local governments in the El Paso Metropolitan Planning Area regarding the metropolitan transportation planning process. The MPO was established pursuant to 23 USC §134, 59 USC §5303 (Metropolitan Transportation Planning) and 23 CFR 450.300 et seq. (Metropolitan Transportation Planning and Programming). City of El Paso serves as the fiscal agent for the Transportation Policy Board of the MPO. The City also receives financial benefit as a sub-recipient of the MPO's state grant awards.

Thunder Canyon Public Improvement District (PID)

The Thunder Canyon PID was created after a handful of property owners petitioned for its creation to keep the canyon undeveloped and in its natural state. The 26-acre arroyo was purchased by the City from the developer for about \$525,000. The PID pays the annual debt service for the land's purchase. The City Council operates as the Board of the PID and certain City administrative staff



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(e.g. CFO, etc.) manage the activities for the PID. The PID is reported as a blended component unit as a non-grant special revenue fund in the government-wide financial statements and the fund financial statements.

El Paso Property Finance Authority, Inc. (Authority)

The Authority was incorporated March 12, 1987, pursuant to the Texas Non-Profit Corporation Act, for the purpose of establishing a Permanent Public Improvements Program. City Council appoints its board consisting of six directors and is accountable for its operations. This corporation had no assets or liabilities and had no financial transactions during fiscal year 2018.

El Paso Children's Museum Development Corporation (CMDC)

The CMDC was created and organized as a public non-profit local government corporation incorporated pursuant to Subchapter D of Chapter 431, Texas Transportation Code, as amended, to assist and act on behalf of the City in the performance of the City's governmental functions related to the children's museum. The City Council operates as the Board of the CMDC. This corporation had no assets or liabilities or financial transactions during fiscal year 2018. Going forward, the CMDC will be reported as a blended component unit of the City as a non-grant special revenue fund in the government-wide financial statements and the fund financial statements.

Fiduciary Component Units

City Employees' Pension Fund (CEPF)

The City contributes to the City Employees' Pension Fund which is a single-employer defined benefit retirement system established under legal authority of the City Charter and administered by a Board of Trustees (CEPF Board). Although not under the direct control of the City, the CEPF serves only City and Public Service Board employees and, because of the scope of service, is included in the City's financial statements as a Pension Trust Fund.

Firemen and Policemen's Pension Fund (FPPF)

Uniformed fire fighters and police officers participate in the FPPF, which is divided into two divisions: the fire division and police division. The plan is a single-employer defined benefit retirement plan established under legal authority of state statutes and the City Charter, and is administered by a Board of Trustees (FPPF Board). Although not under the direct control of the City, the FPPF serves only City employees and, because of the scope of service, is included in the City's financial statements as a Pension Trust Fund.

Internal Control Framework

Integrated within the business systems of the City are the policies and procedures over accounting and financial reporting that make up the internal control framework. The internal control framework provides reasonable assurance that the accounting systems and underlying data are reliable. There are, however, certain limitations inherent in the internal control framework.



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Management may choose to accept certain risks because the cost to prevent all risk is not reasonable. Management is responsible for establishing and maintaining effective internal controls. Although some level of risk within the internal control framework is unavoidable, the City's management maintains an attitude of supporting strong and effective internal controls.

Because the City receives federal and state awards, it is responsible for ensuring adequate internal controls are in place to comply with applicable laws, regulations, contracts and grants related to those programs. Each year a Single Audit Report is issued, which includes a schedule of expenditures of federal awards (SEFA), a schedule of expenditures of state awards (SESA), findings and questioned costs, if any, and the independent auditor's reports on compliance and on internal control over financial reporting. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Budgetary Control

The City adopts an annual budget for the General Fund, Debt Service Fund and the operations of the enterprise funds. Unexpended appropriations for these funds lapse at the fiscal year end. Special revenue funds and capital project funds are generally budgeted on a project basis that allows spending beyond the fiscal year end until the project is complete. If a fund is not overspent, it complies with the budget ordinance. Increases to the overall budget require City Council approval, but budget transfers, approved by the Office of Management & Budget, manage reallocation of budget within funds.

Long-term Financial Stability and Sustainability

Ensuring the long-term sustainability of City finances is a key strategic policy for City management. City Council has adopted fiscal policies that require the balancing of adopted appropriations with anticipated revenues. General Fund reserves may be used for one-time or emergency capital procurements that would otherwise need debt financing, or as specifically approved by the City Council.

Sustainability of the City's General Fund is always the most critical issue that constrains long-term financial goals and directly affects the City's ability to carry out its strategic initiatives. In fiscal year 2018, the operating budget was funded with current revenues. At the close of the fiscal year, actual revenues had exceeded expenditures by \$1.6 million.

Since most operating costs of the City are anticipated to increase in future budgets, balancing without the use of reserves or tax/fee increases remains a major focus. Continued effective budget planning in the short and long term will benefit the City's financial sustainability. Some of the specific accomplishments and areas of continual improvement include:



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- Maintain performance based budgeting and continue to align services to City Council's Strategic Goals
 - Continue long-term financial planning to align financial capacity with long-term objectives
 - Prepare the General Fund budget without the use of fund balance, setting appropriate budget priorities and balancing resources with expenditures
 - Monitor local economy and revenue performance to quickly adjust expenditure budgets when warranted
 - Review procedures and processes for ways to reduce costs and enhance efficiencies through consolidation, outsourcing, interagency partnerships, and technology investments.
- Initiatives include:
- Stimulate the local economy and job creation through new 380 incentive agreements
 - Introduce new technology to improve wait times and border crossing efficiency
 - Expand the cultural and recreational venues that continue to attract tourists
 - Budget strategically the capital needs of the city
 - Increase the investment portfolio performance
- Maintain strong bond ratings, S&P's AA; Fitch's AA
 - Supported by the GFOA awards for distinguished budgets (23 consecutive years) and excellence in financial reporting (19 consecutive years)
 - Supported by no financial audit findings for fiscal years 2016, 2017, and 2018

Financial Condition

The City's financial position remains stable as both tax and operating revenues out-performed budgeted revenues this fiscal year. In addition, City management continued to exercise conservative fiscal practices and careful evaluation of operational priorities. The City's 2018 General Fund increase in fund balance indicates continuous fiscal monitoring during the year.

Through an investment of \$1.59 billion on 82 projects since 2014, the City's capital investment has created 4,365 jobs and retained 7,749 jobs. With strong economic growth, this has led to an increase in wages, leading to El Paso no longer considered an economically distressed community by the Texas Workforce Commission.

The City has entered into an 18-year agreement with Tenet Hospitals with a capital investment of \$185 million. Additionally, UPS agreed to a 12-year agreement with a capital investment of \$16.4 million. These agreements along with all the new restaurants and businesses give the City a great return on investment. El Paso continues to exceed expectations by having more business openings and the community is embracing new, experiential, diverse options in grocery, dining, shopping, entertainment, and recreation. New businesses such as Top Golf, Whole Foods, Alamo Draft House, Dave & Busters, Ruth's Chris Steakhouse and Cabela's, reflect the City's commitment to expand our base of destination quality retail and entertainment.



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With a successful and thriving business climate, the City works in collaboration with our local and state partner organizations to recruit, retain, and expand businesses. Through community partnerships, the City collaboratively works to improve El Paso’s business climate, ensuring that local businesses have the tools and resources they need to succeed and grow, and attracts new opportunities for El Paso.

Streetcar number 1506, the first of six vintage streetcars mothballed for more than 40 years, has been refurbished, modernized, and returned to El Paso. It will be part of a fleet of six streetcars that brings a new mode of transportation for residents and visitors. This marks a return of vintage streetcars to daily use in El Paso for the first time since 1974. The El Paso Streetcar project is not just a novelty — it’s an important part of the El Paso region’s growing multi-modal transportation portfolio. The El Paso streetcar system will link the international bridges, downtown retail areas, convention center, ballpark, uptown – featuring the Cincinnati Entertainment District, and the University of Texas at El Paso.

Border crossings are important to both businesses and families in these communities with five land ports of entry in the region; three of which are owned and operated by the City. International trade of approximately \$75 billion crosses through the El Paso ports annually. The International Bridges Department will continue to champion the collaboration between various U.S. and Mexican governmental agencies and private entities to implement programs that will support the continuous improvement of services provided to the users of our international ports of entry, facilitating trade, tourism and economic growth for the region.

During the fiscal year, the Mayor and City Council revised the Strategic Plan and adopted the addition of the “20 in 2020” visionary incentives and adjustments to specific strategies.

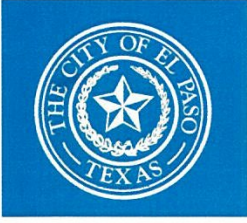
Strategic goals include:

1. Create an environment conducive to strong, sustainable economic development
2. Set the standard for a safe and secure city
3. Promote the visual image of El Paso
4. Enhance El Paso’s quality of life through recreational, cultural, and educational environments
5. Promote transparent and consistent communication among all members of the community
6. Set the standard for sound governance and fiscal management
7. Enhance and sustain El Paso’s infrastructure network
8. Nurture and promote a healthy, sustainable community

The FY 2018 – 2019 Adopted Budget will continue this strategic path forward to keep El Paso as one of the most financially sound cities in the country, provide the highest quality customer service for our residents, and target our resources where they are needed the most.



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GFOA Award

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of El Paso for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended August 31, 2017. The Certificate is the highest form of recognition in governmental accounting and financial reporting, and represents a significant accomplishment by a government and its management. This was the eighteenth consecutive year that the City has achieved this prestigious award. In order to qualify for the Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both Generally Accepted Accounting Principles (GAAP) and applicable legal requirements.

A Certificate of Achievement for Excellence in Financial Reporting is valid for a period of one year only. We believe that our current CAFR continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA.

Acknowledgments

The preparation of this report is made possible by the dedicated service of the employees of the Office of the Comptroller. Each member of the department has our sincere appreciation for the contributions made in the preparation of this report.

The efforts of the City's component units (EPWU, EPHFC, DDC, CMCD, MPO, PID, CEPF and FPPF) and their external auditors are appreciated. We would also like to thank the Mayor, City Council and City Department Directors for their support in planning and conducting the financial operations of the City in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in blue ink, appearing to read "Tommy Gonzalez".

Tommy Gonzalez
City Manager

A handwritten signature in blue ink, appearing to read "Robert Cortinas".

Robert Cortinas
Chief Financial Officer

A handwritten signature in blue ink, appearing to read "Pat Degman".

Pat Degman, CGFM
Comptroller



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Government Finance Officers Association

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

Presented to

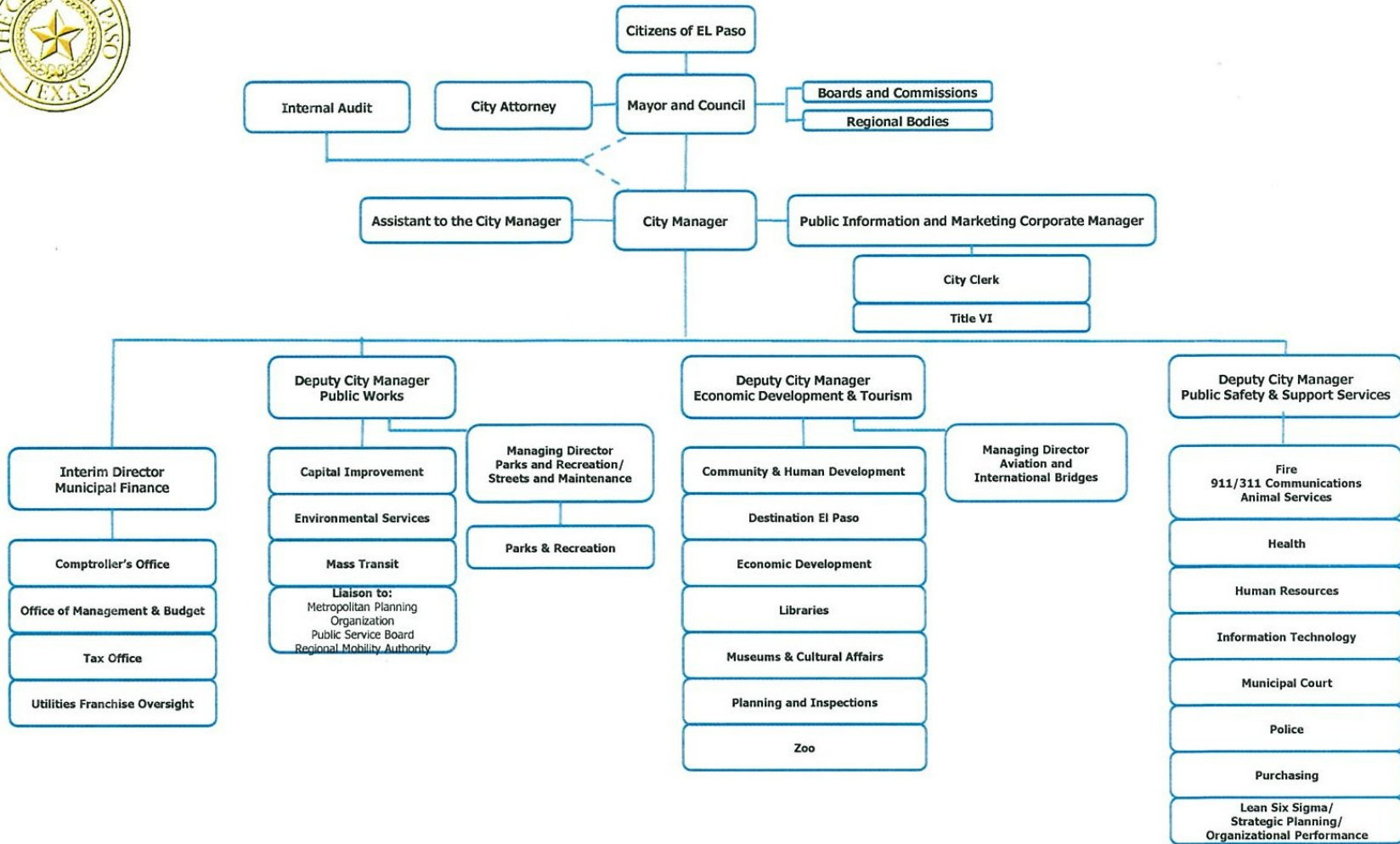
**City of El Paso
Texas**

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

August 31, 2017

Christopher P. Morill

Executive Director/CEO



LIST OF PRINCIPAL OFFICIALS



DEE MARGO

Mayor

PETER SVARZBEIN

District 1

DR. MICHIEL NOE

District 5

ALEXSANDRA ANNELLO

District 2

CLAUDIA ORDAZ

District 6

CASSANDRA HERNANDEZ

District 3

HENRY RIVERA

District 7

SAM MORGAN

District 4

CISSY LIZARRAGA

District 8

TOMÁS GONZALEZ

City Manager

ROBERT CORTINAS

Deputy City Manager Chief Financial Officer

CARY WESTIN

Deputy City Manager Economic Development & Tourism

DIONNE MACK

Deputy City Manager Public Safety & Support Services

TED MARQUEZ

Deputy City Manager Public Works

2018 Department Directors

Monica Lombrana	Airport
Paula Powell	Animal Services
Karla Nieman	City Attorney (Interim)
Laura Prine	City Clerk's Office
Sam Rodriguez	Capital Improvement Department
Nicole Ferrini	Community & Human Development
Bryan Crowe	Destination El Paso
Jessica Herrera	Economic Development
Ellen Smyth	Environmental Services
Mario D'Agostino	Fire Department
Linda Ball Thomas	Human Resources
Enrique Martinez	Information Technology
Edmundo Calderon	Internal Audit
Monica Lombrana	International Bridges
Mark Pumphrey	Libraries
Lilia Worrell	Municipal Court
Tracey Jerome	Museums and Cultural Affairs
Pat Degman	Office of the Comptroller
Nicole Cote	Office of Management and Budget
Tracy Novak	Parks and Recreation
Philip Etiwe	Planning and Inspection
Greg Allen	Police Department
Robert Resendes	Public Health
Bruce Collins	Purchasing
Richard Bristol	Streets and Maintenance
Jay Banasiak	Sun Metro/Mass Transit
Maria Pasillas	Tax Office
Steve Marshall	Zoo

FINANCIAL SECTION



Independent Auditor's Report

The Honorable Mayor and
Members of the City Council
City of El Paso, Texas

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the City of El Paso, Texas (City), as of and for the year ended August 31, 2018, and the related notes to the financial statements, which collectively comprise the City'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 El Paso Water Utilities Public Service Board, a discretely presented component unit of the City, which represent 99.7 percent, 99.6 percent and 99.9 percent, respectively, of the assets, net position and revenues of the aggregate discretely presented component units. We also did not audit the financial statements of El Paso Firemen and Policemen's Pension Fund, a pension trust fund of the City, which represent 53.9 percent, 62.6 percent and 49.2 percent, respectively, of the assets, net position and revenues of the aggregate remaining fund information. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for such entities, are 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

The Honorable Mayor and
Members of the City Council
City of El Paso, Texas
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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 the 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 and the aggregate remaining fund information of the City of El Paso, Texas, as of August 31, 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

As discussed in *Note 1* to the financial statements, in 2018 the City adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are 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, budgetary comparison, pension and other postemployment benefits information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, 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 the 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.

The Honorable Mayor and
Members of the City Council
City of El Paso, Texas
Page xvii

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund statements and schedules, introductory and statistical sections as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such 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 by us and the other auditors. In our opinion, based on our audit, the procedures performed as described above, and the report of the other auditors, the combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

BKD, LLP

Dallas, Texas
February 26, 2019

CITY OF EL PASO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2018

The Management Discussion and Analysis (MD&A) presents an overview and analysis of the financial activities of the City's for the fiscal year ended August 31, 2018. This document is designed to:

- Provide a comparison of current year to prior year and identify specific economic factors contributing to changes;
- Help users of the financial statements understand the relationship between the results reported in the government-wide financial statements for governmental activities and the results reported in the major governmental fund financial statements;
- Help the reader focus on the City's financial condition as a whole, describing currently known facts, decisions or conditions expected to impact the City's financial condition and the availability of fund resources for future years; and
- Identify significant variances between the adopted budget, final budget and actual expenditures, discussing the impact of these variances on future liquidity.

Management's Discussion and Analysis should be considered in conjunction with the Letter of Transmittal as well as the City's financial statements. The information contained in these three sections of the Comprehensive Annual Financial Report (CAFR) complement each other.

FINANCIAL HIGHLIGHTS

- On a government-wide basis, the Primary Government's total liabilities and deferred inflows exceeded its assets and deferred outflows by \$19.0 million (net position). Within the Total Net Position, Unrestricted Net Position is \$759.2 million deficit.
- The Primary Government's total net position increased by \$21.5 million. Governmental activities decreased the net position by \$28.3 million while increases from business-type activities totaled \$49.8 million. The increase in net position is attributable to a decrease in the total pension liability. The Primary Government's total expenses were \$853.7 million, an increase of \$41.8 million from 2017.
- The cost of the Primary Government's governmental activities was \$656.9 million for the 2018 fiscal year, an increase of 6.1% over the prior year.
- The City's governmental funds reported combined ending fund balances of \$292.4 million, a decrease of \$89.2 million compared with the prior year. Approximately 7.0% of the combined fund balances, or \$20.3 million, is unassigned and available for other purposes.
- The unassigned fund balance in the General Fund was \$20.3 million or 5.3% of total General Fund current year expenditures.

**CITY OF EL PASO, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS
August 31, 2018**

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the City’s basic financial statements. The City’s basic financial statements are comprised of 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.

These components of the Comprehensive Annual Financial Report are graphically illustrated below:

CAFR	Introductory Section	Letter of Transmittal, Organization Chart, Other Introductory Information			
	Financial Section	Management’s Discussion and Analysis			
		Government-Wide Financial Statements	Fund Financial Statements		
		Statement of Net Position	Governmental Funds	Proprietary Funds	Fiduciary Funds
			Balance Sheet	Statement of Net Position	Statement of Fiduciary Net Position
			Statement of Revenues Expenditures and Changes in Fund Balances	Statement of Revenues, Expenses and Changes in Net Position	Statement of Changes in Fiduciary Net Position
		Statement of Activities	Statement of Cash Flows		
	Notes to Financial Statements				
	Required Supplementary Information				
	Combining Statements and Schedules				
Statistical Section	Other Statistical Information				

The basic financial statements include both government-wide and fund financial statements. These statements differ in scope, measurement focus and basis of accounting, as well as in the information provided. The following chart illustrates these differences:

	Government-Wide Statement	Fund Financial Statements		
		Governmental	Proprietary	Fiduciary
Scope	Entire entity (except fiduciary funds)	The day-to-day operating activities of the City for basic governmental services	The day-to-day operating activities of the City for business-type enterprises	Instances in which the City administers resources on behalf of others, such as property tax and pension
Accounting basis and measurement focus	Accrual accounting and economic resources measurement focus	Modified accrual and current financial resources measurement focus	Accrual accounting and economic resources measurement focus	Accrual accounting and economic resources measurement focus; except agency funds do not have measurement focus
Type of asset, deferred outflows, liability and deferred inflows information	All assets, deferred outflows, liabilities and deferred inflows, both financial and capital, short-term and long-term	Current assets and liabilities that come due during the year or soon thereafter	All assets, deferred outflows, liabilities and deferred inflows both financial and capital, short-term and long-term	All assets held in a trustee or agency capacity for others and all liabilities
Type of inflow and outflow information	All revenues and expenses during the year, regardless of when cash is received or paid	Revenues for which cash is received during the year or soon thereafter; expenditures when goods or services have been received and the related liability is due and payable	All revenues and expenses during the year, regardless of when cash is received or paid	All additions and deductions during the year, regardless of when cash is received or paid

CITY OF EL PASO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2018

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances in a manner that resemble those of private-sector business. All governmental and business-type activities are consolidated into columns which add to a total for the Primary Government.

The *Statement of Net Position* presents information on all of the City's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference being reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

Component Units are other governmental units over which City Council, acting as a group, can exercise influence or may be obligated to provide financial subsidy. Discretely presented Component Units are presented separately in the government-wide statements, while Blended Component Units are presented as special revenue funds in the fund financial statements. The focus of the statements is clearly on the Primary Government and the presentation allows the user to address the relative relationship with the component units.

The *Statement of Activities* is focused on both the gross and net cost of various functions (including governmental, business-type and component unit) supported by the government's general tax and other revenues. This is intended to summarize and simplify the user's analysis of the costs of various governmental services and/or subsidies to various business-type activities and/or component units.

Governmental activities of the City include general government, public safety, public works, facilities, economic development, community development, and recreation and cultural services. Property and sales taxes finance the majority of these services.

Business-type activities reflect private sector type operations (where user charges or fees for services typically cover all or most of the cost of operations, including depreciation). Business-type activities include Environmental Services, Airport Operations, International Bridges, Sun Metro Transit, and the Tax Office Administration.

Fund Financial Statements

A fund is a set of self-balancing accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. The City of El Paso uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how cash and other financial assets can readily be converted into available resources, as well as on the balances at the end of the fiscal year that are available for spending. Such information may be useful in determining what financial resources are available in the near future to finance the City's operations.

CITY OF EL PASO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2018

The focus of governmental funds financial statements is narrower than that of the government-wide financial statements; therefore it is useful to compare the information presented for governmental funds with similar information presented for the governmental activities in the government-wide financial statements. Because governmental fund financial statements do not encompass the additional long-term focus of the government-wide financial statement, additional information is provided that explains the relationship between them.

Both, the *Governmental Funds Balance Sheet* and the *Governmental Funds Statement of Revenues Expenditures and Changes in Fund Balances* provide a reconciliation between governmental funds and governmental activities. The flow of current financial resources will reflect bond proceeds and inter-fund transfers as other financial sources as well as capital expenditures and bond principal payments as expenditures. The reconciliation will eliminate these transactions and incorporate the capital assets and long-term obligations into the Governmental Activities column in the government-wide statements. The reconciliation will help readers better understand the long-term impact of the government's near-term financing decisions.

The City maintains five governmental fund types for financial reporting purposes. The governmental fund types are General Fund, Special Revenue Funds, Capital Projects Funds, Debt Service Funds, and Fiduciary Funds. Information is presented separately in the *Governmental Funds Balance Sheet* and in the *Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances* for the General Fund, Community Development Block Grants Fund, Debt Service Fund, and Capital Projects Fund, all of which are considered major governmental funds. The remaining governmental funds are combined into a single aggregated presentation as Non-major Governmental Funds. Individual fund data for the non-major governmental funds is provided in the combining financial statements and schedules that follow the basic financial statements in this report.

Proprietary Funds

Proprietary funds are generally used to account for services for which the City charges customers— either outside customers or internal departments of the City. Proprietary funds provide a more detailed report of the same type of information as shown in the government-wide financial statements. The City maintains two types of proprietary funds:

- o Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its airport, mass transit, environmental services, international bridges, and tax office operations. It should be noted that the Tax Office administrative operations are reported as an enterprise fund and are separate from the agency fund set up to collect and distribute taxes on behalf of regional taxing authorities.
- o Internal service funds are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses its internal service funds to account for its employee health benefits and welfare programs, risk management, fleet services, printing and mail services. As these internal services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

The proprietary funds financial statements provide separate information for the enterprise funds (i.e., El Paso International Airport, Environmental Services, Sun Metro Transit, International Bridges, and the Tax Office Operations) since they are considered major funds of the City. All internal service funds are combined into a

CITY OF EL PASO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2018

single aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provided in the Combining Statements and Schedules section of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held by the City in a trustee capacity or as an agent for the benefit of parties outside the City or other governmental entities. Fiduciary funds include both trust and agency type funds. Trust fund statements allow the City to present the pension trust funds. Agency funds include the Camino Real Regional Mobility Authority and the Tax Office, which collects taxes on behalf of the other taxing entities. While these funds represent a trust responsibility, these assets are restricted in purpose and do not represent discretionary resources of the government. Therefore, these assets are not presented as part of the government-wide financial statements.

Notes to the Financial Statements

The Notes are an integral part of the financial statements and provide additional information that is essential to a full understanding and fair presentation of the data provided in both the government-wide and fund financial statements. The notes immediately follow the financial statements.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information of the City's governmental and proprietary funds. Budgetary comparison schedules have been provided which demonstrate budgetary compliance.

Statistics

The statistical section provides data on financial trends, revenue, and debt capacity, demographic and economic data, and operating information.

**CITY OF EL PASO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2018**

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Comparative information for the current and preceding year is presented below:

	Net Position (in 000's)					
	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 419,485	\$ 508,956	\$ 87,054	\$ 83,293	\$ 506,539	\$ 592,249
Capital Assets	1,125,226	1,075,465	539,614	496,958	1,664,840	1,572,423
Total Assets	1,544,711	1,584,421	626,668	580,251	2,171,379	2,164,672
Deferred Outflows of Resources	167,037	197,341	18,099	23,933	185,136	221,274
Total assets and deferred outflows	1,711,748	1,781,762	644,767	604,184	2,356,515	2,385,946
Other liabilities	139,220	164,306	27,385	35,381	166,605	199,687
Long-term liabilities	1,890,734	1,904,933	242,097	229,447	2,132,831	2,134,380
Total Liabilities	2,029,954	2,069,239	269,482	264,828	2,299,436	2,334,067
Deferred inflows	71,766	32,902	4,278	5,252	76,044	38,154
Total liabilities and deferred inflows	2,101,720	2,102,141	273,760	270,080	2,375,480	2,372,221
Net position:						
Net investment in capital assets	197,561	158,948	409,466	360,990	607,027	519,938
Restricted	125,662	181,218	7,586	19,934	133,248	201,153
Unrestricted	(713,196)	(660,546)	(46,044)	(46,820)	(759,239)	(707,367)
Total net position	\$ (389,972)	\$ (320,380)	\$ 371,008	\$ 334,104	\$ (18,965)	\$ 13,724

Analysis of the City's Net Position

The net position may serve over time as a useful indicator of a government's financial position. For fiscal year 2018, the City's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$19.0 million. Increases in tax revenue and grant funding was offset by additional debt service and increases in net OPEB liability.

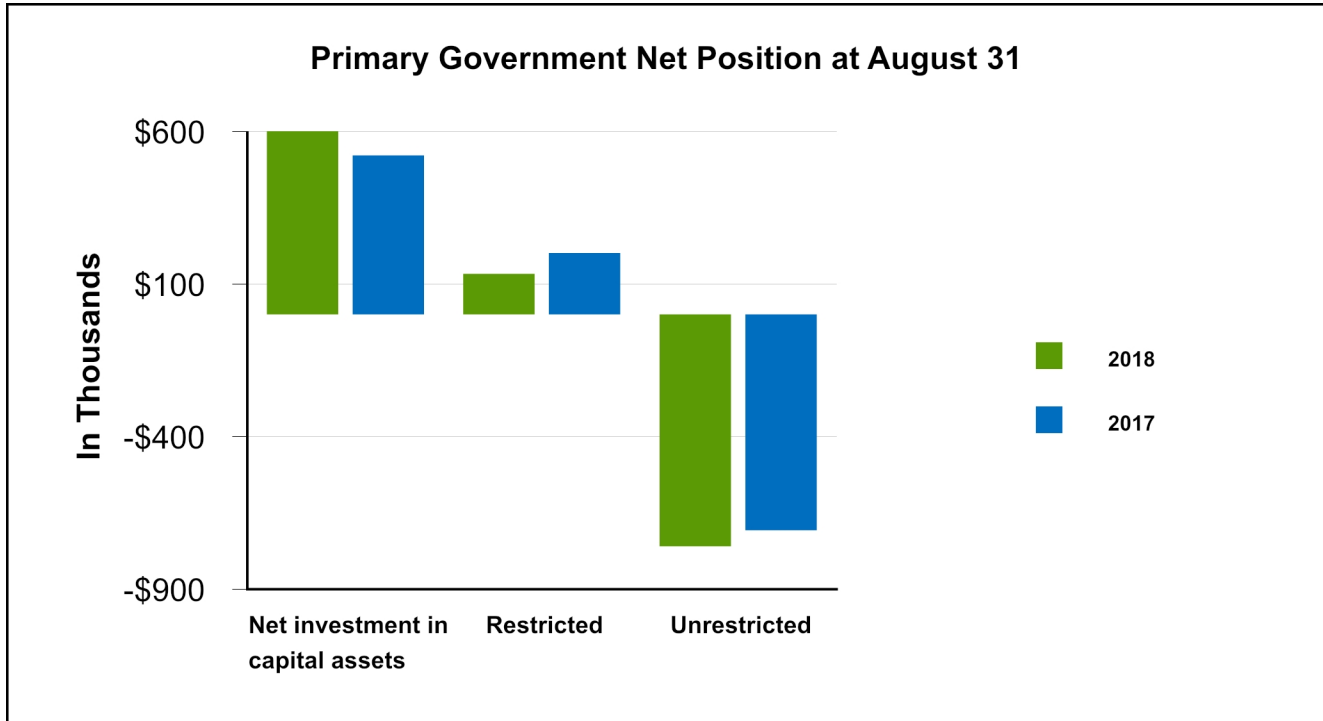
The largest portion of the City's net position, \$607.0 million, reflects its investment in capital assets (e.g. land, buildings, equipment, improvements, construction in progress and infrastructure), less any outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City'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 because the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net position, \$133.2 million, represents resources that are subject to external restrictions on how they may be used. This restricted net position is held for debt service, amounts restricted by other funding agencies, amounts from bond proceeds for capital projects, as well as a \$19.1 million cash reserve required by the City Charter. Restricted net position decreased \$(67.9) million over the prior fiscal year, due mainly to an increase in use of funds for capital projects in the current year.

Generally, all net position generated by governmental activities are either externally restricted or invested in capital assets. Unrestricted governmental activities net position showed a \$713.2 million deficit at the end of this year. This deficit indicates that the City has long-term commitments that exceed its related assets, related largely to pension and OPEB obligations.

Unrestricted net position in business-type activities increased a total of \$0.8 million, ending the year at a \$46.0 million deficit.

CITY OF EL PASO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2018



Analysis of the City's Operations

The following table provides a summary of the City's activities for the years ended August 31, 2018 and 2017. Governmental activities decreased the City of El Paso's net position by \$28.3 million which, in addition to an increase in the business-type activities of \$49.8 million, resulted in a net position increase of \$21.5 million.

CITY OF EL PASO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2018

Condensed Schedule of Changes in Net Position
For the Year Ended August 31
(in thousands)

	Governmental Activities		Business-type Activities		Total	
	2018	2017	2018	2017	2018	2017
Revenues						
Program revenues						
Charges for services	\$ 118,214	\$ 121,034	\$ 132,825	\$ 127,594	\$ 251,038	\$ 248,628
Operating grants and contribution	46,814	38,597	11,016	11,607	57,830	50,204
Capital grants and contributions	4,913	2,950	65,509	17,943	70,423	20,893
General revenues						
Ad valorem taxes	271,100	254,897	7,327	3,894	278,427	258,792
Sales tax	92,110	87,705	44,097	42,098	136,207	129,803
Hotel occupancy tax	15,270	13,415	—	—	15,270	13,415
Franchise taxes	58,427	58,295	—	—	58,427	58,295
Investment earnings	4,504	2,868	810	511	5,314	3,379
BABS federal tax credit	1,997	2,058	227	229	2,223	2,287
Gain on disposal of capital assets	—	28	50	32	50	60
Total revenues	<u>613,349</u>	<u>581,847</u>	<u>261,861</u>	<u>203,908</u>	<u>875,209</u>	<u>785,756</u>
Expenses						
Governmental activities						
General government	87,873	59,192	—	—	87,873	59,192
Public safety	282,425	278,649	—	—	282,425	278,649
Public works	86,876	76,781	—	—	86,876	76,781
Public health	28,819	33,794	—	—	28,819	33,794
Parks	30,940	31,298	—	—	30,940	31,298
Library	10,494	12,421	—	—	10,494	12,421
Culture and recreation	32,271	33,398	—	—	32,271	33,398
Community and economic development	46,627	37,844	—	—	46,627	37,844
Interest on long-term debt	50,537	55,962	—	—	50,537	55,962
Business-type activities						
Airport operations	—	—	53,136	53,963	53,136	53,963
International Bridges	—	—	9,255	10,002	9,255	10,002
Environmental Services	—	—	48,577	45,701	48,577	45,701
Mass Transit	—	—	83,694	80,848	83,694	80,848
Tax Office	—	—	2,179	2,015	2,179	2,015
Total expenses	<u>656,862</u>	<u>619,339</u>	<u>196,841</u>	<u>192,530</u>	<u>853,703</u>	<u>811,869</u>
Excess (deficiency) before transfers	(43,513)	(37,492)	65,020	11,378	21,506	(26,112)
Transfers	15,178	12,346	(15,178)	(12,346)	—	—
Increase (decrease) in net position	<u>(28,336)</u>	<u>(25,146)</u>	<u>49,842</u>	<u>(968)</u>	<u>21,506</u>	<u>(26,112)</u>
Net position - beginning, as previously reported	(320,380)	(295,235)	334,105	335,072	13,725	39,837
Change in Accounting Principle	(41,257)	—	(12,938)	—	\$ (54,195)	\$ —
Net position beginning, as restated	<u>\$ (361,637)</u>	<u>\$ (295,235)</u>	<u>\$ 321,167</u>	<u>\$ 335,072</u>	<u>\$ (40,470)</u>	<u>\$ 39,837</u>
Net position - ending	<u>\$ (389,972)</u>	<u>\$ (320,380)</u>	<u>\$ 371,008</u>	<u>\$ 334,104</u>	<u>\$ (18,965)</u>	<u>\$ 13,725</u>

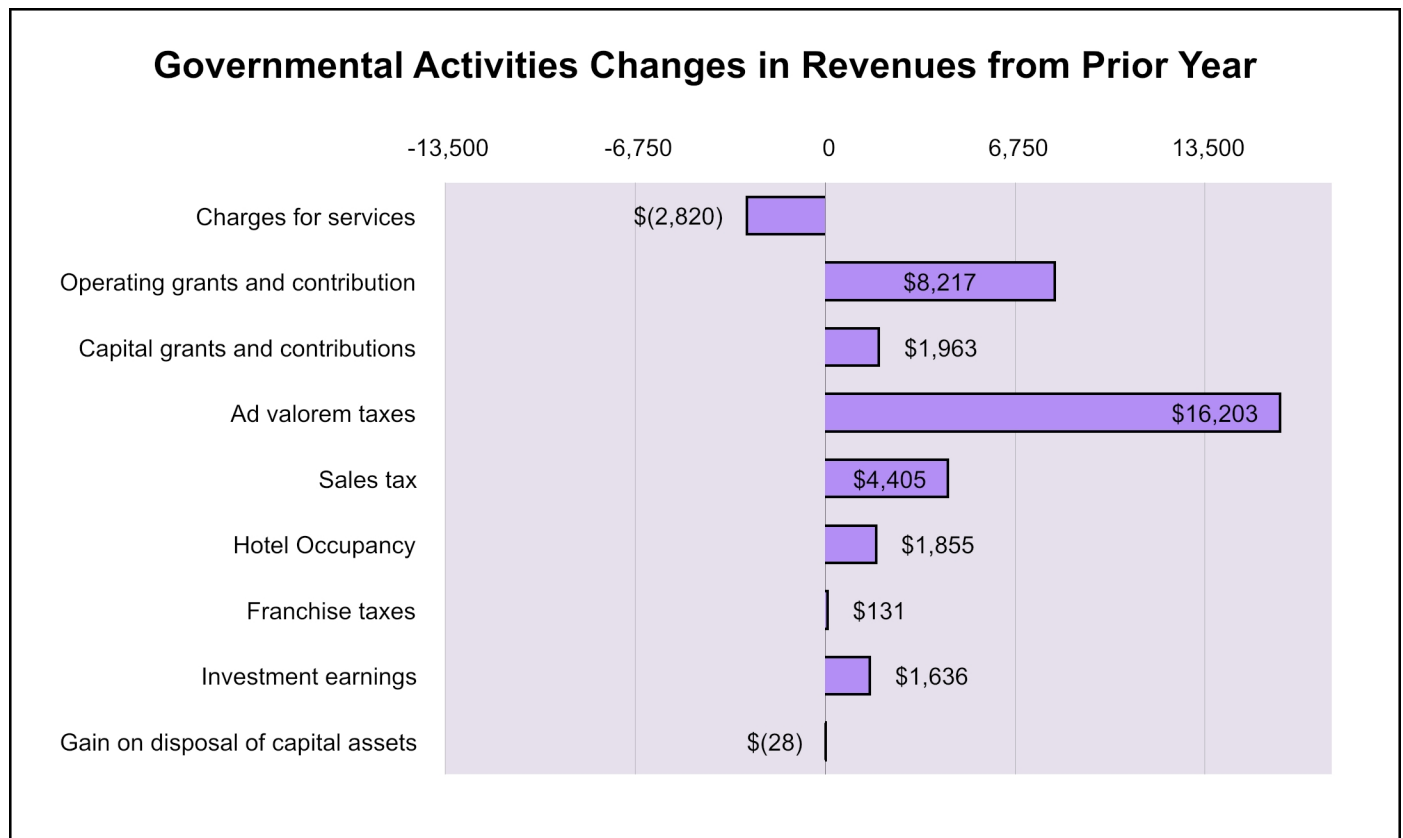
FY2018 includes a restatement of Net Position related to the implementation of GASB 75 - OPEB. Additional information is available in Note 12 Other Post-employment Benefits Other Than Pensions.

**CITY OF EL PASO, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS
August 31, 2018**

Program Revenues and Expenses – Governmental Activities

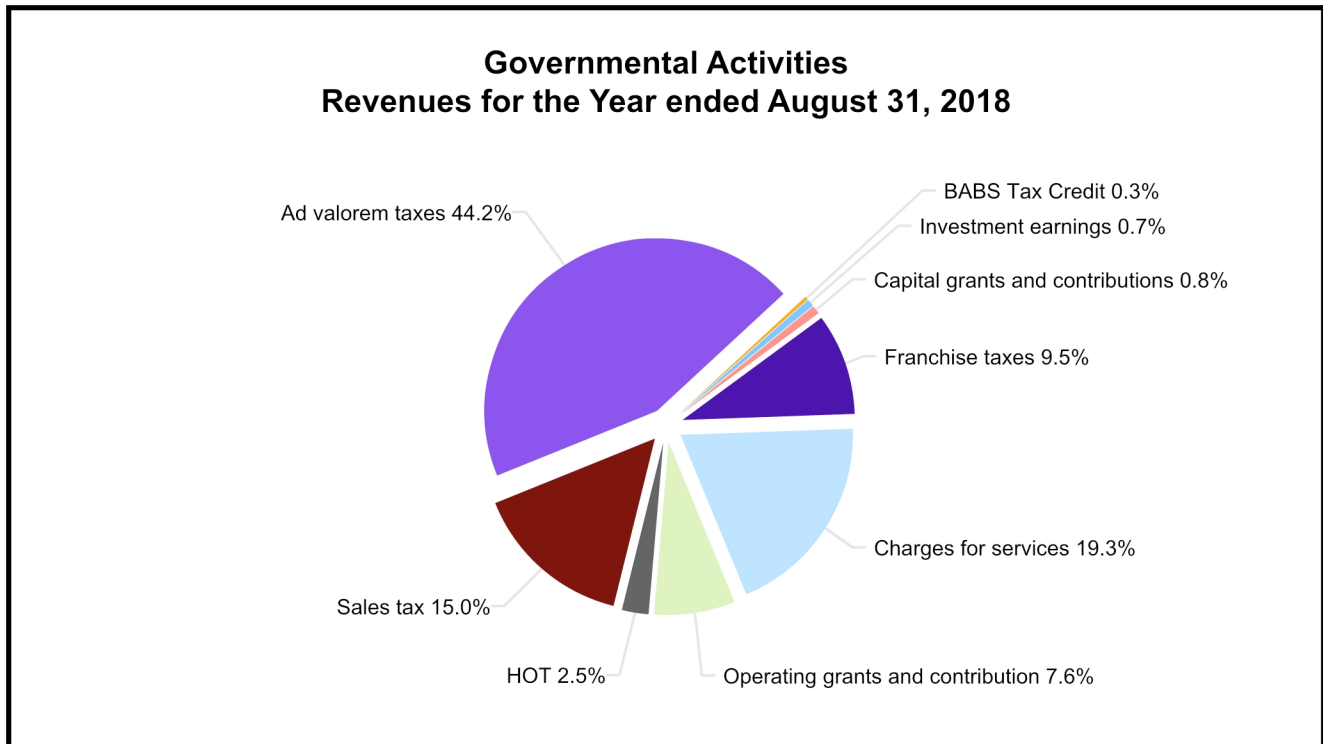
Governmental activities cover a range of typical City services and are directly supported by charges for these services, grants and contributions. In general, revenues generated by charges for services are inadequate to support the cost of the services with public safety creating the greatest burden on the taxpayer. Consequently, general revenues cover any net expense after program-specific revenues are applied. These general revenues include taxes, investment earnings and gains on sales of capital assets.

The following chart (in thousands) shows the change in governmental activities’ revenues from the previous year.



CITY OF EL PASO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2018

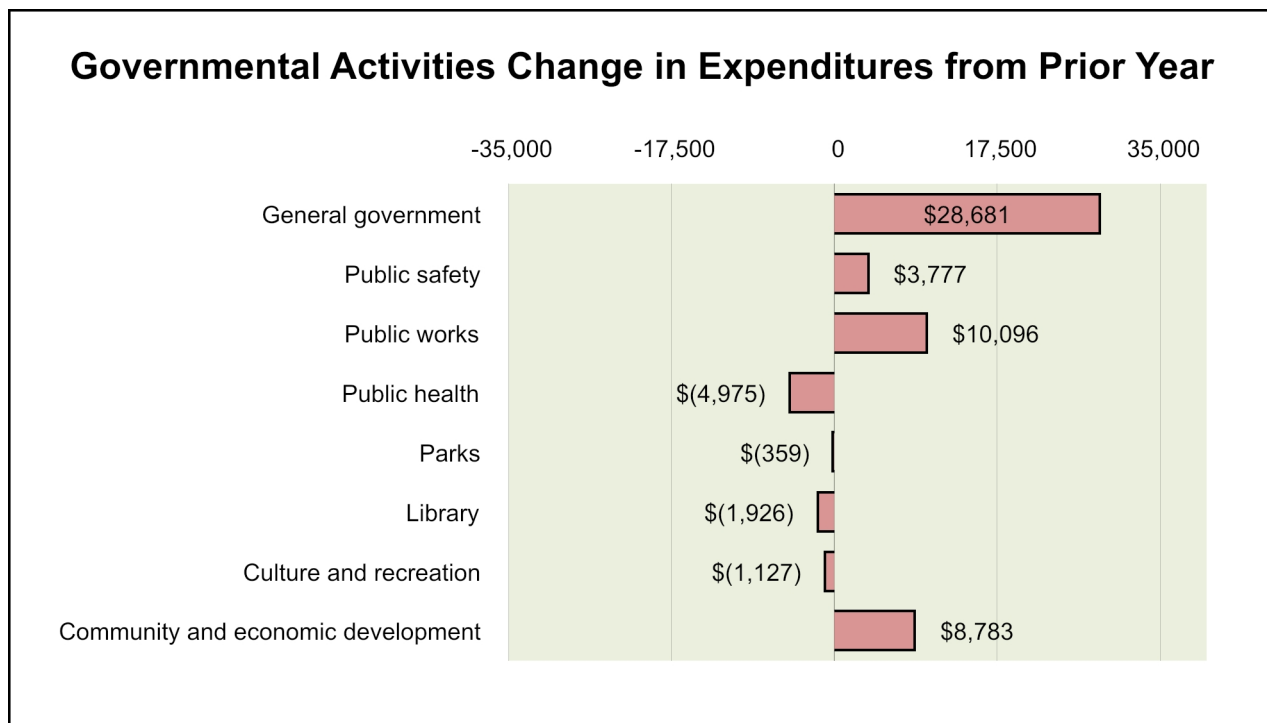
Revenues for governmental activities totaled \$613.3 million, an increase of \$31.5 million or 5.4% from 2017.



The total ad valorem taxable valuation increased 1.0% while the overall tax rate increased 5.8% from 2017. Ad valorem property tax revenues increased \$16.2 million (6.4%). Sales taxes increased \$4.4 million (5.0)% due to reclassification of Hotel Occupancy Tax to its own line item amounting to \$1.9 million, Franchise taxes increased \$0.1 million (0.2%), Operating/capital grants and contributions increased \$10.2 million (24.5%).

The cost of governmental programs and services was \$656.9 million, an increase of \$37.5 million (6.1%) from 2017. The net pension expense for governmental activities decreased \$59.1 million for the year, and other post-employment benefits expense increased \$48.9 million, compensated absence expense increased \$0.2 million, and interest on governmental long-term debt decreased \$5.4 million. General Government expenses increased by \$28.7 million and Public Works increased by \$10.1 million.

The following chart (in thousands) shows changes in governmental activities’ expenses from 2017.



Program Revenues and Expenses – Business-type Activities

Charges for services increased \$4.9 million to \$132.8 million. Operating expenses, net of depreciation, increased \$1.0 million to \$147.7 million (0.67%) and depreciation expense increased \$0.9 million to \$43.4 million (2.0%). The increased in operating expenses is primarily due to decreased personnel services of \$0.7 million, increase in outside contracts of \$1.3 million, and decrease in materials and supplies of \$0.5 million. Non-operating revenues, excluding operating and capital grants, increased \$1.9 million to \$59.8 million. Non-operating expenses increased \$2.2 million to \$5.5 million. Capital contributions increased \$47.6 million to \$65.5 million. Transfers out decreased \$2.1 million to \$19.4 million. Transfers in decreased \$0.7 million to \$4.2 million.

El Paso International Airport

This fund accounts for the operations of the El Paso International Airport, industrial parks, and golf courses located on Airport property.

Operating revenues increased \$2.5 million to \$46.0 million, due primarily to the increased rental fees related to the opening of the new facility for car rentals. There was a decrease in operating expenses of \$1.5 million from \$52.2 million to \$50.7 million related primarily to a decrease in depreciation expense. Non- operating revenues increased \$505 thousand to \$4.1 million and non-operating expenses decreased to \$2.4 million. Capital contributions increased \$17.8 million from \$4.5 million to \$22.3 million.

CITY OF EL PASO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2018

Other significant changes from prior fiscal year include:

- Increase in personnel expenses of \$0.5 million
- All other operating expenses, excluding depreciation and personnel services, decreased \$0.2 million
- Depreciation expense decreased \$1.8 million
- Investment earnings increased \$76 thousand
- Customer facility charge revenue increased \$381 thousand

Environmental Services

This fund accounts for the solid waste collection/disposal activities of the City.

Operating revenues decreased \$0.2 million to \$48.2 million. Reduction in major demolition projects throughout the City resulted in a decrease in landfill fees by \$0.2 million.

Operating expenses increased \$2.7 million to \$47.8 million, and includes \$0.1 million increase in landfill utilization expense. The increase was based on a revised landfill study. Other significant changes were:

- Personnel expense increased by \$0.3 million due primarily to the additional solid waste staff.
- Outside contracts increased by \$462 thousand related to payment for recycling services that resulted from a new revenue-sharing agreement.
- Materials and supplies increased by \$0.1 million related to fleet maintenance supplies.
- Depreciation expense increased \$378 thousand

Sun Metro Mass Transit

Sun Metro Mass Transit operating revenues increased \$2.9 million to \$14.5 million primarily due to increased revenues from Excise Tax recoveries. Ridership has slipped as lower gas prices offer alternatives for transportation. The sales tax subsidy increased \$2.0 million.

Operating expenses increased \$1.1 million to \$81.3 million. Depreciation expense increased by \$2.5 million. Other significant changes were:

- Personnel expenses decreased \$1.5 million related to adjustments for net pension liability
- Fuel expense increased \$6 thousand as fuel prices remained low during the year. In addition, operations has transitioned from LNG to CNG fuel. The corresponding increase for CNG in the Utilities expense was a decrease of \$30 thousand.
- Maintenance and repair increased \$87 thousand relating to major vehicle repairs in prior year.
- Outside contracts increased by \$760 thousand due to continued outsourcing of the management and operations of the LIFT program.
- FTA entitlement grant decreased \$591 thousand due to reduction in grant revenue in the prior year timing of grant receipts.
- Capital contributions from the FTA increased by \$27.4 million as capital projects were completed during the year.

**CITY OF EL PASO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2018**

International Bridges

This fund represents activity related to the City's international bridges.

Operating revenues increased \$3.1 million to \$25.3 million due to an increase in vehicular and pedestrian traffic crossing the City's bridges.

Operating expenses decreased \$636 thousand, primarily offset by increased contractual services of \$280 thousand.

Other significant changes were:

- Outside contracts decreased by \$288 thousand
- Maintenance and repair decreased by \$382 thousand
- Depreciation expense decreased by \$232 thousand

Tax Office Administration

This fund represents activity related to the operations of the Tax Office as it relates to the 38 taxing entities managed through this office, including the City of El Paso.

Operating revenues decreased \$31 thousand to \$2.4 million relating to administrative fees allocated to the taxing entities.

Operating expenses increased \$164 thousand to \$2.2 million relating to a net increased in indirect costs offset by a increased due to position vacancies of \$80 thousand .

Other significant changes were:

- General revenues decreased by \$66 thousand from updated banking agreements
- Outside contracts increased by \$56 thousand due to lock box conversion
- Other Operating costs increased by 9 thousand

FINANCIAL ANALYSIS OF THE FUND LEVEL STATEMENTS

Governmental Funds

At the end of the current fiscal year, the City of El Paso's governmental funds reported total fund balance of \$292.4 million, a decrease of \$89.2 million from 2017. Approximately 7.0% of this total amount or \$20.3 million constitutes unassigned fund balance. Non-spendable fund balance of \$7.2 million indicates that inventory and prepaid items are not available to liquidate liabilities. Restricted fund balance of \$244.6 million indicates there are legal restrictions on how these funds may be expended. Committed fund balance of \$20.3 million indicates City Council has restricted how these funds may be expended.

CITY OF EL PASO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2018

General Fund

The General Fund is the general operating fund of the City. The fund balance for the General Fund totaled \$46.4 million, increasing by \$1.6 million from the prior year. Restricted Fund Balance totaled \$19.1 million, increasing by \$0.7 million from prior year. The Non-Spendable Fund Balance related to inventories and prepaid items increased \$3.1 million to \$6.9 million.

There were no changes in sales tax/franchise fee rates and no material changes to the City's revenue fee schedules from 2017.

Revenues increased \$19.0 million and transfers-in increased \$2.1 million from 2017.

Property tax revenues increased \$11.5 million or 7.2%. The adjusted assessed taxable valuation increased 1.0% and the general fund property tax rate increased to 48.6 per \$100 of assessed valuation.

Sales taxes increased \$4.4 million or 5.0%. Franchise taxes increased \$0.2 million due to increases in related services. Charges for Services increased \$2.4 million while Intergovernmental Revenues increased \$0.6 million.

Investment earnings increased slightly by \$352 thousand. Amounts invested during 2018 were slightly higher compared to 2017.

Overall, expenditures including transfers increased \$20.5 million or 5.4% over the prior fiscal year.

Community Development

The Community Development Block Grants Fund is the only Special Revenue Fund designated as a major fund for reporting purposes. These activities are funded by the U. S. Department of Housing and Urban Development (HUD). Program revenues of the revolving loan funds (RLF) were initially funded by HUD. Recognition of these revenues is dependent upon the City expending these funds in accordance with the entitlement grants and is earned as expended. Expenditures increased \$0.5 million dollars from 2017 to \$12.4 million. The City utilized \$16.5 million in program revenues in 2018.

Debt Service Fund

Ad valorem property tax revenues increased \$3.8 million (4.2%) as a result of an increase in the debt service ad valorem property tax rate. Principal and interest payments increased \$8.3 million. Fund balance for the debt service fund decreased \$1.2 million from 2017.

The City's debt management policy requires the fund balance remain in excess of the debt service portion of the largest taxpayer's tax levy for the year, \$1,273,427 in 2018. The policy also requires that a plan, without causing large variances in the tax rate, should be adopted to reduce the fund balance should it exceed 25% of the current year's expenditure budget.

Capital Projects Fund

Capital Projects Fund expenditures totaled \$121.1 million. Other funding sources (Hotel/Motel Tax, Interest and other) were \$20.3 million. Net transfers between other funds were \$2.5 million of which \$6.4 million was transferred to the Debt Service Fund as part of the debt refinancing that occurred during the year.

This resulted in an decrease in fund balance of \$103.3 million to \$179.0 million.

**CITY OF EL PASO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2018**

Non-major Governmental Funds

Revenues in these funds were \$93.2 million and expenditures were \$90.3 million. Net transfers-in were \$6.8 million. Fund balance increased \$9.7 million to \$57.6 million.

Federal Grants

Funding for these activities is program specific and is provided by the U. S. Congress. Expenditures totaled \$5.7 million primarily from programs as follows:

- Public Safety – Police and Fire \$4.7 million
- Capital Outlay - \$1.0 million.

State Grants

Expenditures for these activities are program specific and are provided by State Agencies or Departments. Expenditures by the City totaled \$3.6 million primarily from programs as follows:

- Community and Human Development - \$0.5 million
- Police Department \$2.9 million
- Museums - \$0.1 million

Public Health Grants

Expenditures for preventative healthcare and nutrition programs were \$11.0 million. Grant funding from the state provided \$10.7 million.

Public Health Waiver Program

Medicaid Waiver Expenditures totaled \$2.9 Million in FY2018. The Medicaid funding was \$5.3 million and also includes \$113 Thousand in program revenues.

Destination El Paso

Destination El Paso had revenues and transfers in totaling \$13.2 million for FY2018 and program expenditures and transfers out of \$14.6 million.

Non-grants

Funding for these activities comes from a variety of sources including property taxes, sales taxes, fines and forfeitures and charges for services. Generally, funding for these activities occurs over several fiscal years and expenditures are made as accumulated funding allows. Revenues totaled \$55.6 million and expenditures were \$47.3 million and a net transfer out of \$6.8 million, resulting in a \$1.5 million increase in fund balance from fiscal year 2017. The ending fund balance as of August 31, 2018 was \$37.0 million.

CITY OF EL PASO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2018

Fund balances as of August 31, 2018 include the following:

Animal Services	\$ 2,893,539
Capital Projects	\$ 589
Civic Center	\$ 1,378,979
Community Development	\$ 4,986,254
Economic Development	\$ 4,960,266
Environmental Fee	\$ 1,831,636
Fire	\$ 92,776
Library	\$ 1,220,950
Mayor and Council	\$ 338,930
Municipal Court	\$ 3,942,279
Museums	\$ 9,518
Parks	\$ 3,872,133
PEG	\$ 5,169,414
PID #1	\$ 28,451
Police	\$ 5,502,352
Public Works	\$ 192,962

Proprietary Funds

The City's proprietary fund statements provide the same type of information found in the government-wide financial statements but in more detail.

Net position of the respective proprietary funds is shown on the Statement of Net Position for these funds. These funds had net position increases/decreases as follows:

	2018	2017
El Paso International Airport	\$ 19,215,333	\$ (2,417,373)
Environmental Services	348,464	1,077,239
Mass Transit	28,658,602	(187,638)
International Bridges	1,392,882	142,912
Tax Office Administration	227,056	416,692
Net position increase/(decrease)	<u>\$ 49,842,337</u>	<u>\$ (968,168)</u>

Factors that contributed to the increase/decrease in net position are discussed in the business-type activities section of the government-wide section.

GENERAL FUND BUDGETARY HIGHLIGHTS

The City originally budgeted a flat budget in the General Fund in 2018. Under the City Charter the overall tax rate is \$1.85 per \$100 in taxable value. The General Fund property tax rate remained \$1.372 and the Debt Service property tax rate remained \$.478. The taxable assessed valuation of real and personal property increased approximately 1.0% from 2017.

CITY OF EL PASO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2018

During 2018, charges to appropriations were increased a total of \$16.7 million over the prior year. Appropriation increases included \$1.6 million in general government, \$1.4 million in public works, and \$2.5 million in Parks. City resource appropriations increased by \$21 million, primarily due to increases in taxes and charges for services.

CAPITAL ASSETS

The City of El Paso's investment in capital assets for its governmental and business-type activities as of August 31, 2018 amounts to \$1.7 billion (net of accumulated depreciation).

General capital assets include land, improvements to land, easements, buildings, vehicles, machinery and equipment, infrastructure and all other tangible assets that are used in operations and that have initial useful lives greater than one year and exceed the government's capitalization threshold (see Note 5). The City has capitalized assets with a cost of \$5,000 or more. The City's depreciation of assets can be found in Note 5.

The schedule below presents governmental assets net of depreciation, as reported in the government-wide statements.

	Governmental Activities	Business- Type Activities	Total
Land	\$ 192,485,507	22,404,350	214,889,857
Artwork	—	979,637	979,637
Buildings	234,671,949	190,824,666	425,496,615
Equipment	70,301,025	80,928,135	151,229,160
Improvements	94,369,048	177,485,389	271,854,437
Infrastructure	313,080,598	—	313,080,598
Construction in Progress	218,733,406	66,992,132	285,725,538
Total	<u>\$ 1,123,641,533</u>	<u>\$ 539,614,309</u>	<u>\$ 1,663,255,842</u>

This year's major additions included:

Land	\$ 13,318,759
Buildings	12,594,462
Infrastructure/Improvements	17,972,229
Vehicles and Major Equipment	27,326,906
Total	<u>\$ 71,212,356</u>

DEBT ADMINISTRATION

At the end of the fiscal year, the City of El Paso had total debt payable of \$2.2 billion. Of this amount, \$1.2 billion is bonded debt backed by the full faith and credit of the government. Revenue Bonds of \$75.1 million are secured solely by fees for services. The loans of \$10.9 million are bank loans secured by the Fire Department equipment financed by the loans. This debt also includes Capital Lease obligations of \$15.6 million to acquire buses and IT equipment. The net pension liability is \$513.1 million and the liability for other post-employment benefits is \$164.6 million .

CITY OF EL PASO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2018

OUTSTANDING DEBT
BONDS, NOTES PAYABLE AND MASTER EQUIPMENT LEASE/PURCHASE
AGREEMENTS

	Governmental Activities	Business- Type Activities	Total
General Obligations	682,672,201	16,087,798	698,759,999
Certificate of Obligations	404,448,667	93,336,334	497,785,001
Revenue Bonds Payable	60,120,000	14,940,000	75,060,000
Unamortized (Discount) premium, net	88,193,386	3,935,005	92,128,391
Loans	10,887,894	—	10,887,894
Capital Lease Obligations	15,643,955	—	15,643,955
Chapter 380 Agreement Obligations	51,574,964	—	51,574,964
Compensated Absences	60,307,437	5,508,350	65,815,787
Landfill Closure and Post-Closure	—	21,971,939	21,971,939
Claims and Judgments	17,892,502	428,666	18,321,168
Net Pension Liability	458,256,793	54,850,458	513,107,251
OPEB	125,324,595	39,300,641	164,625,236
Total	<u>\$ 1,975,322,394</u>	<u>\$ 250,359,191</u>	<u>\$ 2,225,681,585</u>

The City's General Obligation, Revenue Bonds, and Certificate of Obligations ratings are listed below:

	Standard & Poor's	Fitch Ratings
General Obligations	AA	AA
Certificate of Obligations	AA	AA
Revenue Bonds Payable-EI		
Paso International Airport	A+	A+
Revenue Bonds Payable-EI		
Paso International Airport	AA-	A2

Additional information on the City of El Paso's long-term debt can be found in Note 8 of this report.

ECONOMIC FACTORS

The City's financial position remains stable as both tax and operating revenues out-performed budgeted revenues this fiscal year. In addition, City management continued to exercise conservative fiscal practices and careful monitoring of departmental spending during the year. The City's 2018 General Fund activities reflect a \$1.6 million increase in fund balance. Approximately \$2.0 million was due to actual revenues collected over budgeted revenues, offset by more than \$432 thousand increased expenses above budgeted expenditures.

General Fund Unassigned Fund Balance of \$20.3 million, plus the \$19.1 million in cash reserves restricted by the City Charter, totaled \$39.4 million as of August 31, 2018 or 10.2% of spending in fiscal year 2018. In fiscal year 2017, the General Fund activities reflected a \$0.2 million increase in fund balance, with undesignated cash reserves of \$41.0 million at approximately 11.1% of spending in fiscal year 2017.

**CITY OF EL PASO, TEXAS
MANAGEMENT’S DISCUSSION AND ANALYSIS
August 31, 2018**

Economic development in the City remains steady in both the commercial and residential regions. Redfin.com named El Paso one of the best Cities for National Park Lovers. El Paso has been named by US News and World Report as the one of the best places to live in the US for quality of life. WalletHub has listed El Paso in the #1 Best Run Cities in America.

These recognitions combined with economic initiatives and a stable workforce are reflected in continued economic activity.

- El Paso has the largest bilingual and bicultural workforce in the western hemisphere for young and growing populations.
- In October 2017, El Paso's metropolitan statistical area (MSA) projected unemployment rate fell to 3.8% with a projected labor force of 355,936.
- Employment numbers at the end of October 2017 reflected a positive change of 5,982 jobs from October 2016.
- Lowest crime rate in the U.S. for population > 500,000 for 5th year in a row.

General Fund Budget

Fiscal year 2018 appropriations increased \$16.7 million (4.5%) to \$385.9 million from 2017 actual expenditures and transfers. Appropriations, by function, increased (decreased) as follows:

<u>Function</u>	<u>Change</u>
General government	\$ 1,593,221
Public Safety	9,734,979
Public Works	1,433,765
Economic development	364,415
Community and human development	946,240
Culture and recreation	361,937
Parks	2,549,000
Library	125,982
Public health	(71,341)
Debt service	640,627
Nondepartmental	(984,741)
Total	<u><u>\$ 16,694,083</u></u>

CITY OF EL PASO, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
August 31, 2018

Estimated revenue and transfers increased \$21.0 million (5.5%) to \$400.6 million from 2017 actual revenues and transfers. Revenues and transfers increased (decreased) as follows:

<u>Revenue and transfers in:</u>	<u>Change</u>
Property taxes	11,520,996
Sales taxes	4,405,046
Franchise fees	229,901
Licenses and permits	(587,073)
Fines and forfeits	383,313
Charges for services	2,389,039
Intergovernmental revenues	560,229
County participation	(469,169)
Rents and other	186,381
Interest	351,819
Transfers in	2,078,884
	<u>\$ 21,049,368</u>

The City's overall certified taxable assessed valuation for real and personal property increased 1.0% for the fiscal year 2018 tax levy. City Council increased the general fund rate from \$0.485641 to \$0.522982 and the Debt Service tax rate from \$0.274015 to \$0.280451 from 2017 to 2018; however the composition of the debt and general fund tax changed only slightly.

REQUEST FOR INFORMATION

The City of El Paso's Comprehensive Annual Financial Report is designed to provide citizens, customers, investors and creditors with a general overview of the City's finances. It is available at the following website: <http://www.elpasotexas.gov/comptroller/accounting-and-reporting/financial-reports>. If you have questions about this report or need any additional information, you may contact:

Office of the Comptroller
300 N. Campbell
El Paso, Texas 79901

CITY OF EL PASO, TEXAS

Statement of Net Position

August 31, 2018

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	El Paso Water Utilities February 28, 2018	El Paso Housing Finance Corporation December 31, 2017
ASSETS					
Cash and Cash Equivalents	66,630,422	3,763,681	70,394,103	26,265,513	1,202,259
Cash with Fiscal Agent	3,826,403	—	3,826,403	—	—
Investments	231,651,589	15,849,012	247,500,601	9,494,521	1,781,511
Receivables, Net of Allowances	103,593,778	28,005,070	131,598,848	34,351,506	369,039
Interest and Dividends	—	—	—	125,966	—
Other Assets	—	—	—	1,660,155	84,300
Prepaid Items	3,328,205	408,934	3,737,139	1,967,549	—
Internal Balances	585,583	(585,583)	—	—	—
Due from Component Unit	4,934,267	3,796,903	8,731,170	—	—
Inventory	4,934,476	6,258,068	11,192,544	2,065,782	—
Restricted Cash and Cash Equivalents	—	—	—	286,532,512	424,914
Restricted Investments	—	29,558,282	29,558,282	49,013,752	—
Restricted Trade and Other Receivables	—	—	—	894,129	—
Capital Assets, not being Depreciated	411,218,913	90,376,119	501,595,032	1,303,242,891	—
Capital Assets being Depreciated, Net	714,007,178	449,238,191	1,163,245,369	357,353,762	2,936,794
Total Assets	1,544,710,814	626,668,677	2,171,379,491	2,072,968,038	6,798,817
DEFERRED OUTFLOWS OF RESOURCES					
Deferred Charge on Refunding	12,067,228	—	12,067,228	4,661,357	—
Deferred Chapter 380 Agreement Charges	51,574,964	—	51,574,964	—	—
Deferred Other Post Employment Contributions	3,245,482	1,017,752	4,263,234	—	—
Pension Contributions Subsequent to Measurement Date	30,713,901	6,990,402	37,704,303	2,542,220	—
Difference in Actual and Expected Pension Experience	37,354,162	225,237	37,579,399	195,466	—
Difference in Projected and Actual Earnings on Pension Investments	2,633,073	2,743,813	5,376,886	1,535,418	—
Change in Assumptions for Pensions	29,289,552	7,071,420	36,360,972	4,355,028	—
Change in Proportionate Share of Pension	—	—	—	638,434	—
Difference in Actual and Expected Other Post Employment Experience	159,079	49,886	208,965	—	—
Total Deferred Outflows of Resources	167,037,441	18,098,510	185,135,951	13,927,923	—
LIABILITIES					
Accounts Payable	32,827,205	12,453,436	45,280,641	21,654,720	6,939
Accrued Payroll	9,466,528	1,296,903	10,763,431	4,280,470	—
Taxes and Fees Payable	1,167,686	196,473	1,364,159	—	—
Accrued Interest Payable	2,553,771	252,362	2,806,133	15,151,621	—
Due to Primary Government	—	—	—	6,284,363	—
Unearned Revenue	6,731,583	2,288,143	9,019,726	14,184,377	2,187
Other Current Liabilities	172,577	—	172,577	1,191,747	10,250
Construction Contracts and Retainage Payable	1,712,452	1,596,860	3,309,312	2,650,257	—
Total OPEB Liability - Due within one year	3,245,482	1,017,752	4,263,234	—	—
Long-term Liabilities-due within one year	81,343,145	8,282,830	89,625,975	45,570,617	—
Long-term Liabilities-due beyond one year	1,258,822,897	148,963,585	1,407,786,482	915,808,472	—
Chapter 380 Agreement Obligations	51,574,964	—	51,574,964	—	—
Total OPEB Liability - Due beyond one year	122,079,113	38,282,889	160,362,002	—	—
Net Pension Liability	458,256,794	54,850,458	513,107,252	39,771,716	—
Total Liabilities	2,029,954,197	269,481,691	2,299,435,888	1,066,548,360	19,376
DEFERRED INFLOWS OF RESOURCES					
Deferred Gain on Refunding	—	—	—	386,154	—
Difference in Actual and Expected Pension Experience	12,066,633	4,277,578	16,344,211	2,634,402	—
Change in Assumptions for Pensions	13,084,769	—	13,084,769	—	—
Change in Proportionate Share of Pension	—	—	—	741,531	—
Difference in Projected and Actual Earnings on Pension Investments	46,615,058	—	46,615,058	—	—
Total Deferred Inflows of Resources	71,766,460	4,277,578	76,044,038	3,762,087	—
NET POSITION					
Net Investment in Capital Assets	197,561,266	409,465,951	607,027,217	894,332,869	2,936,794
Restricted for:					
Debt Service	5,775,033	1,633,000	7,408,033	78,898,772	—
Cash Reserve	19,098,290	—	19,098,290	—	—
Municipal Court	3,942,279	—	3,942,279	—	—
Public Education in Government (PEG)	5,169,414	—	5,169,414	—	—
Civic Center	2,981,381	—	2,981,381	—	—
Public Health	12,930,168	—	12,930,168	—	—
Public Works	202,778	—	202,778	—	—
Library	1,362,835	—	1,362,835	—	—
Police	3,963,121	—	3,963,121	—	—
Economic Development	884,711	—	884,711	—	—
Thunder Canyon (PID #1)	28,451	—	28,451	—	—
Fire	103,867	—	103,867	—	—
Capital Projects	28,565,835	—	28,565,835	—	—
Community Development	40,653,996	—	40,653,996	—	—
Passenger Facilities	—	5,953,344	5,953,344	—	—
Facilities, infrastructure and equipment	—	—	—	43,733,270	—
Unrestricted	(713,195,827)	(46,044,377)	(759,240,204)	(379,397)	3,842,647
TOTAL NET POSITION/(DEFICIT)	(389,972,402)	371,007,918	(18,964,484)	1,016,585,514	6,779,441

The accompanying notes are an integral part of these financial statements.

CITY OF EL PASO, TEXAS
Statement of Activities
For the Year Ended August 31, 2018

Functions/Programs	Net (Expense) Revenue and Changes in Net Position								
	Program Revenues				Primary Government			Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total	El Paso Water Utilities - February 28, 2018	El Paso Housing Finance Corporation - December 31, 2017
Primary Government:									
Governmental Activities:									
General government	87,872,880	44,792,119	6,092,546	—	(36,988,215)	—	(36,988,215)	—	—
Public safety	282,425,339	22,590,477	7,474,047	1,010,783	(251,350,032)	—	(251,350,032)	—	—
Public works	86,876,259	9,118,180	12,900,201	—	(64,857,878)	—	(64,857,878)	—	—
Public health	28,819,169	9,047,438	12,054,827	62,571	(7,654,333)	—	(7,654,333)	—	—
Parks	30,939,587	4,155,576	173,725	26,185	(26,584,101)	—	(26,584,101)	—	—
Library	10,494,285	473,955	76,712	—	(9,943,618)	—	(9,943,618)	—	—
Culture and recreation	32,270,960	10,876,417	153,044	—	(21,241,499)	—	(21,241,499)	—	—
Community and economic development	46,626,758	17,159,703	7,889,052	3,813,918	(17,764,085)	—	(17,764,085)	—	—
Interest on long-term debt	50,537,493	—	—	—	(50,537,493)	—	(50,537,493)	—	—
Total governmental activities	656,862,730	118,213,865	46,814,154	4,913,457	(486,921,254)	—	(486,921,254)	—	—
Business-type Activities:									
El Paso International Airport	53,136,402	49,502,621	—	22,252,259	—	18,618,478	18,618,478	—	—
Solid waste disposal operations	48,576,855	47,838,414	—	768,691	—	30,250	30,250	—	—
Mass transit operations	83,693,650	9,754,726	11,015,533	42,488,303	—	(20,435,088)	(20,435,088)	—	—
Tax Office	2,178,819	1,879,016	—	—	—	(299,803)	(299,803)	—	—
International bridges operations	9,254,913	23,849,831	—	—	—	14,594,918	14,594,918	—	—
Total business-type activities	196,840,639	132,824,608	11,015,533	65,509,253	—	12,508,755	12,508,755	—	—
Total Primary Government	853,703,369	251,038,473	57,829,687	70,422,710	(486,921,254)	12,508,755	(474,412,499)	—	—
Component Units:									
Water and reclaimed water	185,830,699	166,085,492	121,044	9,263,424	—	—	(10,360,739)	—	—
Wastewater	24,476,670	76,001,732	—	—	—	—	51,525,062	—	—
Stormwater	12,047,562	22,931,482	516,337	—	—	—	11,400,257	—	—
Low/moderate income housing	313,924	220,725	—	25,000	—	—	—	—	(68,199)
Total Component Units	222,668,855	265,239,431	637,381	9,288,424	—	—	52,564,580	—	(68,199)
General revenues:									
Taxes:									
Property taxes, levied for general purposes					177,791,444	7,327,325	185,118,769	—	—
Property taxes, levied for debt service					93,308,978	—	93,308,978	—	—
Franchise taxes					58,426,721	—	58,426,721	—	—
Sales taxes					92,109,776	44,096,838	136,206,614	—	—
Hotel occupancy tax					15,270,465	—	15,270,465	—	—
Investment earnings					4,503,973	810,298	5,314,271	2,944,578	31,259
BABS federal tax credit					1,996,608	226,884	2,223,492	—	—
Gain/(Loss) on disposition of capital assets					—	50,046	50,046	406,288	—
Transfers					15,177,810	(15,177,810)	—	—	—
Total general revenues and transfers					458,585,775	37,333,581	495,919,356	3,350,866	31,259
Change in net position					(28,335,479)	49,842,336	21,506,857	55,915,446	(36,940)
Net Position/(Deficit) - Beginning of Year, as Previously Reported					(320,379,518)	334,103,526	13,724,008	960,670,068	6,816,381
Change in Accounting Principle (See Note 1)					(41,257,405)	(12,937,944)	(54,195,349)	—	—
Net Position/(Deficit) - Beginning of Year, as Restated					(361,636,923)	321,165,582	(40,471,341)	960,670,068	6,816,381
Net Position/(Deficit) - End of Year					(389,972,402)	371,007,918	(18,964,484)	1,016,585,514	6,779,441

The accompanying notes are an integral part of these financial statements.

CITY OF EL PASO, TEXAS

Balance Sheet Governmental Funds August 31, 2018

	General Fund	Community Development Block Grants	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash	10,480,828	1,511,719	1,848,086	29,269,943	15,270,873	58,381,449
Cash with Fiscal Agent	—	—	—	246,797	3,579,606	3,826,403
Investments, at Fair Value	21,413,233	551,201	3,660,821	148,066,109	37,063,237	210,754,601
Receivables - Net of Allowances						
Taxes	21,784,755	—	3,321,754	616,413	1,602,247	27,325,169
Interest	60,418	94,554	10,174	366,170	209,092	740,408
Trade	2,137,716	190,464	—	4,938,917	654,876	7,921,973
Notes	1,900,000	37,467,361	—	—	2,728,115	42,095,476
Due from Other Government Agencies	245,585	1,440,670	18,705	4,860,115	6,454,221	13,019,296
Other	8,914,199	—	—	—	3,511,498	12,425,697
Prepaid Items	3,180,408	—	—	—	147,797	3,328,205
Due from Other Funds	—	—	—	6,267,563	2,628,825	8,896,388
Due from Component Unit	3,506,164	—	—	—	1,428,103	4,934,267
Inventory	3,765,774	—	—	—	72,127	3,837,901
Total Assets	77,389,080	41,255,969	8,859,540	194,632,027	75,350,617	397,487,233
LIABILITIES						
Accounts Payable	11,093,455	508,733	3,000	12,284,886	7,576,181	31,466,255
Accrued Payroll	8,749,795	34,116	—	25,889	540,807	9,350,607
Due to Other Funds	—	—	—	1,681,981	6,628,825	8,310,806
Taxes Payable	1,157,588	—	—	—	10,098	1,167,686
Unearned Revenue	3,870,201	—	—	—	2,861,382	6,731,583
Construction Contracts and Retainage Payable	—	54,301	—	1,642,450	15,701	1,712,452
Due to Other Government Agencies	6,860	4,823	—	—	160,632	172,315
Other Payable	262	—	—	—	—	262
Total Liabilities	24,878,161	601,973	3,000	15,635,206	17,793,626	58,911,966
DEFERRED INFLOWS OF RESOURCES						
Unavailable Revenues Low Income Housing	—	36,950,016	—	—	—	36,950,016
Unavailable Revenues Property Taxes	6,131,551	—	3,081,507	—	—	9,213,058
Total Deferred Inflows of Resources	6,131,551	36,950,016	3,081,507	—	—	46,163,074
FUND BALANCES:						
Nonspendable	6,946,182	—	—	—	219,924	7,166,106
Restricted	19,098,290	3,703,980	5,775,033	178,996,821	37,032,387	244,606,511
Committed	—	—	—	—	20,304,680	20,304,680
Unassigned	20,334,896	—	—	—	—	20,334,896
Total Fund Balances	46,379,368	3,703,980	5,775,033	178,996,821	57,556,991	292,412,193
Total Liabilities, Deferred Inflows of Resources and Fund Balances	77,389,080	41,255,969	8,859,540	194,632,027	75,350,617	397,487,233

The accompanying notes are an integral part of these financial statements.

CITY OF EL PASO, TEXAS
Reconciliation of the Balance Sheet to the Statement of Net Position
Governmental Funds
August 31, 2018

Fund balances - total governmental funds balance sheet		292,412,193
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.		
Governmental capital assets (excluding internal service funds)	1,606,098,457	
Accumulated depreciation	(481,218,174)	
		1,124,880,283
Other long-term assets are not available to pay for current period expenditures and therefore are omitted or deferred in the funds.		
Unavailable revenues from property taxes	9,213,058	
Unavailable revenue from low income housing loans and community development	36,950,016	
		46,163,074
Internal service funds are used to charge the costs of certain activities, such as health insurance, workers' compensation, unemployment, postage, copy center and equipment maintenance to individual funds. The internal service fund's net position is included in the governmental activities in the statement of net position.		
		4,208,203
Long-term liabilities (excluding internal service funds), including bonds payable and net pension liability (and the related deferred inflows and outflows of resources), are not due and payable in the current period and therefore are not reported as liabilities, deferred inflows or deferred outflows of resources in the governmental funds. Long-term liabilities consist of:		
Accrued interest payable	(2,553,771)	
Claims and judgments	(452,250)	
Compensated absences	(59,623,026)	
Net pension liability	(453,845,601)	
Deferred Outflow - Pension contributions subsequent to measurement date	30,151,718	
Deferred Outflow - Difference in projected and actual pension earnings	2,485,183	
Deferred Outflow - Difference in actual and expected pension experience	37,336,047	
Deferred Outflow - Change in assumptions for pensions	28,720,853	
Deferred Outflow - Chapter 380 Agreement Charges	51,574,964	
Deferred Inflow - Difference in actual and expected pension experience	(11,722,622)	
Deferred Inflow - Change in assumptions for pensions	(13,084,769)	
Deferred Inflow - Difference in projected and actual pension earnings	(46,615,058)	
Other post-employment benefits	(121,843,991)	
Deferred Outflow - Difference in actual and expected other postemployment experience	154,661	
Deferred Outflow - Difference in other post-employment contributions	3,155,346	
Unamortized bond issuance premium	(88,193,386)	
Deferred charge on refunding	12,067,228	
Chapter 380 Agreement Obligations	(51,574,964)	
Bonds, notes payable, and capital leases, and other obligations	(1,173,772,717)	
		(1,857,636,155)
Net position (deficit) of governmental activities		(389,972,402)

The accompanying notes are an integral part of these financial statements.

CITY OF EL PASO, TEXAS
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended August 31, 2018

	General Fund	Community Development Block Grants	Debt Service	Capital Projects	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Property Taxes	170,365,472	—	93,308,978	—	3,998,055	267,672,505
Penalties and Interest-Delinquent taxes	1,316,914	—	688,487	—	168	2,005,569
Sales Taxes	92,109,776	—	—	—	—	92,109,776
Hotel Occupancy Tax	—	—	—	4,243,554	11,026,911	15,270,465
Rental Vehicle Tax	—	—	—	—	3,493,005	3,493,005
Franchise Fees	53,828,946	—	—	—	4,597,775	58,426,721
Charges for Services	39,874,376	5,159,109	—	2,613,706	35,849,572	83,496,763
Fines and Forfeitures	8,143,346	—	—	—	1,631,492	9,774,838
Licenses and Permits	14,352,354	—	—	—	1,130,416	15,482,770
Ticket Sales	—	—	—	—	224,042	224,042
Intergovernmental Revenues	1,013,206	11,177,518	1,996,608	9,552,065	23,944,552	47,683,949
Interest Earnings	638,531	10,491	540,316	2,919,464	395,171	4,503,973
Rents and Other	1,695,305	172,998	—	926,902	6,938,377	9,733,582
Total Revenues	383,338,226	16,520,116	96,534,389	20,255,691	93,229,536	609,877,958
EXPENDITURES						
Current:						
General Government	29,871,754	38,310	—	103,655	641,955	30,655,674
Public Safety	233,497,389	—	—	—	13,676,334	247,173,723
Public Works	39,205,475	—	—	16,413,428	10,515,599	66,134,502
Public Health	5,864,867	—	—	—	13,484,381	19,349,248
Parks Department	24,812,171	110,795	—	88,566	1,735,074	26,746,606
Library	9,002,895	—	—	—	285,293	9,288,188
Non Departmental	17,488,741	—	—	9,688	9,277,218	26,775,647
Culture and Recreation	6,962,274	—	—	2,599,860	17,073,782	26,635,916
Economic Development	9,305,627	—	—	—	8,602,622	17,908,249
Animal Services	—	—	—	—	8,178,141	8,178,141
Community and Human Development	1,007,040	8,484,745	—	100,322	680,658	10,272,765
Debt Service:						
Principal	7,161,843	—	49,472,505	—	565,000	57,199,348
Interest Expense	638,620	—	54,496,358	—	3,761,533	58,896,511
Fiscal Fees	—	—	28,462	—	18,690	47,152
Capital Outlay	1,115,675	3,813,918	—	101,797,193	1,841,041	108,567,827
Total Expenditures	385,934,371	12,447,768	103,997,325	121,112,712	90,337,321	713,829,497
Excess(Deficiency) of revenues over(under) expenditures	(2,596,145)	4,072,348	(7,462,936)	(100,857,021)	2,892,215	(103,951,539)
OTHER FINANCING SOURCES(USES):						
Transfers In	17,232,156	—	6,378,239	3,764,282	25,999,340	53,374,017
Transfers Out	(13,081,008)	—	(125,930)	(6,275,642)	(19,217,627)	(38,700,207)
Proceeds from Sale of Capital Assets	3,931	—	—	25,200	—	29,131
Total Other Financing Sources (Uses)	4,155,079	—	6,252,309	(2,486,160)	6,781,713	14,702,941
Net Change in Fund Balances	1,558,934	4,072,348	(1,210,627)	(103,343,181)	9,673,928	(89,248,598)
Fund Balances - Beginning of Year	44,820,434	(368,368)	6,985,660	282,340,002	47,883,063	381,660,791
Fund Balances - End of Year	46,379,368	3,703,980	5,775,033	178,996,821	57,556,991	292,412,193

The accompanying notes are an integral part of these financial statements.

CITY 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 August 31, 2018

Change in net position reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds (89,248,598)

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.

Capital acquisitions and Capital contributions	114,608,249
Depreciation	(46,205,298)
	68,402,951

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, disposals) is to decrease net position.

Cost of disposed assets (Net)	(5,306,977)
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Certain revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds. This amount is the net change in deferred inflows of resources.

Unavailable revenue from low income housing loans and community development	(20,063,387)
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Unavailable revenue from property taxes	1,422,351
	(18,641,036)

Contributions of capital assets that will be used in operations because they are not relevant to the assessment of near-term liquidity are not reported in the governmental funds

(13,334,644)

The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas, these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.

Principal payments	57,199,348
Amortization of deferred charge on refunding	(2,968,856)
Amortization of premiums on bonds issued	9,331,263
	63,561,755

Some expenses (excluding internal service funds) reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

Increase in compensated absences	(242,561)
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Decrease in accrued interest payable	205,830
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Decrease in claims and judgments	47,750
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Changes to net OPEB liability and related deferred outflows and inflows of resources do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(4,075,168)
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Changes to net pension liability and pension related deferred outflows and inflows of resources do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.	(34,618,114)
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Internal service funds are used by management to charge the costs of health insurance, worker's compensation, unemployment benefits, postage, copy center and equipment maintenance to individual funds. The net revenue of the internal service funds is reported by function within governmental activities.

4,913,334

Change in net position of governmental activities	(28,335,479)
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CITY OF EL PASO, TEXAS
Statement of Net Position
Proprietary Funds
August 31, 2018

	El Paso International Airport	Environmental Services	Mass Transit	International Bridges	Tax Office Enterprise Fund	Totals	Internal Service Funds
ASSETS							
Current assets:							
Cash	1,033,123	1,029,704	—	1,463,664	237,190	3,763,681	8,248,973
Investments, at Fair Value	1,367,599	9,673,271	—	4,122,690	685,452	15,849,012	20,896,988
Receivables - Net of Allowances:							
Taxes	—	—	7,160,337	—	—	7,160,337	—
Interest	29,182	83,794	—	10,268	1,682	124,926	51,829
Trade	4,758,977	2,876,175	530,920	160,635	—	8,326,707	13,930
Due from Other Government Agencies	8,324,927	184,801	3,881,480	—	1,892	12,393,100	—
Due from Component Unit	—	3,796,903	—	—	—	3,796,903	—
Prepaid Items	343,063	—	65,871	—	—	408,934	—
Due From Other Funds	—	—	1,681,981	—	—	1,681,981	—
Inventory	1,675,040	—	4,583,028	—	—	6,258,068	1,096,575
Total current assets	17,531,911	17,644,648	17,903,617	5,757,257	926,216	59,763,649	30,308,295
Noncurrent assets:							
Restricted Investments	7,586,344	21,971,938	—	—	—	29,558,282	—
Advance to Other Funds	11,800,000	13,078,189	—	—	—	24,878,189	—
Capital Assets:							
Land	1,381,099	6,887,813	11,665,907	2,469,531	—	22,404,350	—
Buildings, Improvements, Equipment & Other, Net	226,509,115	41,908,383	167,915,967	13,822,431	61,932	450,217,828	345,808
Construction in Progress	53,900,220	226,064	12,538,581	327,267	—	66,992,132	—
Total noncurrent assets	301,176,778	84,072,387	192,120,455	16,619,229	61,932	594,050,781	345,808
TOTAL ASSETS	318,708,689	101,717,035	210,024,072	22,376,486	988,148	653,814,430	30,654,103
DEFERRED OUTFLOWS OF RESOURCES							
Pension Contributions Subsequent to Measurement Date	1,296,059	1,943,631	3,509,903	240,809	—	6,990,402	562,183
Difference in Projected and Actual Earnings on Pension Investment	340,949	511,304	1,828,211	63,349	—	2,743,813	147,890
Difference in Actual and Expected Pension Experience	41,760	62,626	113,091	7,760	—	225,237	18,115
Change in Assumptions for Pensions	1,311,080	1,966,158	3,550,582	243,600	—	7,071,420	568,699
Deferred Other Post Employment Contributions	220,787	292,885	451,429	52,651	—	1,017,752	90,136
Difference in Actual and Expected Other Post Employment Experience	10,822	14,356	22,127	2,581	—	49,886	4,418
Total Deferred Outflows of Resources	3,221,457	4,790,960	9,475,343	610,750	—	18,098,510	1,391,441
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	321,930,146	106,507,995	219,499,415	22,987,236	988,148	671,912,940	32,045,544

The accompanying notes are an integral part of these financial statements.

CITY OF EL PASO, TEXAS
Statement of Net Position
Proprietary Funds
August 31, 2018

	El Paso International Airport	Environmental Services	Mass Transit	International Bridges	Tax Office Enterprise Fund	Totals	Internal Service Funds
LIABILITIES							
Current liabilities:							
Accounts Payable	4,510,891	3,912,153	3,801,775	216,466	12,151	12,453,436	1,360,949
Accrued Payroll	293,706	339,084	585,297	57,454	21,362	1,296,903	115,921
Bonds, Notes, and Capital Leases - Due within one year	1,927,008	1,580,287	1,857,517	1,265,514	—	6,630,326	—
Due to Other Funds	539,101	861,243	698,319	168,901	—	2,267,564	—
Taxes Payable	61,095	127,393	—	7,985	—	196,473	—
Interest Payable on Bonds and Notes	105,023	34,742	105,211	7,386	—	252,362	—
Unearned Revenue	2,236,428	—	41,715	10,000	—	2,288,143	—
Construction Contracts and Retainage Payable	1,596,860	—	—	—	—	1,596,860	—
Compensated Absences - Due within one year	749,670	311,670	493,728	63,599	33,837	1,652,504	205,324
Other Post-employment Benefits - Due within one year	220,786	292,886	451,429	52,651	—	1,017,752	90,136
Total current liabilities	12,240,568	7,459,458	8,034,991	1,849,956	67,350	29,652,323	1,772,330
Non-current liabilities:							
Advance from Other Funds	—	—	24,878,189	—	—	24,878,189	—
Bond Obligations	36,448,192	16,694,172	51,926,963	2,394,483	—	107,463,810	—
Revenue Bonds	14,205,001	—	—	—	—	14,205,001	—
Compensated Absences	1,749,231	727,229	1,152,031	148,399	78,954	3,855,844	479,088
Landfill Closure Costs	—	21,971,939	—	—	—	21,971,939	—
Claims and Judgments	—	1,038,325	428,666	—	—	1,466,991	17,440,251
Net Pension Liability	10,169,569	15,250,778	27,540,589	1,889,522	—	54,850,458	4,411,193
Other Post-employment Benefits	8,304,908	11,016,948	16,980,545	1,980,488	—	38,282,889	3,390,468
Total Non-current Liabilities	70,876,901	66,699,391	122,906,983	6,412,892	78,954	266,975,121	25,721,000
Total Liabilities	83,117,469	74,158,849	130,941,974	8,262,848	146,304	296,627,444	27,493,330
DEFERRED INFLOWS OF RESOURCES							
Difference in Actual and Expected Pension Experience	793,086	1,189,350	2,147,785	147,357	—	4,277,578	344,011
Total Deferred Inflows of Resources	793,086	1,189,350	2,147,785	147,357	—	4,277,578	344,011
NET POSITION (Deficit)							
Net investment in capital assets	227,508,350	30,713,059	138,230,764	12,951,846	61,932	409,465,951	345,808
Restricted for:							
Debt Service	1,633,000	—	—	—	—	1,633,000	—
Passenger Facilities	5,953,344	—	—	—	—	5,953,344	—
Unrestricted	2,924,897	446,737	(51,821,108)	1,625,185	779,912	(46,044,377)	3,862,395
Total Net Position	238,019,591	31,159,796	86,409,656	14,577,031	841,844	371,007,918	4,208,203
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	321,930,146	106,507,995	219,499,415	22,987,236	988,148	671,912,940	32,045,544

The accompanying notes are an integral part of these financial statements.

CITY OF EL PASO, TEXAS
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended August 31, 2018

	El Paso International Airport	Environmental Services	Mass Transit	International Bridges	Tax Office Enterprise Fund	Totals	Internal Service Funds
OPERATING REVENUES:							
Charges of Rentals and Fees	45,326,021	47,773,152	212,849	201,623	—	93,513,645	—
Charges of Tolls	—	—	—	23,648,208	—	23,648,208	—
Charges of Fares and Fees	376,889	1,855	9,541,877	—	—	9,920,621	—
Sales to Departments	—	63,407	—	—	—	63,407	18,492,670
Premium Contributions	—	—	—	—	—	—	60,711,513
Intergovernmental Revenues	—	—	—	—	1,879,016	1,879,016	—
Penalties and Interest-Delinquent taxes	—	—	—	—	517,516	517,516	—
General Revenues	271,902	315,944	4,769,967	1,451,996	—	6,809,809	653,634
Total Operating Revenues	45,974,812	48,154,358	14,524,693	25,301,827	2,396,532	136,352,222	79,857,817
OPERATING EXPENSES:							
Personnel Services	18,370,956	18,754,346	35,240,838	3,185,849	1,107,168	76,659,157	7,705,643
Contractual Services	24,000	4,372	—	2,370,347	—	2,398,719	—
Professional Services	507,208	95,130	160,409	111,822	468	875,037	1,025,356
Outside Contracts	7,843,260	2,280,974	14,210,869	1,346,818	282,608	25,964,529	2,225,249
Fuel and Lubricants	229,426	2,683,256	2,453,614	6,589	80	5,372,965	6,516,149
Materials and Supplies	965,061	7,390,308	4,098,202	152,090	151,484	12,757,145	4,570,674
Communications	90,488	147,423	138,399	14,562	1,385	392,257	639
Utilities	1,813,425	131,022	1,405,857	86,343	—	3,436,647	27,054
Operating Leases	28,451	31,590	776,489	342,737	138,151	1,317,418	11,397
Travel and Training	181,971	69,183	38,528	28,911	8,289	326,882	166
Benefits Provided	423	—	55,595	—	—	56,018	51,716,906
Maintenance and Repairs	745,777	211,756	532,103	375,214	3,458	1,868,308	1,713,629
Landfill and Transfer Station Utilization	—	3,436,944	—	—	—	3,436,944	—
Other Operating Expenses	2,234,543	4,536,316	5,484,138	150,776	466,350	12,872,123	22,577
Depreciation	17,658,160	8,060,201	16,667,454	964,044	19,378	43,369,237	108,506
Total Operating Expenses	50,693,149	47,832,821	81,262,495	9,136,102	2,178,819	191,103,386	75,643,945
Operating Income (Loss)	(4,718,337)	321,537	(66,737,802)	16,165,725	217,713	(54,751,164)	4,213,872
NONOPERATING REVENUES (EXPENSES):							
Interest Earnings	274,907	454,488	—	71,560	9,343	810,298	227,157
Interest Expense	(2,443,253)	(665,953)	(2,268,721)	(118,811)	—	(5,496,738)	—
Federal Tax Credit - Build America Bonds	—	—	226,884	—	—	226,884	—
Gain(Loss) on Sale of Equipment and Land	50,046	(78,081)	(162,434)	—	—	(190,469)	(31,695)
Customer Facility Charge	3,799,711	—	—	—	—	3,799,711	—
Sales Tax	—	—	44,096,839	—	—	44,096,839	—
FTA Subsidy	—	—	11,015,533	—	—	11,015,533	—
Total Non-Operating Revenues (Expenses)	1,681,411	(289,546)	52,908,101	(47,251)	9,343	54,262,058	195,462
Income (Loss) Before Capital Contributions and Transfers	(3,036,926)	31,991	(13,829,701)	16,118,474	227,056	(489,106)	4,409,334
Capital Contributions Received	22,252,259	768,691	42,488,303	—	—	65,509,253	—
Transfers Out	—	(4,686,868)	—	(14,725,592)	—	(19,412,460)	—
Transfers In	—	4,234,650	—	—	—	4,234,650	504,000
Change in net position	19,215,333	348,464	28,658,602	1,392,882	227,056	49,842,337	4,913,334
Net Position, Beginning of Year, As Previously Reported	221,610,954	34,534,580	63,489,736	13,853,467	614,788	334,103,526	440,699
Change in Accounting Principle	(2,806,696)	(3,723,248)	(5,738,682)	(669,318)	—	(12,937,944)	(1,145,830)
Net Position, Beginning of Year, As Restated	218,804,258	30,811,332	57,751,054	13,184,149	614,788	321,165,582	(705,131)
Net Position, End of Year	238,019,591	31,159,796	86,409,656	14,577,031	841,844	371,007,918	4,208,203

The accompanying notes are an integral part of these financial statements.

CITY OF EL PASO, TEXAS

Statement of Cash Flows

Proprietary Funds

For the Year Ended August 31, 2018

	El Paso International Airport	Environmental Services	Mass Transit	International Bridges	Tax Office Enterprise Fund	Totals	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES							
Receipts from Customers	41,683,612	44,411,972	10,923,741	24,476,874	2,394,640	123,890,839	78,867,249
Payments to Suppliers	(13,874,536)	(18,161,912)	(30,136,534)	(5,210,799)	(1,143,631)	(68,527,412)	(66,163,886)
Payments to Employees	(18,530,938)	(18,983,771)	(36,432,241)	(3,200,640)	(1,125,837)	(78,273,427)	(7,872,524)
Payments for Retirees	3,091,844	4,101,512	6,321,706	737,320	—	14,252,382	1,262,241
Subsidy from Federal Grant	—	—	11,015,533	—	—	11,015,533	—
Operating Expense Reimbursed by Grants	—	(30,937)	13,224,501	—	—	13,193,564	—
Net cash provided by (used for) operating activities	<u>12,369,982</u>	<u>11,336,864</u>	<u>(25,083,294)</u>	<u>16,802,755</u>	<u>125,172</u>	<u>15,551,479</u>	<u>6,093,080</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES							
Transfers to Other Funds	(269,550)	(5,117,488)	(42,871,713)	(14,810,043)	—	(63,068,794)	—
Transfers from Other Funds	5,000,000	7,234,650	425,729	—	—	12,660,379	504,000
Advances to Other Funds	(11,800,000)	(13,078,189)	—	—	—	(24,878,189)	—
Advances from Other Funds	—	—	24,878,189	—	—	24,878,189	—
Sales Tax	—	—	43,678,739	—	600	43,679,339	—
Net Cash Provided by (used for) Non-capital Financing Activities	<u>(7,069,550)</u>	<u>(10,961,027)</u>	<u>26,110,944</u>	<u>(14,810,043)</u>	<u>600</u>	<u>(6,729,076)</u>	<u>504,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Customer Facility Charges	3,799,711	—	—	—	—	3,799,711	—
Contributions from Other Governments	22,252,259	768,691	42,715,187	—	—	65,736,137	—
Purchases of Capital Assets	(43,849,090)	(6,804,129)	(39,760,543)	(252,422)	—	(90,666,184)	(108,433)
Principal Paid on Capital Debt	(1,876,943)	(1,511,031)	(1,711,105)	(1,259,908)	—	(6,358,987)	—
Interest Paid on Capital Debt	(2,445,287)	(668,662)	(2,271,189)	(121,343)	—	(5,506,481)	—
Net Cash Used for Capital and Related Financing Activities	<u>(22,119,350)</u>	<u>(8,215,131)</u>	<u>(1,027,650)</u>	<u>(1,633,673)</u>	<u>—</u>	<u>(32,995,804)</u>	<u>(108,433)</u>
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of Investments	—	(3,973,881)	—	(3,759,326)	(6,689)	(7,739,896)	(2,793,412)
Sale of Investments	16,982,075	9,247,416	—	4,044,616	—	30,274,107	—
Interest	246,755	370,694	—	61,435	7,661	686,545	175,896
Net Cash Provided by (Used for) Investing Activities	<u>17,228,830</u>	<u>5,644,229</u>	<u>—</u>	<u>346,725</u>	<u>972</u>	<u>23,220,756</u>	<u>(2,617,516)</u>
Net increase(decrease) in cash	409,912	(2,195,065)	—	705,764	126,744	(952,645)	3,871,131
Cash - beginning of the year	623,211	3,224,769	—	757,900	110,446	4,716,326	4,377,842
Cash - end of the year	<u>1,033,123</u>	<u>1,029,704</u>	<u>—</u>	<u>1,463,664</u>	<u>237,190</u>	<u>3,763,681</u>	<u>8,248,973</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:							
Operating Income (Loss)	(4,718,337)	321,537	(66,737,802)	16,165,725	217,713	(54,751,164)	4,213,872
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities:							
Depreciation Expense	17,658,160	8,060,201	16,667,454	964,044	19,378	43,369,237	108,506
Compensated Absences	(72,071)	(217,543)	(211,293)	(2,286)	(21,649)	(524,842)	(30,377)
Other Post Employment Benefits	285,149	378,264	583,024	68,002	—	1,314,439	116,411
Net Pension Liability	108,219	162,292	(611,800)	20,108	—	(321,181)	46,942
Change in Assets and Liabilities:							
Receivables, Net Cash	(1,759,180)	28,569	15,476,482	(160,635)	(1,892)	13,583,344	186,957
Inventories	(302,169)	—	(117,383)	—	—	(419,552)	(138,238)
Other Assets	50,046	(78,081)	10,853,099	—	—	10,825,064	(31,695)
Accounts and other payables	1,076,551	822,868	(721,695)	(224,590)	(91,358)	861,776	396,961
Accrued Expenses	43,614	1,858,757	(263,380)	(27,613)	2,980	1,614,358	1,223,741
Net Cash Provided by (Used for) Operating Activities	<u>12,369,982</u>	<u>11,336,864</u>	<u>(25,083,294)</u>	<u>16,802,755</u>	<u>125,172</u>	<u>15,551,479</u>	<u>6,093,080</u>

The accompanying notes are an integral part of these financial statements.

CITY OF EL PASO, TEXAS
Statement of Fiduciary Net Position
August 31, 2018

ASSETS	Pension Trust Funds	Agency Funds
Cash	52,083,513	171,277,935
Commingled Funds	154,771,183	—
U.S. Government Securities	32,086,839	—
Absolute Return Investments	126,830,615	—
Corporate Stocks	101,459,644	—
Bank Collective Investment Funds	180,019,198	—
Master Limited Partnerships	39,817,825	—
Private Equities	164,245,588	—
Investment in Real Estate Funds	199,158,621	—
Fixed Income Securities	370,889,783	—
Domestic Equities	423,742,075	—
International Equities	456,225,801	—
Invested securities lending collateral	65,316,080	—
Receivables - Net of Allowances		
Commission Credits Receivable	105,042	—
Due from Brokers For Securities Sold	3,558,783	—
Employer Contributions	1,661,495	—
Employee Contributions	1,161,713	—
Interest	664,340	—
Other Receivable	2,830	80,731,839
Taxes	—	67,058,665
Prepaid Items	17,360	—
Capital Assets:		
Work In Progress	—	79,583,436
Buildings, Improvements & Equipment, Net	5,420,890	145,469
Total Assets	2,379,239,218	398,797,344
LIABILITIES		
Accounts Payable	84,306,101	2,558,385
Accrued Expenses	2,412,559	26,219,849
Prepaid Property Taxes	—	3,149,497
Unearned Revenue	105,042	42,263,229
Due to Other Government Agencies	—	39,906,539
Bonds and Notes Payable	—	215,462,407
Property Taxes Subject to Refund-Other Taxing Entities	—	2,511,463
Uncollected Property Taxes-Other Taxing Entities	—	66,725,975
Total liabilities	86,823,702	398,797,344
NET POSITION:		
Restricted for Pensions and Other Purposes	2,292,415,516	

The accompanying notes are an integral part of these financial statements.

CITY OF EL PASO, TEXAS
Statement of Changes in Fiduciary Net Position
For the Year Ended August 31, 2018

	Pension Trust Funds
ADDITIONS:	
Contributions:	
Employer	52,709,260
Employee	36,844,730
Total contributions	89,553,990
Other Income	4,857,083
Investment income:	
Net appreciation in fair value of investments	260,767,374
Interest	11,125,939
Dividends	22,286,321
Securities lending income	593,427
Investment advisory fees	(11,835,218)
Net investment income	282,937,843
 Total additions	 377,348,916
DEDUCTIONS:	
Benefits paid to plan members	146,283,581
Refunds	6,699,828
Administrative expenses	3,512,995
Depreciation and amortization expense	431,807
Total deductions	156,928,211
 Net increase in net position	 220,420,705
Net position - beginning of the year	2,071,994,811
Net position - end of the year	2,292,415,516

The accompanying notes are an integral part of these financial statements.

The City of El Paso, Texas (City) was incorporated in 1873. The government of the City is operated by authority of its charter exercising all powers conferred upon constitutional home rule cities in the State of Texas and exercises these powers as a municipal corporation, subject to the Constitution and the laws of the State of Texas. The city charter was amended in February 2004 to adopt a Council/City Manager form of government.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with U.S. 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 following is a summary of significant accounting policies of the City.

A. Reporting Entity

The accompanying financial statements include the City and its component units, collectively referred to as the financial reporting entity. In accordance with GASB Statement Number 14, as amended by GASB Statement 39, GASB Statement 61 and GASB Statement 80, the component units discussed below have been included in the City's reporting entity because of the significance of their operational or financial relationship with the City.

Discretely Presented Component Units**El Paso Water Utilities (EPWater)**

The Public Service Board (PSB), the governing board of EPWater, consists of the Mayor and six residents of El Paso County, Texas. With the exception of the Mayor, all other trustees are appointed by the City Council. The City authorizes the issuance of the debt for EPWater. EPWater is a discretely presented component unit in the accompanying financial statements. The financial information included in these statements is as of EPWater's latest fiscal year end, February 28, 2018.

El Paso Housing Finance Corporation (EPHFC)

EPHFC was incorporated September 10, 1979, under Chapter 394 of the Texas Local Government Code, for the purpose of providing a means of financing the costs of residential ownership and development that will provide decent, safe, affordable and sanitary housing for persons of low and moderate income. Its board consists of seven directors, appointed by the City Council, who serve six-year terms of office. Any director may be removed from office at any time, with or without cause, by written resolution of the governing body of the City. EPHFC is reported discretely as a component unit in the accompanying financial statements. The financial information included in these statements is as of EPHFC's latest fiscal year end, December 31, 2017.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Blended Component Units

Downtown Development Corporation (DDC)

The DDC was created and organized as a public, non-profit local government corporation incorporated pursuant to Sub-chapter D of Chapter 431, Texas Transportation Code, as amended, to assist and act on behalf of the City for the purpose of issuing debt to finance the construction of a Triple-A baseball stadium. The City Council operates as the Board of the DDC and certain City administrative staff (e.g. CFO, etc.) manage the activities for the DDC. The City levies and collects a designated tax for the purpose of paying debt service on debt issued by the DDC. The DDC is reported as a blended component unit of the City in the non-grant special revenue fund.

El Paso Children's Museum Development Corporation (CMDC)

The CMDC was created and organized as a public, non-profit local government corporation incorporated pursuant to Sub-chapter D of Chapter 431, Texas Transportation Code, as amended, to assist and act on behalf of the City for the purpose of issuing debt to finance the construction of a children's museum. The City Council operates as the Board of the CMDC and certain City administrative staff (e.g. CFO, etc.) manage the activities for the CMDC. The City levies and collects ad valorem tax for the purpose of paying debt service on debt issued for the Children's Museum. The CMDC is reported as a blended component unit of the City in the non-grant special revenue fund. The CMDC had no assets or liabilities and had no financial transactions during fiscal year 2018.

El Paso Metropolitan Planning Organization (MPO)

The MPO is responsible for cooperative decision-making by principal elected officials of general-purpose local governments in the El Paso Metropolitan Planning Area regarding the metropolitan transportation planning process. The MPO was established pursuant to 23 USC § 134, 59 USC § 5303 (Metropolitan Transportation Planning) and 23 CFR 450.300 et seq. (Metropolitan Transportation Planning and Programming). City of El Paso serves as the fiscal agent for the Transportation Policy Board of the MPO. The City also receives financial benefit as a sub-recipient of the MPO's state grant awards. The MPO is reported as a blended component unit of the City in the non-grant special revenue fund.

Thunder Canyon Public Improvement District 1 (PID)

The Thunder Canyon PID was created after a handful of property owners petitioned for its creation to keep the canyon undeveloped and in its natural state. The 26-acre arroyo was purchased by the City from the developer for about \$525,000. The PID pays the annual debt service for the land's purchase. The City Council operates as the Board of the PID and certain City administrative staff (e.g. CFO, etc.) manage the activities for the PID. The PID is reported as a blended component unit in the non-grant special revenue fund.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

El Paso Property Finance Authority, Inc. (Authority)

Incorporated March 12, 1987, pursuant to the Texas Non-Profit Corporation Act, for the purpose of establishing a Permanent Public Improvements Program. Its board consists of six directors who serve two-year terms or until a successor is appointed. The City reserves the right to alter the structure, organization, programs or activities of the Authority or to terminate and dissolve the Authority. The Authority had no assets or liabilities and had no financial transactions during fiscal year 2018.

Fiduciary Component Units

City Employees' Retirement Trust (CERT)

Substantially all full-time employees of the City are eligible to participate in the City's Employees' Retirement Trust (CERT), except for uniformed fire fighters and police officers who are covered under separate plans. The plan is a single- employer defined benefit retirement plan established under legal

authority of the City Charter and administered by a Board of Trustees (CERT Board). The CERT Board is comprised of the Mayor, two citizens designated by the Mayor who are not officers or employees of the City, four elected City employees, a retiree and two City district representatives. The CERT is included in the accompanying financial statements as a Pension Trust Fund and the financial information included in these statements is as of August 31, 2018.

Firemen and Policemen's Pension Fund (FPPF)

Uniformed fire fighters and police officers participate in the Firemen and Policemen's Pension Fund (FPPF), which is divided into two divisions: the firemen division and policemen division. The plan is a single-employer defined benefit retirement plan established under legal authority of State Statutes and the City Charter and is administered by a Board of Trustees (FPPF Board). The FPPF Board is comprised of the Mayor, two citizens' designated by the Mayor, the Chief of Police (or his designee), the Fire Chief (or his designee) and three policemen and three firemen elected by the membership of their respective divisions. The FPPF is included in the accompanying agency fund financial statements under Pension Trust Funds. The financial information included in these statements is as of December 31, 2017.

Financial statements for EPWater, EPHFC, CERT or FPPF may be requested from the respective entity's administrative offices.

EPWater - El Paso Water Utilities

El Paso Water Utilities
P. O. Box 511
El Paso, Texas 79961
<http://www.epwu.org/>

EPHFC - El Paso Housing Finance Corporation

El Paso Housing Finance Corporation
701 Montana
El Paso, Texas 79902

CERT - City Employees Retirement Trust

City of El Paso Employees Retirement Trust
1309 Chelsea Street
El Paso, Texas 79903
<http://www.eppension.org>

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

FPPF - Firemen and Policemen's Pension Fund

El Paso Firemen & Policemen Pension Fund
1155 Westmoreland, Suite 223
El Paso, Texas 79925
<http://www.elpasofireandpolice.org>

Not-for-profit Corporations

The directors of each corporation below are appointed by the City Council and all activity must be approved from time to time by ordinance or resolution duly adopted by the City Council. Approval is solely for the purpose of satisfying the conditions and requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended. Certain of the corporations have authorized and issued bonds for projects. The bonds specifically provide they are not a debt of the City and the City is not responsible for payment of these bonds. These corporations issue conduit debt, therefore, there is no financial benefit/obligation to the City resulting from these projects and no amounts related to these bonds have been reported in these financial statements.

El Paso Health Facilities Development Corporation

Incorporated September 2, 1981, under Chapter 221 of the Texas Health and Safety Code, for the purpose of acquiring, constructing, providing, improving, financing and refinancing health facilities in order to assist the maintenance of public health and public welfare. Its board consists of six directors who serve six-year terms of office. Although there may be bonds outstanding, there is no liability to the City as all liability transfers to the trustee of the bond issue.

City of El Paso Industrial Development Authority

Incorporated October 10, 1979, under Article 5190.6 of the Texas Revised Civil Statutes, for the purpose of promoting and developing commercial, industrial, manufacturing and medical research enterprises to promote and encourage employment, public health and public welfare. Its board consists of nine directors who serve six-year terms of office. Although there may be bonds outstanding, there is no liability to the City as all liability transfers to the trustee of the bond issue.

B. Basic Financial Statements

The government-wide financial statements report on the City and its component units as a whole, excluding fiduciary activities. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. All activities, both governmental and business-type, are reported in the government-wide financial statements using the economic resources measurement focus and the accrual basis of accounting, which includes long-term assets and receivables as well as long-term debt and obligations. The government-wide financial statements focus on the sustainability of the City as an entity and the change in aggregate financial net position resulting from the activities of the fiscal period.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions are made when the elimination would distort the measurement of the cost of individual functional activities. Net interfund activity and balances between governmental activities and business-type activities are shown in the government-wide financial statements.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Services performed by one function for another are credited as operating revenue to the performing department and an operating charge to the receiving department to reflect the accurate costs of programs. The rates used are intended to reflect full costs of providing the services.

Certain indirect costs have been included as part of program expenses reported for the various functional activities.

The government-wide statement of net position reports all financial and capital resources of the government excluding fiduciary funds. It presents information on assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference being reported as net position. Net position is required to be displayed in three components: 1) net investment in capital assets, 2) restricted and 3) unrestricted. Net investment in capital assets consists of capital assets net of accumulated depreciation reduced by the outstanding balance of any bonds, notes or other borrowings, excluding unspent proceeds, that are attributable to the acquisition, construction or improvements of capital assets. Restricted net position has external constraints placed on their use by either: 1) creditors (such as through debt covenants), grantors, contributors or laws or regulations of other governments or 2) by law through constitutional provisions or enabling legislation. All net position not otherwise classified as net investment in capital assets or restricted are shown as unrestricted. Generally, the City would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available. Restrictions of net position imposed by the reporting government by administrative policy are not shown as restricted net position on the government-wide financial statements.

The government-wide statement of activities demonstrates the degree to which the direct expenses of the various functions and departments of the City are offset by program revenues. Direct expenses are those that are easily identifiable with a specific function or department. Interest on long-term debt is not allocated to the various functions. Program revenues include: 1) charges to customers or users who purchase, use or directly benefit from goods, services or privileges provided by a particular function or department such as licenses, permits, park user fees, etc. and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or department.

Taxes, investment income (loss) and other revenues not identifiable with particular functions or departments are included as general revenues. The general revenues support the net costs of the functions and departments not covered by program revenues.

Also, part of the basic financial statements are fund financial statements for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The focus of the fund financial statements is on major funds, as defined by GASB Statement 34. Criteria for determination of major funds are percentage of assets, liabilities, revenues or expenditures/expenses of the fund category and of the governmental and enterprise funds combined. Non-major governmental funds are combined in a single column on the fund financial statements.

The governmental fund financial statements are prepared on a current financial resources measurement focus and modified accrual basis of accounting. This is the traditional basis of accounting for governmental funds. This presentation is deemed most appropriate to: 1) demonstrate legal and covenant compliance; 2) demonstrate the sources and uses of liquid resources; and 3) demonstrate how

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

the City's actual revenues and expenditures conform to the annual budget. Since the governmental fund financial statements are presented on a different basis than the governmental activities column of the government-wide financial statements, a reconciliation is provided immediately following each fund statement.

These reconciliations explain the adjustments necessary to transform the fund financial statements into the governmental activities column of the government-wide financial statements.

The proprietary (enterprise and internal service) funds and fiduciary fund financial statements are prepared on the same basis (economic resources measurement focus and accrual basis of accounting) as the government-wide financial statements. Therefore, most lines for the total enterprise funds on the proprietary fund financial statements will directly reconcile to the business-type activities column on the government-wide financial statements. Because the enterprise funds are combined into a single business-type activities column on the government-wide financial statements, certain interfund activities between these funds may be eliminated in the consolidation for the government-wide financial statements but are included in the fund columns in the proprietary fund financial statements.

C. Fund Accounting

The City uses funds to report its financial position and activities. A fund is a separate accounting entity with a self-balancing set of accounts, which includes assets, deferred outflows, liabilities, deferred inflows, fund balances, revenues and expenditures. Fund accounting segregates funds according to their intended purpose and is designed to demonstrate legal compliance. Fund accounting also aids financial management by segregating transactions related to certain governmental functions or activities.

The City uses the following fund categories:

Governmental Funds

Governmental funds are those through which most of the governmental functions of the City are financed. The measurement focus is based upon determination of changes in financial position rather than upon net income determination.

The City reports the following major governmental funds:

General Fund

The General Fund is the City's primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. The General Fund is always a major fund in the basic financial statements.

Community Development Block Grants Fund (CDBG)

CDBG is a special revenue fund that accounts for the proceeds of federal grants approved by the Department of Housing and Urban Development (HUD) for community development projects that may extend over multiple fiscal years.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Debt Service Fund

This fund accounts for the resources accumulated for and the payment of long-term debt principal, interest and related costs of the governmental funds.

Capital Projects Fund

This fund accounts for the proceeds of debt issuances, private donations and internal funding for the completion of capital construction projects and equipment purchases outside the scope of general operations.

Proprietary Funds

Proprietary funds are used to account for the City's ongoing organizations and activities, which are similar to those found in the private sector and where recovery of cost and the determination of net income is useful or necessary for sound fiscal management. The measurement focus is based upon determination of net income, changes in net position, financial position and cash flows.

Enterprise Funds

Enterprise funds are used to account for operations that provide services to the general public for a fee. Under GASB Statement Number 34, enterprise funds are also required for any activity whose principal revenue sources meet any of the following criteria:

- 1) any activity that has issued debt backed solely by the fees and charges of the activity,
- 2) if the cost of providing services for an activity, including capital costs such as depreciation or debt service, must legally be recovered through fees and charges or
- 3) it is the policy of the City to establish activity fees or charges to recover the cost of providing services, including capital costs.

The City reports the following major enterprise funds:

El Paso International Airport (Airport)

This fund accounts for the activities of the Airport including aviation operations and leasing activities on Airport properties.

Environmental Services

This fund accounts for the activities of the City-operated refuse collection, transfer and storage operations.

Sun Metro Mass Transit (Sun Metro)

This fund accounts for the activities of the City-operated bus and para-transit operations.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**International Bridges**

This fund accounts for the operations and maintenance activities of the three international bridges it controls. The City has designated this fund as a major fund.

Tax Office Administration

This fund represents activity related to the operations of the Tax Office as tax collector for 38 taxing entities, including the City of El Paso. The City has designated this fund as a major fund.

Internal Service Funds

These funds account for facilities maintenance, fleet services, and document services provided to other departments of the City and to other governments and organizations on a cost reimbursement basis. These funds also account for risk management and insurance activities, which include the self-insured health, workers' compensation and unemployment compensation programs.

Fiduciary Funds

Fiduciary funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations or other governmental units. The reporting focus is upon net position and changes in net position and employs accounting principles similar to proprietary funds. Fiduciary funds are not included in the government-wide financial statements since they do not represent assets of the City to support City programs.

Pension Trust Funds

Pension trust funds are used to report resources that are required to be held in trust for the members and beneficiaries of defined benefit pension plans, defined contribution plans, other post-employment benefit plans or other employee benefit plans. The City has two pension trust funds to account for the activities of the CEPF and FPPF.

Agency Funds

Agency funds are used to account for assets held by a governmental unit as an agent for individuals, private organizations, and other governmental units. Agency funds include property taxes collected for other taxing entities and the Camino Real Regional Mobility Authority.

D. Measurement Focus and Basis of Accounting

In the government-wide statements, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Other taxes and fees are recognized as revenue in the year they are earned. Revenue from most grants and similar items are recognized in the fiscal year the qualifying expenditure is made, if applicable, and all other eligibility requirements are satisfied.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Governmental funds are accounted for using the current financial resources measurement focus and the modified accrual basis of accounting. This means that only current assets, current liabilities and deferred inflows/outflows of resources are generally included on the balance sheet. Revenues are recognized when susceptible to accrual (i.e., when they become both measurable and available). “Measurable” means the amount of the transaction can be determined and “available” means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers grant revenues to be available if they are collected within one year after year-end and all other revenues to be available if they are collected within 60 days after year-end, except for franchise fee revenues collected within 75 days after year-end. Expenditures are recorded when the related fund liability is incurred. However, compensated absences, debt service expenditures, claims and judgments and arbitrage liabilities are recorded only when the payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and any acquisitions under capital leases are reported as other financing sources.

Revenues susceptible to accrual include property taxes, sales taxes, franchise taxes, fines and forfeits, and interest earned on investments. Charges for services, licenses and permits, and miscellaneous revenues are recorded when received in cash since they are generally not measurable until actually received, which is the same as the date the services are rendered or the license or permits are issued.

In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are essentially two types of these revenues. In one, monies must be expended on the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

The reported fund balance for each fund is considered a measure of “current financial resources.” Governmental fund operating statements present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets. Accordingly, they present a summary of sources and uses of “current financial resources” during the period.

Special reporting treatments are applied to governmental fund inventories and prepaid expenditures to indicate that they do not represent “current financial resources,” since they do not represent net expendable current assets. Such amounts are reported as non-spendable fund balance.

Proprietary and pension trust funds are accounted for using the accrual basis of accounting. Revenues are recognized when they are earned and expenses are recognized when incurred. These funds are accounted for on a flow of economic resources measurement focus whereby all assets and all liabilities associated with the operation of these funds are included on the statement of net position. Operating statements present increases (i.e., revenues) and decreases (i.e., expenses) in net total position. The agency funds have no measurement focus but utilize the accrual basis of accounting for reporting its assets and liabilities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund’s principal ongoing operations. Operating expenses for proprietary funds include

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating items.

E. Budgetary Basis of Accounting

The City operates within the confines of a balanced budget. Annual budgets are adopted on a basis consistent with generally accepted accounting principles. Unexpended annual budget appropriations lapse at the end of the fiscal year. The City Manager is responsible for presenting an annual budget to the City Council. The City Council sets public hearings for the annual budget review and adopts the budget. The adopted budget provides a detailed plan of the cost of public services that will be provided during the next fiscal year.

Of the major governmental funds presented in the financial statement, only the General Fund and the Debt Service fund have annually adopted budgets. The Community Development Block Grants and Capital Projects funds are budgeted on a project basis. Budgetary schedules are included in Required Supplementary Information for the General Fund. Budgetary schedules for Debt Service Fund, and the non-major governmental funds are included as Supplementary Information in these financial statements.

F. Cash and Investments

Cash balances of City funds are pooled and invested, except for all component units, pension trust funds, a portion of the Airport relating to passenger facility charges, and certain agency funds. Earnings from pooled investments are allocated to funds based upon their share of pooled cash. Each fund's equity in the pooled cash and investments is proportionately presented as "Cash" and "Investments." Negative cash balances have been reclassified to due to/from other funds. The City reports cash in demand deposit accounts as "Cash".

Capital projects funded through bonds with future debt service requirements transfer investment interest earned during the year to the Debt Service Fund if the debt covenants require the transfer. When projects are completed, any remaining cash is transferred to the debt service fund as prescribed by the debt covenants.

G. Restricted Cash and Restricted Investments

Restricted Cash and Restricted Investments refers to assets that are held for a specific purpose and therefore not available for immediate or general business use. The restrictions are generally by contractual agreements or regulatory requirements. The City reports restricted investments for Environmental Services for the landfill closure/post-closure obligation. Cash with Fiscal Agent is for operating and capital purposes.

H. Inventories and Prepaid Items

Inventories of materials and supplies consist primarily of expendable items held for consumption. They are stated at the lower of cost (based on a first-in, first-out method) or market for all governmental and proprietary funds on the statement of net position for governmental activities and business-type activities. The consumption method is used to account for inventories. Under the consumption method, inventory

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

acquisitions are recorded in inventory accounts and charged as expenditures or expenses when used. On the government-wide statement of activities, consumption of inventory is recorded as an expense.

Prepaid items, recorded in both government-wide and fund financial statements, are goods or services that are paid for in advance and are applicable to future accounting periods. Using the consumption method, prepaid items are recorded as expenditures or expenses as the goods or services are used. On the government-wide statement of activities, consumption of prepaid items is recorded as an expense.

I. Capital Assets

GASB standards require that all capital assets, whether owned by governmental activities or business-type activities, be recorded and depreciated in the government-wide financial statements. In the governmental fund statements, capital assets are not reported as they do not fit in the current financial resources measurement focus.

Capital assets, including public infrastructure (e.g., roads, bridges, sidewalks and other assets that are immovable) are defined as assets with an initial cost of \$5,000 or more and an estimated useful life greater than one year. Capital assets are recorded at cost, if purchased or constructed, or estimated historical cost. Donated capital assets are recorded at acquisition value at the date of donation.

Major outlays for capital assets and improvements are capitalized as the projects are constructed. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. Major improvements are capitalized and depreciated over the estimated remaining useful lives of the related capital assets.

Capital assets of the primary government are depreciated or amortized using the straight-line method and the following estimated useful lives:

Land improvements	15 to 20 years
Buildings and improvements	25 to 50 years
Vehicles and major equipment	5 to 12 years
IT equipment	5 years
Infrastructure	10 to 40 years

When capital assets are retired from service or otherwise disposed of, any gain or loss on disposal of assets is recognized. Capital assets transferred between funds are transferred at their net book value or net realizable value, if lower, as of the date of the transfer.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**J. Insurance**

Activity for certain self-insurance programs is recorded in the City's Self-Insurance internal service fund. Assets and obligations related to employee health benefits, workers' compensation and unemployment compensation are included in the Self-Insurance fund. Employee health and workers' compensation benefit liabilities are accrued in the fund based upon actuarially determined estimates of the aggregate liability for unpaid benefits. The City records all health and workers' compensation claims liabilities, including an estimate for claims incurred but not reported. In addition, the City has a stop loss policy for health claims.

The City is self-insured for general liability, excluding the Mass Transit Department's fleet of vehicles and liability insurance for the Airport that are covered under separate policies. Expenditures for these liabilities are accounted for in the General Fund, which will pay any liabilities incurred. Additionally, the City maintains insurance policies from independent insurance carriers for property insurance, errors and omissions insurance, and auto liability insurance coverage for some of the City's fleet of vehicles.

The City is subject to the State of Texas Employment Commission Act. Under this act, the City's method for providing unemployment compensation is to reimburse the State of Texas for claims paid by the state.

K. Unearned Revenue

In the governmental and proprietary funds, unearned revenue represents amounts reported in accordance with the City's revenue recognition criteria. In the General Fund, unearned revenue consists of \$3,870,201 in fees collected from developers for future construction projects assigned to the City. Unearned reimbursements of \$2,861,382 reported in Special Revenue Funds is collected but unspent at the fiscal year end. Unearned revenue of \$2,236,428 related to a long-term right of way agreement is reported in the El Paso International Airport Fund.

L. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position presents deferred outflows of resources. This financial statement element represents a consumption of net position that applies to a future reporting period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

The City has the following items that qualify for reporting in this category.

- Deferred charge on refunding - A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Deferred Chapter 380 obligations - A deferred charge related to the Camino Real Chapter 380 agreement is reported in the amount equal to future payments of HOT tax.
- Deferred other post-employment contributions - The contributions after the measurement date are deferred and recognized in the following fiscal year.
- Pension contributions subsequent to measurement date - These contributions are deferred and recognized in the following fiscal year.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

- Difference between actual and expected pension experience is deferred and recognized over the estimated average remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined as of the beginning of the measurement period.
- Net difference in projected and actual earnings on pension investments - This difference is deferred and amortized over a closed five year period.
- Changes in assumptions for pensions - These changes are deferred and recognized over the estimated average remaining service lives of all employees that are provided with pensions through the pension plan (active and inactive employees) determined as of the beginning of the measurement period.
- Differences in actual and expected other post-employment experience is deferred and is recognized over a closed period equal to the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan (active employees and inactive employees) determined as of the beginning of the measurement period.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future reporting period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The City of El Paso has the following types of items that qualify for reporting in this category.

- Deferred gain on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. The amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.
- Difference between actual and expected pension experience is deferred and recognized over the estimated average remaining service lives of all employees that are provided with pension through the pension plan (active and inactive employees) determined as of the beginning of the measurement period.
- Changes in assumptions for pensions - These changes are deferred and recognized over the estimated average remaining service lives of all employees that are provided with pensions through the pension plan (active and inactive employees) determined as of the beginning of the measurement period.
- Net difference in projected and actual earnings on pension investments - This difference is deferred and amortized over a closed five year period.
- In the governmental funds, unavailable resources are revenues that are earned and measurable but not yet available, and are reported as deferred inflows of resources. The governmental funds report unavailable resources of property taxes and low income housing loans.

M. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. Resulting receivables and payables are classified as Due from Other Funds or Due to Other Funds.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**N. Internal Balances**

Internal balances are the net residual amounts due between governmental and business-type activities in the government-wide statement of net position. The amounts shown as internal balances are the Due to Other Funds and Due from Other Funds balances between governmental activities and business-type activities of the primary government. Any interfund receivables and payables that are within governmental activities or within business-type activities are eliminated on the statement of net position.

O. Federal and State Grants

Grants and entitlements received for purposes normally financed through the general government are accounted for within the special revenue funds. Revenues are recognized when the expenditures of federal and state grant funds are made and all eligibility requirements have been met. Amounts owed to the City at August 31, 2018, for grants and entitlements are reflected as Due from Other Government Agencies. The City expects to collect these balances during the subsequent fiscal year.

Grants received by Proprietary Funds are reported in the applicable Proprietary Fund.

P. Compensated Absences

City employees, excluding uniformed Police Department and Fire Department employees, earn vacation leave, which may either be taken or accumulated (up to a maximum of 400 hours) until paid upon termination or retirement. For uniformed Police Department and Fire Department employees' only, special provisions apply based on the most current Articles of Agreement between the City and the local associations of Fire and Police unions.

Leave benefits are accrued as a liability as the benefits are earned by employees, but only to the extent that it is probable that the City will compensate the employees through paid time off or cash payments, conditioned on the employee's termination or retirement. For governmental funds, a liability for these amounts is reported only if they have matured as a result of termination or retirement. For the government-wide financial statements and enterprise fund financial statements, all of the outstanding compensated absences are recorded as a liability.

Q. Pensions

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the El Paso City Employees' Pension Fund (CEPF) and El Paso Firemen and Policemen's Pension Fund (FPPF) and additions to/deductions from CEPF and FPPF Fiduciary Net Position have been determined on the same basis as they are reported by CEPF and FPPF. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value. Additional information on the pension plans is available in Note 13.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**R. Other Post Employment Benefits**

Contributions from the City for OPEB healthcare premiums are set by statute and are recognized in the period when the contribution is made on behalf of the retiree. Payment for insurance premiums are recognized when due and payable in accordance with the benefit terms. For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense have been determined on the same basis as they were reported by the plan. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. Additional information on the OPEB plan is available in Note 12.

S. Long-Term Obligations, Bond Premiums, Discounts, and Issue Costs

In the government-wide financial statements and proprietary fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net position. In these statements, bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issue costs are expensed in accordance with GASB standards.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issue costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issue costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

T. Classification of Fund Equity

In the government-wide financial statements, equity is shown as net position and classified into three components:

Net investment in capital assets – Capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding proceeds of any bonds, mortgage notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

Restricted net position – Net position with constraints placed on its use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; (2) law through constitutional provisions or enabling legislation.

Unrestricted net position – All other net position that does not meet the definition of “restricted” or “net investment in capital assets.”

When both restricted and unrestricted resources are available for use, it is the City’s practice to use restricted resources first and then unrestricted resources, as they are needed.

The City reports governmental fund balances by the five following classifications:

Non-spendable – Amounts that cannot be spent, such as inventory or prepaid amounts, because they are either not in spendable form or legally required to be maintained intact.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Restricted – Amounts with restrictions that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments, or imposed by law through constitutional provisions or enabling legislation.

Committed – Amounts that can only be used for specific purposes and imposed by formal action of the government’s highest level of decision-making authority. In the case of the City, this would require the approval of a City Council resolution.

Assigned – Amounts constrained by City management’s intent to be used for specific purposes but are not formally restricted by external resources or committed by the City Council. In the annual budget resolution, the City Manager is authorized to assign fund balance.

Unassigned – Amount of the remaining fund balance not in any of the other classifications. The General Fund is the only fund that reports a positive unassigned fund balance amount.

The City designates restricted amounts to be spent first if both restricted and unrestricted fund balance is available unless there are legal constraints that prohibit this, such as in grant agreements requiring the City to match with local funds the grant amounts spent. Additionally, the City would first use committed, followed by assigned, and last of all unassigned balances when expenditures are incurred for purposes for which balances in any of these fund balance classifications could be used.

U. Minimum Fund Balance Policy

It is the desire of the City to maintain an adequate General Fund balance to maintain liquidity in anticipation of economic downturns or natural disasters. The City Council has adopted a financial policy to maintain a general fund minimum fund balance between thirty to forty-five days of General Fund expenditures.

V. Statement of Cash Flows

For purposes of the statement of cash flows, the City considers cash to be currency on hand, cash held by trustee and demand deposits with banks. The City considers all highly liquid investments with an original maturity of approximately ninety days or less to be investments rather than cash equivalents.

W. Claims and Judgments

Claims and judgments are accrued as expenditures in governmental funds for the amount expected to be liquidated with expendable available financial resources to the extent they mature each period. The entire liability for claims and judgments is reported in the government-wide financial statements and in the enterprise fund financial statements when it is probable that a liability has been incurred.

X. Solid Waste Landfill Closure and Post-closure Cost

Solid waste landfill closure and post-closure costs are accounted for in accordance with guidelines recommended by GASB Statement 18, *Accounting for Municipal Solid Waste Landfill Closure and Post-*

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

closure Costs. The liability, based upon landfill capacity used to date, is recorded in the Environmental Services enterprise fund. An explanation of the liability and its calculation is presented in Note 8.

Y. Fiscal-year Inconsistencies

The City’s component unit, EPWater, operates on a fiscal year ending on the last day of February. Therefore, the following amounts reported by the primary government are inconsistent with amounts reported by EPWater.

Primary Government - Due from Component Unit		
Governmental Funds	\$	4,934,267
Proprietary Funds:		
Environmental Services		3,796,903
Due From Component Unit at August 31, 2018	\$	<u>8,731,170</u>
Component Unit - EPWU - Due to Primary		
Government - at February 28, 2018	\$	<u>6,284,363</u>

The Police and Fire pension plan (FPPF) within the Pension Trust Funds operates on a fiscal year ending on December 31. Therefore, the amounts reported by the primary government are inconsistent with amounts reported by FPPF. As a fiduciary fund, the amounts reported by the FPPF are excluded from the government-wide financial statements. The following amounts are reported in these statements.

	<u>Firemen Division</u>	<u>Policemen Division</u>
Primary Government		
Employer Contributions to FPPF:		
General Fund	\$ 11,339,205	\$ 14,632,331
Non-major Governmental Funds	331,490	684,412
El Paso International Airport	438,235	397,026
Employer Contributions to FPPF - year ended August 31, 2018	\$ <u>12,108,930</u>	\$ <u>15,713,769</u>
Fiduciary Fund - FPPF		
Employer Contributions to FPPF - year ended December 31, 2017	\$ <u>11,613,095</u>	\$ <u>15,455,515</u>

Z. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires the City’s management to make estimates and assumptions that effect reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources at the date of the financial statements and the reported changes in net position during the reporting period. Actual results may differ from those estimates.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**AA. Implementation of New Accounting Standards**

The City implemented the following Governmental Accounting Standards Board (GASB) Statements during fiscal year 2018.

Statement No. 75: Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions

GASB Statement No. 75: Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, was issued June 2015, and became effective for the City in fiscal year 2018. This Statement replaces the requirements of GASB Statement No. 45: *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. GASB 75 requires governments to report a liability on the face of the financial statements, in accordance with the following:

- Employers that provide OPEB but not through a trust that meets specified criteria report the total OPEB liability for their own employees

The implementation of this Statement in fiscal year 2018 has restated amounts of effected balances within the government-wide statements as of September 1, 2017, of (\$41,257,405) related to governmental activities and (\$12,937,944) related to business-type activities.

Statement 85: Omnibus 2017

This statement addresses issues identified during the implementation and application of certain GASB standards. Some of the topics included in this statement pertain to blending component units, goodwill, fair value measurement and application, and post-employment benefits (OPEB). Updates to presentation information and disclosures have been made accordingly.

Statement No. 89: Accounting for Interest Cost Incurred before the End of a Construction Period

GASB Statement No. 89: Accounting for Interest Cost Incurred before the End of a Construction Period, was issued June 2018, and becomes effective for the City in fiscal year 2020. The City has chosen to early implement GASB Statement 89 during fiscal year 2018. The adoption had no impact on the City's net position.

- 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.
- This Statement also reiterates that 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 principles.

NOTE 2. CASH AND INVESTMENTS

A summary of cash and investments is presented below.

	Primary Government	Agency Funds	Total City Treasury
Cash	\$ 70,394,103	\$ 171,277,935	\$ 241,672,038
Total Cash	70,394,103	171,277,935	241,672,038
Investments	247,500,601	—	247,500,601
Restricted Investments	29,558,282	—	29,558,282
Total Investments	277,058,883	—	277,058,883
	<u>\$ 347,452,986</u>	<u>\$ 171,277,935</u>	<u>\$ 518,730,921</u>

Pooled Cash and Investments

The City maintains a cash and investment pool (Pool) that is available for use by the Primary Government and Private-Purpose Trusts. Each fund's portion of the Pool is proportionately reported in these statements as "Cash" and "Investments." Participation in the Pool is restricted and does not include cash on hand (change funds) and other funds that are restricted because of statutory or contractual considerations. A fund may overdraw its account in the Pool, with the overdraft reported as a liability (Due to Other Funds) on the Balance Sheet/Statement of Net Position. Earnings from the Pool are allocated to the funds based upon each fund's daily balance in the Pool in accordance with the City's Investment Policy.

	Cash	Investments	City Treasury	Non-Pooled	Pooled
Governmental Funds:					
General	\$ 10,480,828	\$ 21,413,233	\$ 31,894,061	\$ 50,060	\$ 31,844,001
Community Development Block Grants	1,511,719	551,201	2,062,920	100	2,062,820
Debt Service	1,848,086	3,660,821	5,508,907	—	5,508,907
Capital Projects	29,269,943	148,066,109	177,336,052	—	177,336,052
Non-major Governmental Funds	15,270,873	37,063,237	52,334,110	—	52,334,110
Internal Service Funds	8,248,973	20,896,988	29,145,961	—	29,145,961
Enterprise Funds:					
El Paso International Airport	1,033,123	8,953,943	9,987,066	34,702	9,952,364
Environmental Services	1,029,704	31,645,209	32,674,913	38,641	32,636,272
International Bridges	1,463,664	4,122,690	5,586,354	63,500	5,522,854
Tax Office Enterprise Fund	237,190	685,452	922,642	5,000	917,642
Fiduciary Funds:					
Agency Funds	171,277,935	—	171,277,935	171,277,935	—
	<u>\$ 241,672,038</u>	<u>\$ 277,058,883</u>	<u>\$ 518,730,921</u>	<u>\$ 171,469,938</u>	<u>\$ 347,260,983</u>

NOTE 2. CASH AND INVESTMENTS (continued)

Cash and Investments of the City Treasury at August 31, 2018 were:

	Pooled Cash and Investments	Non-Pooled Cash and Investments	Total
Cash in bank (1)	\$ 70,202,100	\$ 171,271,062	\$ 241,473,162
Cash on hand	—	198,876	198,876
Certificates of Deposit	33,407,272	—	33,407,272
Municipal Securities	13,949,692	—	13,949,692
US Agencies	53,960,687	—	53,960,687
US Treasuries	98,576,072	—	98,576,072
Local Government Investment Pools	64,804,354	—	64,804,354
Money Market	12,360,806	—	12,360,806
Cash and Investments	<u>\$ 347,260,983</u>	<u>\$ 171,469,938</u>	<u>\$ 518,730,921</u>

(1) \$53,300,992 relates to Camino Real Regional Mobility Authority's contract with Texas Department of Transportation. Depository contract mandates that the bank must pledge collateral equal to 102% of the market value of the City's deposits, using those types of collateral allowed by law.

The City follows GASB Statement 72 (Fair Value Measurement and Application), and Statement 79 (Certain External Investment Pools and Pool Participants). These statements require that governmental entities report investments at fair value and that all investment income, including changes in the fair value of investments, be reported as revenue in the statement of activities. The City reports the change in fair value as part of investment earnings. In addition, Statement 79 requires the disclosure of the presence of any limitations or restrictions on withdrawals.

The City has adopted an investment policy to minimize the inherent risks associated with deposits and investments. The primary objective of the City's Investment Policy is to invest funds to provide for the maximum safety of principal. After consideration of the City's safety and liquidity requirements, this policy seeks the highest possible investment return. The policy defines:

- * The requirements for authorized financial institutions, depositories and broker/dealers.
- * Investments authorized and prohibited.
- * The maximum maturity for any single investment as three years.
- * The maximum dollar-weighted average maturity for investment as two years.

The City's Investment Policy requires that financial institutions, broker/dealers, intermediaries and advisers meet certain conditions and provide certain information prior to entering into investment activities with the City.

The City participates in LOGIC, TexSTAR, TexPool and TexasDaily, which are government investment pools, as well as a Wells Fargo money market fund. The State Comptroller of Public Accounts maintains oversight responsibility for TexPool. This responsibility includes the ability to influence operations, designation of management, and accountability for fiscal matters. LOGIC, TexasDaily and TexSTAR are public funds investment pools organized in conformity with the Interlocal Cooperation Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code, and are privately managed. LOGIC, TexasDaily, TexSTAR and the money market funds are carried at net asset value, while TexPool is carried at amortized cost.

Custodial Credit Risk (Deposits) - Collateralization is required for deposits in demand deposit accounts. The collateralization level is 102% of principal and accrued interest. Collateral is held in the City's name

NOTE 2. CASH AND INVESTMENTS (continued)

by an independent third party with whom the City has a current custodial agreement and collateral instruments are limited to those instruments authorized by the City's Investment Policy.

Custodial Credit Risk (Investments) - Securities are held by the City's agent in the City's name.

Credit Risk - The investment policy authorizes the following securities:

- obligations of the United States or its agencies and instrumentalities
- direct obligations of the State of Texas or its agencies and instrumentalities
- collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by the agency or instrumentality of the United States
- other obligations, the principal and interest of which are unconditionally guaranteed or insured by, or backed by the full faith and credit of this state or the United States or their respective agencies and instrumentalities
- obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent
- certificates of deposit and share certificates
- repurchase agreements
- commercial paper
- mutual funds that invest in securities described above
- investment pools that invest in securities described above

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Presented below is the minimum rating required by (where applicable) the Public Funds Investment Act, the City's Investment Policy, or debt agreements, and the actual rating as of year-end for each investment type.

Investment type	Carrying Value	Minimum Required Rating	Rating As of Year-end
Money Market	12,360,806	N/A	Aaa-mf/AAAm
Logic LGIP	4	AAA/AAA-m	AAAm
TexSTAR LGIP	21,575,003	AAA/AAA-m	AAAm
TexPool LGIP	21,120,696	AAA/AAA-m	AAAm
Texas Daily LGIP	22,108,651	AAA/AAA-m	AAAm
US Treasuries	98,576,072	N/A	Aaa
Municipal Securities	13,949,692	A	Aa1 to Aaa/AA- to AAA
US Agencies	53,960,687	N/A	Aaa/AA+
Certificates of Deposit	33,407,272	N/A	N/A
Total Investments	<u>277,058,883</u>		

Concentration of Credit Risk - The investment policy limits the percentage of authorized investment in the portfolio. The following is the fair value of investments that represent 5% or more of investments:

NOTE 2. CASH AND INVESTMENTS (continued)

TexSTAR Investment PoEX	\$	21,575,003
TexPool Investment	\$	21,120,696
TexasDaily Investment Pool	\$	22,108,651
Federal home Loan Bank	\$	34,889,590

Interest Rate Risk – The City will minimize interest rate risk, which is the risk that the market value of securities will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature in a manner consistent with projected cash requirements, thereby avoiding the need to sell securities on the open market prior to maturity.

At August 31, 2018, investments of the City are as follows:

Investment type	Carrying Value	Maturity in Years	
		Less than 1	1 - 3
Local Government Investment Pools	\$ 64,804,354	\$ 64,804,354	\$ —
Certificates of Deposit	33,407,272	21,765,052	11,642,220
Municipal Securities	13,949,692	7,431,886	6,517,806
US Agencies	53,960,687	47,596,498	6,364,189
US Treasuries	98,576,072	79,379,881	19,196,191
Money Market	12,360,806	12,360,806	—
Total Investments	<u>\$ 277,058,883</u>	<u>\$ 233,338,477</u>	<u>\$ 43,720,406</u>

Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly 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** Unadjusted inputs using quoted prices in active markets for identical investments.
- Level 2** Other significant observable inputs other than Level 1 prices, including but are not limited to, quoted prices for similar investments, inputs other than quoted prices that are observable for investments (such as interest rates, prepayment speeds, credit risk, etc.) or other market corroborated inputs.
- Level 3** Significant inputs based on the best information available in the circumstances, to the extent observable inputs are not available.

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying Balance Sheet/Statements of Net Position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at August 31, 2018:

NOTE 2. CASH AND INVESTMENTS (continued)

Investments by fair value level	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Certificates of Deposit	\$ 33,407,272	\$ —	\$ 33,407,272	\$ —
Municipal Securities	13,949,692	—	13,949,692	—
US Agencies	53,960,687	—	53,960,687	—
US Treasuries	98,576,072	—	98,576,072	—
Total Investments by fair value level	<u>\$ 199,893,723</u>	<u>\$ —</u>	<u>\$199,893,723</u>	<u>\$ —</u>
Investments measured at the net asset value (a)				
LOGIC	\$ 4			
TexasDaily	22,108,651			
TexSTAR	21,575,003			
Money Market	12,360,806			
Total investments measured at the NAV	<u>56,044,464</u>			
Investments measured at amortized cost				
TexPool	21,120,696			
Investments measured at amortized cost	<u>21,120,696</u>			
Total Investments	<u>\$ 277,058,883</u>			

(a) Certain investments that are measured using the net asset value per share or its equivalent have not been classified in the fair value hierarchy. The fair value amounts included above approximated net asset value for all related external investment pool balances.

The following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying Balance Sheet/Statements of Net Position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended August 31, 2018.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table:

NOTE 2. CASH AND INVESTMENTS (continued)

	Fair Value at 08/31/2018	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
LOGIC	\$ 4	—	Daily	Same Day
TexasDaily	22,108,651	—	Daily	Same Day
TexSTAR	21,575,003	—	Daily	Same Day
Money Market	12,360,806	—	Daily	Same Day
Total Investments measured at the NAV	<u>\$ 56,044,464</u>			

Investment in State Investment Pools

During the year, the City invested in multiple public fund investment pools, including TexSTAR, TEXPOOL, LOGIC, and Texas Daily. LOGIC, TexasDaily, TexSTAR and the money market funds are carried at net asset value, while TEXPOOL is carried at amortized cost.

Each pool's governing body is comprised of individuals who are employees, officers, or elected officials of participants in the funds or who do not have a business relationship with the fund and are qualified to advise. Investment objective and strategies of the pools are to seek preservation of principal, liquidity and current income through investment in a diversified portfolio of short-term marketable securities. Pools offer same day access to investment funds.

Unrealized Gains (Losses)

The Government Accounting Standards Board (GASB) requires that entities value their portfolios at market value and report a corresponding unrealized gain or loss. The intent is to provide the user of the financial report with information related to the potential effect of investment gains and losses. These effects result from changes in market interest rates. Adverse effects may result during periods of rising interest rates if an entity is required to sell fixed term debt securities prior to maturity. During the current fiscal year market interest rates rose resulting in a decline in the fair value of the City's portfolio. In accordance with GASB pronouncements, the City recorded \$975,956 in unrealized losses at August 31, 2018.

Deposits, Cash Equivalents, Investments and Security Lending - Component Unit - CERT

The CERT's cash equivalents and investments are managed by various investment managers who have discretionary authority over the assets managed by them, within the investment guidelines established by the Board, under contracts with the CERT. The cash equivalents and investments are held by the CERT's custodian in the CERT's name. The cash equivalents and investments are uninsured and generally consist of short-term securities, U.S. and foreign government securities, domestic and foreign corporate debt and equity securities, real estate trusts and financial derivatives. Certain investment managers have invested in certain bank collective investment funds, which invest primarily in U.S. corporate stocks and government bonds. The bank collective funds may also invest in foreign exchange contracts, stock index futures and temporary collective investment funds and may enter into collateralized securities lending transactions. Certain investment managers also invest in private equity limited partnerships.

NOTE 2. CASH AND INVESTMENTS (continued)

Through adherence to the CERT's Investment Rules and Regulations, management attempts to limit or mitigate certain risks. Certain of these requirements are listed below.

Large Cap Index Equity Managers - Investment is passively managed and is made using commingled funds. As such, the investment guidelines are governed by the fund's prospectus. Permissible investments are S&P 500 Index commingled funds or Exchange Traded Funds (ETFs).

Large Cap Dynamic Managers - Investment is made using commingled funds. As such, the investment guidelines are governed by the fund's prospectus. The portfolio will actively allocate assets across the equity, fixed income and cash markets of the U.S. The assets of the portfolio may be invested in securities, derivatives and a combination of other collective funds. Long and short positions in financial futures, options on financial futures, index options, exchange-traded options and over-the-counter options, may be used.

Small/Mid Cap Equity Managers - Under current policies, the portfolio will invest primarily in equity and equity-related securities of issuers that are located in the United States with market capitalizations greater than \$500 million and under \$15 billion; the market capitalization of certain securities may be less than or greater than this range at times. The portfolio may invest in publicly traded stocks of U.S. corporations, American depositary receipts (ADRs), publicly traded stocks of foreign corporations listed on U.S. stock exchanges, ETFs and short-term investments, money market instruments or equivalent. The maximum position size in any one company will be 5% of the portfolio value at the time of purchase and shall not exceed a maximum appreciated position size of 8% of the portfolio value. Leverage, short sales and buying and selling on margin are not permitted.

All Cap Equity Managers - Under current policies, the Portfolio will invest primarily in equity and equity-related securities of issuers that are located in the United States with market capitalizations that span the broad equity market in a concentrated manner, generally with 20-80 holdings. The Portfolio may invest in publicly traded stocks of U.S. corporations, ADRs, publicly traded stocks of foreign corporations, ETFs and short-term investments, money market instruments or equivalent. Leverage, short sales and buying and selling on margin are not permitted.

International Equity-Developed Country Index Managers - Investment is passively managed and is made using commingled funds. As such, the investment guidelines are governed by the fund's prospectus. Permissible investments are MSCI EAFE Index commingled funds or ETFs.

International Equity-All Country Managers - Investment is made using commingled funds. As such, the investment guidelines are governed by the fund's prospectus. The Portfolio will invest primarily in equity-related securities of issuers that are located in, or that do significant business in, countries other than the United States, including emerging market countries. The Portfolio will invest in securities denominated in the currencies of a variety of countries, including emerging market countries. The maximum position size will be 6% in any one company. The maximum position size will be 35% in any one country. The maximum emerging markets weight is the MSCI ACWI ex-US IMI Index weight plus 15%.

NOTE 2. CASH AND INVESTMENTS (continued)

International Equity-Emerging Markets Managers - Investment is made using commingled funds. As such, the investment guidelines are governed by the fund's prospectus. The Portfolio will invest in equity and equity-related securities of at least 80% of its assets in issuers that are located in, or that do significant business in emerging market countries. The Portfolio will invest in securities denominated in the currencies of a variety of countries, including emerging market countries. The maximum position size will be 6% in any one company. The maximum position size will be 20% in any one country.

International Equity-All Country Small Cap Managers - Investment is made using commingled funds. As such, the investment guidelines are governed by the fund's prospectus. The Portfolio will primarily invest in equity and equity-related securities of issuers that are located in, or that do significant business in, countries other than the United States, including emerging market countries. The Portfolio will invest in securities denominated in the currencies of a variety of countries, including emerging market countries. The maximum position size will be 6% in any one company. The maximum position size will be 35% in any one country. The maximum emerging market weight is the MSCI ACWI ex-US Small Cap Index weight plus 15%.

Fixed Income Core Index Managers - Investment is passively managed and is made using commingled funds. As such, the investment guidelines are governed by the fund's prospectus. Permissible investments are Barclays Capital Aggregate Index commingled funds or ETFs.

Fixed Income Core Plus Managers - Under current policies, except for U.S. Treasury, its agencies, agency MBS, and approved derivative products, the fixed income account shall not contain more than 5% of any issuer. The account will not invest more than 15% in cash and cash equivalents and will not invest in equity securities, with the exception of preferred and convertible preferred securities, in which no more than 10% will be invested. The account may invest up to 15% in illiquid securities. The account may invest up to 35% in non-investment grade bonds; defined as bonds that are rated non-investment grade by two of the three major ratings agencies. The dollar weighted credit quality of the account will generally be AA or less, with a minimum dollar weighted-average quality of BBB-. The effective duration of the account should range between +25%/-40% of the benchmark's duration. The account will not employ leverage.

Fixed Income Opportunistic Managers - Under normal market conditions, the fund may invest up to 50% in bonds that are rated below investment grade (below BBB-/Baa3) by the various credit rating agencies, or securities that are not rated. In addition, the fund may leverage its capital. In normal market conditions, the manager may borrow up to 35% of the fund for investment purposes. If the investment manager believes market conditions are unfavorable to participants, the manager may invest up to 100% of the fund in U.S. or non-U.S. currency denominated short-term investments, including cash or cash equivalents.

Real Estate Managers - Real estate investments will be diversified to the extent possible by geographic location and property type. For real estate investment trusts (REITs), managers cannot invest in undeveloped, non-income producing property, cannot invest in funds where leverage is intended to exceed 30% of the fair value of the fund and cannot invest in non-U.S. real estate. For private real estate investments, managers should diversify the portfolio by property type and by various geographic regions of the U.S. Leverage is limited to no more than 30% of the fund. The quarterly standard deviation of

NOTE 2. CASH AND INVESTMENTS (continued)

returns for REITs and private real estate should be no greater than 150% of their respective benchmark indices.

Private Equity Managers - As private equity fund-of-funds vehicles are commingled, closed-end, finite-life limited liability entities, the investment guidelines will be determined by the fund-of-funds legal documentation. The pooled/fund-of-funds vehicle should not represent more than 20% of the total fair value of the pooled/fund-of-funds. It is also preferred that this holds true for any other investor in the pooled/fund-of-funds. The manager of the fund-of-funds vehicle shall be a Bank or a registered advisor under the Investment Advisors Act of 1940. If the fund-of-funds provides the option of receiving distributions in cash or securities, the Trust will opt to receive cash.

Master Limited Partnerships - Investment objective is to achieve long-term growth of capital and outperform the S&P MLP Index. Management of the portfolio will seek to achieve the investment objective through investments primarily in master limited partnerships (MLPs) and energy-related C-corporations. Security and sector selection, portfolio structure and timing of purchases and sales are delegated to the manager of the portfolio, subject to these guidelines: the portfolio will hold approximately 20 - 30 securities, no single security will exceed the greater of 10% of the portfolio's fair value or 120% of the security's weight within the benchmark, cash and cash equivalents will be no more than 10% of the portfolio's assets. Authorized investments include MLPs, securities of energy-related C-corporations and limited liability energy companies that trade on United States stock exchanges, as well as initial public offerings of these investments.

Absolute Return - Investment is made using commingled funds. As such, the investment guidelines are governed by the fund's prospectus. The assets may be invested in common stock, ADRs, global depositary receipts (GDRs), preferred stock, ETFs, participation notes, fixed income securities, futures, options, real estate (tradable securities), commodities (tradable securities), and cash and cash equivalents. Currency exposures may be obtained through currency spot, forward, and swap contracts.

The following was the Board's adopted asset allocation policy as of August 31, 2018:

Asset Class	Target Allocation
Domestic equity	24%
International equity	16%
Fixed income	19%
Real estate	10%
Absolute return	15%
Private equity	10%
Master limited partnerships	5%
Cash	1%
	100%

The preceding target allocation was amended in 2017. This was done to reflect a reduction in the previous allocation to international equity and fixed income and to increase the allocation to absolute return and private equity. The previous target allocation was 20% international equity, 25% fixed income, 23%

NOTE 2. CASH AND INVESTMENTS (continued)

domestic equity, 10% absolute return, 10% Real estate, 7% private equity and 5% master limited partnerships.

Deposits

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The CERT's investment policy does not specifically address custodial credit risk for deposits. As of August 31, 2018, the CERT holds no deposits.

Investments

Interest rate risk is the risk that the fair value of securities will fall due to changes in market interest rates. The CERT's policy is to minimize interest rate risk by structuring the investment portfolio so that the duration securities are held and the coupon rates of such are appropriately diversified.

As of August 31, 2018 the CERT had the following investments subject to interest rate risk:

Investment type	Fair value	Weighted Average Maturity (in Years)
Cash equivalents (money market funds)	5,191,686	1.22
Government fixed income	32,086,839	23.14
Corporate bonds and notes	38,110,325	6.83
Bank collective investment funds	37,121,867	12.97
Commingled funds	36,020,213	2.63
 Total fair value	 148,530,930	
 Portfolio weighted average maturity		 10.67

Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. Nationally-recognized statistical rating organizations assign ratings to measure credit risk. These rating agencies assess a firm's or government's willingness and ability to repay its debt obligations based on many factors.

The CERT employs one core bond manager that primarily invests in U.S. fixed income and non-U.S. fixed income securities. The CERT also invests in two commingled funds, one passive core fixed income index fund and one opportunistic fixed income fund. The investment management agreement between the CERT and its core bond manager contains specific guidelines that identify permitted fixed income investments.

Permitted securities and derivatives for the CERT's opportunistic income fund include fixed and floating-rate debt securities and debt obligations of governments and government-related or corporate issuers worldwide; foreign currencies or securities linked to assets or currencies of any nation; and derivatives on any of the previously mentioned securities. 50% of the total net assets in the opportunistic fixed income fund may be invested in bonds that are rated below investment grade (below BBB-) or securities that are not rated.

NOTE 2. CASH AND INVESTMENTS (continued)

The CERT's investment policy indicates that the fixed income core plus manager may invest up to 35% of net assets in non-investment grade bonds, at time of purchase. The fixed income core plus portfolio obligations will generally have a dollar weighted average credit quality of generally AA or less, with a minimum dollar weighted average credit quality of BBB-.

The following table identifies the credit quality of the CERT's fixed income strategies based on portfolio holdings as of August 31, 2018.

S&P Quality Rating	Total Fair Value	Asset-Backed Securities	Commercial Mortgage-Backed Securities	Centralized Mortgage Obligations	Corporates (a)	Government & Agency Obligations (b)
U.S. Treasuries	\$ 13,741,938	\$ —	\$ —	\$ —	\$ —	\$ 13,741,938
GNMA Securities	5,776,024	—	—	—	—	5,776,024
AAA	3,635,161	2,445,617	32,758	177,023	198,664	781,100
AA+	37,963,475	239,656	18,799,198	80,875	181,939	18,661,807
AA	4,840,019	338,072	—	—	193,645	4,308,302
AA-	1,268,486	—	—	—	1,144,911	123,575
A+	2,782,046	164,196	—	—	2,385,514	232,336
A	2,456,656	312,756	—	—	2,122,218	21,682
A-	9,706,769	—	—	128,889	2,089,068	7,488,811
BBB+	6,969,156	—	—	99,827	4,616,929	2,252,400
BBB	13,369,639	509,696	—	—	6,729,889	6,130,054
BBB-	9,333,833	1,289,193	—	139,602	7,858,942	46,096
BB+	2,729,453	765,132	—	45,588	1,918,733	—
BB	1,674,110	422,451	—	—	1,251,659	—
BB-	6,911,523	7,961	—	475,392	2,346,819	4,081,352
B+	918,512	457,310	—	35,720	261,005	164,478
B	4,112,213	288,648	—	—	406,014	3,417,551
B-	1,940,790	—	—	—	—	1,940,790
CCC	—	—	—	—	—	—
CCC-	—	—	—	—	—	—
D	—	—	—	—	—	—
NR	14,052,507	2,821,848	489,896	2,919,192	911,461	6,910,110
Totals	144,182,309	10,062,536	19,321,852	4,102,107	34,617,408	76,078,407

(a) Corporate Bonds include convertible preferred stocks and convertible preferred bonds

(b) Includes international and municipal holdings

At August 31, 2018, the CERT held various bond instruments in the aggregate fair value of \$144,182,309. Fixed income core plus portfolios held bond instruments with ratings of BBB or better by Standard & Poor's. Approximately 5% of the portfolio was of non-investment grade bonds as of August 31, 2018.

Concentration of credit risk is the risk of loss attributed to the magnitude of the CERT's investment in a single issuer. The CERT's investment policy does not allow for the investment portfolio to hold more than 10% in any one company. The following table presents the fair value of investments that represents 5% or more of the CERT's net position at August 31, 2018.

These investments were in bank collective investment and commingled funds, which consist of diversified portfolios of investments as described above, and none of these investments consist of any one company holding 5% or more of the total investment.

NOTE 2. CASH AND INVESTMENTS (continued)

	Shares/ Par Value	Fair Value
August 31, 2018		
EB MCM Daily Valued International SPecialized Investment Fund		
Mellon Capital Management Corporation	109,322	\$ 50,923,860
EB MCM Daily Valued Stock Index Fund		
Mellon Capital Management Corporation	17,607	\$ 66,081,007
EB MCM Daily Valued Dynamic U.S. Equity Fund		
Mellon Capital Management Corporation	170,518	\$ 55,781,605
Allianz Structured Alpha 1000 Plus LLC		
Allianz Structured Alpha 1000 Plus LLC	62,930,825	\$ 62,930,825

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit. The CERT's investment policy allows 13% - 19% of equity securities to be invested in foreign markets. The CERT's exposure to foreign currency risk on August 31, 2018 was as follows:

Local Currency Name	Equity	Fixed Income	Real Estate	Total
Argentine Peso	\$ —	\$ 3,440,996	\$ —	\$ 3,440,996
Australian Dollar	3,442,453	—	—	3,442,453
Brazilian Real	2,483,698	5,053,209	—	7,536,907
British Pound	14,123,543	—	—	14,123,543
Canadian Dollar	4,515,348	—	—	4,515,348
Columbian Peso	—	2,223,051	—	2,223,051
Danish Krone	1,557,382	—	—	1,557,382
Euro Currency Unit	28,580,082	—	—	28,580,082
Ghanaian Cedi	—	2,068,289	—	2,068,289
Hong Kong Dollar	11,846,429	—	—	11,846,429
Indian Rupee	1,982,640	4,432,964	—	6,415,604
Indonesian Rupiah	837,702	4,288,666	—	5,126,368
Japanese Yen	21,898,284	—	—	21,898,284
Mexican Peso	1,131,719	9,431,970	—	10,563,689
Phillipine Peso	483,634	727,735	—	1,211,369
Singapore Dollar	1,042,046	—	—	1,042,046
South African Rand	2,511,773	1,446	—	2,513,219
South Korean Won	4,579,467	47,934	—	4,627,401
Swedish Krona	3,215,005	—	—	3,215,005
Swiss Franc	5,923,188	1,256	—	5,924,444
Taiwanese Dollar	4,367,203	—	—	4,367,203
Thai Baht	928,290	2,293,860	—	3,222,150
Other	3,745,666	991,913	—	4,737,579
Total	\$119,195,552	\$ 35,003,289	\$ —	\$ 154,198,841

NOTE 2. CASH AND INVESTMENTS (continued)**Security Lending Transactions**

State statutes and board of trustees' policies permit the CERT to lend its securities to broker/dealers and other entities with a simultaneous agreement to return the collateral for the same securities in the future. The CERT currently participates in a security lending short duration lending pool. All securities loans can be terminated on demand by either the CERT or the borrower, although the average term of the loans is one week. The relationship between the maturities of the investment pool and the system's loans is affected by the maturities of the securities loans made by other entities that can use the agent's pool, which the CERT cannot determine.

Custodial credit risk for securities lending transactions is the risk that, in the event of the failure of the counterparty, the system will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. For the year ended August 31, 2018, the CERT had no credit risk exposure to borrowers because the amounts the CERT owes the borrowers exceed the amounts the borrowers owe the CERT. August 31, 2018, the fair value of securities loaned was \$27,090,494 and was comprised of corporate stocks.

Rate of Return

For the year ended August 31, 2018 the annual money-weighted rate of return on pension plan investments, net of pension plan investment expenses, was 8.74%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Disclosures About Fair Value of Assets

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly 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

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying statements of fiduciary net position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at August 31, 2018:

NOTE 2. CASH AND INVESTMENTS (continued)

Investments by fair value level	Fair Value Measurements Using			
	8/31/2018	Quoted Prices In Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt securities				
U.S. government securities	\$ 32,086,839	\$ —	\$ 32,086,839	\$ —
Corporate bonds and notes	38,991,174	—	38,991,174	—
Total debt securities	71,078,013	—	71,078,013	—
Corporate stocks				
All cap equity	33,488,943	33,488,943		
Small/Mid cap equity	67,970,700	67,970,700		
Total corporate stocks	101,459,643	101,459,643	—	—
Master limited partnerships	39,817,825	39,817,825	—	—
Total investments by fair value level	212,355,481	141,277,468	71,078,013	—
Investments measured at the net asset value (NAV) (a)				
Absolute return investments	126,830,615			
Bank collective investment funds				
Large cap index	73,313,733			
Large cap dynamic	55,781,605			
International equity developed	50,923,860			
Total bank collective investment funds	180,019,198			
Commingled funds - fixed income				
Fixed income opportunistic	36,020,213			
Fixed Income core index	37,121,867			
Total commingled funds - fixed income	73,142,080			
Commingled funds - corporate stocks				
International equity - all country	27,220,866			
International equity - all country small cap	25,932,157			
International equity - emerging markets	28,476,081			
Total commingled funds - corporate stocks	81,629,104			
Real estate				
Private real estate	72,817,424			
Total real estate	72,817,424			
Private equity investment	62,394,830			
Total investments measured at the NAV	596,833,251			
Total investments measured at fair value	\$ 809,188,732			

(a) Certain investments that are measured using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of fiduciary net position.

NOTE 2. CASH AND INVESTMENTS (continued)

The following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying statements of fiduciary net position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended August 31, 2018.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy.

The valuation method for investments measured at the net asset value (NAV) per share (or its equivalent) is presented on the following table

Investments Measured at the NAV	Fair Value at 08/31/2018	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Absolute return investments	\$ 126,830,615		Daily	Daily to 30 days
Large cap index	73,313,733		Daily	1 day
Large cap dynamic	55,781,605		Daily	Daily
International equity - developed	50,923,860		Daily	2 Days
Fixed income opportunistic	36,020,213		Daily	Daily
Fixed Income core index	37,121,867		Daily	2 Days
International equity - all country	27,220,866		Daily	3 Days
International equity - all country small cap	25,932,157		Daily	Daily
International equity - emerging markets (commingled)	28,476,081		Daily	30 Days
Private real estate	72,817,424		Daily	90 Days
Private equity investments	62,394,830	57,563,923	Daily	5 Days
Total investments measured at the NAV	<u>\$ 596,833,251</u>			

Cash and Cash Equivalents, Investments, and Securities Lending - Component Unit - FPPF**Cash and Cash Equivalents**

Cash and cash equivalents consists of cash and short-term investments held by the Custodian. Custodial risk for cash and cash equivalents is the risk that in the event of bank failure, the FPPF's deposits may not be returned. The FPPF does not have a deposit policy for custodial credit risk; however, management believes that the FPPF's credit risk exposure for amounts not covered by federal depository insurance is mitigated by the financial strength of the banking institution in which the deposits are held.

Investments

The Board of Trustees has adopted an investment policy and has the authority to establish or amend the policy, with the objective to invest the FPPF's assets in a manner consistent with generally accepted standards of fiduciary responsibility. Safety of principal is emphasized and the FPPF's objective is to be diversified. The FPPF's investment policy was updated during September 2016 with adjustments to the allowable ranges for certain investment classes.

NOTE 2. CASH AND INVESTMENTS (continued)

The FPPF's investments are managed by various investment managers who have discretionary authority over the assets managed by them under contract with the FPPF and within the investment guidelines established by the Board of Trustees. The investments of the FPPF are held by the FPPF's custodian and are accessible by the investment managers. The investments generally consist of short-term securities, U.S. and foreign government securities, and domestic and foreign corporate debt and equity securities.

The Board of Trustees has adopted the following asset allocations as part of the FPPF's investment policy:

<u>Asset Classification</u>	<u>Allowable Range</u>	<u>Target Percentage</u>
Large Cap Domestic Equity	15.0% - 25.0%	19.25%
Small Cap Domestic Equity	5.0% - 15.0%	8.25%
International Equity	20.0% - 30.0%	22.50%
Emerging Markets Equity	4.0% - 9.0%	5.00%
Private Equity	0.0% - 10.0%	10.00%
Real Estate	0.0% - 15.0%	10.00%
Fixed Income	25.0% - 35.0%	25.00%
Cash Equivalents	0.0% - 5.0%	0.00%

Management attempts to limit or mitigate certain risks through adherence to the FPPF's investment policy. The investment policy includes the following requirements:

Domestic Large Cap Equity Portfolio - The annual standard deviation of returns for the FPPF's domestic large cap equity portfolio, if actively managed, is not expected to exceed 1.25 times the annual standard deviation of the S&P 500 Index. If passively managed, it is not expected to exceed 1.1 times the annual standard deviation of the S&P 500 Index.

Domestic Small Cap Equity Portfolio - The annual standard deviation of returns for the FPPF's domestic small cap equity portfolio, if actively managed, is not expected to exceed 1.50 times the annual standard deviation of the Russell 2000 Index.

International Equity Portfolio - The annual standard deviation of returns for the FPPF's international equity portfolio, if actively managed, is not expected to exceed 1.5 times the annual standard deviation of the returns for the International Equity Benchmark Index.

Emerging Markets Equity Portfolio - The annual standard deviation of returns for the FPPF's emerging markets equity portfolio, if actively managed, is not expected to exceed 1.5 times the annual standard deviation of the returns for the Emerging Markets Equity Benchmark Index.

Domestic Fixed Income Portfolio - The annual standard deviation of returns for the FPPF's domestic fixed income portfolio, if actively managed, is not expected to exceed 1.3 times the annual standard deviation of the returns for the Lehman Brothers Aggregate Bond Index. If passively managed, the portfolio is not expected to exceed 1.2 times the annual standard deviation of the returns for the Lehman Brothers Aggregate Bond Index.

Real Estate Portfolio - The annual standard deviation of returns for the FPPF's real estate portfolio, if actively managed, is not expected to exceed 1.5 times the annual standard deviation of the returns for the NCREIF Index.

NOTE 2. CASH AND INVESTMENTS (continued)

Private Equity Portfolio - The annual standard deviation for the FPPF's private equity portfolio is not to exceed 1.5 times the annual standard deviation of the S&P 500 returns.

Domestic Cash Equivalents Investments - The risk objective shall be to stay within an acceptable risk level, as measured by standard deviations, which is equal to that of the 91-day Treasury Bill rate.

Concentration of credit risk - The asset allocations in the FPPF's investment policy contain guideline percentages of the FPPF's investment portfolio to be invested by asset classification, at fair value. Actual asset allocations will be dictated by current and anticipated market conditions, the actions of the Board of Trustees and required cash flows to and from the FPPF. As of December 31, 2017, the FPPF has no single investment holdings in excess of 5% of the Fund's fiduciary net position.

Custodial credit risk - Custodial credit is the risk that, in the event of the failure of a custodial counterparty, the FPPF will not be able to recover the value of its investment or collateral securities that are in the possession the custodian. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the FPPF, and are held by either the counter-party or the counter-party's trust department or agent but not in the FPPF's name. At December 31, 2017, the FPPF's security investments that were not subject to custodial credit risk were the investments not registered on an exchange. The FPPF's investments are held in the FPPF's name.

Credit risk - Credit risk is the risk that the issuer of securities or another counterparty to an investment may be unable to fulfill its payments on a security under the original term. The FPPF's investment policy prohibits investments in private placement debt securities and prohibits concentrations of fixed income investments of more than 10% with any one issuer other than the U.S. Government. As of December 31, 2017, the FPPF fixed income portfolio had the following ratings:

	<u>December 31, 2017</u>
U.S. Treasury	\$ 46,283,158
U.S. Agency	22,898,157
AAA	72,125,736
AA	42,525,511
A	43,789,974
BBB	23,947,091
BB	6,315,347
B	—
Below B	1,578,837
Committed cash	1,129,809
Not Rated	71,398,931
	<u>\$ 331,992,551</u>

Interest rate risk - Interest rate risk is the risk that changes in interest rates over time will adversely affect the fair value of an investment. The price of a debt security typically moves in the opposite direction of the change in interest rates. In accordance with the investment policy, the Board of Trustees provides each of the FPPF's investment managers with a set of investment guidelines. These guidelines specify the following:

NOTE 2. CASH AND INVESTMENTS (continued)

The return objective for the Domestic Core Fixed Income Portfolio, if actively managed, is to exceed by 0.75% per year the return of the Lehman Brothers Aggregate Bond Index.

- The return objective for the Domestic Core Fixed Income Portfolio, if passively managed, is to approximate the return of the Lehman Brothers Aggregate Bond Index.
- The risk objective of the Domestic Fixed Income Portfolio shall be defined in terms of standard deviation of returns. The annual standard deviation of returns for the FPPF's domestic fixed income portfolio, if actively managed, is not expected to exceed 1.3 times the annual standard deviation of the returns for the Lehman Brothers Aggregate Bond Index.
- The risk objective of the Domestic Fixed Income Portfolio shall be defined in terms of standard deviation of returns. The annual standard deviation of returns for the FPPF's domestic fixed income portfolio, if passively managed, is not expected to exceed 1.2 times the annual standard deviation of the returns for the Lehman Brothers Aggregate Bond Index.

As of December 31, 2017, the FPPF fixed income portfolio had the following investment maturities:

	<u>December 31, 2017</u>
Less than 1 year	(66,517,773)
1 - 3 years	43,958,522
3 - 5 years	78,043,802
5 - 7 years	122,045,625
7 - 10 years	23,859,522
10 - 20 years	45,939,960
20 - 30 years	12,349,845
Over 30 years	914,117
No contractual maturity	71,398,931
	<u>331,992,551</u>

The FPPF's exposure to foreign currency risk as of December 31, 2017 was as follows:

<u>Investment</u>	<u>Currency</u>	<u>2017</u>
Cash and cash equivalents	European Union Euro	\$ —
Limited partnerships	European Union Euro	11,493.418
		<u>\$ 11,493.418</u>

Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The three levels of the fair value hierarchy are described as follows:

- Level 1** Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the FPPF has the ability to access.

NOTE 2. CASH AND INVESTMENTS (continued)

Level 2 Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; and inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The following table discloses the FPPF's assets fair value measurements by level as of December 31, 2017:

	Fair Value at December 31, 2017	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
Bond Funds	\$ 102,709,951	\$ —	\$ 102,709,951	\$ —
Short-term investments	—	—	—	—
	<u>102,709,951</u>	<u>—</u>	<u>102,709,951</u>	<u>—</u>
Domestic equities				
Information Technology	90,336,846	90,336,846	—	—
Financial services	78,411,487	78,411,487	—	—
Consumer spending	50,777,265	50,777,265	—	—
Manufacturing	59,255,313	59,255,313	—	—
Commercial services	62,063,851	62,063,851	—	—
Healthcare	49,734,081	49,734,081	—	—
Oil and gas	14,953,852	14,953,852	—	—
Real estate	17,929,319	17,929,319	—	—
Other	400,000	400,000	—	—
	<u>423,862,014</u>	<u>423,862,014</u>	<u>—</u>	<u>—</u>
Real Estate				
Real estate equities	58,721,572	58,721,572	—	—
Real estate limited partnerships	22,910,353	—	—	22,910,353
	<u>81,631,925</u>	<u>58,721,572</u>	<u>—</u>	<u>22,910,353</u>
International equities				
Private equity funds	75,126,204	75,126,204	—	—
Securities lending collateral	16,490,943	—	—	16,490,943
	<u>65,334,425</u>	<u>65,334,425</u>	<u>—</u>	<u>—</u>
	<u>765,155,462</u>	<u>623,044,215</u>	<u>102,709,951</u>	<u>39,401,296</u>
Investments measured at NAV				
International equity funds	381,228,730			
Commingled fixed income fund	229,282,600			
Private equity funds	85,388,643			
Real estate limited partnerships	44,745,033			
	<u>740,645,006</u>			
Total investments measured at fair value	<u>\$ 1,505,800,468</u>			

NOTE 2. CASH AND INVESTMENTS (continued)

The valuation method for investments measured at NAV practical equivalent is presented as follows:

Investments measured at NAV	Fair Value at December 31, 2018	Redemption Frequency	Required Redemption Notice
International equity funds	\$ 381,228,730	Daily	1 day
Commingled fixed income fund	229,282,600	Daily	1 day
Private equity funds	85,388,643	Not redeemable	Not redeemable
Real estate limited partnerships	44,745,033	Quarterly	45 days
	<u>\$ 740,645,006</u>		

For Level 3 investments, the investment managers within each investment class determine the fair value of the underlying investments of the collective fund or limited partnership then allocate fair value to the FPPF based on the percentage of the FPPF's ownership percentage. In some instances, due to timing of reports from each manager, the fair value of the FPPF's investments is adjusted by the incoming and outgoing cash flows for each fund. Investments in private equity are not eligible for redemption. Upon termination of partnership agreement, the FPPF will receive its original investments plus or minus any unrealized gains or losses at the time of liquidation.

International equity funds - International equity funds include three investments with fund managers who focus on international equities. These funds focus on activity in separate areas of the international market, including emerging markets equity, international developed value equity, and international developed growth equity, respectively; they follow the specified index as described in their respective agreements. The three funds report fair value at NAV as a practical equivalent. All three investments allow for daily redemptions with a one-day written notice. One investment has a maximum of 10 days before the redemption proceeds can be received.

Commingled fixed income fund - Commingled fixed income fund consists of a single investment that focuses on fixed income securities. The fund manager has the ability to invest in a variety of industry spaces, such as government and corporate bonds, and across a multitude of countries, both developed and emerging market, as outlined in the investment guidelines. The investment agreement allows daily redemptions with a one-day written notice. There is no restriction period related to redemption payments.

Private equity funds - Private equity funds consist of investments in limited partnerships. The partnerships qualify as investment companies that are valued at NAV. The investment managers within each investment class determine the NAV of the underlying investments of the limited partnership then allocate the NAV to the FPPF based on the percentage of the FPPF's ownership percentage. Investments in these private equity funds are not eligible for redemption. Upon termination of partnership agreement, the FPPF will receive its original investments plus or minus any unrealized gains or losses at the time of liquidation.

Private real estate fund - The private real estate fund consists of a real estate fund that generally invests in residential, office, retail, and industrial real estate. NAV is used in the measurement of the fair value of this investment. There are quarterly redemptions that require a 45-day written notice, depending on the fund. There are no lockup periods on these investments.

NOTE 2. CASH AND INVESTMENTS (continued)

Money-weighted rate of return - For the year ended December 31, 2017, the annual money-weighted rate of return on the FPPF's investments, net of related investment expenses, was 16.56%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

Unfunded commitments - As of December 31, 2017, the FPPF has unfunded capital commitments to private equities and real estate limited partnerships totaling \$116.0 million.

Securities Lending

The FPPF is authorized to enter into securities lending transactions under Texas State Statutes Section 2256.0015. The FPPF has a securities lending agreement with the Custodian under which FPPF-owned investments are lent to one or more approved borrowers for a fee. The Custodian, as lending agent, is responsible for collecting required collateral in the form of cash, securities issued or guaranteed by the U.S. Government or its agencies, or irrevocable letters of credit issued by banks independent of the borrowers. The lending agent is authorized to enter into securities lending transactions of U.S. and non-U.S. securities in accordance with the terms of a securities lending authorization agreement.

The lending agent has indemnified the FPPF harmless from any losses, damages, costs or expenses the FPPF may incur if the lending agent is unable to recover borrowed securities or distributions made during the term of the loans with respect to those securities as a result of the lending agent's failure to make a reasonable determinations of the creditworthiness of a borrower, demand adequate and appropriate collateral on a timely basis or to perform its duties under the agreement with the FPPF. The agreement states that collateral must have a market value equal to no less than 100% of the market value of the borrowed securities.

Each business day, the lending agent and the FPPF determine the market value of the collateral and the borrowed securities. The FPPF's security lending policy requires investment grade securities. Cash collateral received from the borrower is subsequently reinvested in a securities lending collateral investment pool. As of December 31, 2017, the FPPF's securities lending obligation exceeded the fair value of the underlying securities.

The following table summarizes the fair value measurements of lent securities, cash collateral received, and the fair value of the reinvested cash collateral as of December 31, 2017:

2017		
Fair Value of Underlying Securities	Collateral Received	Collateral investment Value
\$ 63,340,773	\$ 65,034,939	\$ 65,334,425

As of December 31, 2017, the FPPF also holds securities collateral that cannot be pledged or sold absent a borrower's default totaling \$12,458,121. The securities collateral consists of U.S. Treasury Bills, U.S. Treasury Notes, and U.S. Treasury Bonds. There were no losses from securities lending transactions during the year ended December 31, 2017 resulting from a default of a borrower or the lending agent.

NOTE 3. PROPERTY TAXES

The City's property tax is levied each October 1 on the assessed value listed as of January 1 for all real and personal property located in the City. A receivable for property taxes is recognized and recorded at the levy date. The adjusted assessed value for the roll as of January 1, 2017, upon which the 2018 levy was based, was \$33,787,418,428.

Taxes are due by January 31 following the October 1 levy date. During the fiscal year, 98.5% of the current tax levy (October 2017) was collected. The statutory lien date is January 1.

The methods of property assessment and tax collection are determined by Texas statute. The statutes provide for a property tax code, county-wide appraisal districts and certain exemptions from taxation, such as intangible personal property, household goods and family-owned automobiles.

The appraisal of property within the City is the responsibility of the El Paso Central Appraisal District. The El Paso Central Appraisal District is required under the Property Tax Code to assess all property within the appraisal district on the basis of 100% of its appraised value and is prohibited from applying any assessment ratios. The value of property within the appraisal district must be reviewed every three years; however, the City may require more frequent reviews of appraised values at its own expense. The City may challenge appraised values established by the appraisal district through various appeals and, if necessary, legal action.

The City is authorized to set tax rates on property within the City limits. However, if the adopted tax rate for operations exceeds the effective operating rate as calculated pursuant to the property tax code for the previous year by more than 8%, qualified voters of the City may petition for an election to determine whether to limit the tax rate increase to no more than 8%.

Through a contractual arrangement, the City of El Paso bills and collects property taxes for several other governmental entities as well as the City. The City is permitted by Article 11, Section 5 of the State of Texas Constitution to levy taxes up to \$2.50 per \$100 of assessed valuation for general governmental services, including the payment of principal and interest on general obligation long-term debt. Under the City Charter, a limit on taxes levied for general governmental services, exclusive of payments of principal and interest on general obligation long-term debt, has been established at \$1.85 per \$100 assessed valuation. The tax rate to finance general governmental purposes, other than the payment of principal and interest on general obligation long-term debt, for the year ended August 31, 2018, was \$0.523 per \$100 assessed valuation. The City has a tax margin for general governmental purposes of \$1.327 per \$100 assessed valuation and could levy \$844,685,461 in additional taxes from the assessed valuation of \$33,787,418,428 before the legislative limit is reached.

The current total tax rate is \$0.803 per \$100 assessed valuation, of which \$0.523 is used for general governmental purposes and \$0.280 is used for debt service on long-term obligations.

Property taxes that are measurable and available are recognized as revenue in the year of levy. Property taxes that are measurable, but not available, are recorded net of estimated uncollectible amounts, as deferred inflows of resources. Such deferred inflows of resources are recognized as revenue in the fiscal year in which they become available.

NOTE 3. PROPERTY TAXES

The balance of delinquent property taxes receivable and property tax assessments included in deferred inflows at August 31, 2018, is as follows:

	General Fund	Debt Service Fund
Property Taxes Receivable	\$ 10,350,409	\$ 5,219,489
Less Allowance for Uncollectibles	(3,763,267)	(1,897,735)
Net Property Taxes Receivable	<u>6,587,142</u>	<u>3,321,754</u>
Deferred Ad Valorem Taxes	\$ 6,131,551	\$ 3,081,507
Net Property Tax Recognized-60 Days	<u>\$ 455,591</u>	<u>\$ 240,247</u>

NOTE 4. RECEIVABLES

Receivables as of year-end for the City’s individual major funds and the non-major funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	Governmental Activities						Total
	General Fund	Community Development Block Grants Fund	Debt Service	Capital Projects	Non-major Governmental Funds	Internal Service Funds	
Property Taxes	\$ 10,350,409	\$ —	\$ 5,219,489	\$ —	\$ —	\$ —	\$ 15,569,898
Sales Taxes	15,197,613	—	—	—	—	—	15,197,613
Hotel Occupancy Taxes	—	—	—	616,413	1,602,247	—	2,218,660
Trade	4,481,428	190,464	—	4,938,917	654,876	13,930	10,279,615
Interest	60,418	94,554	10,174	366,170	209,092	51,829	792,237
Due from Other Government Agencies	245,585	1,440,670	18,705	4,860,115	6,454,221	—	13,019,296
Notes receivable - economic development	1,900,000	—	—	—	—	—	1,900,000
Notes receivable - low income housing loans	—	60,181,430	—	—	2,728,115	—	62,909,545
Other	8,914,199	—	—	—	3,511,498	—	12,425,697
Allowance for doubtful accounts	(6,106,979)	(22,714,069)	(1,897,735)	—	—	—	(30,718,783)
Receivables, net of allowances	<u>\$ 35,042,673</u>	<u>\$ 39,193,049</u>	<u>\$ 3,350,633</u>	<u>\$ 10,781,615</u>	<u>\$ 15,160,049</u>	<u>\$ 65,759</u>	<u>\$ 103,593,778</u>

	Business-type Activities					Total
	El Paso International Airport	Environmental Services	Mass Transit	International Bridges	Tax Office Agency	
Sales Taxes	\$ —	\$ —	\$ 7,160,337	\$ —	\$ —	\$ 7,160,337
Trade	7,570,795	3,201,115	530,918	160,635	—	11,463,463
Interest	29,182	83,794	—	10,268	1,682	124,926
Due from Other Government Agencies	8,324,927	184,801	3,881,482	—	1,892	12,393,102
Allowance for doubtful accounts	(2,811,818)	(324,940)	—	—	—	(3,136,758)
Receivables, net of allowances	<u>\$ 13,113,086</u>	<u>\$ 3,144,770</u>	<u>\$ 11,572,737</u>	<u>\$ 170,903</u>	<u>\$ 3,574</u>	<u>\$ 28,005,070</u>

NOTE 5. CAPITAL ASSETS

Capital asset activity for the year ended August 31, 2018 for the government-wide financial statements was as follows:

	Balance August 31, 2017	Transfers	Increases	Decreases	Balance August 31, 2018
Governmental Activities: ¹					
Land	\$ 179,166,748	\$ —	\$ 13,318,759	\$ —	\$ 192,485,507
Construction in progress	191,470,884	(44,065,451)	71,429,345	(101,372)	218,733,406
Total capital assets not being depreciated	<u>370,637,632</u>	<u>(44,065,451)</u>	<u>84,748,104</u>	<u>(101,372)</u>	<u>411,218,913</u>
Capital assets being depreciated					
Intangibles	1,811,935	—	70,700	—	1,882,635
Buildings	427,807,412	12,594,462	—	—	440,401,874
Improvements other than buildings	114,850,371	4,770,194	2,700,270	—	122,320,835
Vehicles and major equipment	95,348,094	97,603	26,531,522	(386,663)	121,590,556
Data processing equipment and software	30,008,831	—	697,781	—	30,706,612
Infrastructure	465,419,251	13,202,035	—	—	478,621,286
Total capital assets, being depreciated	<u>1,135,245,894</u>	<u>30,664,294</u>	<u>30,000,273</u>	<u>(386,663)</u>	<u>1,195,523,798</u>
Less accumulated depreciation for:					
Intangibles	200,287	—	97,790	—	298,077
Buildings	191,394,014	—	14,335,911	—	205,729,925
Improvements other than buildings	24,165,397	—	3,786,390	—	27,951,787
Vehicles and major equipment	54,212,583	(66,513)	12,051,522	(358,994)	65,838,598
Data processing equipment and software	13,902,677	—	2,254,868	—	16,157,545
Infrastructure	151,753,365	—	13,787,323	—	165,540,688
Total accumulated depreciation	<u>435,628,323</u>	<u>(66,513)</u>	<u>46,313,804</u>	<u>(358,994)</u>	<u>481,516,620</u>
Total capital assets, being depreciated, net	<u>699,617,571</u>	<u>30,730,807</u>	<u>(16,313,531)</u>	<u>(27,669)</u>	<u>714,007,178</u>
Governmental activities capital assets, net	<u>\$ 1,070,255,203</u>	<u>\$ (13,334,644)</u>	<u>\$ 68,434,573</u>	<u>\$ (129,041)</u>	<u>\$ 1,125,226,091</u>

Depreciation expense was charged to functions/programs of the governmental activities of the primary government as follows:

Animal Services	\$ 576,069
Community and Human Development	367,747
Culture and recreation	5,616,554
Economic Development	9,278
General Government	8,858,379
Library	1,206,097
Non Departmental	1,195,399
Parks department	4,192,981
Public Health	715,711
Public safety	2,614,444
Public works	20,852,639
Total Depreciation Expense-Governmental Activities	<u>46,205,298</u>
Internal Service Funds	108,506
Depreciation Expense	<u>\$ 46,313,804</u>

NOTE 5. CAPITAL ASSETS (continued)

¹ The capital assets of Internal Service Funds are included in governmental activities. In fiscal year 2018, Internal Service Funds net capital additions and deletions were \$140,128 resulting in a total cost of \$644,254. Depreciation expense of \$108,506 resulted in an ending accumulated depreciation balance of \$298,446, resulting in a net book value of \$345,808.

	Balance August 31, 2017	Transfers	Increases	Decreases	Balance August 31, 2018
Business-type activities:					
El Paso International Airport					
Capital assets not being depreciated:					
Land	\$ 1,381,099	\$ —	\$ —	\$ —	\$ 1,381,099
Artwork	979,637	—	—	—	979,637
Construction in progress	20,129,008	(3,766,443)	37,537,655	—	53,900,220
Total capital assets not being depreciated	<u>22,489,744</u>	<u>(3,766,443)</u>	<u>37,537,655</u>	<u>—</u>	<u>56,260,956</u>
Capital assets being depreciated:					
Buildings	183,482,649	3,660,127	—	—	187,142,776
Improvements other than buildings	315,046,367	106,316	—	—	315,152,683
Vehicles and major equipment	17,739,590	—	1,715,425	(399,425)	19,055,590
Total capital assets being depreciated	<u>516,268,606</u>	<u>3,766,443</u>	<u>1,715,425</u>	<u>(399,425)</u>	<u>521,351,049</u>
Less accumulated depreciation for:					
Buildings	85,364,065	—	6,106,006	—	91,470,071
Improvements other than buildings	179,185,252	—	10,504,654	—	189,689,906
Vehicles and major equipment	13,986,068	—	1,047,500	(371,979)	14,661,589
Total accumulated depreciation	<u>278,535,385</u>	<u>—</u>	<u>17,658,160</u>	<u>(371,979)</u>	<u>295,821,566</u>
Total capital assets, being depreciated, net	<u>237,733,221</u>	<u>3,766,443</u>	<u>(15,942,735)</u>	<u>(27,446)</u>	<u>225,529,483</u>
El Paso International Airport capital assets, net	<u>\$ 260,222,965</u>	<u>\$ —</u>	<u>\$ 21,594,920</u>	<u>\$ (27,446)</u>	<u>\$ 281,790,439</u>
Environmental Services					
Capital assets not being depreciated:					
Land	\$ 6,887,813	\$ —	\$ —	\$ —	\$ 6,887,813
Construction in progress	6,528,878	(8,435,301)	2,132,488	—	226,065
Total capital assets not being depreciated	<u>13,416,691</u>	<u>(8,435,301)</u>	<u>2,132,488</u>	<u>—</u>	<u>7,113,878</u>
Capital assets being depreciated:					
Buildings	6,628,575	—	—	—	6,628,575
Improvements other than buildings	31,919,959	8,435,301	—	—	40,355,260
Vehicles and major equipment	79,464,840	69,688	4,753,549	(3,162,421)	81,125,656
Other assets	—	—	—	—	—
Total capital assets being depreciated	<u>118,013,374</u>	<u>8,504,989</u>	<u>4,753,549</u>	<u>(3,162,421)</u>	<u>128,109,491</u>
Less accumulated depreciation for:					
Buildings	1,230,444	—	140,751	—	1,371,195
Improvements other than buildings	26,051,475	—	769,976	—	26,821,451
Vehicles, major equipment and other assets	53,919,634	66,513	7,149,474	(3,127,160)	58,008,461
Total accumulated depreciation	<u>81,201,553</u>	<u>66,513</u>	<u>8,060,201</u>	<u>(3,127,160)</u>	<u>86,201,107</u>
Total capital assets, being depreciated, net	<u>36,811,821</u>	<u>8,438,476</u>	<u>(3,306,652)</u>	<u>(35,261)</u>	<u>41,908,384</u>
Environmental Services capital assets, net	<u>\$ 50,228,512</u>	<u>\$ 3,175</u>	<u>\$ (1,174,164)</u>	<u>\$ (35,261)</u>	<u>\$ 49,022,262</u>

NOTE 5. CAPITAL ASSETS (continued)

	Balance August 31, 2017	Transfers	Increases	Decreases	Balance August 31, 2018
Mass Transit					
Capital assets not being depreciated:					
Land	\$ 11,975,407	\$ —	\$ —	\$ (309,500)	\$ 11,665,907
Construction in progress	23,578,433	(18,497,989)	7,967,420	(509,284)	12,538,581
Total capital assets not being depreciated	<u>35,553,840</u>	<u>(18,497,989)</u>	<u>7,967,420</u>	<u>(818,784)</u>	<u>24,204,488</u>
Capital assets being depreciated:					
Buildings	88,539,368	17,070,664	15,017,256	—	120,627,288
Improvements other than buildings	46,390,860	1,616,801	—	—	48,007,661
Vehicles and major equipment	99,567,229	13,141,993	8,734,972	(241,304)	121,202,890
Total capital assets being depreciated	<u>234,497,457</u>	<u>31,829,458</u>	<u>23,752,228</u>	<u>(241,304)</u>	<u>289,837,839</u>
Less accumulated depreciation for:					
Buildings	26,329,001	—	4,403,704	—	30,732,705
Improvements other than buildings	19,906,333	—	2,884,625	—	22,790,958
Vehicles and major equipment	59,260,390	—	9,379,124	(241,304)	68,398,210
Total accumulated depreciation	<u>105,495,724</u>	<u>—</u>	<u>16,667,454</u>	<u>(241,304)</u>	<u>121,921,873</u>
Total capital assets, being depreciated, net	<u>129,001,733</u>	<u>31,829,458</u>	<u>7,084,774</u>	<u>—</u>	<u>167,915,967</u>
Mass Transit capital assets, net	<u>\$ 164,555,573</u>	<u>\$ 13,331,469</u>	<u>\$ 15,052,194</u>	<u>\$ (818,784)</u>	<u>\$ 192,120,455</u>
International Bridges					
Capital assets not being depreciated:					
Land	\$ 2,469,531	\$ —	\$ —	\$ —	\$ 2,469,531
Construction in progress	99,850	—	227,417	—	327,267
Total capital assets not being depreciated	<u>2,569,381</u>	<u>—</u>	<u>227,417</u>	<u>—</u>	<u>2,796,798</u>
Capital assets being depreciated:					
Improvements other than buildings	24,586,964	—	—	—	24,586,964
Vehicles and major equipment	6,879,598	—	25,003	—	6,904,601
Total capital assets being depreciated	<u>31,466,562</u>	<u>—</u>	<u>25,003</u>	<u>—</u>	<u>31,491,565</u>
Less accumulated depreciation for:					
Improvements other than buildings	10,863,903	—	469,952	—	11,333,855
Vehicles and major equipment	5,841,189	—	494,092	—	6,335,281
Total accumulated depreciation	<u>16,705,092</u>	<u>—</u>	<u>964,044</u>	<u>—</u>	<u>17,669,136</u>
Total capital assets, being depreciated, net	<u>14,761,470</u>	<u>—</u>	<u>(939,041)</u>	<u>—</u>	<u>13,822,431</u>
International Bridges capital assets, net	<u>\$ 17,330,851</u>	<u>\$ —</u>	<u>\$ (711,624)</u>	<u>\$ —</u>	<u>\$ 16,619,229</u>
Tax Office					
Capital Assets being depreciated:					
Equipment	\$ 71,565	\$ —	\$ —	\$ —	\$ 71,565
Improvements other than buildings	32,500	—	—	—	32,500
Total capital assets being depreciated	<u>104,065</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>104,065</u>
Less accumulated depreciation for:					
Equipment	14,313	—	14,313	—	28,626
Improvements other than buildings	8,442	—	5,065	—	13,507
Total accumulated depreciation	<u>22,755</u>	<u>—</u>	<u>19,378</u>	<u>—</u>	<u>42,133</u>
Tax Office capital assets, net	<u>\$ 81,310</u>	<u>\$ —</u>	<u>\$ (19,378)</u>	<u>\$ —</u>	<u>\$ 61,932</u>

NOTE 5. CAPITAL ASSETS (continued)

	Balance August 31, 2017	Transfers	Increases	Decreases	Balance August 31, 2018
All business-type activities:					
Capital assets not being depreciated:					
Land	\$ 22,713,850	\$ —	\$ —	\$ (309,500)	\$ 22,404,350
Artwork	979,637	—	—	—	979,637
Construction in progress	50,336,169	(30,699,733)	47,864,980	(509,284)	66,992,132
Total capital assets not being depreciated	<u>74,029,656</u>	<u>(30,699,733)</u>	<u>47,864,980</u>	<u>(818,784)</u>	<u>90,376,119</u>
Capital assets being depreciated:					
Buildings	278,650,594	20,730,791	15,017,256	—	314,398,641
Improvements other than buildings	417,976,648	10,158,418	—	—	428,135,066
Vehicles and major equipment	203,722,821	13,211,681	15,228,949	(3,803,150)	228,360,301
Total capital assets being depreciated	<u>900,350,063</u>	<u>44,100,890</u>	<u>30,246,205</u>	<u>(3,803,150)</u>	<u>970,894,008</u>
Less accumulated depreciation for:					
Buildings	112,923,513	—	10,650,462	—	123,573,975
Improvements other than buildings	236,015,404	—	14,634,273	—	250,649,677
Vehicles and major equipment	133,021,593	66,513	18,084,503	(3,740,443)	147,432,166
Total accumulated depreciation	<u>481,960,510</u>	<u>66,513</u>	<u>43,369,237</u>	<u>(3,740,443)</u>	<u>521,655,818</u>
Total capital assets, being depreciated, net	<u>418,389,553</u>	<u>44,034,377</u>	<u>(13,123,032)</u>	<u>(62,707)</u>	<u>449,238,191</u>
All business-type activities capital assets, net	<u>\$ 492,419,209</u>	<u>\$ 13,334,644</u>	<u>\$ 34,741,948</u>	<u>\$ (881,491)</u>	<u>\$ 539,614,310</u>

Depreciation expense was charged to business-type activities as follows:

International airport operations	\$ 17,658,160
Solid waste operations	8,060,201
Mass transit operations	16,667,454
International bridges operations	964,044
Tax office operations	19,378
Total	<u>\$ 43,369,237</u>

Construction Commitments

As of August 31, 2018:

	Remaining Commitment	Fund Equity and Other Sources Available
Governmental funds	\$ 162,149,676	\$ 178,996,821
Proprietary funds	20,848,467	14,134,711
Total	<u>\$ 141,150,364</u>	<u>\$ 193,131,532</u>

NOTE 6. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS**A. Interfund Receivables, Payables, and Advances**

Inter-fund receivable and payable balances at August 31, 2018, were as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Capital Projects	El Paso International Airport	539,101 (1)
	Environmental Services	861,243 (1)
	Mass Transit	698,319 (1)
	International Bridges	168,901 (1)
	Nongrants	4,000,000 (3)
Mass Transit	Capital Projects	1,681,981 (2)
Nongrants	Federal Grants	623,835 (4)
	State Grants	476,472 (4)
Public Health Waiver Program	Public Health	1,528,518 (4)
Total		<u><u>10,578,369</u></u>

(1) IT projects allocation - VOIP - hardware

(2) Unspent proceeds from issuance of debt

(3) 380 Agreement funding

(4) Loans to/from other funds

Inter-fund advances at August 31, 2018, were as follows:

<u>Advance From</u>	<u>Advance To</u>	<u>Amount</u>
El Paso International Airport	Mass Transit	11,800,000 (4)
Environmental Services	Mass Transit	13,078,189 (4)
		<u><u>\$ 24,878,189</u></u>

NOTE 6. INTERFUND RECEIVABLES AND PAYABLES (continued)

B. Transfers

Transfers are made as required by the annual budget resolution or subsequent City Council action. Interfund transfers made during the year were as follows:

Transfer out:	Transfer in:				Business-type		Total
	Governmental Activities			Non-major Governmental Funds	Environmental Services	Internal Service Funds	
	General Fund	Debt Service	Capital Projects				
Governmental Activities:							
General Fund	\$ —	\$ —	\$2,198,052	\$ 10,378,958	\$ —	\$ 504,000	\$13,081,008
Debt Service	125,930	—	—	—	—	—	125,930
Capital Projects	1,106,151	5,169,489	—	—	—	—	6,275,642
Non-major Governmental Funds	427,265	1,208,750	—	13,346,962	4,234,650	—	19,217,627
Total Governmental Activities	1,659,346	6,378,239	2,198,052	23,725,920	4,234,650	504,000	38,700,207
Business-type Activities:							
Environmental Services	2,413,448	—	—	2,273,420	—	—	4,686,868
International Bridges	13,159,362	—	1,566,230	—	—	—	14,725,592
Total Business-type Activities	15,572,810	—	1,566,230	2,273,420	—	—	19,412,460
Total	\$17,232,156	\$ 6,378,239	\$3,764,282	\$ 25,999,340	\$ 4,234,650	\$ 504,000	\$58,112,667
Transfers to General Fund	\$14,431,442						
Cost recovery for street usage	2,413,448						
Environmental Fee	4,234,649						
Other transfers:							
Annual radio system transfer from County	125,930						
Transfer for Debt Service	5,169,489						
Transfer for Plaza Theatre Debt Service	1,208,750						
Animal Shelter subsidy from Environmental Services	2,273,420						
Animal Shelter subsidy from the General Fund	4,259,469						
CVB Reimbursement for Energy Efficiency Program	261,336						
Transfer for DDC Debt Service	355,425						
Transfer for Paseo de Las Luces	1,566,230						
Transfer costs for City Wellness Clinics	504,000						
Transfer from Council discretionary funds	130,566						
To fund Projects for the Council Districts	267,480						
Transfers from the General Fund	3,023,367						
380 Agreements Transfers	3,600,868						
TRZ subsidy transfer	404,119						
Subsidy for ADA Curb Cuts	516,000						
Transfer for Argal Park at Las Palamas & Thomas Manor Park Improvements	248,622						
Transfer Economic Development	5,313,833						
Transfer HOT fund from DEP to Nongrants	2,280,423						
Transfer of HOT tax	5,353,019						
Other Transfers	170,782						
	<u>\$58,112,667</u>						

NOTE 7. OPERATING LEASES

The City, as lessee, leases buildings, office space, and equipment under various lease agreements. Generally, these lease agreements provide for cancellation in the event the City Council does not appropriate funding in subsequent fiscal years. Therefore, the City is not obligated beyond each fiscal year. Management expects the leases to continue. These leases are treated as operating leases for accounting purposes. Operating lease expenditures for the year ended August 31, 2018 is \$1,328,815 for business-type activity and \$3,605,540 for general government, for a total of \$4,934,355. Additionally, the City, as lessor, leases certain buildings and equipment under various monthly lease agreements, which are cancelable.

A substantial portion of the airport terminal building and other areas are leased to third parties through operating leases. The majority of these include certified passenger airline leases, commercial and noncommercial aviation ground leases, industrial site leases, auto rental concession leases and food and beverage concession leases. These leases are for varying periods and require the payment of minimum annual rentals. Leases with concessionaires also require payment of percentage rents based on sales in excess of stipulated amounts. Rental income in connection with these operating leases and various other monthly rental agreements for the year ended August 31, 2018, was \$17,596,383 including percentage contingent rents of \$3,063,502.

The following is a schedule of airport revenue from future minimum rentals on non-cancelable operating leases as of August 31, 2018:

<u>Year Ending</u>	
2019	\$ 12,220,993
2020	10,028,334
2021	9,610,873
2022	9,052,883
2023	8,280,628
2024 - 2028	32,616,642
2029 - 2033	21,636,630
2034 - 2038	14,125,733
2039 - 2043	11,173,177
2044 - 2048	9,957,895
2049 - 2053	9,795,970
2054 - 2058	6,106,764
2059 - 2063	1,964,579
Total	<u><u>\$ 156,571,101</u></u>

Historical costs of these leased assets and related accumulated depreciation were \$180,763,418 and \$92,205,757, respectively, as of August 31, 2018.

NOTE 8. LONG-TERM OBLIGATIONS

A. General Obligation Debt – Capital Projects Funding

The Capital Projects Fund is used to account for the acquisition and construction of general government capital assets. Capital projects are funded primarily by the issuance of general obligation debt, other tax supported debt and intergovernmental revenues.

General obligation debt, which includes general obligation bonds, certificates of obligation and contractual obligations, is collateralized by the full faith and credit of the City and is reported as an obligation in the Statements of Net Position, Governmental and Business-type Activities. The City intends to retire its general obligation debt, plus interest, from future ad valorem tax levies and is required by ordinance to create, from such tax revenues, a sinking fund sufficient to pay the current interest due thereon and each installment of principal as it becomes due. The tax rate to finance the payment of principal and interest on general obligation long-term debt for the year ended August 31, 2018 was \$.2805 per \$100 assessed valuation.

The City Charter states that all indebtedness of the City that is supported by property tax shall not exceed ten percent of the total assessed valuation of the City’s tax rolls. Ten percent of the fiscal year 2018 total assessed valuation base equals approximately \$3,818,501,816. The City’s legal debt margin was \$2,648,962,595. General obligation debt sold to fund assets of proprietary funds is reported as an obligation of those proprietary funds, although they are not obligated by the applicable bond indentures to repay any portion of principal and interest on outstanding general obligation debt. However, the City intends for the proprietary funds to meet the debt service requirements.

There are a number of limitations and restrictions contained in the various general obligation bond indentures. The City believes it is in compliance with all significant limitations and restrictions.

B. Notes Payable

To fund an efficient lighting program, the City has received loans from the State Conservations Office (SECO) to reduce utility costs and maximize efficiency. The principal and interest payments due annually for the State Energy Conservation Office (SECO) loans, and the 2017 Tax Notes for vehicle replacement are presented below.

<u>Year Ending August 31,</u>	<u>Governmental Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ 2,211,099	\$ 207,315
2020	1,617,412	163,954
2021	1,650,130	131,730
2022	1,683,306	98,854
2023	1,400,263	67,683
2024-2028	2,325,684	51,337
	<u>\$ 10,887,894</u>	<u>\$ 720,873</u>

NOTE 8. LONG-TERM OBLIGATIONS (continued)

C. Long-term Debt

The following summarizes significant facts about general obligation bonds, certificates of obligation, revenue bonds, notes payable, and capital lease obligations:

	Interest Rates at Issue date	August 31, 2018	Amount
Governmental activities	3.00 - 7.25%	3.00 - 7.25%	\$ 1,173,772,717
Business-type activities	3.00 - 5.30%	3.625 - 5.00%	124,364,132
			<u>\$ 1,298,136,849</u>

D. Defeased Bonds

In fiscal year 2016, the City issued refunding bonds to advance refund certain general obligation and certificates of obligation bonds. The proceeds of the sale of the refunding bonds were deposited with an escrow agent in the amount necessary for the final payment of the refunded obligations. The funds are held in the escrow fund, which is irrevocably pledged to the payment of the principal and interest on the refunded obligations. The obligation below is remaining to maturity.

Refunded Bonds	Escrow Maturity	Balance
Certificates of Obligation		
Series 2009	8/15/2019	\$ 41,086,944

E. Bonds Authorized and Unissued

On August 31, 2018, there were \$224,274,672 authorized and unissued bonds as part of the 2012 Quality of Life Bonds. In addition, there were \$114,244,739 authorized and unissued bonds for planned street projects. In addition, the City Council authorized the issuance of general obligation and certificate of obligation bonds for infrastructure and other capital projects in the total amount of \$242,570,565.

F. Bonded Debt Requirements (General Obligation Bonds and Certificate of Obligation Bonds)

Year Ending August 31,	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 41,056,674	\$ 52,286,801	5,448,326	\$ 5,043,892	\$ 46,505,000	\$ 57,330,693
2020	42,292,887	50,489,088	5,132,113	4,822,468	47,425,000	55,311,556
2021	46,384,019	48,595,036	5,180,981	4,610,656	51,565,000	53,205,692
2022	45,398,755	46,442,065	5,221,245	4,398,456	50,620,000	50,840,521
2023	47,528,020	44,266,478	5,376,980	4,167,625	52,905,000	48,434,103
2024-2028	270,140,873	184,266,923	25,834,127	17,394,600	295,975,000	201,661,524
2029-2033	305,807,069	110,847,555	24,847,931	11,343,687	330,655,000	122,191,242
2034-2038	184,412,571	45,385,525	27,672,429	4,902,569	212,085,000	50,288,094
2039-2043	104,100,000	10,412,900	4,710,000	376,050	108,810,000	10,788,950
Total	<u>\$ 1,087,120,868</u>	<u>\$ 592,992,371</u>	<u>\$ 109,424,132</u>	<u>\$ 57,060,003</u>	<u>\$ 1,196,545,000</u>	<u>\$ 650,052,375</u>

NOTE 8. LONG-TERM OBLIGATIONS (continued)

G. Debt Service Requirements: Revenue Bond Requirements

Year Ending August 31	Governmental Activities		Business-Type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2019	\$ 645,000	\$ 3,738,176	\$ 735,000	\$ 713,150	\$ 1,380,000	\$ 4,451,326
2020	665,000	3,710,273	760,000	687,425	1,425,000	4,397,698
2021	650,000	3,681,569	790,000	657,025	1,440,000	4,338,594
2022	670,000	3,647,719	820,000	625,425	1,490,000	4,273,144
2023	6,145,000	3,612,757	855,000	592,625	7,000,000	4,205,382
2024-2028	6,565,000	15,581,420	4,890,000	2,343,700	11,455,000	17,925,120
2029-2033	12,820,000	12,678,858	6,090,000	975,450	18,910,000	13,654,308
2034-2038	20,760,000	7,412,008	—	—	20,760,000	7,412,008
2039-2043	11,200,000	1,995,489	—	—	11,200,000	1,995,489
Total	\$ 60,120,000	\$ 56,058,269	\$ 14,940,000	\$ 6,594,800	\$ 75,060,000	\$ 62,653,069

H. Capital Leases

Capital leases are presented annually below:

Year Ending August 31,	Governmental- type Activities
2019	\$ 5,163,572
2020	3,490,692
2021	2,920,661
2022	2,699,205
2023	2,255,716
Total minimum lease payments	\$ 16,529,846
Less: amounts representing interest	(885,891)
Present value of minimum lease payments	\$ 15,643,955

NOTE 8. LONG-TERM OBLIGATIONS (continued)**I. Governmental Activities****Long-Term Obligations and Amounts Due Within One Year**

	Balance August 31, 2017	Additions	Reductions	Balance August 31, 2018	Due Within One Year
Bonds Payable:					
General Obligation Bonds	\$ 716,726,862	\$ —	\$ 34,054,661	\$ 682,672,201	\$ 24,904,760
Certificates of Obligation	419,396,513	—	14,947,846	404,448,667	16,151,914
Special Revenue Bonds	60,685,000	—	565,000	60,120,000	645,000
Add: Unamortized Premium	97,524,649	—	9,331,263	88,193,386	8,685,321
Total Bonds	<u>1,294,333,024</u>	<u>—</u>	<u>58,898,770</u>	<u>1,235,434,254</u>	<u>50,386,995</u>
Notes Payable	13,048,732	—	2,160,838	10,887,894	2,160,838
Capital Lease Obligation	21,114,961	—	5,471,006	15,643,955	5,471,006
Chapter 380 Agreement Obligations	27,364,727	24,210,237	—	51,574,964	—
Compensated Absences	60,095,254	242,561	30,378	60,307,437	18,092,231
Accrued Health/WC Claims	16,033,064	39,972,439	38,565,251	17,440,252	5,232,075
Net Pension Liability	517,405,905	—	59,149,112	458,256,793	—
Other Post Employment Benefits ⁽¹⁾	76,471,050	48,853,545	—	125,324,595	3,245,482
Claims and Judgments	500,000	—	47,750	452,250	—
Total Other Obligations	<u>732,033,693</u>	<u>113,278,782</u>	<u>105,424,335</u>	<u>739,888,140</u>	<u>34,201,632</u>
Governmental Activities Long-term Liabilities	<u>\$ 2,026,366,717</u>	<u>\$ 113,278,782</u>	<u>\$ 164,323,105</u>	<u>\$ 1,975,322,394</u>	<u>\$ 84,588,627</u>

⁽¹⁾Restated as per GASB Statement No. 75

The General Fund is used to liquidate the liability for Compensated Absences, Net Pension Liability, and net Other Post-employment Benefits obligations for all governmental activities.

NOTE 8. LONG-TERM OBLIGATIONS (continued)**Business-type Activities:****Long-Term Obligations and Amounts Due Within One Year**

	Balance August 31, 2017	Additions	Reductions	Balance August 31, 2018	Due Within One Year
El Paso International Airport:					
Revenue Bonds	\$ 15,650,000	\$ —	\$ 710,000	\$ 14,940,000	\$ 735,000
Certificates of Obligation Tax and Revenue	38,845,000	—	1,170,000	37,675,000	1,195,000
Add: Unamortized Premium	26,319	—	1,645	24,674	1,645
Less: Unamortized Discount	(64,175)	—	(4,702)	(59,473)	(4,637)
Total Bonds Payable	54,457,144	—	1,876,943	52,580,201	1,927,008
Compensated Absences	2,570,972	—	72,071	2,498,901	749,670
Net Pension Liability	11,328,163	—	1,158,594	10,169,569	—
Other Post Employment Benefits ⁽¹⁾	5,202,241	3,323,453	—	8,525,694	220,786
Total El Paso International Airport	73,558,520	3,323,453	3,107,608	73,774,365	2,897,464
Environmental Services:					
Certificates of Obligation	4,675,000	—	115,000	4,560,000	120,000
General Obligation	13,818,137	—	1,210,339	12,607,798	1,290,240
Add: Unamortized Premium	1,292,353	—	185,692	1,106,661	170,047
Total Bonds Payable	19,785,490	—	1,511,031	18,274,459	1,580,287
Landfill Closure and Post-Closure	20,851,284	992,910	—	21,844,194	—
Delta Transfer Station Post-Closure	125,486	2,259	—	127,745	—
Compensated Absences	1,256,442	—	217,543	1,038,899	311,670
Claims and Judgments	—	1,038,325	—	1,038,325	—
Net Pension Liability	16,988,260	—	1,737,482	15,250,778	—
Other Post Employment Benefits ⁽¹⁾	6,901,079	4,408,755	—	11,309,834	292,886
Total Environmental Services	65,908,041	6,442,249	3,466,056	68,884,234	2,184,843
Mass Transit:					
Certificates of Obligation	52,603,488	—	1,502,154	51,101,334	1,653,086
Add: Unamortized Premium	2,892,097	—	208,951	2,683,146	204,431
Total Bonds/Notes Payable	55,495,585	—	1,711,105	53,784,480	1,857,517
Compensated Absences	1,857,052	—	211,293	1,645,759	493,728
Claims and Judgments	364,687	63,979	—	428,666	—
Net Pension Liability	30,678,217	—	3,137,628	27,540,589	—
Other Post Employment Benefits ⁽¹⁾	10,636,710	6,795,264	—	17,431,974	451,429
Total Mass Transit	99,032,251	6,859,243	5,060,026	100,831,468	2,802,674
International Bridges:					
General Obligation	4,635,000	—	1,155,000	3,480,000	1,190,000
Add: Unamortized Premium	284,905	—	104,908	179,997	75,514
Total Bonds Payable	4,919,905	—	1,259,908	3,659,997	1,265,514
Compensated Absences	214,284	—	2,286	211,998	63,599
Net Pension Liability	2,104,790	—	215,268	1,889,522	—
Other Post Employment Benefits ⁽¹⁾	1,240,589	792,550	—	2,033,139	52,651
Total International Bridges	8,479,568	792,550	1,477,462	7,794,656	1,381,764
Tax Office:					
Compensated Absences	134,440	—	21,649	112,791	33,837
Business-type Activities Long-term Liabilities	\$ 247,112,820	\$ 17,417,495	\$ 13,132,801	\$ 251,397,514	\$ 9,300,582

⁽¹⁾ Restated as per GASB Statement No. 75

NOTE 8. LONG-TERM OBLIGATIONS (continued)**J. Long-Term-Debt Outstanding**

	Issue Date	Maturity Date	Amount	Interest Rates Range	August 31, 2017	Current Issuance	Reductions	August 31, 2018
Certificates of Obligation								
SERIES 2009	1/15/2009	8/15/2019	\$ 57,615,000	3.000 to 5.500%	4,290,000	—	2,575,000	1,715,000
SERIES 2009A	9/15/2009	8/15/2019	\$ 27,210,000	4.000 to 5.000%	4,480,000	—	2,185,000	2,295,000
SERIES 2009B Taxable BAB	9/15/2009	8/31/2034	\$ 45,740,000	4.781 to 6.163%	45,740,000	—	—	45,740,000
SERIES 2009C Taxable BAB	9/15/2009	8/31/1934	\$ 3,230,000	6.163 to 6.163%	3,230,000	—	—	3,230,000
SERIES 2010B Taxable BAB	11/1/2010	8/31/2036	\$ 74,340,000	3.220 to 6.7000%	69,225,000	—	2,640,000	66,585,000
SERIES 2011	9/1/2011	8/15/2032	\$ 32,775,000	3.500 to 5.000%	30,050,000	—	1,450,000	28,600,000
SERIES 2012	11/20/2012	8/15/2038	\$ 58,730,000	3.000 to 4.000%	51,450,000	—	3,805,000	47,645,000
SERIES 2013	10/17/2013	8/15/2039	\$ 65,395,000	1.000 to 5.000%	63,280,000	—	2,130,000	61,150,000
SERIES 2014 - (AIRPORT)	4/30/2014	8/15/2038	\$ 40,000,000	1.375 to 5.000%	38,845,000	—	1,170,000	37,675,000
SERIES 2014A	8/26/2014	8/15/2040	\$ 64,605,000	4.000 to 5.000%	63,015,000	—	1,675,000	61,340,000
SERIES 2015 - Combination Tax & Revenue	8/17/2015	8/31/2041	\$ 57,710,000	4.000 to 5.000%	57,710,000	—	—	57,710,000
SERIES 2016	6/30/2016	8/31/2042	\$ 84,205,000	4.000 to 5.000%	84,205,000	—	105,000	84,100,000
Total Certificates of Obligation Bonds					\$ 515,520,000	\$ —	\$ 17,735,000	\$ 497,785,000
General Obligations								
SERIES 2007 PENSION BONDS	6/15/2007	8/15/2035	\$ 101,240,000	5.512 to 6.018%	84,155,000	—	2,730,000	81,425,000
SERIES 2011 REFUNDING BONDS	9/1/2011	8/15/2021	\$ 5,860,000	2.000 to 3.000%	3,035,000	—	725,000	2,310,000
SERIES 2012 REFUNDING BONDS	11/20/2012	8/15/2028	\$ 20,710,000	2.000 to 4.000%	17,100,000	—	1,285,000	15,815,000
SERIES 2013 REFUNDING BONDS	9/30/2013	8/15/2028	\$ 24,285,000	1.250 to 5.000%	15,165,000	—	1,925,000	13,240,000
SERIES 2014 PENSION BONDS	1/16/2014	8/15/2034	\$ 110,610,000	0.622 to 5.177%	98,275,000	—	4,220,000	94,055,000
SERIES 2014 REFUNDING & IMP BONDS	5/20/2014	8/15/2039	\$ 88,515,000	3.375 to 5.000%	58,270,000	—	8,290,000	49,980,000
SERIES 2014A REFUNDING BONDS	8/26/2014	8/15/2031	\$ 49,360,000	2.000 to 5.000%	46,200,000	—	1,675,000	44,525,000
SERIES 2015 - REFUNDING & IMPROVEMENT	8/17/2015	8/31/2041	\$ 116,415,000	3.905 to 5.000%	116,415,000	—	—	116,415,000
SERIES 2016 - REFUNDING	6/15/2016	8/15/2034	\$ 121,260,000	3.500 to 5.000%	121,260,000	—	15,570,000	105,690,000
SERIES 2016	6/30/2016	8/31/2042	\$ 175,305,000	4.000 to 5.000%	175,305,000	—	—	175,305,000
Total General Obligation Bonds					735,180,000	—	36,420,000	698,760,000
Total Tax Supported Debt					\$ 1,250,700,000	\$ —	\$ 54,155,000	\$ 1,196,545,000
Notes Payable								
State Energy Conservation Office-09-00219-4-039-0	8/31/2010	8/31/2019	\$ 5,000,000	3.000%	1,233,479	—	607,524	625,955
State Energy Conservation Office-CLS0008	11/30/2012	8/31/2022	\$ 2,824,000	2.000%	1,473,618	—	286,620	1,186,998
State Energy Conservation Office - CL244	10/25/2013	8/31/2025	\$ 7,622,592	2.000%	684,635	—	796,694	6,044,941
Tax Notes, Series 2017	8/22/2017	8/31/2024	\$ 3,500,000	1.940%	3,500,000	—	470,000	3,030,000

NOTE 8. LONG-TERM OBLIGATIONS (continued)

	Issue Date	Maturity Date	Amount	Interest Rates Range	August 31, 2017	Current Issuance	Reductions	August 31, 2018
Total Notes Payable					\$ 13,048,732	\$ —	\$ 2,160,838	\$ 10,887,894
Capital Lease Obligations								
Banc of America Public-Capital Corp.	10/31/2011	6/1/2022	\$ 13,586,998.6	2.560%	5,348,542	—	1,840,148	3,508,394
Compass Mortgage Corp.-Loan 1	12/1/2012	9/1/2019	\$ 5,025,000	2.460%	1,128,658	—	900,151	228,507
Compass Mortgage Corp.-Loan 2 (#26)	9/1/2013	3/1/2020	\$ 5,020,000	2.050%	2,112,654	—	758,059	1,354,595
Motorola (IT)	11/1/2012	9/1/2022	\$ 20,063,362	2.26%	12,525,106	—	1,972,647	10,552,459
Total Loans					\$ 21,114,960	\$ —	\$ 5,471,005	\$ 15,643,955
Revenue Bonds								
RB 2011 - El Paso International Airport	6/1/2011	8/15/2033	\$ 16,330,000	3.250 to 5.000%	\$ 15,650,000	\$ —	\$ 710,000	\$ 14,940,000
Special Revenue Bond (Thunder Canyon PID #1)								
PID Revenue Bond	4/15/2007	8/15/2020	\$ 400,000	4.79%	115,000	—	35,000	80,000
Special Revenue Bonds (Downtown Ballpark Venue Project)								
Special Revenue Bonds, Series 2013A Partially Refunded	8/29/2013	8/15/2038	\$ 45,125,000	6.780 to 7.250%	27,670,000	—	—	27,670,000
Special Revenue Bonds, Taxable Series 2013B	8/29/2013	8/15/2043	\$ 15,660,000	7.25%	15,660,000	—	—	15,660,000
Special Revenue Bonds, Series 2016	6/29/2016	8/15/2043	\$ 17,665,000	2.000 to 5.00%	17,240,000	—	530,000	16,710,000
Total Ballpark Revenue Bonds					60,570,000	—	530,000	60,040,000
Total Special Revenue Bonds					\$ 60,685,000	\$ —	\$ 565,000	\$ 60,120,000

K. Plaza Hotel

During the fiscal year, the City entered into a Chapter 380 Agreement with Mills Plaza Properties II, LP, the developer, in support of the redevelopment of the Convention Center Hotel located at 106 Mills Avenue, El Paso, TX. Under such agreement, the City will lease the real property to the developer. Through the Chapter 380 incentives and City grants, the City will pay the developer a total amount not to exceed \$21,969,915. The City plans to participate in the State's Convention Center Hotel Program ("SCCHP"), which will provide up to \$4,243,710 in State Hotel Occupancy Tax (HOT). The City grants will be recorded as a deferred outflow and Chapter 380 obligation on the government wide financial statements.

L. Solid Waste Landfill Closure and Post-closure Care Cost

The City owns and operates two landfills located in the East (Clint) and Northeast (McCombs) areas of the City of El Paso. Closure and post-closure care of the landfills are subject to the requirements of Subtitle D of the Resource Conservation and Recovery Act (P.L. 94/580) and Sections 330.250-256 of Title 30 of the *Texas Administrative Code* administered by the Texas Commission on Environmental Quality (TCEQ), formerly the Texas Natural Resource Conservation Commission (TNRCC). These regulations require the City to place a final cover on each landfill when it ceases to accept waste and to perform certain maintenance and monitoring functions for 30 years after the closure of each landfill.

During fiscal year 2018, the City hired independent consultants to prepare a revised estimate of the total closure and post-closure costs for the landfills. The estimated total closure and post-closure costs is approximately \$78.6 million at August 31, 2018. The recognized portion of the total liability,

NOTE 8. LONG-TERM OBLIGATIONS (continued)

approximately \$22.0 million, is computed based on the percentage of landfill capacity used, approximately 32.38%, as of August 31, 2018. The estimated total current cost of closure and post-closure care remaining to be recognized is \$56.6 million.

Clint Landfill (TCEQ Permit 1482) – The City closed this facility in fiscal year 2010. Closure and post-closure costs are estimated at \$11.9 million. Approximately \$8.6 million has been expended, resulting in the recorded liability of \$3.3 million.

Clint Landfill (TCEQ Permit 2284) – This landfill is currently accepting solid waste and capacity used is 36.55% at August 31, 2018. Closure and post-closure costs are estimated at \$21.5 million. The estimated closure and post-closure cost liability of \$7.9 million is included in the recorded liability.

McCombs Landfill (TCEQ Permit 729A) – This landfill is currently accepting solid waste and capacity used is 23.60% at August 31, 2018. Closure and post-closure costs are estimated at \$45.0 million. The estimated closure and post-closure cost liability of \$10.6 million is included in the recorded liability.

Actual costs may be higher due to inflation, changes in technology or changes in regulations. The Department of Environmental Services, an enterprise fund and part of the City will meet closure and post-closure care financial requirements.

Sections 330.280-286 of Title 30 of the Texas Administrative Code requires landfill owners to demonstrate financial assurance that they will have sufficient financial resources to satisfy closure and post-closure care expenses at such time as these become payable. The regulations provide various means by which a municipality may demonstrate financial assurance. For the year ended August 31, 2018, the City met all of the financial tests required by the TCEQ and will demonstrate financial assurance to the TCEQ by way of the City's most recent bond rating and/or financial ratios computed using 2018 audited financial statements.

The City owns and operates a transfer process facility for solid waste near Delta Street in El Paso (Delta Transfer Station – TCEQ Permit 728). Beginning in March 2000, Section 330.282 of Title 30, the *Texas Administrative Code*, administered by the TCEQ, required “a detailed written cost estimate, in current dollars, showing the cost of hiring a third party to close the process facility by cleaning up the litter and debris from the site and the equipment, hauling the litter and debris to an approved landfill and to render the facility closed by dismantling vital operational parts and locking up the facility.” At August 31, 2018, the estimated total cost of closure of the Delta Transfer Station is \$127,745 and is recognized as a liability in these financial statements.

NOTE 9. FUND EQUITY

Fund balance components of Governmental Funds are as follows:

	General Fund	CDBG	Debt Service	Capital Projects	Non-major Governmental Funds
Fund balances:					
Non-spendable					
Inventory and Prepaids	\$ 6,946,182	\$ —	\$ —	\$ —	\$ 219,924
Restricted					
Cash reserve	19,098,290	—	—	—	—
Debt Service	—	—	5,775,033	—	—
Municipal Court	—	—	—	—	3,942,279
Capital Projects	—	—	—	178,996,821	589,287
PEG	—	—	—	—	5,169,414
Civic Center	—	—	—	—	2,981,381
Public Works	—	—	—	—	202,778
Library	—	—	—	—	1,362,835
Museums	—	—	—	—	141,750
Police	—	—	—	—	3,963,121
Economic Development	—	—	—	—	884,711
PID #1	—	—	—	—	28,451
Fire	—	—	—	—	103,867
Parks	—	—	—	—	(19,812)
Animal Services	—	—	—	—	—
Community Development	—	3,703,980	—	—	4,752,156
Public Health	—	—	—	—	12,930,168
Committed					
Parks	—	—	—	—	3,872,133
Economic Development	—	—	—	—	9,428,446
Mayor and Council	—	—	—	—	338,930
Museums	—	—	—	—	9,518
Animal Services	—	—	—	—	2,893,539
Fire	—	—	—	—	92,776
Police	—	—	—	—	1,837,702
Environmental Fee	—	—	—	—	1,831,637
Unassigned	20,334,896	—	—	—	—
Total fund balances	<u>\$ 46,379,368</u>	<u>\$ 3,703,980</u>	<u>\$ 5,775,033</u>	<u>\$ 178,996,821</u>	<u>\$ 57,556,991</u>

El Paso International Airport

The Airport has various assets that are restricted for specific use in accordance with an agreement with the United States Government entered into in 1950 whereby 1,907 acres of land were donated to the Airport. Any revenues derived from the sale, lease or other use of this land must be utilized for the development, improvement, operation and maintenance of the Airport subject to the approval of the Federal Aviation Administration. Earnings from invested funds may be used for the purposes previously described. Under this agreement, advances to other Airport funds for development and improvement of Airport facilities are permitted, subject to approval from the Federal Aviation Administration.

Business-type Activities

The balances of the restricted net position accounts in the enterprise funds are as follows:

Restricted by Federal Aviation Administration:	
Restricted for passenger facilities:	
El Paso International Airport	5,953,344
Restricted for debt service	1,633,000
Total Restricted Net Position	<u>\$ 7,586,344</u>

NOTE 10. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Claim liabilities are estimated considering the effects of inflation, recent claim settlement trends (including frequency and amounts of payouts) and other economic and social factors (including the effects of specific, incremental claim adjustment expense, salvage and subrogation).

A. Internal Service Funds

Provisions under various types of risk are presented below.

Internal Service Funds account for certain self-insured activities. These include Workers' Compensation, Group Health and Unemployment Compensation. The premiums are recognized as revenues in the Internal Service Funds and as expenditures or expenses in the governmental and proprietary fund types, as appropriate. Accruals for unpaid claims and claims incurred but not reported are reflected in the accompanying proprietary funds statement of net position as Claims and Judgments.

This provision is based upon City experience, including recoveries, since the inception of the insurance programs and represents the loss and an allocated loss expense. The total estimated claims payable at August 31, 2018, is \$17,440,252. There is no accrual required for unemployment compensation claims. The total claims liability reported in the Internal Service Funds at August 31, 2018, is based on the requirements of GASB Statement 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. No settlements in excess of insurance coverage were made in any of the prior three fiscal years.

NOTE 10. RISK MANAGEMENT (continued)

Changes in the Funds' claims liability amount in fiscal 2018 and 2017 were:

	Workers' Compensation	Group Health	Unemployment Compensation	Total
Claims Liability at August 31, 2016	\$ 12,274,730	\$ 3,541,696	\$ —	\$ 15,816,426
Incurred Claims	2,220,836	31,791,702	283,833	34,296,371
Payment on Claims	(2,108,277)	(31,687,623)	(283,833)	(34,079,733)
Claims Liability at August 31, 2017	12,387,289	3,645,775	—	16,033,064
Incurred Claims	2,317,091	37,337,004	318,343	39,972,439
Payment on Claims	(1,426,349)	(36,820,559)	(318,343)	(38,565,251)
Claims Liability at August 31, 2018	<u>\$ 13,278,031</u>	<u>\$ 4,162,220</u>	<u>\$ —</u>	<u>\$ 17,440,252</u>

B. General Liability Insurance

The City is self-insured for general, police officers and certain automobile liability, with the exception of the Mass Transit Department's fleet of vehicles, liability for the Airport, certain automobile liability and certain other catastrophic liability for which the City is insured. Expenditures for self-insured liabilities are accounted for in the General Fund, which will pay any liabilities incurred.

The City has joined together with other governments in the Texas Municipal League Intergovernmental Risk Pool (TML). The City pays an annual premium to TML for auto vehicle insurance coverage. The agreement with TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$500,000 to \$1,000,000 for each insurance event. The City anticipates no contingent losses.

TML has published its own financial report that can be obtained from the Texas Municipal League Intergovernmental Risk Pool, Austin, Texas.

The City continues to carry commercial fidelity bonds for elected officials and for management.

C. Property and Casualty Insurance

Property, casualty, boiler and machinery insurance is provided by a commercial carrier.

D. Workers' Compensation Insurance

The City self-insures against workers' compensation claims.

E. Group Health and Life Insurance

The City maintains a group health insurance plan for active and retired employees and their eligible dependents through a self-insured plan of benefits. Aetna Inc. administers the plan. Reinsurance coverage limits the annual liability. Contributions to the fund are provided by both the City and participating Employees. A commercial carrier provides the group life insurance plan. Costs are recorded in the fund from which the employees' compensation is paid.

NOTE 10. RISK MANAGEMENT (continued)

F. Unemployment Compensation Insurance

The City self-insures for unemployment compensation claims through an agreement with the Texas Workforce Commission (TWC). Under the agreement, TWC administers all claims and is reimbursed by the City for claims incurred plus administrative charges.

NOTE 11. COMMITMENTS AND CONTINGENCIES

A. Litigation and Claims

Claims and lawsuits against the City that are deemed as probable are estimated at an exposure range between \$452,250 and \$4,900,000. The City has accrued approximately \$1.92 million as of August 31, 2018 related to probable classified lawsuits.

B. Grants

The City has received Federal and State financial assistance in the form of grants and entitlements that are subject to review and audit by the granting agencies. Such audits could result in requests for reimbursement by the granting agency for expenditures disallowed under terms and conditions specified in the grant agreements. In the opinion of City management, such disallowed costs, if any, will not be significant.

C. Other Bond Issues

On April 15, 2007, the City issued \$400,000 in Public Improvement District #1 special assessment revenue bonds. This bond is not a general obligation of the City and does not give rise to a charge against the general credit or taxing powers of the City. At August 31, 2018, the outstanding liability of these bonds is \$80,000.

NOTE 12. POST EMPLOYMENT BENEFITS OTHER THAN PENSION

Plan Description: The City sponsors and administers an informal single-employer defined benefit OPEB plan for healthcare. Texas statute provides that retirees from a municipality with a population of 25,000 or more and who receive retirement benefits from a municipal retirement plan are entitled to purchase continued health benefits coverage for the retiree and the retiree's dependents unless the retiree is eligible for group health benefits coverage through another employer. The State of Texas has the authority to establish and amend the requirements of this statute. The City does not issue standalone financial statements of the healthcare plan but all required information is presented in this report.

Benefits Provided: The contribution requirements of plan members are established by City ordinance and may be amended as needed. Retiree coverage is the same as the coverage provided to active City employees. Retirees pay premiums ranging from \$101.38 per month to \$2,200.86 per month depending on the coverage elected. The City's adopted budget policy maintains that retirees must pay 45% of the cost of premiums and the City will fund the remaining 55%. No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB 75.

Note 12. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

Employees covered by benefit terms. At August 31, 2018, the following employees were covered by the benefit terms:

Inactive employees currently receiving benefits	1,075
Active Employees	4,372
Total	5,447

Total OPEB Liability: The City's total OPEB liability of \$164,625,236 was measured as of August 31, 2017, and was determined by an actuarial valuation as of that date.

Actuarial assumptions and other inputs: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The City's total OPEB liability in the August 31, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified.

Inflation:	2.20 percent
Salary increases:	3.25 percent
Discount rate:	3.42 percent
Healthcare cost trend rates:	Initial rate of 7.0% for Medical and 5.50% for Medicare Advantage, gradually declining over 60 years to an ultimate rate of 3.84%

The discount rate was based on the 8/31/2017 Fidelity Municipal General Obligation AA 20-Year Yield.

Mortality rates for active employees were based on the RPH-2014 Employee Mortality Table, Generational with Projection Scale MP-2017 for males or females, as appropriate.

Mortality rates for retirees/disabled employees were based on the RPH-2014 Healthy Annuitant and Disabled Retiree Mortality Table, Generational with Projection Scale MP-2017 for males or females, as appropriate.

Changes in the Total OPEB Liability:

The following table shows the changes in the City's total OPEB liability.

Note 12. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

	Total OPEB Liability (a)
Balance at 08/31/2017, restated	\$ 159,328,183
Changes for the year:	
Service Cost	4,225,898
Interest	5,513,502
Differences between expected and actual experience	238,818
Benefit Payments	(4,681,165)
Net Changes	<u>5,297,053</u>
Balance at 8/31/2018	<u>\$ 164,625,236</u>

Mortality tables were updated from the RP-2000 mortality tables to the RPH-2014 Employee and Healthy Annuitant mortality tables.

Sensitivity of the total OPEB Liability to Changes in the Discount Rate: The following table presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using discount rates that are one-percent-lower or one-percent-higher than the current discount rate.

	1% Decrease (decreasing to 2.42%)	Discount Rate (3.42%)	1% Increase (increasing to 4.42%)
Total OPEB Liability	\$ 192,789,832	\$ 164,625,236	\$ 142,332,042

Sensitivity of the total OPEB Liability to Changes in the Healthcare Cost Trend Rates: The following presents the total OPEB liability of the City, as well as what the City's total liability would be if it were calculated using healthcare cost trend rates that are one-percent-lower or one-percent-higher than the current healthcare cost trend rate of 3.84%.

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Total OPEB Liability	\$ 141,219,427	\$ 164,625,236	\$ 194,223,025

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

For the fiscal year ended August 31, 2018, the City recognized OPEB expense of \$9,769,255. As of August 31, 2018, the City only reported deferred outflows of resources related to OPEB as presented below:

Note 12. POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 208,965	\$ —
Employer payments for OPEB subsequent to measurement date	4,263,234	—
	<u>\$ 4,472,199</u>	<u>\$ —</u>

\$4,263,234 reported as deferred outflows of resources related to OPEB resulting from City benefit payments subsequent to the measurement date will be recognized as a reduction of total OPEB liability in the year ending August 31, 2019.

Amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended August 31,	
2019	\$ 29,852
2020	29,852
2021	29,852
2022	29,852
2023	29,852
Thereafter	59,705
	<u>\$ 208,965</u>

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The Schedule of Changes in the Total OPEB Liability and Related Ratios, presented as required supplementary information following the notes to the financial statements, will present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

NOTE 13. PENSION PLANS

The employees of City of El Paso and EPWU participate in one of two single-employer defined benefit pension plans: the City Employees' Retirement Trust (CERT) and the Firemen and Policemen's Pension Funds (FPPF), which consists of separate divisions for firemen (FPPF-Firemen Division) and policemen (FPPF-Policemen Division). Separate boards of trustees administer these pension plans as described in Note 1 (CERT Board and FPPF Board, respectively).

The CERT was established in accordance with authority granted by Chapter 2.64 of the El Paso City Code and is a component unit (fiduciary fund type) of the City. The FPPF was established in accordance with authority granted by Article 6243b of *Vernon's Annotated Texas Statutes* and is a component unit

NOTE 13. PENSION PLANS (continued)

(fiduciary fund type) of the City. Each pension plan issues stand-alone financial statements that may be obtained from the respective funds' administrative offices.

The total for the City's pension liabilities, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense is as follows:

	CERT	FPPF		Total
		Firemen	Policemen	
Net pension Liability	\$ 199,857,869	\$ 145,775,361	\$ 207,245,736	552,878,966
Deferred outflows of resources				
Contributions	25,651,488	7,840,068	10,747,101	44,238,657
Change in Experience	822,180	15,148,528	21,772,305	37,743,013
Investment Earnings	6,712,717	—	—	6,712,717
Change in Assumptions	25,812,962	8,427,355	7,257,434	41,497,751
Deferred inflows of resources				
Change in Experience	15,614,551	—	3,836,956	19,451,507
Investment Earnings	—	20,164,794	26,450,264	46,615,058
Change in Assumptions	—	—	13,084,769	13,084,769
Pension Expense	\$ 27,337,140	\$ 26,779,752	\$ 34,135,241	\$ 88,252,133

The CERT amounts include an allocated portion for the City (80.1%) and EPWU (19.9%).

A. Membership

Membership of each plan as of the measurement date consisted of the following:

	August 31, 2017	December 31, 2016	
	CERT	FPPF-Firemen Division	FPPF-Policemen Division
Retirees and beneficiaries receiving benefits	3,174	900	1,091
Terminated plan members entitled to but not yet receiving benefits	148	6	15
Active plan members	4,345	775	1,049
Total	7,667	1,681	2,155

B. City Employees' Pension Trust**1. Plan Description**

Substantially all full-time employees of the City are eligible to participate in the retirement plan, except for uniformed firefighters and police officers who are covered under separate plans. Non-employer contributions are limited to participating employees of the CERT.

NOTE 13. PENSION PLANS (continued)

The designated purpose of the CERT is to provide retirement, death, and disability benefits to participants or their beneficiaries. The CERT is administered by the CERT Board, which is comprised of two citizens designated by the Mayor who are not officers or employees of the City, four elected City employees, a retiree, and two district representatives. The CERT Board contracts with an independent pension custodian, investment managers, a pension consultant and an actuary to assist in managing the CERT.

The City is the only contributing employer. The CERT pays direct administrative costs. The City provides indirect administrative support such as office space, utilities, and payroll processing at no charge to the CERT. The CERT reimburses the City for various direct costs of processing pension checks, such as postage and supplies.

The CERT is not required to maintain any legally required reserves.

Participation is mandatory for classified employees (except permanent part-time employees). For non-classified employees, participation is mandatory for employees hired after July 1997. Classified employees include all persons who are permanent, full-time employees and are not otherwise excluded from the CERT.

Members who were first participants prior to September 1, 2011, accrue benefits based on Tier I provisions as follows:

- Participants who leave the Plan before completion of five years of service receive a refund of their contributions. Participants leaving the Plan with more than five years but less than 10 years of service may receive a refund of their contributions plus interest at 5.5% compounded annually. Participants become fully vested after reaching 40 years of age and ten years of service or 45 years of age and seven years of service. Normal retirement is the earlier of: (i) 55 years of age with ten years of service, or (ii) 60 years of age with seven years of service or (iii) 30 years of service, regardless of age. Participants who have met the minimum vesting requirements may retire, but defer receiving pension payments until they reach normal retirement age. Alternatively, such vested participants may elect an early retirement, which will provide an actuarially reduced pension benefit payment upon termination. Persons retiring and eligible to receive benefits receive monthly pension payments in the amount of 2.5% of average monthly gross earnings received by the employee during the three years immediately prior to retirement, or 2.5% of the average monthly base salary received by the employee during the year immediately prior to retirement, or 2.5% of the monthly base salary pay for the month immediately prior to retirement, whichever is greater, multiplied by the number of completed years of service, plus 0.2083 of 1% of such average for each additional completed or fractional part of a month of service.

Members who were first participants on or after September 1, 2011, accrue benefits based on Tier II provisions as follows:

- Participants who leave the Plan before completion of seven years of service receive a refund of their contributions. Participants leaving the Plan with more than seven years but less than

NOTE 13. PENSION PLANS (continued)

10 years of service may receive a refund of their contributions plus interest at 3% compounded annually. Participants become fully vested after reaching 45 years of age and seven years of service. Normal retirement is the earlier of: (i) 60 years of age with seven years of service, or (ii) 35 years of service, regardless of age. Participants who have met the minimum vesting requirements may retire, but defer receiving pension payments until they reach normal retirement age. Alternatively, such vested participants may elect an early retirement, which will provide an actuarially reduced pension benefit payment upon termination. Persons retiring and eligible to receive benefits receive monthly pension payments in the amount of 2.25% of average monthly gross earnings received by the employee during the three years immediately prior to retirement, multiplied by the number of completed years of service, plus .1875 of 1% of such average for each additional completed or fractional part of a month of service, limited to 90% of the three-year average final pay.

2. Basis of Accounting

The accounting policies of the CERT have been established to conform to GAAP for state and local governments as promulgated by authoritative pronouncements issued by the Governmental Accounting Standards Board. The CERT is accounted for on an economic resources measurement focus using the accrual basis of accounting.

The preparation of financial statements in conformity with GAAP requires the CERT's management to make estimates and assumptions that affect reported amounts of assets and liabilities at the date of the financial statements and the reported changes in net position during the reporting period. Actual results may differ from those estimates.

3. Method Used to Value Investments

Investments are stated at fair value in the accompanying statement of fiduciary net position. The fair value of marketable investments, including U.S. government securities, corporate bonds and stocks, is determined by the latest bid price or by the closing exchange price at statements of fiduciary net position dates. The fair value of investments in bank collective investment funds, commingled funds, real estate investment funds and private equity limited partnerships are determined by the investment managers based on the fair values of the underlying securities in the funds. In general, the fair value of the underlying securities held in the real estate investment funds are based upon property appraisal reports prepared by independent real estate appraisers (members of the Appraisal Institute or an equivalent organization) within a reasonable amount of time following acquisition of the real estate and no less frequently than annually thereafter. In general, the fair value of the underlying securities held in the private equity limited partnerships are based on GASB 72 - *Fair Value Measurements and Disclosures*, and limited partnership financial statements are audited by independent certified public accountants. Bank collective investment funds are governed by Section 9.18 of Regulation 9 issued by the Office of Comptroller of the Currency and by other applicable regulations as defined by the Mellon Bank, N.A. Employee Benefit Collective Investment Fund Plan.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

NOTE 13. PENSION PLANS (continued)

Net appreciation (depreciation) in fair value of investments reflected in the accompanying statements of changes in fiduciary net position represents gains or losses realized during the year plus or minus the change in the net unrealized gains or losses on investments. The change in net unrealized gains or losses on investments represents the change in the difference between the cost and fair value of investments at the beginning versus the end of the fiscal year.

4. Concentration of Investments

The following table presents the fair value of investments that represent 5% or more of the CERT's net position available for benefits at August 31, 2018. These investments were in bank collective investment and commingled funds, which consist of diversified portfolios of investments as described above, and none of these investments consist of any one company holding 5% or more of the total investment.

5. Contributions Required and Contributions Made

Contribution rates for the CERT are based upon local statutes and are not actuarially determined. However, each time a new actuarial valuation is performed, contribution requirements are compared to the actuarially determined amount necessary to fund service costs and amortize the unfunded actuarial accrued liability (using entry-age-normal cost method) over thirty years. As of the most recent actuarial valuation, the contribution rate was 23.00% of annual covered payroll.

Contributions for the year ended August 31, 2018, were made as follows:

	Amount	Stated Percentage of Covered
Employer Contributions	\$ 25,651,488	14.05%
Employee Contributions	15,540,713	8.95%
	<u>\$ 41,192,201</u>	<u>23%</u>

6. Securities Lending Transactions

The CERT enters into securities lending transactions with broker/dealers for which fees are paid to the Fund and are recognized as revenue during the periods in which they were loaned. The Board may legally and contractually authorize the use of the Fund's securities for lending transactions. The securities involved in the lending transactions continue to be recorded at fair value in the accompanying financial statements. Parameters are established by the Fund's investment guidelines for securities lending transactions. These guidelines require that all securities lending occur with specified broker/dealers and that securities lending transactions be collateralized using U.S. issuer securities at 102% and non-U.S. issuer securities at 105% of the fair value of the securities loaned. U.S. issuer securities used as collateral are marked to market on a daily basis to evaluate whether the collateralization requirements of the fair value of investments is always maintained. The Fund may not pledge or sell the collateral securities except on default of the borrower and therefore are not recorded as assets in the accompanying financial statements. Because of this, the Fund administration believes there is some minimal credit risk associated with securities lending transactions. There is no loss indemnification

NOTE 13. PENSION PLANS (continued)

provided to the Fund by the investment managers or broker/dealers.

7. Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

For the August 31, 2017 rolled forward to August 31, 2018, actuarial valuation, the entry age normal cost method was used. The actuarial value of pension benefit assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The actuarial assumptions included a 7.5% investment rate of return (net of administrative expenses), projected salary increases of 3.00%, which includes an inflation rate of 3.00% and no costs of living increases. The remaining amortization period at August 31, 2017, was 20 years using a level percent, open basis, amortization period. The mortality assumption was based on the RP-2014 employee tables with Blue Collar adjustment projected to 2030 using Scale BB. Mortality rates for disabled participants are based on the RP-2014 tables for Disabled Lives. Retirement, disability, and termination rates were adjusted to reflect experience.

The long-term expected rate of return on pension fund investments was determined using a building-block method in which best-estimate ranges of future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges 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 and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the CERT's target asset allocation as of August 31, 2018 are summarized in the following table:

<u>Asset Class</u>	<u>Long-term Expected Real Rate of Return</u>
Fixed income	1.69%
Domestic equity	9.41%
International equity	7.84%
Real estate	6.46%
Alternatives	7.39%

NOTE 13. PENSION PLANS (continued)**8. Discount Rate**

The discount rate used to measure the total pension liability was 7.50 percent. Based on plan funding expectations, no actuarial projection of cash flows was made as the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the projected benefit payments to determine the total pension liability.

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

Changes in the total pension liability, plan fiduciary net position and the net pension liability through the respective fiscal years ended, are as follows for the City Employees' Retirement Trust in total and as apportioned to the City and EPWU, as determined by the City at August 31, 2018:

	Changes in Net Pension Liability - City Employees Retirement Trust		
	Total Pension Liability (a)	Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of 09/01/17	\$ 945,772,098	\$ 723,103,443	\$ 222,668,655
Changes for the year:			
Service Cost	20,418,111		20,418,111
Interest on total pension liability	70,199,486	—	70,199,486
Difference between expected and actual return	—	—	—
Changes in assumptions	—		—
Benefit Payments	(60,394,115)	(60,394,115)	—
Employer contributions	—	24,882,041	(24,882,041)
Plan Member contributions	—	14,877,977	(14,877,977)
Net investment income	—	74,909,886	(74,909,886)
Administrative expense	—	(1,241,521)	1,241,521
Net Changes	30,223,482	53,034,268	(22,810,786)
Balances as of 8/31/18	<u>\$ 975,995,580</u>	<u>\$ 776,137,711</u>	<u>\$ 199,857,869</u>

NOTE 13. PENSION PLANS (continued)**Changes in Net Pension Liability - City**

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of 09/01/17	\$ 757,563,450	\$ 579,205,858	\$ 178,357,593
Changes for the year:			
Service Cost	16,354,907	—	16,354,907
Interest on total pension liability	56,229,788	—	56,229,788
Difference between expected and actual return	—	—	—
Changes in assumptions	—	—	—
Benefit Payments	(48,375,686)	(48,375,686)	—
Employer contributions	—	19,930,515	(19,930,515)
Plan Member contributions	—	11,917,260	(11,917,260)
Net investment income	—	60,002,819	(60,002,819)
Administrative expense	—	(994,458)	994,458
Net Changes	24,209,009	42,480,449	(18,271,440)
Balances as of 8/31/18	\$ 781,772,460	\$ 621,686,307	\$ 160,086,153

Changes in Net Pension Liability - EPWU

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balances as of 09/01/17	\$ 188,208,648	\$ 143,897,585	\$ 44,311,062
Changes for the year:			
Service Cost	4,063,204	—	4,063,204
Interest on total pension liability	13,969,698	—	13,969,698
Difference between expected and actual return	—	—	—
Changes in assumptions	—	—	—
Benefit Payments	(12,018,429)	(12,018,429)	—
Employer contributions	—	4,951,526	(4,951,526)
Plan Member contributions	—	2,960,717	(2,960,717)
Net investment income	—	14,907,067	(14,907,067)
Administrative expense	—	(247,062)	247,062
Net Changes	6,014,473	10,553,820	(4,539,347)
Balances as of 8/31/18	\$ 194,223,120	\$ 154,451,405	\$ 39,771,716

Sensitivity to Interest Rate Changes: The following presents the resulting net pension liability calculated using the discount rate of 7.50 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate.

NOTE 13. PENSION PLANS (continued)

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
City's net pension liability	\$ 322,643,310	\$ 199,857,869	\$ 104,487,936

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

For the year ended August 31, 2018, the City recognized pension expense, as measured in accordance with GASB Statement No. 68, of \$21,897,049 for the City and \$5,440,091 for EPWU, and reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources for the City Employees' Pension Trust in total and as apportioned to the City and EPWU, as determined by the City at August 31, 2018.

City Employees' Retirement Trust	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	\$ 822,180	\$ 15,614,551
Difference between expected and actual investment earnings on plan investments	6,712,717	—
Change in Assumptions for Pensions	25,812,962	—
Contributions subsequent to the measurement date	25,651,488	—
Total City Employees' Pension Plan	<u>\$ 58,999,347</u>	<u>\$ 15,614,551</u>
City	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	\$ 658,566	\$ 12,507,255
Difference between expected and actual investment earnings on plan investments	5,376,886	—
Change in Assumptions for Pensions	20,676,183	—
Contributions subsequent to the measurement date	19,117,134	—
Total City	<u>\$ 45,828,769</u>	<u>\$ 12,507,255</u>
EPWU	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference in expected and actual experience	\$ 163,614	\$ 3,107,296
Difference between expected and actual investment earnings on plan investments	1,335,831	—
Change in Assumptions for Pensions	5,136,779	—
Contributions subsequent to the measurement date	6,534,354	—
Total EPWU	<u>\$ 13,170,578</u>	<u>\$ 3,107,296</u>

An amount of \$25.7 million reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date but before the end of the City's reporting period will be recognized as a reduction in the net pension liability in the subsequent fiscal period rather than in the current fiscal period.

Other amounts reported as deferred outflows and inflows of resources to the plan will be recognized in pension expense as follows:

NOTE 13. PENSION PLANS (continued)

<u>Ending August 31</u>	<u>Total</u>	<u>City</u>	<u>EPWU</u>
2019	\$ 3,638,163	\$ 2,914,169	\$ 723,994
2020	14,811,402	11,863,933	2,947,469
2021	351,181	281,296	69,885
2022	(1,973,417)	(1,580,707)	(392,710)
2023	906,009	725,713	180,296
Thereafter	—	—	—
Total	<u>\$ 17,733,338</u>	<u>\$ 14,204,404</u>	<u>\$ 3,528,934</u>

C. Firemen and Policemen’s Pension Fund

1. Plan Description

The designated purpose of the FPPF is to provide retirement, death and disability benefits to participants or their beneficiaries.

The FPPF is a defined benefit pension plan covering uniformed firefighters and police officers employed by the City of El Paso. Non-employer contributions are limited to participating employees. The City of El Paso is the only participating employer. The City’s contributions to the FPPF are limited to 18.50% of compensation as provided by the City Charter. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of the legal funding limitations.

The FPPF – Firemen Division is a defined benefit, contributory retirement plan covering uniformed employees of the Fire Department. Participants are required to contribute 15.28% of their compensation to the FPPF.

The FPPF – Policemen Division is a defined benefit, contributory retirement plan covering uniformed employees of the Police Department. Participants are required to contribute 13.89% of their compensation to the FPPF.

Under both divisions, membership is mandatory and effective upon commencement of the probationary period. Participant contributions are not refunded if a participant terminates with less than five years of service and all benefits under the FPPF are terminated. Participant contributions (without interest) are refunded upon request if a participant terminates with five or more years of service but less than twenty years of service. All benefits under the FPPF are terminated if contributions are refunded.

Benefits are calculated as follows for the Base Plan and Second Tier Plan. Any member originally enrolled on July 1, 2007 or thereafter is automatically enrolled in the Second Tier Plan.

A. Base Plan

Retirement benefits for members with at least 20 years of vested service and the attainment of age 45 or more are calculated at 2.75% of the member's final wages multiplied by years of service.

NOTE 13. PENSION PLANS (continued)

Retirement benefits for members with at least 20 years of vested service, under the age of 45 are calculated at 2.75% of the member's final wages multiplied by years of service reduced by a factor proportionate to the number of months and years below the age 45. Retirement benefits for members with at least 10 years of vested service and at least 50 years of age are calculated at 2.75% of the member's final wages.

Plan members are eligible for service-connected disability benefits and for ordinary disability benefits. Disability retirement benefits are calculated as the greater of 50% of the member's final wages or 2.75% of the member's final wages multiplied by years of service.

Death benefits are calculated as the greater of 50% of the member's final wages or the calculation of a retiree as mentioned in the preceding paragraph.

A qualified spouse with no qualifying children is entitled to receive 100% of member's death benefit. If there are qualifying children, a qualified spouse receives two-thirds of the death benefit and qualified children equally share the remaining third. If there is no qualifying spouse, then the qualifying children are entitled to equally share two-thirds of the member's death benefit.

Cost-of-living adjustment (COLAs) are provided upon the earlier of the retiree having attained age 60 or the fifth anniversary for firemen or second anniversary for policemen of the pension commencement date and on each January 1st thereafter.

B. Second Tier Plan

Retirement benefits for members with at least 20 years of service and the attainment of age 45 or more are calculated at 2.50% of the member's final wages multiplied by years of service. Retirement benefits for members with at least 10 years of service, but less than 20 years of service, and attainment of age 50 or more are calculated at 2.50% of the member's final wages multiplied by the member's years of service.

Plan members are eligible for service-connected disability benefits and for ordinary disability benefits. Disability retirement benefits are calculated as the greater of 50% of the member's final wages or 2.50% of the member's final wages multiplied by years of service. Death benefits are calculated as the greater of 50% of the member's final wages or 75% of the calculation of a retiree as mentioned in the preceding paragraph. A qualified spouse with no qualifying children is entitled to receive 100% of member's death benefit. If there are qualifying children, a qualified spouse receives two-thirds of the death benefit and qualified children equally share the remaining third. If there is no qualifying spouse, then the qualifying children are entitled to equally share two-thirds of the member's death benefit. Under the Second Tier Plan, COLAs are not provided to retirees.

The FPPF is maintained under the provisions of Article 6243b of Vernon's Annotated Texas Statutes. All current FPPF provisions are set forth in the City of El Paso Firemen and Policemen's Pension Fund Plan Document as Restated Effective July 1, 2007. Benefit provisions, contribution obligations and funding policy of the Fund are established and amended in accordance with authority granted by Article 6243b of Vernon's Annotated Texas Statutes. The costs of administering the Fund are

NOTE 13. PENSION PLANS (continued)

paid out of the Fund's assets. The complete Plan Document containing benefit and vesting provision in their entirety is available at the Pension office.

Deferred Retirement Option Program (DROP)**Back DROP**

Retiring members who meet the requirements below may elect to participate in the Back DROP until June 30, 2019, in which they receive a monthly benefit and a lump sum benefit at the time of retirement. The Back DROP monthly benefit is based on years of credited service and final wages as of the benefit computation date. The lump sum is the monthly benefit multiplied by the number of months between the benefit computation date and the retirement date. There are no account balances or accrued payables. The lump sum is calculated at the time of retirement and distributed as soon as administratively possible.

- Members in the Base Plan who are at least 50 years of age and have over 20.5 years of credited service may participate in the Back DROP. Base Plan members may elect a lump sum accumulation period with a minimum of 6 months and a maximum of 36 months.
- Members in the Second Tier Plan who are at least 50.5 years of age and have over 20.5 years of service are eligible to participate in the Back DROP. Second Tier Plan members may elect a lump sum accumulation period with a minimum of 6 months and a maximum of 36 months.

Forward DROP

Effective July 1, 2016, the forward DROP was implemented for eligible members. Base Plan and Second Tier Plan members who are at least 45 years old with at least 20 years of service are eligible to participate in the Forward DROP by an irrevocable written election. At the date participation in the Forward DROP begins, the participant's years of credited service and average final compensation become frozen for purposes of determining pension benefits. The participant is considered retired related to the Fund and does not accrue additional retirement benefits, except for annual benefit cost-of-living adjustments, if applicable. Upon retirement, the participant receives the lump sum of the total of the monthly retirement benefits between the benefit computation date and the retirement date, and then begins receiving the monthly benefit.

Each Forward DROP participant's monthly pension is tracked by an individual DROP account between the date participation in the Forward DROP begins and the retirement date and accrued as a liability on the statement of fiduciary net position. Forward DROP balances are not credited with investment gains and losses. As of December 31, 2017 and 2016, the DROP payable totaled \$14,511,431 and \$3,676,419, respectively.

NOTE 13. PENSION PLANS (continued)**2. Basis of accounting**

The accounting policies of the Fund have been established to conform to generally accepted accounting principles for state and local governments as promulgated by authoritative pronouncements issued by the Governmental Accounting Standards Board. The Fund is accounted for on an economic resources measurement focus using the accrual basis of accounting.

3. Valuation of investments

Investments are stated at fair value in the accompanying statements of fiduciary net position. The fair value of marketable investments is determined by the latest bid price, closing exchange price at year end, institutional bid evaluation or net asset value (NAV) as considered appropriate for each investment type by the Custodian. The estimated fair value of alternative investments is based on the most recent valuations provided by the external investment managers. Because alternative investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed. Third-party investment managers administer substantially all marketable securities of the Fund. Gains and losses resulting from securities transactions are recorded in investment income.

Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

Net change in fair value of investments reflected in the accompanying statements of changes in fiduciary net position available for benefits represents the net realized and unrealized gains or losses on investments, which equals the difference between the cost and the market value of investments at the beginning versus the end of the year, plus or minus gains or losses realized during the year.

4. Contributions Required and Contributions Made

Funding policies providing for periodic employer contributions are determined by City Charter, and employee contributions as established by the Board of Trustees and a vote of active participants in accordance with Article 6243b (Act) of Vernon's Annotated Texas Statutes.

Actuarial valuations are prepared biennially for the Fund.

In the event, based upon the results of the actuarial valuations, a qualified actuary determines that the total contribution rate is insufficient to amortize an unfunded actuarial accrued liability, the City's governing body may increase its contribution rate.

Based upon the results of the actuarial evaluations, if present contribution requirements are insufficient to accumulate sufficient assets to amortize the unfunded actuarial accrued liability, the FPPF's Board of Trustees, after approval by secret ballot of the rank and file policemen or firemen, could increase participant contributions or decrease participant benefits to maintain the actuarial

NOTE 13. PENSION PLANS (continued)

integrity of the system. The City's contribution is determined by a formula set forth in the City Charter.

Employer contributions for the year ended August 31, 2018 were \$11,796,406 and \$15,261,366 for the Firemen and Policemen Divisions, respectively.

5. Securities Lending Transactions

The Fund is authorized to enter into securities lending transactions under Texas State Statutes Section 2256.0015. The Fund has a securities lending agreement with its custodian under which Fund owned investments are lent to one or more borrowers for a fee. The lending agent is responsible for collecting required collateral in the form of U.S. dollar cash, securities issued or guaranteed by the United States Government or its agencies or instrumentalities, or irrevocable letters of credit issued by banks independent of the borrowers.

The lending agent is authorized to enter into securities lending transactions of U.S. and non-U.S. securities in accordance with the terms of a securities lending authorization agreement. The lending agent is authorized to lend the Fund's securities to one or more borrowers, as appropriate, but limited to only central approved borrowers.

The lending agent has indemnified the Fund harmless from any losses, damages, costs or expenses the Fund may incur if the lending agent is unable to recover borrowed securities or distributions made during the term of the loans with respect to those securities as a result of the lending agent's failure to make a reasonable determination of the creditworthiness of a borrower, demand adequate and appropriate collateral on a timely basis or to perform its duties under the agreement with the Fund. The agreement states that collateral must have a market value equal to no less than 100% of the market value of the borrowed securities. Each business day, the lending agent and the Fund determine the market value of the collateral and the borrowed securities. If on any business day the market value of all the collateral is less than the required value, the lending agent will demand from the borrower, additional collateral so that the market value of the additional collateral, when added to the market value of the collateral previously delivered to the lending agent equal the required value. If on any business day the market value of all the collateral is greater than the required value, the lending agent will, upon request from the borrower, redeliver the borrower such amount of collateral selected by the borrower so that the market value of all collateral equals the required value. The Fund's security lending policy requires investment grade securities. Cash collateral received from the borrower is subsequently reinvested in a securities lending collateral investment pool. As of December 31, 2017, the Fund's securities lending obligation exceeded the fair value of the underlying securities resulting in no credit risk for the Fund.

The following tables summarize the fair value measurements of lent securities, cash collateral received, and the fair value of the reinvested cash collateral as of December 31, 2017:

NOTE 13. PENSION PLANS (continued)

Securities Lent	December 31, 2017		
	Fair Value of Underlying Securities	Collateral Received	Collateral Investment Value
Domestic equities	63,340,773	65,034,939	65,334,425

6. Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

The actuarial assumptions used in the January 1, 2016 actuarial values were based on the results of an experience study for the six-year period ending December 31, 2015. For the January 1, 2016 actuarial valuations used in the determination of the total pension liability at December 31, 2015, the measurement date, the entry age normal cost method was used. The actuarial value of pension benefit assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period.

The actuarial assumptions included a 7.75% investment rate of return (net of administrative expenses), projected salary increases of 3% , which includes an inflation rate of 3%. A 3% cost of living adjustment is provided at age 60 or on the fifth anniversary of the pension commencement. Mortality rates were based on the RP-2014 employee tables with Blue Collar adjustment projected to be 2030 using scale BB. Mortality rates for the disabled participants are based on the RP-2014 Tables for Disable Lives.

The long-term expected rate of return on pension plan investments was based primarily on historical returns on plan assets, adjusted for changes in target portfolio allocations and recent changes in long-term interest rates based on publicly available information.

NOTE 13. PENSION PLANS (continued)

Equities	Long-term Expected Real Rate of Return	Target Allocation
Large cap domestic	6.07%	19.25%
Small cap domestic	6.11%	8.25%
International equity	6.41%	22.50%
Emerging markets	7.69%	5.00%
Real estate	4.00%	10.00%
Private equity	6.50%	10.00%
Fixed Income		
Domestic core	1.88%	20.00%
Bank loans	2.50%	5.00%

7. Discount Rate

The discount rate used to measure the total pension liability was 7.75 percent. Based on plan funding expectations, no actuarial projection of cash flows was made as the plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of the 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 August 31, 2018 were as follows:

	Firemen Division		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Amounts as of August 31, 2017	\$ 698,375,029	\$ 526,344,624	\$ 172,030,405
Changes for the year:			
Service cost	12,680,769	—	12,680,769
Interest (on the total pension liability)	53,655,503	—	53,655,503
Differences between expected and actual experience	13,674,129	—	13,674,129
Contributions by the City	—	11,796,406	(11,796,406)
Contributions by the firefighters	—	9,600,215	(9,600,215)
Net investment income	—	92,437,000	(92,437,000)
Benefit payments	(37,453,448)	(37,453,448)	—
Administrative expenses	—	(934,076)	934,076
Assumption changes	4,558,043	—	4,558,043
Changes of benefit provisions	2,076,057	—	2,076,057
Net Changes	49,191,053	75,446,097	(26,255,044)
Amounts as of August 31, 2018	\$ 747,566,082	\$ 601,790,721	\$ 145,775,361

NOTE 13. PENSION PLANS (continued)

Policemen Division			
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Amounts as of August 31, 2017	\$ 997,214,900	\$ 769,097,564	\$ 228,117,336
Changes for the year:			
Service cost	18,225,476	—	18,225,476
Interest (on the total pension liability)	76,588,025	—	76,588,025
Differences between expected and actual experience	27,354,947	—	27,354,947
Contributions by the City	—	15,261,366	(15,261,366)
Contributions by the police	—	11,703,802	(11,703,802)
Net investment income	—	129,985,437	(129,985,437)
Benefit payments	(54,415,579)	(54,415,579)	—
Administrative expenses	—	(974,083)	974,083
Assumption changes	9,118,315	—	9,118,315
Changes of benefit provisions	3,818,159	—	3,818,159
Net changes	80,689,343	101,560,943	(20,871,600)
Amounts as of August 31, 2018	\$ 1,077,904,243	\$ 870,658,507	\$ 207,245,736

Sensitivity to Interest Rate Changes: The following presents the resulting net pension liability calculated using the discount rate of 7.75 percent, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point-lower or 1-percentage-point-higher than the current rate:

Firemen Division		
1% Decrease (6.75%)	Current Single Rate Assumption (7.75%)	1% Increase (8.75%)
\$ 251,292,591	\$ 145,775,361	\$ 60,226,658

Policemen Division		
1% Decrease (6.75%)	Current Single Rate Assumption (7.75%)	1% Increase (8.75%)
\$ 360,073,205	\$ 207,245,736	\$ 83,382,683

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to the Plan

For the year ended August 31, 2018, the City recognized pension expense, as measured in accordance with GASB Statement No. 68, of \$26,779,752 for fireman's and \$34,135,241 for policeman's, and reported deferred outflows of resources and deferred inflows of resources related to the plan from the following sources:

NOTE 13. PENSION PLANS (continued)

Firemen Division		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 7,840,068	\$ —
Net difference between projected and actual earnings on pension plan investments	—	20,164,794
Change in Assumptions	8,427,355	—
Differences between expected and actual experience	15,148,528	—
	<u>\$ 31,415,951</u>	<u>\$ 20,164,794</u>

Policemen Division		
	Deferred Outflows of Resources	Deferred Inflows of Resources
Contributions subsequent to measurement date	\$ 10,747,101	\$ —
Net difference between projected and actual earnings on pension plan investments	—	26,450,264
Changes in assumptions	7,257,434	13,084,769
Differences between expected and actual experience	21,772,305	3,836,956
	<u>\$ 39,776,840</u>	<u>\$ 43,371,989</u>

\$18,587,169 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date but before the end of the City's reporting period will be recognized as a reduction in the net pension liability in the subsequent fiscal period rather than in the current fiscal period. Other amounts reported as deferred outflows or deferred inflows of resources related to the plan will be recognized in pension expense as follows:

Year Ending August 31	Policemen Division	Firemen Division
2019	\$ 4,736,914	\$ 7,166,870
2020	(572,742)	3,511,507
2021	(10,909,227)	(4,331,605)
2022	(7,597,195)	(5,110,462)
2023	—	2,174,779
Thereafter	—	—
	<u>\$ (14,342,250)</u>	<u>\$ 3,411,089</u>

NOTE 14. TAX ABATEMENTS

The City of El Paso provides 380, 351 and 312 incentive agreement opportunities for projects for new or expanding businesses. Consideration for financial incentives is given if any business or commercial development project substantially enhances economic health of the City, if results create a net increase or retention of quality jobs, adds to the tax base, improves or enhances economic welfare of residents or businesses of the city, or demonstrates the potential to generate revenues to the City which outweigh costs associated with incentives. Projects must demonstrate public purpose, economic benefit, increase private

NOTE 14. TAX ABATEMENTS (continued)

capital investment in the community, or encourage development in targeted city locations, businesses or clusters that enhance the City's economy.

Businesses must provide solid evidence of financial stability and capacity to complete the project, must be in compliance with all local, state and federal laws and must be current on all city taxes and any other obligation to the City of El Paso.

A. City of El Paso Incentives Policy, Guidelines and Criteria**1. Qualification Criteria**

Projects are required to meet qualifying standards in at least one of four (4) categories detailed in the 2015 City of El Paso Incentives Policy - Guidelines and Criteria in order to be eligible for incentives:

- Category 1: Related to Quality Jobs to be eligible for a 40% grant.
- Category 2: Related to Business Type - Target Industry Cluster to be eligible for a grant up to 50%.
- Category 3: Related to Capital Intensive Projects. Guidelines in the policy for specified percentage of jobs above the Median County Wage and specified ranges of Capital Investment, companies may be eligible for grants ranging between 50% to 70%.
- Category 4: Related to Retail Development / Destination Retail / Retail Distribution Center to be eligible for up to a 100% rebate on the city's portion of property taxes (incremental to base year value) and or up to 100% rebate on the city's portion of sales taxes.

2. Bonus Incentives

Additionally, up to a 50% rebate may also be available to those companies that meet at least one of the qualifying policy-specific criteria detailed in the 2015 City of El Paso Incentives Policy - Guidelines and Criteria related to company location, corporate headquarter operations and minimum personnel employed, research and development, employment of veterans, collaboration or business partnerships with higher education institutions or technical institutions, and wages.

3. Economic Development Incentives

Upon completion of an economic impact analysis, the Economic & International Development Department will consider and recommend projects for incentives. The incentive of choice is the Chapter 380 Agreement. However, the City reserves the right to use any other source (City, State, Federal, Foundation, etc.) in the award of incentives. Generally, tax abatements/rebates and Chapter 380 agreements will not be used simultaneously unless the revenue stream from which the Chapter 380 agreement is paid and derived is from sources other than property tax. Agreements may be conditioned on the completion of specific improvements to real property and/or job numbers and salary levels being met and shall contain recapture clauses in the event that such conditions are not met. In most cases, incentives will be limited to 50% of the calculated direct, indirect, and induced benefit (excluding any bonus incentives earned) unless extraordinary benefit can be shown. All incentive packages will be limited to 100% of the real property taxes actually collected in any given year unless approved by specific council action. Final percentages of all grants are at the sole discretion of the City Council.

NOTE 14. TAX ABATEMENTS (continued)**4. Ineligible and Restricted Areas or Uses:**

Projects that have been issued a building permit, including any conditional permits or projects that do not meet the Wage Requirements, except as specified in City's Incentive Policy Qualification Criteria are not eligible for incentives.

B. Incentive Programs Available

Incentives are available for projects that demonstrate the potential to generate revenues which outweigh costs associated with incentives through Infill Development (380 and 312) Incentive Agreements, El Paso "Strategic" Agreements, El Paso Multi-Family Agreements, and Transit Oriented Development Incentive Agreements, which was adopted by City Council, replacing the El Paso Sustainable City Centers Incentives (SCCI) Policy, on May 30, 2017. While several SCCI Agreements remain active, no future funding will be available through SCCI Agreements. Incentives are considered on a case-by-case basis and approved at the discretion of the City Council.

1. Infill Development

Effective May 30th, 2017, The City Council repealed and replaced the original Infill Development Policy. The purpose of the City's Infill Development Incentive Policy is to provide financial incentives to develop vacant and underutilized properties within the City limits, in accordance with Title 20 of the City Code. The City Council adopted a revised Infill Development Incentive Policy to promote infill development through Construction Materials Sales Tax Rebates, Property Tax Rebates, Lien Waivers, and Building Construction Fee Rebates for eligible projects meeting specific criteria. Chapter 312 components are usually attached to a Chapter 380 agreement. The Applicant/Property Owner of the taxable property must file an Application for Infill Development Incentives with the City of El Paso, Economic & International Development Department.

Eligibility Criteria

To be eligible for incentives under this policy, the property must meet the definition for infill development per Section 20.02.471 of the City Code, the property must be located within the jurisdiction limits of the City and the property must meet the location criteria, as per Subsection 20.10.280(B) of the City Code and must adhere to the criteria listed under the Program Policy. Any project proposing development activity defined in Subsection 20.10.280(K) of the City Code shall not be eligible for incentives contained herein.

Program Policy

Project consideration includes the potential impact of the reinvestment project on the immediate and surrounding area. The proposed infill development project must meet the mandatory design and no less than three (3) of the selective design requirements specified in Subsection 20.10.280 of the City Code. In addition projects will also be evaluated on criteria specified in the City of El Paso Infill Incentive Policy "Impact Fund" related to minimum investment and construction/rehabilitation of Brownfield or Greyfield development.

The project must show the potential to generate revenues to the City that outweigh costs associated with incentives through the retention or increase in jobs, adding to tax base, additional rental housing units, or proof of improvement of the economic welfare for residents or businesses. The applicant/property owner must prove they neither caused nor contributed to the present blighted condition, must

NOTE 14. TAX ABATEMENTS (continued)

prove financial stability to complete the project, must be in compliance with all local, state and federal laws, and must be current on taxes and obligations to the City. The project must not include the demolition of properties with an historic overlay. Brownfield and Greyfield projects are subject to a minimum \$200,000 investment.

Supplemental Benefits**Lien Waivers**

Available in conjunction with receipt of a direct finance incentive contract, the Applicant/Property Owner receives release of liens which are attached to properties as the result of condemnation, demolition, sanitation, or other city-imposed non-property tax liens, excluding Community Development or other federally-funded liens. Release of liens would only be allowed in consideration for the Applicant's investment in construction/rehabilitation of eligible facilities and waived only upon the sale of the property to a new owner, and confirmation that the Applicant/Property Owner did not contribute to the liens being attached to the property.

Exclusions

Proposed development for any existing project, not meeting zoning standards, any greenfield development, additions to existing structures on lots restricted to single family residential use, that does not increase the density, or structures that encroach into required setbacks built without permits shall not be eligible for incentives.

- **Infill 380 Agreements:**

The City of El Paso is authorized to provide sales tax rebate benefits in accordance with Chapter 380 of the Texas Local Government Code, allowing the City to make loans or grants of public funds for the purposes of promoting local economic development and stimulating business and commercial activity within the City of El Paso.

The Sales Tax Rebate Program (for Construction Materials) is an economic development tool designed to provide incentives for the new construction or renovation of Commercial, Industrial, Retail and Multi-Family facilities that are considered infill development. A 100% rebate of the City's (1%) portion of sales tax used on materials and labor that has been remitted to the City's general fund, for construction is available for investments on eligible properties that are equal or greater than the CAD value of the property.

A Chapter 380 rebate contract will be executed if the City concludes that such development will advance the City's revitalization strategy for future growth and results in the creation of additional jobs in the City, the value of such benefits to the City outweighing the amount of the rebate the City will provide under the agreement.

The Applicant/Property Owner's eligibility for any payment is contingent upon satisfying the requirements of the agreement and demonstrating they have not incurred any delinquent taxes by providing certified city tax certificates for each parcel of property owned in the City of El Paso. A rebate package must be submitted no more than once a year during the term of the contract along with documentation of qualified expenditures incurred in the construction of the development and the applicant has paid or caused to be paid all the City's local sales and use taxes associated with the qualified expenditures.

NOTE 14. TAX ABATEMENTS (continued)**• Infill 312 Agreements**

The City of El Paso is authorized to provide property tax rebates in accordance with the State of Texas Property Redevelopment and Tax Abatement Act, Chapter 312 of the Texas Tax Code. This Infill Development Incentive Policy was adopted as a supplemental policy to provide financial incentives to develop vacant and underutilized properties within the City limits, in accordance with the standards established within Title 20 of the City Code, through property tax rebates for eligible projects meeting certain criteria.

The purpose and intent of this program is to serve as an economic development tool to assist and encourage certain types of real and personal property investments. Applicants must meet all of the general and qualifying criteria in the City's Incentive Policy, and provide "added value" to a property in which the minimum property value is established by the provision in that policy. The tax abatement will be a percentage based upon the increased value of the Real Property over the value in the base year. When eligible entities have submitted evidence that all requirements have been met, the City will notify the Central Appraisal District and the tax abatement will be applied.

Applicant/ Property Owners are required to comply with procedural guidelines. The submittal of a detailed site development plan is required in accordance with Title 20 of the City Code to be reviewed by the City's Planning Division. Consideration will be given by the City Manager or designee. When authorized by City Council, the City may enter into a Chapter 380 and/or Chapter 312 agreement. A pre-submission conference will be required for projects receiving incentives through the Planning and Inspections Department to review proposed development and provide proper instruction for permitting of the project.

If a project is not completed as specified, or if the terms of the agreement are not met, the City has the right to cancel or amend the incentive agreement, recapture any rebated or exempted taxes, and assess penalty payments for the amounts previously secured by City liens against the property.

With the exception of one, all Infill agreements have received a Chapter 312 tax abatement component attached to their Chapter 380 Agreement.

2. El Paso Strategic Agreements

A portion of the City's 380 agreement portfolio is dedicated specifically to the strategic advancement of developments which will induce the investment of private resources in productive business enterprises designed to provide employment and training to residents and economically disadvantaged individuals. This portion of the portfolio contains incentives that will contribute to the achievement of City plans for development and revitalization of specific areas and target industries. "Strategic" agreements serve to improve the visual impression of the community, stabilize and expand El Paso's tax base, and create innovative recreational, educational and cultural opportunities. Applicants must meet all of the general and qualifying criteria in the City's Incentive Policy Guidelines and Criteria. Approved incentives may include a rebate of a percentage of personal and real property taxes and/or a rebate of a percentage of City's 1% sales and use tax revenues.

With a few exceptions, the majority of Strategic Agreements are for the purpose of job retention, expansion, and additional job creation. Exception Agreements approved have included Multi-Family Unit Project (New Smart Code Development), Development on Blighted Lot, Target Industry, and Training and Health Care Development.

NOTE 14. TAX ABATEMENTS (continued)**Additional Incentives**

There are a select number of commercial businesses that have been selected to receive additional incentives:

Chapter 351 Hotel Occupancy Tax (H.O.T.) Rebates:

Chapter 351 of the Texas Tax Code states that revenue from the municipal hotel occupancy tax may be used to promote tourism and the convention and hotel industry within defined parameters. Use is limited to the acquisition of sites for the construction, improvement, enlarging, equipping, repairing, operation, and maintenance of convention centers facilities or visitor information centers, or both; Furnishings of facilities personnel, and material for the registration of convention delegates or registrants and advertising and conducting solicitations and promotional programs to attract tourists and convention delegates or registrants to the municipality or its vicinity.

Impact Fund Chapter 380 Agreements:

The City of El Paso Economic Development Incentive Policy Impact Fund (“Impact Fund”) was adopted for the purpose of creating, attracting and retaining high wage jobs in El Paso, focusing on targeted industry clusters that make a measurable difference in achieving economic growth and development, wage growth, and expanding the tax base within the City of El Paso. Promoting commercial investment in the renovation, restoration, and rehabilitation of properties and new development and construction utilizing the design guidelines described within Plan El Paso, the City of El Paso’s Comprehensive Plan within the downtown 2015 Plan area (adopted by City Council on October 31, 2006 and incorporated into the Comprehensive Plan pursuant to the provisions of Section 213.002 of the Texas Local Government Code).

Objectives**Impact Fund**

The objectives of the Impact Fund are to dedicate 75% of the annual fund to assist the Medical Center of the Americas (MCA) Foundation and other key stakeholders to create one or more life sciences campuses.

The remaining portion of the fund (25%) is reserved for allocation to support entrepreneurship and innovation economic development strategies to create and assist technology-based and/or high growth, scalable businesses; or serve as a “deal closing fund” to assist those companies that will make significant investments in capital and human resources, where some incentives are important to a location or expansion decision, or promote commercial investment in the renovation, restoration, and rehabilitation and new development and new construction in Downtown El Paso, or create a workforce in El Paso that will meet the needs of target industries.

Approved in 2010, Impact Fund resources are derived from an incremental increase (0.75%) in the El Paso Electric Company franchise fee paid to the City of El Paso and projects are considered on a case-by-case basis with approval by City Council. Projects which do not leverage proceeds from this fund with other non-city resources will not be given consideration.

NOTE 14. TAX ABATEMENTS (continued)Sustainable City Centers Objectives (Repealed May 30, 2017):

The Sustainable City Centers (SCCI) Fund was repealed on May 30, 2017 and replaced with the Transit Oriented Development Incentive Policy. SCCI was a separate funding source intended to supplement downtown construction projects eligible for property tax rebates and other grants and subsidies approved by the City Development Department. SCCI Funds made available for projects under this policy were limited to those funds stemming from the City's Community Adjustment and Investment Program Fund and utilized before Impact Funds are utilized for such projects. Several SCCI Agreements remain active. However, no future funding will be available through SCCI Agreements.

Medical Center of the Americas

The City of El Paso considers the economic growth and development of the Medical Center of the Americas (MCA) campuses as the top priority for funding. The City has designated a significant portion of the Annual Impact Fund allocation for use in one or more of the following manners so long as the activity to be funded has a nexus to an economic development purpose:

- Creation of a "research and technology commercialization institute" will be housed in the MCA Foundation research facility.
- Acquisition by the City of real property, in and around the MCA area, ensures land availability as the health sciences/research center expands.
- Attract life sciences companies to the MCA area and/or expansion within the MCA area.
- Projects which propose to fund or engage in collaborative research with local institutions of higher education; specifically those collaborations that will assist UTEP to increase biomedical research capacity to accelerate its progress toward achieving Tier One status and Texas Tech Paul Foster School of Medicine to realize its goal of becoming an independent health sciences university.

Quality Jobs and Investment Grants

Other projects may be considered on a case by case basis depending on funding availability upon a completion of an economic impact analysis.

Qualifying Employment Projects

Grant agreements may be conditioned on the completion of specific improvements to real property and/or job numbers and salaries levels being met and may contain recapture clauses in the event that such conditions are not met. Generally, grants are available for up to five years. However, projects which exhibit extraordinary benefit may be eligible for grants up to 10 years. All grants are subject to fund availability. All qualifying projects will be evaluated on criteria specified in the City of El Paso Economic Development Incentive Policy "Impact Fund", executed on August 27th 2013. Grants will be awarded at the sole discretion of City Council and the yearly grant amount will be calculated by a simple formula, multiplying the yearly payroll and investment by 0.0025.

NOTE 14. TAX ABATEMENTS (continued)**Downtown Construction Projects**

A grant, subsidy, or property tax rebate of up to 100% of the City's incremental ad valorem property taxes over the base year for a period of up to ten (10) years may be granted to a property owner if the proposed renovation or new construction project meets requirements specified in the City of El Paso Economic Development Incentive Policy "Impact Fund", executed on August 27, 2013.

Workforce Creation

A grant or subsidy may be provided for a period up to five (5) years to an organization that engages in a workforce creation project that provides training, leading to a Bachelor's Degree, Associates Degree, and/or Licensed Certification in one of the Targeted Industries and/or in the field of education with a focus on science, math, or bilingual education if the applicant meets the standards specified in the City of El Paso Economic Development Incentive Policy "Impact Fund", executed on August 27, 2013.

Entrepreneurship and Innovation Development

At their discretion, City Council may set aside a specific annual allocation from the Impact Fund or choose to fund other activities in support of development of Target Industry Clusters for uses which include, but are not limited to, business incubation or acceleration in target industries, proof of concept activities, technology testing and evaluation centers. The Applicant is required to provide their organizational structure, business and /or operational plan showing transition to commercialization and self-sufficient operation creating qualifying jobs in the local market, technological and business background of executives and other key personnel, performance metrics relating to jobs, wages and capital investment, scientific and market validity of technology. Priority will be given to projects in the areas of clean technology (including alternative energy) and life sciences.

3. Multi-Family 380 Agreements:**Purpose**

This policy is to establish a short-term city-wide multi-family housing needs incentive policy and accompanying Chapter 380 grant program that promotes and stimulates business activity, resulting in immediate construction of large-scale multi-family housing developments, alleviating the critical housing needs of the City related to Fort Bliss expansion. In order to be eligible for incentives, businesses or individuals must be current on all city taxes or any other obligation to the City. Incentives are not transferable without the expressed written consent of the City of El Paso.

Eligibility

An applicant who constructs one or more new multi-family housing development projects each consisting of at least 150 housing units, which are located within the City limits, shall be eligible for annual reimbursement grants in an amount not to exceed the total value of the City's portion of the incremental ad valorem property tax revenue assessed against the subject property above the set base year per development for a 5 year period during the term of the Chapter 380 agreement. If a project is qualified as infill development as defined by Section 21.70.010, El Paso City Code, then the minimum construction requirement will be reduced to 10 multi-family housing units.

NOTE 14. TAX ABATEMENTS (continued)

Further, Applicant's reimbursement eligibility is subject to additional requirements specified in the Multi-Family Housing Needs Incentive Policy and Chapter 380 Grant Program, pursuant to Chapter 380, Texas Local Government Code which include minimum construction requirements, site development plans, no property tax delinquency, permits, separate agreements required and documentation required.

4. Transit Oriented Development Incentive Policy 380 Agreements

The purpose of this policy is to encourage the growth and development of sustainable city centers and to spur economic development in the selected locations to improve the quality of life for El Paso residents while reducing the City's carbon footprint.

The success of the Rapid Transit System (RTS) and the Streetcar Project will rely on the quality of urban spaces that surround the transit stations, corridors and stops and the nature of development within the defined incentive areas. It is the policy of the City to provide incentives within designated Transit-Oriented Development (TOD) Incentive Areas to improve mobility and travel choices, support downtown revitalization, and stimulate investment in established neighborhoods. TOD is a design and development strategy that links higher-density, walkable neighborhoods to transit stations and corridors. It strengthens the urban fabric that surrounds public transportation with a mix of daily uses, including housing, retail and office that is safe, interesting and convenient for pedestrians.

Eligibility

The project must be located within TOD incentive areas. Applicants requesting incentives for new construction and rehabilitation projects shall comply with the mandatory design requirements and no less than three (3) of the selective design requirements identified in Subsection 20.10.280(C) of the City Code. The construction and/or rehabilitation project must be for mixed use. The project must be in compliance with all local, state and federal laws.

Exclusions

Properties with industrial uses will not qualify for incentives. If the project does not meet all of the eligibility criteria in this policy, the project may be eligible for incentives through the Infill Development Incentive Policy if all eligibility criteria and program policies are met.

Program Policy

Project consideration includes the potential impact of project on the immediate and surrounding area. To be considered for incentives under this policy, the proposed infill development project must comply with the mandatory design requirements and no less than three (3) of the selective design requirements as identified in Subsection 20.10.280 (C) of the City Code. In addition, proposed projects must adhere to policy-specific criteria detailed in the City of El Paso Transit Oriented Development Incentive Policy, executed on May 30, 2017. Economic development incentives will be considered on a project-by-project basis at the discretion of the City Manager or his designee, and City Council.

Incentive approval for applicants applying for ad valorem property tax rebate incentives for properties located within Tax Incremental Reinvestment Zone (TIRZ) boundaries and Transportation Reinvestment Zone (TRZ) boundaries will only be eligible for real ad valorem property tax rebates incentives upon the approval of the respective TIRZ and TRZ board of directors' and the City Council.

NOTE 14. TAX ABATEMENTS (continued)

Upon review of the application, if the base zoning density and dimensional standards are not met, the applicant may request reductions in accordance with Section 20.10.280 of the City Code. Such requests must be filed with the Planning Division prior to consideration as part of the TOD Incentive Policy.

Applicant/ Property Owners are required to comply with procedural guidelines. The application shall require the submittal of a detailed site development plan in accordance with Title 20 of the City Code to be reviewed by the City's Planning Division. Consideration will be given by the City Manager or designee. When authorized by City Council, the City may enter in to a Chapter 380 and/or Chapter 312 agreement. A pre-submission conference will be required for projects receiving incentives through the Planning and Inspections Department to review proposed development and provide proper instruction for permitting of the project.

If a project is not completed as specified, or if the terms of the agreement are not met, the City has the right to cancel or amend the incentive agreement, recapture any rebated or exempted taxes, and assess penalty payments for the amounts previously secured by City liens against the property.

Direct Financial Incentives

- **Building and Planning Permit Fee Rebate.** For Properties located in the Downtown 2015 Plan Area, up to 100% of certain planning, land development and building construction fees will be waived based on the fee schedule established in City Ordinance 017725. For properties located outside the Downtown 2015 Plan Area, up to \$10,000 of certain planning, land development and building construction fees will be rebated based on the fee schedule established in City Ordinance 018581.
- **Construction Materials Sales Tax Rebate.** The Applicant/Property Owner may be eligible for a 100% rebate of the City's portion of sales tax used on materials and labor purchased and associated with the incentivized project.
- **Property Tax Rebate.** An approved project may have the City's portion of the project's ad valorem property taxes rebated. All qualifying projects receive a 100% rebate on the City's incremental property tax for years 1-4, 90% rebate on the City's incremental property tax for years 5-7, 75% rebate on the City's incremental property tax for years 8-10, 50% rebate on the City's incremental property tax for years 11-13, and a 25% rebate on the city's incremental property tax for years 14-15.
- **Retail Sales and Use Tax Rebate.** An approved project may have the City's portion of the project's sales and use taxes rebated. Qualifying projects receive a 100% rebate for year 1, a 75% rebate for year 2, a 50% rebate for year 3 and a 25% rebate for years 4-5.

Supplemental Benefits

- **Lien Waivers.** Available in conjunction with receipt of a direct finance incentive contract, the Applicant/Property Owner receives a release of liens which are attached to properties as the result of condemnation, demolition, sanitation, or other city-imposed non-property tax liens, excluding Community Development or other federally-funded liens. Release of liens would only be allowed in consideration for the Applicant's investment in construction/rehabilitation of eligible facilities

NOTE 14. TAX ABATEMENTS (continued)

and waived only upon the sale of the property to a new owner, and confirmation that the Applicant/Property Owner did not contribute to the liens being attached to the property.

Tax Abatement Programs	Amount of Taxes Abated FY2018
380 Agreements	
Property Tax Rebates	
Champlain Cable	45,761
Automated Data Processing	109,248
PC Automated Controls	3,631
Fountains at Farah	3,214,749
101 E El Paso St. LLC	
Milestone Grant	1,000,000
The Borderplex Alliance	
Economic Development Program Grant	31,000
Hotel Don Quixote dba Double Tree	
Mixed Beverage City Tax Incentive	2,135
City Sales & Use Tax Incentive	10,426
City Hotel Occupancy Tax Rebate	160,578
Parking Incentive	75,000
Event Room Block Rate Incentive	63,000
Impact Funds 380 Agreements	
MCA	2,993,316
Project Arriva	300,000
HUB of Human Innovation Inc	271,377
Martin Building	215,375
Artisan Hotel	261,934
Multi-Family 380 Agreements	
Property Taxes Rebate	537,293
Sustainable City Center Incentives	
Property Tax Rebate	35,352
Retail Sales & Use Tax Rebate	1,174
Infill Development Incentive Agreements	
Construction Sales & Use Tax Rebate	33,726
	\$ 9,365,075

NOTE 15. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

A summary by fund where expenditures exceed appropriations at the legal level of budgetary control follows. The schedule includes only funds with annually adopted budgets. Capital projects and grants are budgeted on a project basis, which may cross fiscal years. Expenditures exceeding appropriations are generally funded through revenue sources in excess of the budget.

General Fund	\$	431,772
Debt Service	\$	4,352,775

NOTE 16. IMPLEMENTATION OF FUTURE GASB STANDARDS

The Governmental Accounting Standards Board (“GASB”) has issued the following new statement to be implemented in the future.

Statement 84: *Fiduciary Activities*

This Statement establishes criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. Separate criteria are included to identify fiduciary component units and postemployment benefit arrangements that are fiduciary activities. The application of this statement becomes effective for the City in fiscal year 2020.

Statement 87: *Leases*

GASB 87 provides a new framework for accounting for leases under the principle that leases are financings. No longer will leases be classified between capital and operating. Lessees will recognize an intangible asset and a corresponding liability. The liability will be based on the payments expected to be paid over the lease term, which includes an evaluation of the likelihood of exercising renewal or termination options in the lease. Lessors will recognize a lease receivable and related deferred inflow of resources. Lessors will not derecognize the underlying asset. An exception to the general model is provided for short-term leases that cannot last more than 12 months. Contracts that contain lease and nonlease components will need to be separated so each component is accounted for accordingly. The application of this statement becomes effective for the City in fiscal year 2021.

NOTE 17. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 26, 2019, which is the date the financial statements were available to be issued. There were no subsequent events identified by management which would require disclosure in the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION



CITY OF EL PASO, TEXAS
Required Supplementary Information
Schedule of Revenues, Expenditures and Changes
in Fund Balance – Budget and Actual
General Fund
For the Year Ended August 31, 2018

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)	% of Budget
	Original	Final			
Resources (inflows):					
Property taxes	174,534,222	174,534,222	170,365,472	(4,168,750)	97.61%
Penalties and Interest-Delinquent taxes	—	—	1,316,914	1,316,914	—%
Sales taxes	89,473,202	89,473,202	92,109,776	2,636,574	102.95%
Franchise fees	55,660,606	55,660,606	53,828,946	(1,831,660)	96.71%
Licenses and permits	12,629,230	12,629,230	14,352,354	1,723,124	113.64%
Fines and forfeitures	9,162,749	9,162,749	8,143,346	(1,019,403)	88.87%
Charges for services	38,067,636	38,537,382	39,874,376	1,336,994	103.47%
Intergovernmental revenues	446,988	446,988	1,013,206	566,218	226.67%
County Participation	537,341	537,341	—	(537,341)	—%
Rents and other	2,309,025	2,309,025	1,695,305	(613,720)	73.42%
Interest	200,000	200,000	638,531	438,531	319.27%
Proceeds from sale of capital assets	—	—	3,931	3,931	—%
Other sources (uses)	—	—	—	—	—%
Transfers In	15,092,863	15,092,863	17,232,156	2,139,293	114.17%
Amounts available for appropriation from current year resources	398,113,862	398,583,607	400,574,313	1,990,706	100.50%
Charges to appropriations (outflows):					
General Government:					
Mayor and Council	1,313,020	1,313,020	523,941	789,079	39.90%
City Manager	1,326,513	1,333,013	1,366,930	(33,917)	102.54%
Office of Management and Budget	1,001,431	994,931	800,777	194,154	80.49%
Internal Audit	703,781	703,781	740,503	(36,722)	105.22%
Public Information	298,393	298,393	353,781	(55,388)	118.56%
Municipal Clerk	1,976,505	2,029,270	1,956,806	72,464	96.43%
Financial Services	4,340,918	4,328,585	4,197,182	131,403	96.96%
Information Technology	12,046,088	12,046,088	12,695,872	(649,784)	105.39%
City Attorney	4,022,805	4,022,805	4,804,715	(781,910)	119.44%
Human Resources	2,139,046	2,180,179	2,094,639	85,540	96.08%
Public Safety and Community Services:					
Police Department	128,874,864	128,874,864	128,719,105	155,759	99.88%
Fire Department	105,800,625	105,800,625	106,704,974	(904,349)	100.85%
Municipal Court	3,320,920	3,268,156	3,155,391	112,765	96.55%
Public Health	6,347,522	6,347,522	5,890,969	456,553	92.81%
Library	9,638,048	9,638,048	9,270,375	367,673	96.19%
Parks Department	25,532,195	25,532,195	25,233,469	298,726	98.83%
Transportation and Public Works:					
Facilities Maintenance	23,015,051	22,785,951	22,581,141	204,810	99.10%
Engineering	5,930,025	5,930,025	5,538,870	391,155	93.40%
Street Department	14,300,422	14,999,268	16,168,985	(1,169,717)	107.80%
Development and Tourism:					
City Development:					
Business Center	6,656,359	6,656,359	6,315,538	340,821	94.88%
Building Permits Inspection-Commercial	1,101,572	1,101,572	1,126,831	(25,259)	102.29%
Economic Development Administration	1,916,326	1,916,326	1,863,258	53,068	97.23%
Community and human development	631,716	631,716	1,007,040	(375,324)	159.41%
Culture and recreation:					
Art Museum	1,110,752	1,110,752	1,124,996	(14,244)	101.28%
History Museum	660,395	660,395	512,871	147,524	77.66%
Archeology Museum	259,132	259,132	265,256	(6,124)	102.36%
Cultural Affairs	425,977	425,977	400,812	25,165	94.09%
Zoo	4,798,606	4,798,606	4,658,339	140,267	97.08%
Nondepartmental:					
Non Departmental	28,624,853	28,596,053	28,942,013	(345,960)	101.21%
Total charges to appropriations	398,113,862	398,583,607	399,015,379	(431,772)	100.11%
Increase in fund balance:	—	—	1,558,934	1,558,934	
Fund balance, Beginning	44,820,434	44,820,434	44,820,434	—	
Fund balance, Ending	44,820,434	44,820,434	46,379,368	1,558,934	

CITY OF EL PASO, TEXAS
Required Supplementary Information
Schedule of Changes in the Total OPEB Liability and Related Ratios
August 31, 2018

	2018
Total OPEB Liability	
Service Cost	4,225,898
Interest	5,513,502
Differences between expected and actual experience	238,818
Benefit payments	(4,681,165)
Net Change in Total OPEB Liability	5,297,053
Total OPEB Liability - beginning	159,328,183
Total OPEB Liability - ending	164,625,236
Covered Employee Payroll	284,616,458
Total OPEB Liability as a percentage of covered employee payroll	57.8%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available. Information has been determined as of the City's measurement date.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future.

Changes of benefit terms. There has been no changes of benefit terms.

Changes of assumptions. Changes of assumptions and other inputs reflect the effects of changes in the discount rate each period. The following are the discount rates used in each period.

2018	3.42%
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CITY OF EL PASO, TEXAS
Schedule of Changes in Net Pension Liability and Related Ratios
City Employees' Retirement Trust

	Measurement Year			
	2017	2016	2015	2014
Total pension liability:				
Service cost	20,418,111	23,021,764	22,243,250	20,691,396
Interest (on the Total Pension Liability)	70,199,486	66,845,529	64,244,529	61,812,817
Changes of benefit terms	—	—	—	—
Difference between expected and actual experience	—	(22,728,241)	115,295	4,691,256
Change in assumptions	—	37,572,898	—	—
Benefit payments, including refunds of plan member contributions	(60,394,115)	(54,383,629)	(50,788,937)	(52,592,834)
Net change in total pension liability	30,223,482	50,328,321	35,814,137	34,602,635
Total pension liability - beginning	945,772,098	895,443,777	859,629,640	825,027,005
Total pension liability - ending (a)	<u>975,995,580</u>	<u>945,772,098</u>	<u>895,443,777</u>	<u>859,629,640</u>
Plan fiduciary net position:				
Employer Contributions	24,882,041	23,370,111	22,916,913	21,739,159
Plan member contributions	14,877,977	14,886,249	14,595,935	13,985,989
Net investment income	74,909,886	40,260,073	(17,872,916)	107,540,221
Benefit payments, including refunds of plan member contributions	(60,394,115)	(54,383,629)	(50,788,937)	(52,477,539)
Administrative expense	(1,241,521)	(1,417,530)	(1,355,351)	(1,295,311)
Net change in plan fiduciary net position	53,034,268	22,715,274	(32,504,356)	89,492,519
Plan fiduciary net position - beginning	723,103,443	700,388,169	732,892,525	643,400,006
Plan fiduciary net position - ending (b)	<u>776,137,711</u>	<u>723,103,443</u>	<u>700,388,169</u>	<u>732,892,525</u>
Net pension liability - ending (a) - (b)	<u>199,857,869</u>	<u>222,668,655</u>	<u>195,055,608</u>	<u>126,737,115</u>
Plan fiduciary net position as a percentage of total pension liability	79.52%	76.46%	78.22%	85.26%
Covered payroll	161,026,109	156,336,028	158,990,084	153,613,608
Net pension liability as a percentage of covered payroll	124.12%	142.43%	122.68%	82.50%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available. Information has been determined as of the City's measurement date.

CITY OF EL PASO, TEXAS

Schedule of Contributions City Employees' Retirement Trust

	As of August 31,			
	2018	2017	2016	2015
Statutorily determined contribution	25,651,488	25,327,071	23,370,111	22,916,913
Contribution in relation of the statutorily determined contribution	25,651,488	25,327,071	23,370,111	22,916,913
Contribution deficiency (excess)	—	\$ —	\$ —	\$ —
Covered payroll	167,225,529	161,026,109	156,336,028	138,735,093
Contributions as a percentage of covered payroll	15.34%	15.73%	14.70%	16.52%

Notes to Schedule of Contributions

Valuation Date

Actuarially determined contribution rates are calculated as of August 31.

Notes

The amounts listed above are the actual employer contributions since the actuarially determined contributions were not determined. City and Member contribution rates are established by ordinance.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level percentage of payroll
Remaining Amortization Period	20 years
Asset Valuation Method	Plan invested assets are reported at fair value
Inflation	3.50%
Salary Increases	3.50% including inflation
Investment Rate of Return	7.50%
Retirement Age	Experience-based table of rates that are specific to the CEPF plan of benefits. Last updated for the 2011 valuation.

Mortality

Mortality rates for active and non-disabled participants are based on the RP-2014 employee tables with Blue Collar adjustment projected to 2030 using Scale BB. Mortality rates for disabled participants are based on the RP-2014 Tables for Disabled Lives backed off to 2006. Retirement, disability, and termination rates were adjusted to reflect experience.

Other Information:

Notes

There were no benefit changes during the 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 City will present information for only those years for which information is available. Information has been determined as of the City's most recent fiscal year-end (August 31).

CITY OF EL PASO, TEXAS
Schedule of Changes in Net Pension Liability and Related Ratios
El Paso Firemen's Pension Fund

	Measurement Year			
	2017	2016	2015	2014
Total pension liability:				
Service cost	\$ 12,680,769	\$ 12,311,426	13,242,130	13,064,315
Interest (on the Total Pension Liability)	53,655,503	51,423,417	48,111,236	45,884,434
Changes of benefit provisions	2,076,057	—	—	—
Difference between expected and actual experience	13,674,129	—	6,786,957	—
Change in assumptions	4,558,043	—	8,142,272	—
Benefit payments, including refunds of employee contributions	(37,453,448)	(33,152,701)	(31,487,924)	(29,886,861)
Net change in total pension liability	49,191,053	30,582,142	44,794,671	29,061,888
Total pension liability - beginning	698,375,029	667,792,887	622,998,216	593,936,328
Total pension liability - ending (a)	<u>\$ 747,566,082</u>	<u>\$ 698,375,029</u>	<u>\$ 667,792,887</u>	<u>\$ 622,998,216</u>
Plan fiduciary net position:				
Contributions - employer	\$ 11,796,406	\$ 11,295,350	\$ 10,785,306	\$ 10,853,759
Contributions - employee	9,600,215	9,183,060	9,133,372	8,749,488
Net investment income	92,437,000	34,732,553	397,347	20,616,237
Benefit payments, including refunds of employee contributions	(37,453,448)	(33,152,701)	(31,487,924)	(29,886,861)
Administrative expense	(934,076)	(923,263)	(842,964)	—
Net change in plan fiduciary net position	75,446,097	21,134,999	(12,014,863)	10,332,623
Plan fiduciary net position - beginning	526,344,624	505,209,625	517,224,488	506,891,865
Plan fiduciary net position - ending (b)	601,790,721	526,344,624	505,209,625	517,224,488
Net pension liability - ending (a) - (b)	<u>\$ 145,775,361</u>	<u>\$ 172,030,405</u>	<u>\$ 162,583,262</u>	<u>\$ 105,773,728</u>
Plan fiduciary net position as a percentage of total pension liability	80.50%	75.37%	75.10%	83.02%
Covered payroll	\$ 62,828,632	\$ 60,098,560	\$ 54,605,415	\$ 53,872,177
Net pension liability as a percentage of covered payroll	232.02%	286.25%	297.74%	196.34%

Other information:

The assumed payroll growth rate was changed to 3.00% to reflect revised inflation expectations.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available. Information has been determined as of the City's measurement date.

CITY OF EL PASO, TEXAS
Schedule of Contributions
El Paso Firemen's Pension Fund

	As of August 31,			
	2018	2017	2016	2015
Statutorily determined contribution	\$ 12,108,930	\$ 10,785,306	\$ 10,355,443	10,853,759
Contribution in relation of the statutorily determined contribution	12,108,930	10,785,306	10,355,443	10,853,759
Contribution deficiency (excess)	—	—	—	—
Covered payroll	\$ 54,605,415	\$ 54,605,415	\$ 58,305,369	\$ 53,872,177
Contributions as a percentage of covered payroll	22.18%	19.75%	17.76%	20.15%

Notes to Schedule of Contributions

Valuation Date	1/1/2018
Notes	City and member contribution rates are established by ordinance.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry Age Normal
Amortization Method	The unfunded actuarial accrued liability is amortized over 26 years assuming current contribution rates continue.
Remaining Amortization Period	26 years
Asset Valuation Method	Adjusted market value, which phases in gains and losses (compared to the assumed investment return rate) over 5 years.
Inflation	3.00%
Salary Increases	3.00% plus promotion, step and longevity increases that vary by service
Investment Rate of Return	7.75%
Retirement Age	<i>Base Plan</i> - Retirement upon the completion of 20 or more years of vesting service and age 45 or more <i>Second-Tier Plan</i> - Retirement upon the completion of 25 or more years of vesting service and age 50 or more
Mortality	Mortality rates for active and non-disabled participants are based on the RP-2014 employee tables with Blue Collar adjustment projected to 2030 using Scale BB. Mortality rates for disabled participants are based on the RP-2014 Tables for Disabled Lives. Retirement, disability, and termination rates were adjusted to reflect experience.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available. The actuarial report is completed at December 31 each year.

CITY OF EL PASO, TEXAS
Schedule of Changes in Net Pension Liability and Related Ratios
El Paso Policemen's Pension Fund

	Measurement Year			
	2017	2016	2015	2014
Total pension liability:				
Service cost	\$ 18,225,476	\$ 17,694,637	\$ 17,514,129	18,126,576
Interest (on the Total Pension Liability)	76,588,025	73,399,505	72,525,801	68,900,266
Changes of benefit provisions	3,818,159	—	—	—
Difference between expected and actual experience	27,354,947	—	(7,833,787)	—
Change in assumptions	9,118,315	—	(26,714,735)	—
Benefit payments, including refunds of employee contributions	(54,415,579)	(46,549,983)	(41,472,821)	(38,567,602)
Net change in total pension liability	80,689,343	44,544,159	14,018,587	48,459,240
Total pension liability - beginning	997,214,900	952,670,741	938,652,154	890,192,914
Total pension liability - ending (a)	<u>\$ 1,077,904,243</u>	<u>\$ 997,214,900</u>	<u>\$ 952,670,741</u>	<u>\$ 938,652,154</u>
Plan fiduciary net position:				
Contributions - employer	\$ 15,261,366	\$ 14,486,842	\$ 14,754,441	14,776,141
Contributions - employee	11,703,802	11,081,648	11,347,467	10,898,003
Net investment income	129,985,437	50,933,392	2,582,550	30,039,506
Benefit payments, including refunds of employee contributions	(54,415,579)	(46,549,983)	(41,472,821)	(38,567,602)
Administrative expense	(974,083)	(860,435)	(842,965)	—
Net change in plan fiduciary net position	101,560,943	29,091,464	(13,631,328)	17,146,048
Plan fiduciary net position - beginning	769,097,564	740,006,100	753,637,428	736,491,380
Plan fiduciary net position - ending (b)	<u>\$ 870,658,507</u>	<u>\$ 769,097,564</u>	<u>\$ 740,006,100</u>	<u>\$ 753,637,428</u>
Net pension liability - ending (a) - (b)	<u>\$ 207,245,736</u>	<u>\$ 228,117,336</u>	<u>\$ 212,664,641</u>	<u>\$ 185,014,726</u>
Plan fiduciary net position as a percentage of total pension liability	80.8%	77.12%	78.46%	80.29%
Covered payroll	\$ 84,260,634	\$ 79,781,483	\$ 68,424,487	\$ 70,817,206
Net pension liability as a percentage of covered payroll	246.00%	285.93%	310.80%	261.26%

Other information:

The assumed payroll growth rate was changed to 3.00% to reflect revised inflation expectations.
Overtime as a percentage of actual pay was adjusted to 10%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available. Information has been determined as of the City's measurement date.

CITY OF EL PASO, TEXAS
Schedule of Contributions
El Paso Policemen's Pension Fund
Last Three Years

	As of August 31,			
	2018	2017	2016	2015
Statutorily determined contribution	\$ 15,713,769	\$ 14,754,441	\$ 14,280,604	14,776,141
Contribution in relation of the statutorily determined contribution	15,713,769	14,754,441	14,280,604	14,776,141
Contribution deficiency (excess)	—	—	—	—
Covered payroll	\$ 68,424,487	\$ 68,424,487	\$ 78,710,533	\$ 70,817,206
Contributions as a percentage of covered payroll	22.97%	21.56%	18.14%	20.87%

Notes to Schedule of Contributions

Valuation Date January 1, 2016
Notes City and member contribution rates are established by ordinance.

Methods and Assumptions Used to Determine Contribution Rates

Actuarial Cost Method	Entry Age Normal
Amortization Method	The unfunded actuarial accrued liability is amortized over 33 years assuming current contribution rates continue.
Remaining Amortization Period	33 years
Asset Valuation Method	Adjusted market value, which phases in gains and losses (compared to the assumed investment return rate) over 5 years.
Inflation	3.00%
Salary Increases	3.00% plus promotion, step and longevity increases that vary by service
Investment Rate of Return	7.75%
Retirement Age	Base Plan -Member retires at age 60 or later, the retirement income will be increased by 3% per year beginning on the date of retirement and then on each January 1 thereafter. If the retirement age is 58 through 59, the 3% annual increase will begin when the Member reaches age 60. Second-Tier Plan - Retirement upon the completion of 25 or more years of vesting service and age 50 or more
Mortality	RP-2014 employee tables with Blue Collar adjustment projected to 2030 using Scale BB. Mortality rates for disabled participants are based on the RP-2014 Tables for Disabled Lives backed off to 2006.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for only those years for which information is available. The actuarial report is completed at December 31 each year.

**COMBINING AND INDIVIDUAL
FUND STATEMENTS AND SCHEDULES**



SPECIAL REVENUE FUNDS



Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

FEDERAL GRANTS – This fund accounts for grants received from federal sources for transportation, human services, environmental, cultural, public safety, and homeland security activities.

STATE GRANTS – This fund accounts for grants received from state departments and agencies for transportation, human services, environmental, cultural, and public safety activities.

OTHER GRANTS – This fund accounts for grants which are not state or federal grants.

PUBLIC HEALTH GRANTS – This fund accounts for grants received from the state for public health services.

PUBLIC HEALTH WAIVER PROGRAM - This fund accounts for Medicaid waiver funding which under the state program allows for improvement in the quality of health services and the reduction of care costs. The City uses the program receipts to expand preventive health services and collaborate with community partners.

DESTINATION EL PASO - This fund accounts for the destination marketing, venue and event management, and convention development for the City.

ECONOMIC DEVELOPMENT - This fund accounts for activities associated with business development, redevelopment and advocacy services to the El Paso regional and international community to create jobs, increase the local tax base and expand existing businesses.

NON-GRANTS – This fund accounts for funds received that are restricted by the donor (in the case of donation), City Council action, or other legislation. Funds received include donations, hotel occupancy tax, proceeds from police enforcement activities, environmental fees, park fees, animal shelter fees, repayment of business rehab loans (local program), and blended component units.

City of El Paso, Texas
Combining Balance Sheet
Non-major Governmental Funds
August 31, 2018

	Special Revenue Funds								
	Federal Grants	State Grants	Other Grants	Public Health	Public Health Waiver Program	Destination El Paso	Economic Development	Non-grants	Total
ASSETS									
Cash and Cash Equivalents	—	—	330,676	—	47,343	—	1,103,423	13,789,431	15,270,873
Cash with Fiscal Agent	—	—	—	—	—	3,579,606	—	—	3,579,606
Investments, at Fair Value	—	—	—	—	10,754,138	—	8,122,093	18,187,006	37,063,237
Receivables - Net of Allowances									
Taxes	—	—	—	—	—	—	—	1,602,247	1,602,247
Interest	—	—	—	1,079	22,706	—	14,523	170,784	209,092
Trade	—	15,056	—	14,337	—	—	—	625,483	654,876
Notes	—	—	—	—	—	—	—	2,728,115	2,728,115
Due From Other Government Agencies	2,111,963	975,302	190	2,633,353	—	—	—	733,413	6,454,221
Other	—	—	—	—	—	1,824,252	1,020,498	666,748	3,511,498
Due from Other Funds	—	—	—	—	1,528,518	—	—	1,100,307	2,628,825
Due from Component Unit	—	—	—	—	—	—	—	1,428,103	1,428,103
Prepaid items	—	—	—	—	—	144,707	—	3,090	147,797
Inventory	—	—	—	—	—	72,127	—	—	72,127
Total Assets	2,111,963	990,358	330,866	2,648,769	12,352,705	5,620,692	10,260,537	41,034,727	75,350,617
LIABILITIES									
Accounts Payable	933,169	123,388	48	232,895	17,730	1,603,997	907,337	3,757,617	7,576,181
Accrued Payroll	70,831	42,985	—	156,100	28,994	—	—	241,897	540,807
Due to Other Funds	623,835	476,472	—	1,528,518	—	—	4,000,000	—	6,628,825
Taxes Payable	—	—	—	—	—	—	312	9,786	10,098
Unearned Revenue	147,097	186,008	330,818	—	—	2,197,459	—	—	2,861,382
Due To Other Government Agencies	—	53,564	—	107,068	—	—	—	—	160,632
Construction Contracts and Retainage Payable	—	—	—	—	—	—	—	15,701	15,701
Other Payables	—	—	—	—	—	—	—	—	—
Total Liabilities	1,774,932	882,417	330,866	2,024,581	46,724	3,801,456	4,907,649	4,025,001	17,793,626
FUND BALANCES:									
Nonspendable	—	—	—	—	—	216,834	—	3,090	219,924
Restricted	337,031	107,941	—	624,188	12,305,981	1,602,402	—	22,054,844	37,032,387
Committed	—	—	—	—	—	—	5,352,888	14,951,792	20,304,680
Unassigned	—	—	—	—	—	—	—	—	—
Total Fund Balances	337,031	107,941	—	624,188	12,305,981	1,819,236	5,352,888	37,009,726	57,556,991
Total Liabilities and Fund Balances	2,111,963	990,358	330,866	2,648,769	12,352,705	5,620,692	10,260,537	41,034,727	75,350,617

City of El Paso, Texas
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Non-major Governmental Funds
For the Year Ended August 31, 2018

Special Revenue Funds

	Federal Grants	State Grants	Other Grants	Public Health	Public Health Waiver Program	Destination El Paso	Economic Development	Non-grants	Total
REVENUES									
Property Taxes	—	—	—	—	—	—	—	3,998,055	3,998,055
Penalties & Interest-Delinquent Taxes	—	—	—	—	—	—	—	168	168
Hotel Occupancy Tax	—	—	—	—	—	—	—	11,026,911	11,026,911
Rental Vehicle Tax	—	—	—	—	—	—	—	3,493,005	3,493,005
Franchise Fees	—	—	—	—	—	—	3,844,765	753,010	4,597,775
Charges for Services	299,913	99,682	2,646	192,871	5,343,118	6,025,842	8,740	23,876,760	35,849,572
Fines and Forfeitures	—	—	—	—	—	—	—	1,631,492	1,631,492
Licenses and Permits	—	—	—	—	—	—	—	1,130,416	1,130,416
Ticket Sales	—	—	—	—	—	—	—	224,042	224,042
Intergovernmental Revenues	5,821,806	3,592,968	2,256	10,611,861	—	—	—	3,915,661	23,944,552
Interest Earnings	—	—	—	—	113,189	—	87,910	194,072	395,171
Rents and Other	—	—	—	—	—	1,587,439	5,600	5,345,338	6,938,377
Total revenues	6,121,719	3,692,650	4,902	10,804,732	5,456,307	7,613,281	3,947,015	55,588,930	93,229,536
EXPENDITURES									
General Government	—	38,060	—	—	—	—	—	603,895	641,955
Public Safety	4,670,791	2,861,690	—	—	332,824	—	—	5,811,029	13,676,334
Public Works	—	—	—	—	—	—	—	10,515,599	10,515,599
Public Health	—	—	—	10,973,030	2,511,351	—	—	—	13,484,381
Parks Department	—	49,035	—	—	—	—	—	1,686,039	1,735,074
Library	52,964	11,000	—	—	—	—	—	221,329	285,293
Non Departmental	—	—	—	—	—	—	—	9,277,218	9,277,218
Culture and Recreation	5,708	144,331	111,389	—	—	12,256,458	—	4,555,896	17,073,782
Economic Development	1,321	—	—	—	—	—	7,508,828	1,092,473	8,602,622
Animal Services	—	—	2,286	—	—	—	—	8,175,855	8,178,141
Community and Human Development	—	454,408	—	—	—	—	—	226,249	680,657
Debt Service:									
Principal	—	—	—	—	—	—	—	565,000	565,000
Interest Expense	—	—	—	—	—	—	—	3,761,533	3,761,533
Fiscal Fees	—	—	—	—	—	—	—	18,690	18,690
Capital Outlay	1,010,783	26,185	—	62,571	18,167	—	—	723,335	1,841,041
Total expenditures	5,741,567	3,584,709	113,675	11,035,601	2,862,342	12,256,458	7,508,828	47,234,140	90,337,320
Excess (Deficiency) of revenues over (under) expenditures	380,152	107,941	(108,773)	(230,869)	2,593,965	(4,643,177)	(3,561,813)	8,354,790	2,892,216
OTHER FINANCING SOURCES(USES):									
Transfers In	1,470,174	—	170,779	—	—	5,353,019	8,914,701	10,090,667	25,999,340
Transfers Out	—	—	—	—	—	(2,280,423)	—	(16,937,204)	(19,217,627)
Total other financing sources (uses):	1,470,174	—	170,779	—	—	3,072,596	8,914,701	(6,846,537)	6,781,713
Net change in fund balances	1,850,326	107,941	62,006	(230,869)	2,593,965	(1,570,581)	5,352,888	1,508,253	9,673,929
Fund balances(deficit) - beginning of year	(1,513,295)	—	(62,006)	855,057	9,712,016	3,389,817	—	35,501,473	47,883,063
Fund balances - end of year	337,031	107,941	—	624,188	12,305,981	1,819,236	5,352,888	37,009,726	57,556,991

City of El Paso, Texas
Combining Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Non-major Funds
For the Year Ended August 31, 2018

Account Group	Federal Grants				State Grants				Other Grants			
	Budgeted Amounts		Actual Amounts	Variance with Budget (Positive) Negative	Budgeted Amounts		Actual Amounts	Variance with Budget (Positive) Negative	Budgeted Amounts		Actual Amounts	Variance with Budget (Positive) Negative
	Adopted	Final			Adopted	Final			Adopted	Final		
Resources (inflows):												
Property Taxes	—	—	—	—	—	—	—	—	—	—	—	—
Penalties & Interest - Delinquent Taxes	—	—	—	—	—	—	—	—	—	—	—	—
Hotel Occupancy Tax	—	—	—	—	—	—	—	—	—	—	—	—
Rental Vehicle Tax	—	—	—	—	—	—	—	—	—	—	—	—
Franchise Fees	—	—	—	—	—	—	—	—	—	—	—	—
Charges for Services	—	—	299,913	(299,913)	—	—	99,682	(99,682)	—	—	2,646	(2,646)
Fines and Forfeitures	—	—	—	—	—	—	—	—	—	—	—	—
Licenses and Permits	—	—	—	—	—	—	—	—	—	—	—	—
Ticket Sales	—	—	—	—	—	—	—	—	—	—	—	—
Intergovernmental Revenues	4,022,982	4,022,982	5,821,806	(1,798,824)	1,490,197	1,490,197	3,592,968	(2,102,771)	—	—	2,256	(2,256)
Interest	—	—	—	—	—	—	—	—	—	—	—	—
Rents and Other	—	—	—	—	—	—	—	—	106,450	106,450	—	106,450
Transfers In	—	—	1,470,174	(1,470,174)	—	—	—	—	—	—	170,779	(170,779)
Intrafund Transfers	43,111	43,111	—	43,111	—	—	—	—	—	—	—	—
Amounts available for appropriation from current year resources	4,066,093	4,066,093	7,591,893	(3,525,800)	1,490,197	1,490,197	3,692,650	(2,202,453)	106,450	106,450	175,681	(69,231)
Charges to appropriations (outflows):												
Personnel Services	3,392,019	3,392,019	3,572,653	180,634	1,157,286	1,157,286	1,714,817	557,531	4,500	4,500	12,000	7,500
Contractual Services	537,229	537,229	445,263	(91,966)	117,989	117,989	976,354	858,365	81,050	81,050	65,019	(16,031)
Materials and Supplies	43,648	43,648	604,773	561,125	158,390	158,390	348,754	190,364	5,000	5,000	28,661	23,661
Operating Expenditures	93,197	93,197	108,095	14,898	56,532	56,532	97,451	40,919	15,500	15,500	7,995	(7,505)
Non-Operating Expenditures	—	—	—	—	—	—	421,148	421,148	400	400	—	(400)
Intergovernmental Expenditures	—	—	—	—	—	—	—	—	—	—	—	—
Capital Outlay	—	—	1,010,783	1,010,783	—	—	26,185	26,185	—	—	—	—
Other Uses	—	—	—	—	—	—	—	—	—	—	—	—
Total charges to appropriations	4,066,093	4,066,093	5,741,567	1,675,474	1,490,197	1,490,197	3,584,709	2,094,512	106,450	106,450	113,675	7,225
Increase (Decrease) in fund balance:	—	—	1,850,326	(1,850,326)	—	—	107,941	(107,941)	—	—	62,006	(62,006)
Fund balances - beginning of year	—	—	(1,513,295)	—	—	—	—	—	—	—	(62,006)	—
Fund balances - end of year	—	—	337,031	(1,850,326)	—	—	107,941	(107,941)	—	—	—	(62,006)

This budget and this schedule are prepared on a basis consistent with accounting principles generally accepted in the United States.

City of El Paso, Texas
Combining Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Non-Major Funds
For the Year Ended August 31, 2018

Account Group	Public Health				Public Health Waiver Program				Destination El Paso			
	Budgeted Amounts		Actual Amounts	Variance with Budget (Positive) Negative	Budgeted Amounts		Actual Amounts	Variance with Budget (Positive) Negative	Budgeted Amounts		Actual Amounts	Variance with Budget (Positive) Negative
	Adopted	Final			Adopted	Final			Adopted	Final		
Resources (inflows):												
Property Taxes	—	—	—	—	—	—	—	—	—	—	—	—
Penalties & Interest - Delinquent Taxes	—	—	—	—	—	—	—	—	—	—	—	—
Hotel Occupancy Tax	—	—	—	—	—	—	—	—	—	—	—	—
Rental Vehicle Tax	—	—	—	—	—	—	—	—	—	—	—	—
Franchise Fees	—	—	—	—	—	—	—	—	—	—	—	—
Charges for Services	358,000	358,000	192,871	165,129	971,210	971,210	5,343,118	(4,371,908)	4,040,000	5,348,494	6,025,842	(677,348)
Fines and Forfeitures	—	—	—	—	—	—	—	—	—	—	—	—
Licenses and Permits	—	—	—	—	—	—	—	—	—	—	—	—
Ticket Sales	—	—	—	—	—	—	—	—	—	—	—	—
Intergovernmental Revenues	10,336,877	10,336,877	10,611,861	(274,984)	—	—	—	—	—	—	—	—
Interest	—	—	—	—	—	—	113,189	(113,189)	—	—	—	—
Rents and Other	—	—	—	—	—	—	—	—	960,000	1,351,506	1,587,439	(235,933)
Transfers In	—	—	—	—	—	—	—	—	—	—	5,353,019	(5,353,019)
Intrafund Transfers	—	—	—	—	—	—	—	—	—	—	—	—
Amounts available for appropriation from current year resources	10,694,877	10,694,877	10,804,732	(109,855)	971,210	971,210	5,456,307	(4,485,097)	5,000,000	6,700,000	12,966,300	(6,266,300)
Charges to appropriations (outflows):												
Personnel Services	7,638,012	7,638,012	7,692,040	54,028	156,765	251,765	1,379,450	1,127,685	—	—	6,427,394	6,427,394
Contractual Services	907,178	907,178	987,892	80,714	75,000	75,000	748,910	673,910	5,000,000	6,700,000	1,249,866	(5,450,134)
Materials and Supplies	336,474	336,474	736,580	400,106	297,000	297,000	295,617	(1,383)	—	—	2,549,554	2,549,554
Operating Expenditures	1,813,212	1,813,212	1,501,054	(312,158)	347,445	347,445	420,198	72,753	—	—	1,930,393	1,930,393
Non-Operating Expenditures	—	—	55,464	55,464	—	—	—	—	—	—	99,251	99,251
Intergovernmental Expenditures	—	—	—	—	—	—	—	—	—	—	—	—
Capital Outlay	—	—	62,571	62,571	95,000	—	18,167	18,167	—	—	—	—
Other Uses	—	—	—	—	—	—	—	—	—	—	2,280,423	2,280,423
Total charges to appropriations	10,694,877	10,694,877	11,035,601	340,724	971,210	971,210	2,862,342	1,891,132	5,000,000	6,700,000	14,536,881	7,836,881
Increase (Decrease) in fund balance:	—	—	(230,869)	230,869	—	—	2,593,965	(2,593,965)	—	—	(1,570,581)	1,570,581
Fund balances - beginning of year	—	—	855,057	—	—	—	9,712,016	—	—	—	3,389,817	—
Fund balances - end of year	—	—	624,188	230,869	—	—	12,305,981	(2,593,965)	—	—	1,819,236	1,570,581

This budget and this schedule are prepared on a basis consistent with accounting principles generally accepted in the United States.

City of El Paso, Texas
Combining Statement of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Non-Major Funds
For the Year Ended August 31, 2018

Account Group	Economic Development				Non-grants				Total Non-Major			
	Budgeted Amounts		Actual Amounts	Variance with Budget (Positive) Negative	Budgeted Amounts		Actual Amounts	Variance with Budget (Positive) Negative	Budgeted Amounts		Actual Amounts	Variance with Budget (Positive) Negative
	Adopted	Final			Adopted	Final			Adopted	Final		
Resources (inflows):												
Property Taxes	—	—	—	—	4,000,473	3,276,499	3,998,055	(721,556)	4,000,473	3,276,499	3,998,055	(721,556)
Penalties & Interest - Delinquent Taxes	—	—	—	—	—	—	168	(168)	—	—	168	(168)
Hotel Occupancy Tax	—	—	—	—	6,975,000	10,150,652	11,026,911	(876,259)	6,975,000	10,150,652	11,026,911	(876,259)
Rental Vehicle Tax	—	—	—	—	3,000,000	3,000,000	3,493,005	(493,005)	3,000,000	3,000,000	3,493,005	(493,005)
Franchise Fees	3,618,974	3,618,974	3,844,765	(225,791)	865,000	865,000	753,010	111,990	4,483,974	4,483,974	4,597,775	(113,801)
Charges for Services	—	6,267	8,740	(2,473)	22,542,914	20,377,747	23,876,760	(3,499,013)	27,912,124	27,061,718	35,849,572	(8,787,854)
Fines and Forfeitures	—	—	—	—	1,722,003	1,423,829	1,631,492	(207,663)	1,722,003	1,423,829	1,631,492	(207,663)
Licenses and Permits	—	—	—	—	1,165,000	1,165,000	1,130,416	34,584	1,165,000	1,165,000	1,130,416	34,584
Ticket Sales	—	—	—	—	—	255,453	224,042	31,411	—	255,453	224,042	31,411
Intergovernmental Revenues	—	—	—	—	3,844,946	580,000	3,915,661	(3,335,661)	19,695,002	16,430,056	23,944,552	(7,514,496)
Interest	—	—	87,910	(87,910)	—	8	194,072	(194,064)	—	8	395,171	(395,163)
Rents and Other	—	—	5,600	(5,600)	1,217,958	481,904	5,345,338	(4,863,434)	2,284,408	1,939,860	6,938,377	(4,998,517)
Transfers In	4,618,264	4,618,264	8,914,701	(4,296,437)	7,674,260	8,123,189	10,090,667	(1,967,478)	12,292,524	12,741,453	25,999,340	(13,257,887)
Intrafund Transfers	—	—	—	—	3,762,559	4,388,533	—	4,388,533	3,805,670	4,431,644	—	4,431,644
Amounts available for appropriation from current year resources	8,237,238	8,243,505	12,861,716	(4,618,211)	56,770,113	54,087,814	65,679,597	(11,591,783)	87,336,178	86,360,146	119,228,876	(32,868,730)
Charges to appropriations (outflows):												
Personnel Services	—	—	—	—	14,722,034	14,812,915	14,309,769	(503,146)	27,070,617	27,256,498	35,108,123	7,851,625
Contractual Services	8,237,238	8,243,505	7,508,828	(734,677)	18,444,426	14,692,355	15,047,289	354,934	33,400,110	31,354,306	27,029,421	(4,324,885)
Materials and Supplies	—	—	—	—	4,047,874	4,737,923	4,704,354	(33,569)	4,888,386	5,578,435	9,268,293	3,689,859
Operating Expenditures	—	—	—	—	3,719,742	3,444,399	2,803,006	(641,393)	6,045,629	5,770,285	6,868,192	1,097,907
Non-Operating Expenditures	—	—	—	—	4,489,408	4,695,850	8,643,853	3,948,003	4,489,808	4,696,250	9,219,716	4,523,466
Intergovernmental Expenditures	—	—	—	—	—	—	1,002,534	1,002,534	—	—	1,002,534	1,002,534
Capital Outlay	—	—	—	—	1,307,010	1,653,127	723,335	(929,792)	1,402,010	1,653,127	1,841,041	187,914
Other Uses	—	—	—	—	10,039,618	10,051,245	16,937,204	6,885,959	10,039,618	10,051,245	19,217,627	9,166,382
Total charges to appropriations	8,237,238	8,243,505	7,508,828	(734,677)	56,770,113	54,087,814	64,171,344	10,083,530	87,336,178	86,360,146	109,554,947	23,194,801
Increase (Decrease) in fund balance:	—	—	5,352,888	(5,352,888)	—	—	1,508,253	(1,508,253)	—	—	9,673,929	(9,673,929)
Fund balances - beginning of year	—	—	—	—	—	—	35,501,473	—	—	—	47,883,063	—
Fund balances - end of year	—	—	5,352,888	(5,352,888)	—	—	37,009,726	(1,508,253)	—	—	57,556,991	(9,673,929)

This budget and this schedule are prepared on a basis consistent with accounting principles generally accepted in the United States.

DEBT SERVICE FUND



The Debt Service Fund is used to account for the accumulation of resources for and payment of general long- term debt principal, interest, arbitrage rebate and associated fiscal fees incurred. Revenue sources include ad-valorem property taxes.

City of El Paso, Texas
Schedule of Revenues, Expenditures and Changes
in Fund Balances - Budget and Actual
Debt Service Funds
For the Year Ended August 31, 2018

	Budgeted Amount		Actual Amounts	Variance with Final Budget Positive (Negative)
	Adopted	Final		
Resources (inflows):				
Property taxes	93,793,531	93,793,531	93,308,978	(484,553)
Penalties and Interest-Delinquent taxes	—	—	688,487	688,487
Parking meter revenue	—	—	—	—
Federal tax credit - Build America Bonds	2,063,819	2,063,819	1,996,608	(67,211)
Transfers from other funds	5,440,369	5,976,949	6,378,239	401,290
Interest	—	—	540,316	540,316
Amounts available for appropriation	101,297,719	101,834,299	102,912,628	1,078,329
Charges to appropriations (outflows):				
Non Departmental	50,000	50,000	—	50,000
Debt service:				
Principal	46,792,506	47,296,456	49,472,505	(2,176,049)
Interest	52,255,464	52,288,094	54,496,358	(2,208,264)
Fiscal fees	10,000	10,000	28,462	(18,462)
Transfers to other funds	125,930	125,930	125,930	—
Total charges to appropriations	99,233,900	99,770,480	104,123,255	(4,352,775)
Increase in fund balance	2,063,819	2,063,819	(1,210,627)	(3,274,446)
Fund balance, Beginning of year	6,985,660	6,985,660	6,985,660	—
Fund balance, End of year	9,049,479	9,049,479	5,775,033	(3,274,446)

INTERNAL SERVICE FUNDS



Internal Service Funds are used to account for the financing of goods or services provided by one department of the City to other City departments on a cost reimbursement basis.

Supply and Support – This fund accounts for the Fleet Maintenance Department which operates the City motor pool and maintains/repairs City owned vehicles. Facility Maintenance activities to maintain City buildings are also included in this fund.

Self-Insurance – This fund accounts for the financing of health benefits, workers' compensation benefits and unemployment benefits for City employees.

City of El Paso, Texas
Combining Statement of Net Position
Internal Service Funds
August 31, 2018

	Supply and Support	Self Insurance	Total
ASSETS:			
Cash	590,863	7,658,110	8,248,973
Investments, at Fair Value	1,479,554	19,417,434	20,896,988
Receivables - Net of Allowances			
Interest	3,628	48,201	51,829
Trade	11,471	2,459	13,930
Inventory	1,096,575	—	1,096,575
Capital Assets:			
Buildings, Improvements & Equipment, Net	345,808	—	345,808
Total Assets	3,527,899	27,126,204	30,654,103
DEFERRED OUTFLOWS OF RESOURCES			
Pension Contributions Subsequent to Measurement Date	435,545	126,638	562,183
Difference in Projected and Actual Earnings on Pension Investments	114,576	33,314	147,890
Difference in Expected and Actual Pension Experience	14,033	4,082	18,115
Change in Assumptions for Pensions	440,593	128,106	568,699
Deferred Other Post Employment Contributions	79,994	10,142	90,136
Difference in Expected and Actual Other Post Employment Experience	3,921	497	4,418
Total Deferred Outflows of Resources	1,088,662	302,779	1,391,441
Total Assets & Deferred Outflows of Resources	4,616,561	27,428,983	32,045,544
LIABILITIES:			
Accounts Payable	983,533	377,416	1,360,949
Accrued Payroll	85,921	30,000	115,921
Compensated Absences - Due within one year	175,986	29,337	205,324
Compensated Absences - Due beyond one year	410,635	68,454	479,088
Other Post-employment Benefits - Due within one year	79,994	10,142	90,136
Other Post-employment Benefits - Due beyond one year	3,008,984	381,484	3,390,468
Net Pension Liability - Due beyond one year	3,417,523	993,670	4,411,193
Claims and Judgments	—	17,440,251	17,440,251
Total Liabilities	8,162,576	19,330,754	27,493,330
DEFERRED INFLOWS OF RESOURCES			
Difference in Actual and Expected Pension Experience	266,519	77,492	344,011
Total Deferred Inflows of Resources	266,519	77,492	344,011
NET POSITION (DEFICIT):			
Net investment in capital assets	345,808	—	345,808
Unrestricted	(4,158,342)	8,020,737	3,862,395
Total Net Position (Deficit)	(3,812,534)	8,020,737	4,208,203
Total Liabilities, Deferred Inflows of Resources and Net Position (Deficit)	4,616,561	27,428,983	32,045,544

City of El Paso, Texas
Combining Statement of Revenues, Expenses
and Changes in Fund Net Position
Internal Service Funds
For the Year Ended August 31, 2018

	Supply and Support	Self Insurance	Total
OPERATING REVENUES			
Sales to Departments	18,492,670	—	18,492,670
Premium Contributions	—	60,711,513	60,711,513
General Revenues	4,385	649,249	653,634
Total Operating Revenues	<u>18,497,055</u>	<u>61,360,762</u>	<u>79,857,817</u>
OPERATING EXPENSES:			
Personnel Services	5,168,079	2,537,564	7,705,643
Outside Contracts	148,740	2,076,509	2,225,249
Professional Services	—	1,025,356	1,025,356
Fuel and Lubricants	6,516,149	—	6,516,149
Materials and Supplies	4,553,668	17,006	4,570,674
Communications	506	133	639
Utilities	27,054	—	27,054
Operating Leases	7,901	3,496	11,397
Travel and Entertainment	166	—	166
Benefits Provided	1,602	51,715,304	51,716,906
Maintenance and Repairs	1,713,629	—	1,713,629
Other Operating Expenses	19,221	3,356	22,577
Depreciation	108,506	—	108,506
Total Operating Expenses	<u>18,265,221</u>	<u>57,378,724</u>	<u>75,643,945</u>
Operating Income	<u>231,834</u>	<u>3,982,038</u>	<u>4,213,872</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest Revenue	12,113	215,044	227,157
Gain(Loss) on Sale of Equipment and Land	(31,695)	—	(31,695)
Total Non-operating Revenues(Expenses)	<u>(19,582)</u>	<u>215,044</u>	<u>195,462</u>
Income before Transfers	212,252	4,197,082	4,409,334
Transfers in	—	504,000	504,000
Change in net position	<u>212,252</u>	<u>4,701,082</u>	<u>4,913,334</u>
Net Position (Deficit), Beginning of Year, As Previously Reported	(3,007,881)	3,448,580	440,699
Change in Accounting Principle	<u>(1,016,905)</u>	<u>(128,925)</u>	<u>(1,145,830)</u>
Net Position (Deficit), Beginning of Year, As Restated	<u>(4,024,786)</u>	<u>3,319,655</u>	<u>(705,131)</u>
Net Position (Deficit), End of Year	<u>(3,812,534)</u>	<u>8,020,737</u>	<u>4,208,203</u>

City of El Paso, Texas
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended August 31, 2018

	Supply and Support	Self Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers	17,443,428	61,423,821	78,867,249
Payments to Suppliers	(12,844,964)	(53,318,922)	(66,163,886)
Payments to Employees	(5,136,418)	(2,736,106)	(7,872,524)
Payments for Retirees	1,120,218	142,023	1,262,241
Subsidy from Federal Grant	—	—	—
Net cash provided by (used in) operating activities	<u>582,264</u>	<u>5,510,816</u>	<u>6,093,080</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Transfers from Other Funds	—	504,000	504,000
Net cash provided by noncapital financing activities	<u>—</u>	<u>504,000</u>	<u>504,000</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Purchases of capital assets	(108,433)	—	(108,433)
Net cash used in capital and related financing activities	<u>(108,433)</u>	<u>—</u>	<u>(108,433)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of investments	(200,588)	(2,592,824)	(2,793,412)
Interest	8,485	167,411	175,896
Net cash used in investing activities	<u>(192,103)</u>	<u>(2,425,413)</u>	<u>(2,617,516)</u>
Net Increase(Decrease) in cash and cash equivalents	281,728	3,589,403	3,871,131
Cash Balance - beginning of year	309,135	4,068,707	4,377,842
Cash Balance - end of year	<u>590,863</u>	<u>7,658,110</u>	<u>8,248,973</u>
Reconciliation of operating income(loss) to net cash provided (used in) operating activities:			
Operating income (loss)	231,834	3,982,038	4,213,872
Adjustments to reconcile operating income(loss) to net cash provided by (used in) operating activities:			
Depreciation expense	108,506	—	108,506
Compensated absences	(9,261)	(21,116)	(30,377)
Other post employment benefits	103,313	13,098	116,411
Net pension liability	36,368	10,574	46,942
Change in assets and liabilities:			
Receivables, net	(5,027)	191,984	186,957
Inventories	(138,238)	—	(138,238)
Other assets	(31,695)	—	(31,695)
Accounts and other payables	281,910	115,051	396,961
Accrued expenses	4,554	1,219,187	1,223,741
Net cash provided (used in) operating activities	<u>582,264</u>	<u>5,510,816</u>	<u>6,093,080</u>

PENSION TRUST FUNDS



Pension Trust Funds are comprised of money intended to pay for pension benefits. This money is contributed by the employer and employee.

City of El Paso, Texas
Combining Statement of Fiduciary Net Position
Pension Trust Funds
August 31, 2018

	El Paso City Employees' Pension Fund	El Paso Firemen and Policemen's Pension Fund (As of December 31, 2017)		Total
		Firemen Division	Policemen Division	
Assets				
Cash and Cash Equivalents	7,433,888	18,107,830	26,541,795	52,083,513
Investments:				
Commingled funds	154,771,183	—	—	154,771,183
U.S. Government Securities	32,086,839	—	—	32,086,839
Absolute Return Investments	126,830,615	—	—	126,830,615
Corporate stocks	101,459,644	—	—	101,459,644
Bank Collective Investment Funds	180,019,198	—	—	180,019,198
Master Limited Partnerships	39,817,825	—	—	39,817,825
Private equities	62,394,830	41,464,752	60,386,006	164,245,588
Real estate investment funds	72,817,424	51,435,124	74,906,073	199,158,621
Fixed Income Securities	38,991,174	135,120,187	196,778,422	370,889,783
Domestic Equities	—	172,510,842	251,231,233	423,742,075
International Equities	—	185,735,384	270,490,417	456,225,801
Securities lending collateral	—	26,484,531	38,831,549	65,316,080
Receivables - Net of Allowances				
Commission Credits Receivable	105,042	—	—	105,042
Due from Brokers For Securities Sold	3,558,783	—	—	3,558,783
Employer Contributions	1,047,510	267,977	346,008	1,661,495
Employee Contributions	667,228	227,482	267,003	1,161,713
Accrued Interest and Dividends	664,340	—	—	664,340
Other Receivables	1,584	623	623	2,830
Prepaid Items	17,360	—	—	17,360
Capital Assets:				
Land, Buildings, Improvements & Equipment, Net	3,111,020	1,154,935	1,154,935	5,420,890
TOTAL ASSETS	825,795,487	632,509,667	920,934,064	2,379,239,218
LIABILITIES				
Accounts Payable	4,777,992	30,112,068	49,416,041	84,306,101
Accrued Expenses	946,165	606,878	859,516	2,412,559
Unearned Revenue - Commission Credits	105,042	—	—	105,042
TOTAL LIABILITIES	5,829,199	30,718,946	50,275,557	86,823,702
NET POSITION:				
Restricted for Pensions	819,966,288	601,790,721	870,658,507	2,292,415,516

City of El Paso, Texas
Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Year Ended August 31, 2018

	El Paso City Employees' Pension Fund	El Paso Firemen and Policemen's Pension Fund (As of December 31, 2017)		Total
		Firemen Division	Policemen Division	
ADDITIONS:				
Contributions:				
Employer	25,651,488	11,796,406	15,261,366	52,709,260
Employee	15,540,713	9,600,215	11,703,802	36,844,730
Total contributions	<u>41,192,201</u>	<u>21,396,621</u>	<u>26,965,168</u>	<u>89,553,990</u>
Other Income	17,219	1,962,023	2,877,841	4,857,083
Investment income:				
Net increase in fair value	64,832,061	81,775,970	114,159,343	260,767,374
Interest	3,915,267	2,922,970	4,287,702	11,125,939
Dividends	3,186,719	7,742,313	11,357,289	22,286,321
Securities lending income		240,624	352,803	593,427
Investment adviser fees	(6,578,777)	(2,206,900)	(3,049,541)	(11,835,218)
Net investment income	<u>65,355,270</u>	<u>90,474,977</u>	<u>127,107,596</u>	<u>282,937,843</u>
Total additions	<u>106,564,690</u>	<u>113,833,621</u>	<u>156,950,605</u>	<u>377,348,916</u>
DEDUCTIONS				
Benefits paid to participants	58,224,939	35,888,776	52,169,866	146,283,581
Refunds of contributions	2,889,443	1,564,672	2,245,713	6,699,828
Administrative expenses	2,036,643	718,173	758,179	3,512,995
Depreciation and amortization expense	—	215,903	215,904	431,807
Total deductions	<u>63,151,025</u>	<u>38,387,524</u>	<u>55,389,662</u>	<u>156,928,211</u>
Change in net position	43,413,665	75,446,097	101,560,943	220,420,705
Net position - beginning of the year	776,552,623	526,344,624	769,097,564	2,071,994,811
Net position - end of the year	<u>819,966,288</u>	<u>601,790,721</u>	<u>870,658,507</u>	<u>2,292,415,516</u>

FIDUCIARY FUNDS



Fiduciary Funds are used to account for assets held by a government unit in a trustee capacity or as an agent for private organizations or other governmental units.

Agency Fund – This fund is used to account for the funds the City collects for property taxes for other taxing entities, including the Camino Real Regional Mobility Authority (CRRMA).

City of El Paso, Texas
Schedule of Changes in Assets and Liabilities
Agency Funds
For the Year Ended August 31, 2018

	August 31, 2017	Debits	Credits	August 31, 2018
ASSETS:				
Cash and Cash Equivalents	291,041,770	1,237,358,080	1,357,121,915	171,277,935
Uncollected Property Taxes	67,023,324	35,341	—	67,058,665
Other Receivables	—	115,197,851	34,543,251	80,654,600
Buildings, Improvements & Equipment, Net	—	2,494,545	2,349,076	145,469
Work in Progress	—	93,191,352	13,607,916	79,583,436
Prepaid Items	—	3,558	3,558	—
TOTAL ASSETS	358,065,094	1,448,280,727	1,407,625,716	398,720,105
LIABILITIES:				
Prepaid Property Taxes	2,526,752	5,946,628	6,569,373	3,149,497
Accounts Payable	27,690,866	77,880,452	52,747,971	2,558,385
Accrued Expenses	—	23,817,783	48,991,667	25,173,884
Unearned Revenue	—	117,214,688	162,006,864	44,792,176
Payable to Other Entities	258,359,841	1,582,528,159	1,362,514,636	38,346,318
Bonds and Notes Payable	—	29,242,945	244,705,352	215,462,407
Property Taxes Subject to Refund	2,797,000	5,695,729	5,410,192	2,511,463
Uncollected Taxes	66,690,635	11,603,569	11,638,909	66,725,975
TOTAL LIABILITIES	358,065,094	1,853,929,953	1,894,584,964	398,720,105

**STATISTICAL SECTION
(unaudited)**



The Statistical Section of the City’s Comprehensive Annual Financial Report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and required supplementary information says about the City's overall financial health.

Financial Trends

These schedules contain trend information to help the reader understand how the City of El Paso's financial performance and well-being have changed over time. 133

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, primarily property tax. 139

Debt Capacity

These schedules present information to help the reader assess the City's current levels of outstanding debt and the City's ability to issue additional debt in the future. 146

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place. 152

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs. 154

Sources: Unless otherwise noted, the information in these schedules is derived from the Comprehensive Annual Financial Reports through fiscal year 2018.

City of El Paso, Texas
Net Position by Component
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Governmental activities										
Net investment in capital assets	\$ 132,325,231	\$ 140,704,047	\$ 124,744,895	\$ 161,946,395	\$ 256,626,166	\$ 313,232,741	\$ 126,063,774	\$ 186,813,209	\$ 158,948,296	\$ 197,561,266
Restricted	84,571,971	83,730,583	117,560,807	107,951,138	132,098,108	82,008,353	93,862,608	127,478,301	181,218,370	125,662,159
Unrestricted	(156,747,519)	(180,064,182)	(193,238,211)	(202,129,390)	(351,017,445)	(347,047,270)	(509,631,709)	(609,526,733)	(660,546,184)	(713,195,827)
Total governmental activities net position/(deficit)	\$ 60,149,683	\$ 44,370,448	\$ 49,067,491	\$ 67,768,143	\$ 37,706,829	\$ 48,193,824	\$ (289,705,327)	\$ (295,235,223)	\$ (320,379,517)	\$ (389,972,402)
Business-type activities										
Net investment in capital assets	\$ 286,906,206	\$ 291,226,434	\$ 287,678,085	\$ 289,979,525	\$ 300,679,446	\$ 297,504,141	\$ 345,990,881	\$ 346,918,484	\$ 360,989,685	409,465,951
Restricted	24,591,100	28,676,014	33,666,670	19,986,644	27,759,687	23,752,147	23,067,473	26,658,122	19,934,227	7,586,344
Unrestricted	10,275,656	10,856,022	26,158,692	40,065,572	21,102,379	47,006,875	(44,450,522)	(38,504,913)	(46,820,387)	(46,044,377)
Total business-type activities net position	\$ 321,772,962	\$ 330,758,470	\$ 347,503,447	\$ 350,031,741	\$ 349,541,512	\$ 368,263,163	\$ 324,607,832	\$ 335,071,693	\$ 334,103,524	\$ 371,007,918
Primary government										
Net investment in capital assets	\$ 419,231,437	\$ 431,930,481	\$ 412,422,980	\$ 451,925,920	\$ 557,305,612	\$ 610,736,882	\$ 472,054,655	\$ 533,731,693	\$ 519,937,981	\$ 607,027,217
Restricted	109,163,071	112,406,597	151,227,477	127,937,782	159,857,795	105,760,500	116,930,081	154,136,423	201,152,597	133,248,503
Unrestricted	(146,471,863)	(169,208,160)	(167,079,519)	(162,063,818)	(329,915,066)	(300,040,395)	(554,082,231)	(648,031,646)	(707,366,571)	(759,240,204)
Total governmental activities net position	\$ 381,922,645	\$ 375,128,918	\$ 396,570,938	\$ 417,799,884	\$ 387,248,341	\$ 416,456,987	\$ 34,902,505	\$ 39,836,470	\$ 13,724,007	\$ (18,964,484)

Note: Beginning net position in FY2016 was restated per GASB 68 Net Pension Liability.
Beginning net position in FY2018 was restated per GASB 75 OPEB.

City of El Paso, Texas
Changes in Net Position
Last Ten Fiscal Years
(Accrual Basis of Accounting)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Expenses										
Governmental activities:										
General government	\$ 41,473,314	\$ 43,627,560	\$ 40,876,977	\$ 40,717,526	\$ 52,386,415	\$ 62,586,251	\$ 39,517,748	\$ 93,447,706	\$ 59,192,090	\$ 87,872,880
Public safety	217,780,949	224,675,396	225,797,408	227,950,308	230,540,514	240,271,043	244,856,205	241,548,165	278,648,815	282,425,339
Public works	65,613,445	67,167,981	66,517,227	59,307,180	60,476,968	66,741,177	76,506,248	67,038,656	76,780,581	86,876,259
Public health	20,208,520	23,264,777	22,132,789	19,127,638	19,863,591	20,161,640	20,341,813	21,849,467	33,794,360	28,819,169
Parks	23,005,417	23,981,208	14,893,992	16,251,520	16,999,787	15,109,574	25,309,878	26,477,652	31,298,298	30,939,587
Library	9,860,118	9,588,320	12,407,171	12,348,089	16,317,216	10,381,664	10,870,393	10,888,401	12,420,754	10,494,285
Culture & recreation	19,155,478	23,421,037	24,845,626	24,926,399	25,930,803	23,862,903	23,330,274	32,079,547	33,397,565	32,270,960
Community & economic development	17,795,711	26,577,089	34,084,029	33,619,047	30,273,623	31,759,109	32,531,231	34,224,066	37,843,697	46,626,758
Interest on long-term debt	29,403,379	37,327,656	41,210,972	41,685,223	41,666,450	39,051,177	51,314,447	36,191,595	55,962,214	50,537,493
Total governmental activities expenses	<u>444,296,331</u>	<u>479,631,024</u>	<u>482,766,191</u>	<u>475,932,930</u>	<u>494,455,367</u>	<u>509,924,538</u>	<u>524,578,237</u>	<u>563,745,255</u>	<u>619,338,374</u>	<u>656,862,730</u>
Business-type activities:										
International airport operations	36,407,172	34,238,930	36,311,679	36,821,483	38,154,216	41,909,639	43,740,554	50,650,315	53,963,454	53,136,402
Industrial park and other operations	4,932,225	6,963,049	5,927,445	6,621,290	5,910,054	5,817,711	5,817,711	1,576,761	—	—
International bridges operations	30,284,090	4,169,933	4,559,555	4,518,896	5,297,146	5,789,058	6,988,024	8,508,327	10,002,271	9,254,913
Solid waste disposal operations	53,319,405	31,820,528	37,255,384	45,178,718	47,272,262	51,592,641	45,596,671	51,150,988	45,701,064	48,576,855
Tax Office	—	—	—	—	—	—	—	1,931,979	2,015,098	2,178,819
Mass transit operations	5,384,440	61,976,839	63,542,737	63,648,603	66,577,511	72,710,783	81,173,227	80,975,092	80,848,329	83,693,650
Total business-type activities expenses	<u>130,327,332</u>	<u>139,169,279</u>	<u>147,596,800</u>	<u>156,788,990</u>	<u>163,211,189</u>	<u>177,819,832</u>	<u>183,316,187</u>	<u>194,793,462</u>	<u>192,530,216</u>	<u>196,840,639</u>
Total primary government expenses	<u>\$ 574,623,663</u>	<u>\$ 618,800,303</u>	<u>\$ 630,362,991</u>	<u>\$ 632,721,920</u>	<u>\$ 657,666,556</u>	<u>\$ 687,744,370</u>	<u>\$ 707,894,424</u>	<u>\$ 758,538,717</u>	<u>\$ 811,868,590</u>	<u>\$ 853,703,369</u>
Program Revenues										
Governmental activities:										
General government	5,058,943	18,742,796	4,656,824	2,781,189	5,195,513	7,655,501	11,023,551	20,771,995	36,978,957	44,792,119
Public safety	28,596,961	23,181,322	27,117,960	29,076,320	31,812,571	35,921,557	32,250,982	31,069,511	20,496,087	22,590,477
Public works	11,833,895	20,742,690	15,095,949	14,448,143	4,531,381	27,158,182	31,475,932	26,872,475	8,223,634	9,118,180
Public health	4,873,005	1,816,579	5,201,141	4,407,176	4,540,292	7,600,458	10,847,368	6,617,347	18,352,936	9,047,438
Parks	3,559,049	2,204,995	4,079,600	3,824,281	4,114,816	3,898,080	5,720,725	3,885,593	4,431,003	4,155,576
Library	316,818	218,735	432,440	477,592	324,113	646,544	300,159	372,557	491,142	473,955
Culture and recreation	1,258,747	—	6,711,987	6,979,407	7,541,864	7,207,628	8,515,991	9,876,118	13,141,095	10,876,417
Community and economic development	5,310,286	3,633,827	2,850,308	2,700,812	12,529,231	13,214,619	31,385,413	24,670,968	18,918,679	17,159,703
Operating grants and contributions	45,550,140	56,433,774	66,901,773	69,209,583	35,534,615	38,742,739	24,911,878	33,822,176	38,597,485	46,814,154
Capital grants and contributions	1,167,076	6,317,325	7,368,422	4,946,190	3,494,059	9,154,786	2,186,539	7,168,957	2,950,231	4,913,457
Total governmental activities program revenues	<u>\$ 107,524,920</u>	<u>\$ 133,292,043</u>	<u>\$ 140,416,404</u>	<u>\$ 138,850,693</u>	<u>\$ 109,618,455</u>	<u>\$ 151,200,094</u>	<u>\$ 158,618,538</u>	<u>\$ 165,127,697</u>	<u>\$ 162,581,249</u>	<u>\$ 169,941,476</u>
Business-type activities:										
Charges for services:										
International airport operations	25,639,495	26,783,137	26,190,812	27,941,875	27,746,314	24,768,076	28,228,439	35,998,919	46,671,121	49,502,621
Industrial park and other operations	8,211,856	8,124,439	8,518,450	8,093,614	8,538,610	8,804,354	8,804,354	5,102,322	—	—
International bridges operations	41,310,894	16,124,924	16,475,270	16,151,847	17,586,579	19,943,142	21,584,262	22,338,527	21,731,391	23,849,831
Solid waste disposal operations	8,671,828	44,790,906	50,528,757	53,660,619	53,281,620	41,031,352	48,964,695	52,182,776	48,094,965	47,838,414
Mass transit operations	14,926,788	8,478,720	9,298,950	9,700,359	13,221,294	11,671,466	12,795,418	12,313,314	9,253,342	9,754,726
Tax Office	—	—	—	—	—	—	—	—	1,843,339	1,879,016
Operating grants and contributions	11,381,386	11,174,750	11,021,695	18,322,774	11,299,304	11,630,000	179,089	16,430,744	11,606,771	11,015,533
Capital grants and contributions	31,705,810	19,772,814	24,671,357	6,806,671	13,098,327	50,084,474	25,183,118	16,137,628	17,942,703	65,509,253
Total business-type activities program revenues	<u>141,848,057</u>	<u>135,249,690</u>	<u>146,705,291</u>	<u>140,677,759</u>	<u>144,772,048</u>	<u>167,932,864</u>	<u>145,739,375</u>	<u>160,504,230</u>	<u>157,143,632</u>	<u>209,349,394</u>
Total primary government activities program revenues	<u>\$ 249,372,977</u>	<u>\$ 268,541,733</u>	<u>\$ 287,121,695</u>	<u>\$ 279,528,452</u>	<u>\$ 254,390,503</u>	<u>\$ 319,132,958</u>	<u>\$ 304,357,913</u>	<u>\$ 325,631,927</u>	<u>\$ 319,724,881</u>	<u>\$ 379,290,870</u>

City of El Paso, Texas
Changes in Net Position (Continued)
Last Ten Fiscal Years
(Accrual basis of accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Net (Expense)/ Revenue										
Governmental activities	\$(336,771,411)	\$(346,338,981)	\$(342,349,787)	\$(337,082,237)	\$(384,836,912)	\$(358,724,444)	\$(365,959,699)	\$(398,617,558)	\$(456,757,127)	\$(486,921,254)
Business-type activities	11,520,725	(3,919,589)	(891,509)	(16,111,231)	(18,439,141)	(9,886,968)	(37,576,812)	(34,289,232)	(35,386,585)	12,508,755
Total primary government net expense	\$(325,250,686)	\$(350,258,570)	\$(343,241,296)	\$(353,193,468)	\$(403,276,053)	\$(368,611,412)	\$(403,536,511)	\$(432,906,790)	\$(492,143,712)	\$(474,412,499)
General Revenues and Other Changes in Net Position										
Governmental activities:										
Taxes:										
Ad valorem taxes	\$ 183,557,317	\$ 188,616,415	\$ 197,181,922	\$ 206,164,170	\$ 209,615,842	\$ 218,557,549	\$ 225,042,726	\$ 237,442,459	\$ 254,897,464	\$ 271,100,422
Sales taxes	74,537,354	77,797,143	82,895,661	83,803,598	87,643,312	92,434,728	97,088,308	100,080,666	87,704,730	92,109,776
Hotel Occupancy Tax	—	—	—	—	—	—	—	—	13,415,214	15,270,465
Franchise taxes	43,282,691	41,643,400	47,708,179	47,603,858	46,453,413	46,322,667	54,402,456	55,986,614	58,295,404	58,426,721
Gain on disposal of capital assets	596,134	1,048,337	474,204	65,589	221,931	1,027,322	1,753,589	91,638	28,103	—
BABS Tax Credit	—	—	—	—	—	—	—	—	2,058,173	1,996,608
Transfers	19,406,603	20,758,814	18,534,404	17,873,183	18,946,862	10,924,171	5,831,028	(1,164,070)	12,345,926	15,177,810
Investment earnings (loss)	1,684,376	695,637	252,460	272,491	(509,496)	(54,998)	1,495,386	650,355	2,867,819	4,503,973
Total Governmental activities	323,064,475	330,559,746	347,046,830	355,782,889	362,371,864	369,211,439	385,613,493	393,087,662	431,612,833	458,585,775
Business-type activities:										
Taxes										
Ad valorem taxes	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ —	\$ 2,099,835	\$ 3,894,131	\$ 7,327,325
Sales taxes	32,541,098	33,388,336	35,812,504	36,294,778	37,476,151	38,836,869	40,533,736	41,236,405	42,098,342	44,096,838
Investment earnings (loss)	953,273	261,553	236,058	278,386	(203,818)	314,154	96,962	276,231	511,087	810,298
Gain on disposal of capital assets	12,940	14,022	122,328	(60,456)	162,858	151,070	3,256	(23,448)	31,858	50,046
BABS Tax Credit	—	—	—	—	—	230,697	240,551	—	228,925	226,884
Transfers	(19,406,603)	(20,758,814)	(18,534,404)	(17,873,183)	(18,946,862)	(10,924,171)	(5,831,028)	1,164,070	(12,345,926)	(15,177,810)
Total business-type activities	14,100,708	12,905,097	17,636,486	18,639,525	18,488,329	28,608,619	35,043,477	44,753,093	34,418,417	37,333,581
Total primary government	\$ 337,165,183	\$ 343,464,843	\$ 364,683,316	\$ 374,422,414	\$ 380,860,193	\$ 397,820,058	\$ 420,656,970	\$ 437,840,755	\$ 466,031,250	\$ 495,919,356
Change in Net Position/(Deficit)										
Governmental activities	\$ (13,706,936)	\$ (15,779,235)	\$ 4,697,043	\$ 18,700,652	\$ (22,465,048)	\$ 10,486,995	\$ 19,653,794	\$ (5,529,896)	\$ (25,144,294)	\$ (28,335,479)
Business-type activities	25,621,433	8,985,508	16,744,977	2,528,294	49,188	18,721,651	(2,533,335)	10,463,861	(968,168)	49,842,336
Total change in net position/(deficit)-Primary Government	\$ 11,914,497	\$ (6,793,727)	\$ 21,442,020	\$ 21,228,946	\$ (22,415,860)	\$ 29,208,646	\$ 17,120,459	\$ 4,933,965	\$ (26,112,462)	\$ 21,506,857

City of El Paso, Texas
Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
General Fund										
Nonspendable	\$ —	\$ —	\$ 2,878,463	\$ 3,355,895	\$ 3,533,759	\$ 6,820,046	\$ 4,027,347	\$ 3,887,550	\$ 3,798,045	\$ 6,946,182
Restricted	—	—	16,000,000	16,000,000	16,000,000	17,417,752	17,506,277	18,008,119	18,370,749	19,098,290
Committed	—	—	1,000,000	1,000,000	1,000,000	—	—	—	—	—
Assigned	—	—	1,206,409	1,206,000	800,000	—	—	—	—	—
Unassigned	—	—	21,248,272	20,697,776	15,921,724	9,151,599	21,410,712	22,688,252	22,651,640	20,334,896
Reserved	18,454,550	18,336,184	—	—	—	—	—	—	—	—
Unreserved	19,765,158	22,303,546	—	—	—	—	—	—	—	—
Total General fund	\$ 38,219,708	\$ 40,639,730	\$ 42,333,144	\$ 42,259,671	\$ 37,255,483	\$ 33,389,397	\$ 42,944,336	\$ 44,583,921	\$ 44,820,434	\$ 46,379,368
All Other Governmental Funds										
Nonspendable	\$ —	\$ —	\$ —	\$ —	\$ 72,445	\$ 106,226	\$ 40,574	\$ 90,954	\$ 170,824	\$ 219,924
Restricted	—	—	41,991,410	29,970,681	70,264,588	26,729,601	98,880,854	364,762,511	324,126,634	225,508,221
Committed	—	—	9,624,521	7,099,623	5,688,662	6,613,756	10,480,770	13,232,672	14,486,568	20,304,680
Assigned	—	—	—	—	—	139,529	—	—	—	—
Unassigned	—	—	(78,314)	(658,491)	(12,417,997)	(953,786)	(447,167)	—	(1,943,669)	—
Reserved	5,500,901	5,108,698	—	—	—	—	—	—	—	—
Unreserved, reported in:										
Special Revenue funds	18,278,330	20,568,032	—	—	—	—	—	—	—	—
Debt service funds	210,206	220,285	—	—	—	—	—	—	—	—
Capital projects funds (Deficit)	(1,923,167)	14,202,947	—	—	—	—	—	—	—	—
Total other governmental funds	\$ 22,066,270	\$ 40,099,962	\$ 51,537,617	\$ 36,411,813	\$ 63,607,698	\$ 32,635,326	\$ 108,955,031	\$ 378,086,137	\$ 336,840,357	\$ 246,032,825

Note: The City implemented GASB Statement 54 "Fund Balance Reporting and Governmental Fund Type Definitions" in fiscal year 2011.

City of El Paso, Texas
Changes in Fund Balances of Governmental Funds
Last Ten Fiscal Years
(Modified Accrual Basis of Accounting)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Revenues:										
Property Taxes	\$181,827,479	\$ 189,413,013	\$195,692,297	\$204,475,315	\$209,276,561	\$ 218,889,826	\$ 226,873,791	\$238,672,585	\$253,954,797	\$269,678,074
Sales Taxes	74,537,354	77,797,143	82,895,661	83,803,598	87,643,312	92,434,728	97,088,308	100,080,666	87,704,730	92,109,776
Hotel Occupancy Tax	—	—	—	—	—	—	—	—	13,415,214	15,270,465
Rental Vehicle Tax	—	—	—	—	—	—	—	—	—	3,493,005
Franchise Fees	43,847,569	41,045,692	48,792,624	47,488,491	46,560,200	46,877,907	54,402,456	55,986,614	58,295,404	58,426,721
Charges for Services	27,350,326	35,598,930	32,707,594	35,460,588	44,209,204	70,677,344	75,194,030	83,049,680	79,822,423	83,496,763
Fines and Forfeits	15,495,022	13,331,211	14,488,102	13,693,850	14,502,151	12,922,883	12,749,773	12,412,161	9,413,787	9,774,838
Licenses and Permits	11,142,329	14,070,414	13,385,089	12,480,350	11,885,386	12,284,615	13,031,581	14,022,575	15,957,687	15,482,770
Intergovernmental Revenues	44,789,387	62,282,226	71,946,473	71,351,964	36,160,807	45,885,381	40,915,113	40,521,964	38,519,710	47,683,949
County Participation	1,927,829	468,873	438,658	522,500	448,013	2,012,144	630,388	469,169	469,169	—
Interest	1,524,590	695,637	252,460	279,383	(509,496)	(54,998)	76,262	650,355	2,867,819	4,503,973
Rents and Other	3,637,303	4,172,020	4,962,315	2,365,059	12,828,158	2,910,185	5,123,475	4,387,685	9,188,925	9,733,582
Ticket sales	—	—	—	—	—	246,048	262,528	250,197	258,657	224,042
Federal Tax Credit - Build America Bonds	—	785,097	1,885,064	2,281,309	—	—	—	—	—	—
Net Increase(Decrease) in the Fair Value of Investments	159,786	—	—	(6,892)	—	—	—	—	—	—
Total Revenues	\$406,238,974	\$ 439,660,256	\$467,446,337	\$474,195,515	\$463,004,296	\$ 505,086,063	\$ 526,347,705	\$550,503,651	\$569,868,322	\$609,877,958
Expenditures										
General Government	\$ 33,948,460	\$ 32,187,985	\$ 29,761,804	\$ 30,217,350	\$ 34,490,531	\$ 29,542,770	\$ 25,813,682	\$ 29,363,569	\$ 29,351,110	\$ 30,655,674
Public Safety	304,389,128	202,352,627	205,894,506	214,353,521	217,174,437	221,397,370	224,923,432	222,217,391	238,199,701	247,173,723
Public Works	23,026,748	22,546,990	20,109,111	16,550,945	16,858,097	23,918,973	29,683,273	42,915,474	52,448,429	66,134,502
Public Health	18,943,820	21,896,971	20,822,385	17,945,544	18,585,301	18,450,668	18,834,233	18,969,169	19,044,737	19,349,248
Facilities Maintenance	15,889,876	13,199,006	22,578,339	24,668,278	24,503,102	25,098,917	16,917,017	—	—	—
Parks	18,751,833	20,213,999	10,960,660	11,502,661	12,070,411	11,849,135	20,847,746	22,397,053	24,237,133	26,746,606
Library	8,446,529	8,285,587	8,513,778	8,725,468	9,662,510	8,681,779	8,600,866	9,009,271	8,997,011	9,288,188
Non Departmental	4,030,705	5,132,818	5,441,674	5,967,334	9,330,072	18,280,392	14,930,859	21,296,772	20,110,210	26,775,647
Culture and Recreation	13,304,250	18,132,534	17,976,423	19,157,061	21,338,566	20,042,332	17,539,116	26,842,366	27,246,508	26,635,916
Economic Development	2,352,538	2,070,444	7,820,674	13,036,303	16,057,472	19,508,037	17,433,872	19,308,546	21,112,765	17,908,249
Animal Services	—	—	—	—	—	—	—	—	7,780,460	8,178,141
Solid Waste	88,357	374,229	—	—	—	—	—	—	—	—
Environmental Code Compliance	—	—	1,403,482	2,403,145	2,209,715	607,901	429,833	454,255	—	—
Community and Human Development	12,843,354	16,947,930	26,009,482	19,732,283	11,584,213	10,586,068	12,734,484	12,381,817	10,181,310	10,272,765
Capital Outlay	95,448,695	80,064,511	91,207,390	92,305,613	125,158,664	188,817,335	39,127,619	43,418,678	68,702,638	108,567,827
Debt Service:										
Principal	31,052,868	29,236,352	30,565,843	34,604,324	36,473,194	39,738,116	42,179,730	45,906,018	44,817,444	57,199,348
Interest	34,187,775	40,508,881	42,971,955	43,498,282	44,572,414	51,444,638	56,338,365	59,073,451	62,953,393	58,896,511
Payment to Refunding to Bond Escrow Agent	448,428	—	—	762,138	—	—	—	—	—	—
Fiscal Fees	2,334,575	645,710	705,811	603,413	2,318,229	3,090,511	1,497,328	3,606,688	76,325	47,152
Total Expenditures	619,487,939	513,796,574	542,743,317	556,033,663	602,386,928	691,054,942	547,831,455	577,160,518	635,259,174	713,829,497
Excess (Deficiency) of revenues over expenditures	\$213,248,965	\$ (74,136,318)	\$ (75,296,980)	\$ (81,838,148)	\$139,382,632	\$(185,968,879)	\$ (21,483,750)	\$(26,656,867)	\$(65,390,852)	\$103,951,539

City of El Paso, Texas
Changes in Fund Balances of Governmental Funds (Continued)
Last Ten Fiscal Years
(Modified accrual basis of accounting)

	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Other Financing Sources(Uses):										
Transfers from Other funds	\$ 24,987,947	\$ 24,884,388	\$25,898,830	\$20,405,547	\$ 36,792,607	\$ 79,316,259	\$ 26,630,983	\$ 42,002,719	\$ 34,009,467	\$ 53,374,017
Transfers Out	(5,581,344)	(4,125,574)	(7,364,426)	(2,532,364)	(17,845,745)	(68,392,088)	(20,799,995)	(47,159,166)	(22,128,627)	(38,700,207)
Federal Tax Credit - Build America Bonds	—	—	—	—	2,419,854	—	—	—	—	—
Face Amount of Bonds Issued	169,160,000	65,895,000	69,280,000	32,775,000	106,975,000	117,970,000	87,810,000	254,575,000	—	—
Face Amount of Commercial Paper Issued	—	—	—	—	—	—	—	—	—	—
Face Amount of Refunding Bonds Issued	16,020,000	—	—	5,860,000	20,710,000	231,127,041	82,790,000	138,925,000	—	—
Premium on Issuance of Bonds	3,793,396	2,903,204	57,868	3,162,848	10,182,058	26,920,358	19,707,406	61,219,655	—	—
Payment to Refunding to Bond Escrow Agent	(17,292,108)	—	—	(6,090,257)	(22,914,230)	(244,430,565)	(88,780,000)	(152,930,000)	—	—
Proceeds from Sale of Capital Assets	597,434	1,048,337	555,777	209,102	171,423	152,999	—	137,900	46,183	29,131
Capital Contributions	—	—	—	—	—	8,466,417	—	—	512,096	—
Loan Proceeds	11,100,876	3,984,677	—	12,849,000	25,083,362	—	—	656,449	3,500,000	—
Other sources (uses)	—	—	—	—	—	—	—	—	8,442,467	—
Total other financing sources (uses)	\$202,786,201	\$ 94,590,032	\$88,428,049	\$66,638,876	\$161,574,329	\$151,130,421	\$ 107,358,394	\$297,427,557	\$ 24,381,586	\$ 14,702,941
Net change in fund balance	\$(10,462,764)	\$ 20,453,714	\$13,131,069	\$15,199,272)	\$ 22,191,697	\$(34,838,458)	\$ 85,874,644	\$270,770,690	\$ (41,009,266)	\$(89,248,598)
Debt service as a percentage of noncapital expenditures	12.45%	16.08%	16.29%	16.84%	16.98%	18.16%	19.37%	19.67%	19.02%	19.18%

City of El Paso, Texas
Assessed Value and Actual Value of Taxable Property
Last Ten Fiscal Years

Fiscal Year Ended August 31,	Residential Property	Commercial Property	Industrial Property	Actual Value	Less: Tax-Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate
2009	\$19,492,871,750	\$ 8,955,857,589	\$ 2,402,999,221	\$ 30,851,728,560	\$2,131,549,259	\$ 28,720,179,301	1.263782
2010	20,451,309,682	9,215,886,317	2,299,961,417	31,967,157,416	2,434,835,040	29,532,322,376	1.256333
2011	21,406,568,964	8,932,627,921	2,003,452,781	32,342,649,666	2,637,355,590	29,705,294,076	1.306556
2012	21,523,966,671	9,690,750,314	2,181,622,777	33,396,339,762	2,767,034,262	30,629,305,500	1.327405
2013	22,404,002,581	9,994,677,832	2,383,518,229	34,782,198,642	2,959,581,878	31,822,616,764	1.373723
2014	22,618,202,693	10,299,934,566	2,407,023,727	35,325,160,986	3,181,579,492	32,143,581,494	1.450255
2015	23,115,936,281	10,357,828,194	2,432,018,421	35,905,782,896	3,392,711,537	32,513,071,359	1.501282
2016	22,989,151,781	10,578,790,471	2,794,783,120	36,362,725,372	3,530,249,339	32,832,476,033	1.536912
2017	23,583,578,035	10,778,750,576	2,850,017,043	37,212,345,654	3,774,160,119	33,438,185,535	1.581715
2018	24,276,882,732	11,149,037,529	2,759,097,900	38,185,018,161	4,397,599,733	33,787,418,428	1.649708

Source: El Paso Central Appraisal District

City of El Paso, Texas
Direct and Overlapping Property Tax Rates
Last Ten Fiscal Years
(Rate per \$100 of Assessed Value)

Fiscal Year	City Direct Rates						Overlapping Rates			
	City of El Paso		County of El Paso	University Medical Center*	El Paso Community College	Total Direct	Canutillo Independent School District	El Paso Independent School District	Socorro Independent School District	Ysleta Independent School District
	Basic Rate	Debt Service Rate								
2009	0.429000	0.204000	0.342437	0.181504	0.106841	1.263782	1.292095	1.235000	1.188194	1.330000
2010	0.422000	0.211000	0.338258	0.179405	0.105670	1.256333	1.292095	1.235000	1.179780	1.330000
2011	0.428400	0.225300	0.363403	0.182124	0.107329	1.306556	1.292100	1.235000	1.179690	1.330000
2012	0.429236	0.229168	0.361196	0.192363	0.115442	1.327405	1.422100	1.235000	1.209794	1.330000
2013	0.442148	0.216256	0.408870	0.192363	0.114086	1.373723	1.422100	1.235000	1.274794	1.330000
2014	0.445699	0.232679	0.433125	0.214393	0.124359	1.450255	1.490000	1.235000	1.274794	1.360000
2015	0.460937	0.238847	0.452694	0.220682	0.128122	1.501282	1.530000	1.235000	1.274794	1.360000
2016	0.478130	0.251595	0.452694	0.220682	0.133811	1.536912	1.530000	1.235000	1.274794	1.360000
2017	0.485641	0.274015	0.452694	0.234456	0.134909	1.581715	1.530000	1.235000	1.274794	1.475000
2018	0.522982	0.280451	0.452694	0.251943	0.141638	1.649708	1.530000	1.310000	1.274794	1.460000

* Formerly Thomason Hospital

Source: City of El Paso Consolidated Tax Office

**City of El Paso, Texas
Principal Property Taxpayers
Current Year and Nine Years Ago**

Taxpayer	2018			2009		
	Rank	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value **	Rank	Taxable Assessed Value	Percentage of Total City Taxable Assessed Value **
Marathon Oil Company	1	\$ 454,063,924	1.34%	1	\$ 551,898,344	1.92%
El Paso Electric Co	2	242,640,655	0.72%	3	163,056,121	0.57%
Wal-Mart Stores Texas LLC	3	234,199,779	0.69%			—%
Sierra Providence Physical Rehabilitation	4	216,576,710	0.64%			—%
River Oaks Properties, LTD	5	170,039,672	0.50%	4	162,897,474	0.57%
Hawkins & I-10 Acquisition Co. LP	6	141,648,828	0.42%			—%
Simon Property Group	7	132,760,671	0.39%	2	183,991,161	0.64%
Texas Gas Service	8	104,782,590	0.31%	7	50,915,990	0.18%
Tenet Hospitals L.P.	9	88,013,858	0.26%	5	145,765,632	0.51%
Union Pacific Railroad Co	10	76,895,572	0.23%			—%
Southwestern Bell Telephone			—%	6	117,617,702	0.41%
Phelps Dodge Refining Group			—%	8	50,393,506	0.18%
E I Du Pont Nemours & Co.			—%	9	47,085,968	0.16%
El Paso Outlet Center LLC			—%	10	43,911,665	0.15%
			—%			—%
TOTAL:		\$ 1,861,622,259	5.50%		\$ 1,517,533,563	5.29%
Total Assessed Taxable Value:		<u><u>\$ 33,787,418,428</u></u>			<u><u>\$ 28,720,179,301</u></u>	

** Real and Personal Property
Source: El Paso Central Appraisal District

City of El Paso, Texas
Property Tax Levies and Collections
Last Ten Fiscal Years

Fiscal Year Ended August 31,	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
		Amount	Percentage of Levy		Amount	Percentage of Levy
2009	\$ 192,047,333	\$ 187,626,344	97.70%	\$ 3,138,806	\$ 190,765,150	99.33%
2010	197,879,934	193,767,422	97.92%	3,839,939	197,607,361	99.86%
2011	205,378,587	201,023,534	97.88%	3,301,554	204,325,088	99.49%
2012	214,165,086	209,993,596	98.05%	3,412,455	213,406,051	99.65%
2013	222,662,695	218,635,406	98.19%	3,319,923	221,955,329	99.68%
2014	218,303,771	214,404,425	98.21%	3,074,812	217,479,237	99.62%
2015	227,767,780	224,134,549	98.40%	2,773,901	226,908,450	99.62%
2016	239,858,850	236,073,290	98.42%	2,248,051	238,321,341	99.36%
2017	254,305,814	250,162,385	98.37%	1,722,100	250,162,385	98.37%
2018	271,798,436	267,637,693	98.47%	—	267,637,693	98.47%

Source: City of El Paso Consolidated Tax Office

City of El Paso, Texas
Personal Income by Industry
Last Eight Calendar Years

Line Title	2010	2011	2012	2013	2014	2015	2016	2017
Personal income (In Thousands) 1/	18,412,317	19,488,662	20,347,085	21,012,635	21,604,209	22,214,178	22,510,218	23,639,460
Population (persons) 2/	649,121	664,643	674,124	674,433	679,036	681,124	683,080	683,577
Per capita personal income (dollars)	28,365	29,322	30,183	31,156	31,816	32,614	32,954	34,582
Derivation of personal income								
Earnings by place of work	16,486,161	17,159,845	17,969,905	18,390,363	18,815,611	18,913,346	19,104,621	19,932,724
less: Contributions for government social insurance 3/	1,674,570	1,575,189	1,646,660	1,838,438	1,897,551	1,968,940	2,035,655	2,124,263
Employee and self-employed contributions for government social insurance	838,051	692,545	712,163	904,431	946,477	966,077	1,009,218	1,062,282
Employer contributions for government social insurance	836,519	882,644	934,497	934,497	951,074	1,002,863	1,026,437	1,061,981
plus: Adjustment for residence 4/	(719,443)	(755,589)	(765,008)	(790,552)	(381,775)	(411,820)	(416,712)	(299,636)
equals: Net earnings by place of residence	14,092,148	14,829,067	15,558,237	15,761,373	16,536,285	16,532,586	16,652,254	17,508,825
plus: Dividends, interest, and rent 5/	3,322,025	3,594,236	3,854,785	4,295,306	4,009,382	4,362,458	4,360,113	4,794,099
plus: Personal current transfer receipts	5,377,467	5,561,160	5,560,538	5,731,472	5,972,788	6,356,922	6,600,195	6,759,731
Earnings by place of work								
Components of earnings								
Wages and salaries	10,964,888	11,512,920	12,068,112	12,177,578	12,596,372	13,109,177	13,462,096	13,930,871
Supplements to wages and salaries	2,966,526	3,116,953	3,280,881	3,532,948	3,579,953	3,763,014	3,868,850	3,994,401
Employer contributions for employee pension and insurance funds 6/	2,130,007	2,234,309	2,346,384	2,598,941	2,628,879	2,760,151	2,842,413	2,932,420
Employer contributions for government social insurance	836,519	882,644	934,497	934,007	951,074	1,002,863	1,026,437	1,061,981
Proprietors' income 7/	2,554,747	2,529,972	2,620,912	2,679,837	2,639,286	2,041,155	1,773,675	2,007,452
Farm proprietors' income	12,580	16,265	24,310	(5,702)	(4,028)	(2,181)	(2,866)	(1,108)
Nonfarm proprietors' income	2,542,167	2,513,707	2,596,602	2,685,539	2,643,314	2,043,336	1,776,541	2,008,560
Earnings by industry								
Farm earnings	21,493	26,617	33,837	4,708	7,790	11,287	8,074	10,469
Nonfarm earnings	16,464,668	17,133,228	17,936,068	18,385,655	18,807,821	18,902,059	19,096,547	19,922,255
Private nonfarm earnings	10,506,747	10,742,237	11,148,616	11,600,200	12,028,245	11,903,029	11,995,822	12,612,211
Forestry, fishing, and related activities	19,064	25,454	27,382	40,192	40,311	15,368	11,156	10,406
Mining	10,489	16,324	17,524	20,078	21,484	5,698	6,855	6,864
Utilities	114,440	119,470	126,184	121,718	136,101	160,578	1,668	177,153
Construction	1,288,901	1,175,760	1,228,098	1,273,767	1,284,628	778,012	169,229	1,053,697
Manufacturing	985,364	1,054,815	1,062,981	1,115,085	1,143,960	1,125,035	1,083,630	1,071,285
Durable goods manufacturing	560,022	618,324	597,379	620,372	656,659	646,715	616,063	623,291
Nondurable goods manufacturing	425,342	436,491	465,602	494,713	487,301	478,320	467,567	447,994
Wholesale trade	657,210	687,315	742,613	785,931	834,429	775,384	764,696	805,486
Retail trade	1,184,296	1,243,345	1,305,499	1,359,642	1,417,567	1,487,828	1,524,359	1,508,373
Transportation and warehousing	858,744	937,967	934,975	999,303	1,076,414	1,200,904	986,833	1,083,809
Information	272,043	262,620	279,449	320,789	336,371	347,550	307,992	318,702
Finance and insurance	427,208	417,280	445,783	466,969	421,023	459,697	507,930	583,954
Real estate and rental and leasing	541,712	504,106	490,730	463,584	413,867	427,592	494,198	487,521
Professional, scientific, and technical services	572,138	595,794	612,465	621,128	631,859	657,217	675,536	666,247
Management of companies and enterprises	7,699	24,130	30,342	40,301	60,105	72,672	88,078	96,648
Administrative and waste management services	697,167	683,250	696,011	720,694	789,334	913,359	875,888	956,916
Educational services	109,824	120,999	129,450	140,754	148,801	157,459	137,348	146,994
Health care and social assistance	1,653,833	1,731,950	1,816,890	1,855,211	1,916,281	1,883,545	1,999,465	2,098,655
Arts, entertainment, and recreation	47,548	45,738	45,199	47,663	52,473	45,838	57,831	68,026
Accommodation and food services	498,616	524,181	559,436	571,985	619,869	675,567	710,941	724,762
Other services, except public administration	560,451	571,739	597,605	636,660	653,368	713,726	729,588	746,713
Government and government enterprises	5,957,921	6,390,991	6,787,452	6,785,455	6,779,576	6,999,030	7,100,725	7,310,044
Federal, civilian	1,127,794	1,218,505	1,261,632	1,251,989	1,275,213	1,312,943	1,347,896	1,389,990
Military	1,978,441	2,308,644	2,634,334	2,519,972	2,450,373	2,539,618	2,410,869	2,463,587
State and local	2,851,686	2,863,842	2,891,486	3,013,494	3,053,990	3,146,469	3,341,960	3,456,467
State government	508,867	516,259	531,827	551,073	567,934	604,003	660,567	686,624
Local government	2,342,819	2,347,583	2,359,659	2,462,421	2,486,056	2,542,466	2,681,393	2,769,843

Personal Income by Industry (Continued)
Last Eight Calendar Years

Notes:

- 1/ The estimates of earnings for 2001-2006 are based on the 2002 North American Industry Classification System (NAICS). The estimates for 2011 forward are based on the 2012 NAICS.
- 2/ Census Bureau midyear population estimates. Estimates for 2010-2016 reflect city population estimates available as of July 2016.
- 3/ Employer contributions for government social insurance are included in earnings by industry and earnings by place of work, but they are excluded from net earnings by place of residence and personal income. Employee and self-employed contributions are subtractions in the calculation of net earnings by place of residence and all of the income measures.
- 4/ The adjustment for residence is the net inflow of the earnings of interarea commuters. For the United States, it consists of adjustments for border workers and US residents employed by international organizations and foreign embassies.
- 5/ Rental income of persons includes the capital consumption adjustment.
- 6/ Includes actual employer contributions and actuarially imputed employer contributions to reflect benefits accrued by defined benefit pension plan participants through service to employers in the current period.
- 7/ Proprietors' income includes the inventory valuation adjustment and capital consumption adjustment.
- 8/ Under the 2007 NAICS, internet publishing and broadcasting was reclassified to other information services. Last updated: November 17, 2017 -- new estimates for 2016; revised estimates for 2010-2015.

Source: Regional Economic Information System, Bureau of Economic Analysis, US Department of Commerce

CA05N Footnotes; regional Economic Information System; Bureau of Economic Analysis November 2017

City of El Paso, Texas
Taxable Sales by Category
Last Ten Calendar Years*
(in thousands)
(Modified Accrual Basis of Accounting)

	Calendar Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Agriculture, Forestry, Fishing	\$ 93	\$ 253	\$ 1,290	\$ 1,184	\$ 763	\$ 412	\$ 407	\$ 106	\$ 101	\$ 57
Mining	39	403	142	123	150	—	154	72	1,664	1,757
Construction	142,794	131,688	125,556	144,839	147,646	159,350	171,772	41,329	40,607	45,384
Manufacturing	156,361	123,465	128,046	140,299	140,465	142,894	143,390	34,426	33,950	40,162
Transportation, Communications & Utilities **	224,418	236,777	235,577	225,399	221,273	246,871	243,795	51,089	51,491	51,928
Wholesale Trade	301,133	302,515	301,374	301,465	306,286	329,214	340,328	85,744	96,278	93,854
Retail Trade	3,246,489	3,458,050	3,569,452	3,690,848	3,810,751	3,884,461	3,940,194	932,100	908,112	946,026
Finance, Insurance & Real Estate	84,763	82,522	81,316	80,757	82,824	75,574	73,902	20,238	19,324	19,544
Services **	1,165,965	1,106,523	1,300,410	1,523,541	1,592,914	422,975	1,839,246	469,300	485,214	461,034
Public Administration	3,914	4,609	5,058	4,471	3,401	3,685	4,213	1,035	774	754
Other **	47	20	17	39	29	74	39	46	24	11
Total	\$ 5,326,016	\$ 5,446,825	\$ 5,748,238	\$ 6,112,965	\$ 6,306,502	\$ 5,265,510	\$ 6,757,440	\$ 1,635,485	\$ 1,637,539	\$ 1,660,511

* Based on one calendar quarter of 2018

** Industries varied in category beginning FY07

Source: Texas Comptroller of Public Accounts

City of El Paso, Texas
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years
(in thousands, except per capita)

Governmental Activities										
Fiscal Year	General Obligation Bonds	Special Revenue Bonds	Certificates of Obligations	Net Unamortized Premium on Bonds (*)	Note Payable	Capital Lease Obligation	Total Governmental Activities	Percentage of Actual Property Value	Per Capita	
2009	\$ 637,485	\$ —	\$ 135,648	\$ —	\$ 11,101	\$ —	\$ 784,234	2.731%	1,264	
2010	612,835	—	197,966	—	14,076	—	824,877	2.793%	1,271	
2011	586,965	—	263,632	—	12,994	—	863,591	2.907%	1,299	
2012	564,070	—	285,189	—	24,516	—	873,775	2.853%	1,296	
2013	554,386	60,785	304,684	—	27,238	20,063	967,156	3.039%	1,434	
2014	523,427	60,785	404,316	—	23,499	18,185	1,030,212	3.205%	1,517	
2015	545,374	60,785	427,760	57,428	4,425	31,509	1,127,281	3.467%	1,660	
2016	738,454	60,995	435,085	108,053	11,200	26,405	1,380,192	4.204%	2,026	
2017	716,727	60,685	419,397	97,525	13,049	21,115	1,328,498	3.973%	1,945	
2018	682,672	60,120	404,449	88,193	10,888	15,644	1,261,966	3.735%	1,846	
Business-type Activities										
Fiscal Year	General Obligation Bonds	Special Revenue Bonds	Certificates of Obligations	Net Unamortized Premium on Bonds (*)	Note Payable	Capital Lease Obligation	Total Business-type Activities	Total Primary Government	Percentage of Actual Property Value	Per Capita
2009	\$ 4,203	\$ 25,025	\$ 5,774	\$ —	\$ 11,686	\$ 12,629	\$ 59,317	\$ 843,551	2.937%	1,360
2010	3,956	23,100	14,987	—	10,577	9,848	62,468	887,345	3.005%	1,367
2011	3,709	37,800	20,939	—	15,105	6,955	84,508	948,099	3.192%	1,426
2012	3,461	36,100	18,970	—	13,264	3,944	75,739	949,514	3.100%	1,409
2013	3,214	34,325	30,376	—	11,366	1,609	80,890	1,048,046	3.293%	1,554
2014	23,988	18,880	94,709	—	—	—	137,577	1,167,789	3.633%	1,720
2015	22,996	17,635	95,375	4,447	—	—	140,453	1,267,734	3.899%	1,867
2016	20,746	16,330	98,745	4,982	—	—	140,803	1,520,995	4.633%	2,233
2017	18,453	15,650	96,123	4,431	—	—	134,657	1,463,155	4.376%	2,142
2018	16,088	14,940	93,336	3,910	—	—	128,274	1,390,240	4.115%	2,034

(*) Net premium/discount on bonds payable is presented starting with fiscal year 2015.

City of El Paso, Texas
Ratios of Net General Bonded Debt Outstanding
Last Ten Fiscal Years
(in thousands, except per capita)

Fiscal Year	Population*	Taxable Assessed Value	Gross Bonded Debt	Less Debt Service Fund	Net Bonded	Percentage of Actual Taxable Value of Property	Per Capita
2009	620,440	\$28,720,179	\$ 783,110	\$ 5,711	\$ 777,399	2.707%	1,253
2010	649,121	29,532,322	829,745	5,329	824,416	2.792%	1,270
2011	664,643	29,705,294	875,245	6,200	869,045	2.926%	1,308
2012	674,124	30,629,306	871,690	5,601	866,089	2.828%	1,285
2013	674,433	31,822,617	892,660	712	891,948	2.803%	1,323
2014	679,036	32,143,581	1,046,440	2,173	1,044,267	3.249%	1,538
2015	679,036	32,513,071	1,091,505	3,598	1,087,907	3.346%	1,602
2016	681,124	32,832,476	1,293,031	4,003	1,289,028	3.926%	1,893
2017	683,080	34,636,839	1,250,700	6,986	1,243,714	3.591%	1,821
2018	683,577	33,787,418	1,196,545	1,848	1,194,697	3.536%	1,748

(*) Population information obtained from the Texas Association of Counties

City of El Paso, Texas
Direct and Overlapping Governmental Activities Debt
Year Ended August 31, 2018
(in thousands)

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>(1) Estimated Percentage Applicable</u>	<u>Estimated Share of Overlapping Debt</u>
<u>Overlapping Debt</u>			
Canutillo Independent School District	\$ 98,915	78.94%	\$ 78,084
El Paso County	173,714	86.28%	149,880
El Paso County Hospital District*	341,275	99.50%	339,569
El Paso Community College District	131,930	86.31%	113,869
El Paso Independent School District	522,185	72.66%	379,420
Socorro Independent School District	650,613	86.31%	561,544
Ysleta Independent School District	571,275	99.98%	571,161
Total overlapping debt	<u>\$ 2,489,907</u>		<u>\$ 2,193,527</u>
<u>City Direct Debt</u>	<u>\$ 1,261,966</u>	100.00%	<u>1,261,966</u>
Total direct and overlapping debt			<u>\$ 3,455,493</u>

* Known as University Medical Center of El Paso

Source: Texas Bond Review Board Website and El Paso Central Appraisal District

(1) The percentage of overlapping debt is calculated by dividing the total assessed value of the overlapping area by the total assessed value of the city.

City of El Paso, Texas
Legal Debt Margin Information
Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2018

Assessed value	\$ 38,185,018,161	
Debt limit (10 percent of assessed value)		3,818,501,816
Debt applicable to limit:		
General obligation bonds & other property tax supported debt	1,235,434,254	
Less: Special Revenue Bonds	(60,120,000)	
Amount set aside for repayment of general obligation debt	(5,775,033)	
Total net debt applicable to limit		1,169,539,221
Legal Debt Margin		2,648,962,595

		2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Debt Limit	\$2,872,017,930	\$2,953,232,238	\$2,970,629,408	\$3,062,930,550	\$3,182,261,676	\$3,214,358,149	\$3,251,307,136	\$3,283,247,603	\$3,721,234,565	\$3,818,501,816	
Total net debt applicable to limit	777,398,893	824,416,017	869,036,686	866,089,244	911,995,626	1,033,442,389	1,087,904,887	1,277,589,949	1,226,662,364	1,169,539,221	
Legal debt margin	\$2,094,619,037	\$2,128,816,221	\$2,101,592,722	\$2,196,841,306	\$2,270,266,050	\$2,180,915,760	\$2,163,402,249	\$2,005,657,654	\$2,494,572,201	\$2,648,962,595	
Total net debt applicable to the limit as a percentage of debt limit		27.1%	27.9%	29.3%	28.3%	28.7%	32.2%	33.5%	38.9%	33.0%	30.6%

Source: City of El Paso Financial Statements 2009-2018

**City of El Paso, Texas
Pledged Revenue Coverage
Last Ten Fiscal Years**

Revenue Bond Coverage						
El Paso International Airport						
Fiscal Year	Gross Revenue	Less: Operating Expenses¹	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2009	\$ 33,851,351	\$ 26,328,769	\$ 7,522,582	\$ 1,000,000	\$ 374,575	5.47
2010	34,907,576	26,189,300	8,718,276	1,020,000	342,075	6.40
2011	34,709,262	27,167,291	7,541,971	1,060,000	305,100	5.52
2012	36,035,489	27,406,774	8,628,715	1,100,000	1,108,829	3.91
2013	36,284,924	27,625,030	8,659,894	1,145,000	980,750	4.07
2014	33,572,430	29,992,419	3,580,011	1,195,000	932,088	1.68
2015	37,032,793	30,062,592	6,970,201	1,245,000	879,806	3.28
2016	37,666,024	31,343,762	6,322,262	1,305,000	823,781	2.97
2017	43,444,699	32,742,927	10,701,772	680,000	763,425	7.41
2018	45,974,812	33,034,989	12,939,823	710,000	763,425	8.78
Department of Environmental Services						
Fiscal Year	Gross Revenue	Less: Operating Expenses¹	Net Available Revenue	Debt Service		Coverage
				Principal	Interest	
2009	\$ 41,310,894	\$ 23,202,237	\$ 18,108,657	\$ 1,200,000	\$ 895,838	8.64
2010	44,790,906	24,836,014	19,954,892	545,000	835,838	14.45
2011	50,528,757	29,727,918	20,800,839	570,000	808,588	15.09
2012	53,660,619	35,879,654	17,780,965	600,000	780,088	12.88
2013	53,281,620	36,715,389	16,566,231	630,000	750,088	12.00
2014	41,031,352	42,010,866	(979,514)	—	—	—
2015	48,964,695	36,764,166	12,200,529	—	—	—
2016	52,182,776	42,429,151	9,753,625	—	—	—
2017	48,381,003	37,474,372	10,906,631	—	—	—
2018	48,154,358	39,772,620	8,381,738	—	—	—

City of El Paso, Texas
Pledged Revenue Coverage (continued)
Last Ten Fiscal Years

Revenue Bond Coverage								
Other Enterprise Funds								
Fiscal Year	Gross Revenue	Less: Operating Expenses¹	Net Available Revenue	Debt Service		Coverage		
				Principal	Interest			
2009	\$ 14,926,788	\$ 4,275,024	\$ 10,651,764	\$ 340,000	\$ 25,535	29.14		
2010	16,124,924	3,127,361	12,997,563	360,000	8,730	35.25		
2011	16,475,270	3,370,509	13,104,761	—	—	—		
2012	25,852,206	57,243,970	(31,391,764)	—	—	—		
2013	30,807,873	60,714,324	(29,906,451)	—	—	—		
2014	31,614,608	65,652,454	(34,037,846)	—	—	—		
2015	34,379,680	70,923,964	(36,544,284)	—	—	—		
2016	36,751,676	75,486,115	(38,734,439)	—	—	—		
2017	36,244,130	76,534,572	(40,290,443)	—	—	—		
2018	42,223,051	74,926,539	(32,703,488)	—	—	—		

Source: City of El Paso Financial Statements 2009-2018

¹ Does not include depreciation.

City of El Paso, Texas
Demographics and Economic Statistics
Last Ten Calendar Years

Year	Population (1)				Per Capita Personal Income (2)			
	U.S.	Change from prior Period	State of Texas	Change from prior Period	U.S.	State of Texas	Texas as a Percentage of U.S.	City of El Paso Unemployment Rate (3)
2009	307,912,769	0.7424%	24,326,974	1.6871%	40,208	37,774	93.95%	9.8%
2010	310,678,237	0.8981%	24,648,888	1.3233%	39,626	38,546	97.27%	9.7%
2011	312,800,424	0.6831%	25,883,999	5.0108%	39,945*	37,706*	94.39%	9.6%
2012	315,249,622	0.7830%	26,403,743	2.0080%	41,560	40,147	96.60%	8.7%
2013	316,128,839	0.2789%	26,448,193	0.1683%	42,693	41,471	97.14%	8.1%
2014	318,857,056	0.8630%	26,956,958	1.9236%	44,543	43,552	97.78%	7.0%
2015	321,418,820	0.8034%	27,469,114	1.8999%	46,049	45,669	99.17%	4.6%
2016	323,127,513	0.5316%	27,862,596	1.4325%	48,112	46,947	97.58%	5.0%
2017	325,365,189	0.6925%	28,797,290	3.3547%	49,246	46,274	93.96%	4.8%
2018	328,940,583	1.0989%	29,366,479	1.9765%	51,640	47,362	91.72%	4.4%

Data Sources:

(1) U.S. Department of Commerce, United States Census Bureau

(2) Bureau of Labor Statistics, U.S. Department of Labor, Bureau of Business and Economic Research

(3) US Bureau of Labor and Statistics

* www.ehomesearch.com projections

City of El Paso, Texas

Employees by Funding Source and Function

Last Ten Fiscal Years

	2018			2017			2016			2015			2014			2013			2012			2011			2010			2009		
Funding Source	Non uniformed	Police	Fire	Non uniformed	Police	Fire	Non uniformed	Police	Fire	Non uniformed	Police	Fire	Non uniformed	Police	Fire	Non uniformed	Police	Fire	Non uniformed	Police	Fire	Non uniformed	Police	Fire	Non uniformed	Police	Fire	Non uniformed	Police	Fire
General Fund	1,855	1,010	864	1,770	990	855	1,696	962	853	1,701	971	817	1,693	983	813	1,801	988	834	2,176	982	801	1,827	1,014	796	1,799	1,025	793	1,904	1,058	804
Community Development Block Grants	70	—	—	32	—	—	36	—	—	31	—	—	24	—	—	14	—	—	56	—	—	38	—	—	46	—	—	51	—	—
Capital Projects	13	—	—	15	—	—	18	—	—	24	—	—	7	—	—	4	—	—	15	—	—	5	—	—	5	—	—	4	—	—
Federal Grants	7	16	3	8	15	2	9	16	3	16	15	3	33	15	3	52	24	35	11	15	22	38	15	4	27	15	4	24	14	3
Federal Grants-ARRA	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	31	—	—	41	—	—	12	—	—	8	—	—	—	—	—
State Grants	12	10	—	8	10	—	8	11	—	7	12	—	4	11	—	2	—	—	9	11	—	9	11	—	7	12	—	11	9	1
Other Grants	—	—	—	—	—	—	—	—	—	1	—	—	—	—	—	1	—	—	1	—	—	2	—	—	2	—	—	1	—	—
Health	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Health Grants	164	—	—	175	—	—	190	—	—	192	—	—	189	—	—	194	—	—	152	—	—	192	—	—	201	—	—	200	—	—
Nongrants	156	1	—	197	2	20	28	1	—	31	1	—	36	1	—	38	—	—	46	—	—	30	1	—	33	1	—	19	1	—
Supply and Support	104	—	—	95	—	—	95	1	—	98	—	—	91	—	—	81	—	—	67	—	—	83	—	—	82	—	—	79	—	—
SIF-Health Benefits	16	—	—	16	—	—	18	—	—	15	—	—	20	—	—	13	—	—	15	—	—	14	—	—	13	—	—	10	—	—
Airport	203	21	31	213	22	31	221	22	29	224	21	27	220	21	26	225	20	29	219	22	30	221	22	28	223	22	30	227	21	28
International Bridges	62	—	—	62	—	—	61	—	—	60	—	—	57	—	—	59	—	—	52	—	—	54	—	—	54	—	—	54	—	—
Solid Waste	347	—	—	353	—	—	498	—	20	473	—	20	452	—	19	398	—	—	404	—	—	341	—	—	343	—	—	295	—	—
Sun Metro	556	—	—	559	—	—	556	—	—	586	—	—	578	—	—	542	—	—	620	—	—	622	—	—	627	—	—	608	—	—
Tax Office	20	—	—	19	—	—	21	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—	—
Private Purpose Trusts	7	—	—	1	—	—	5	—	—	5	—	—	4	—	—	4	—	—	—	—	—	1	—	—	1	—	—	3	—	—
Agency Funds	8	—	—	17	—	—	8	—	—	7	—	—	8	—	—	8	1	—	5	—	—	5	—	—	5	—	—	5	—	—
	3,593	1,058	898	3,539	1,039	908	3,463	1,013	905	3,466	1,020	867	3,412	1,031	861	3,463	1,033	898	3,889	1,030	853	3,493	1,063	828	3,475	1,075	827	3,492	1,103	836

City of El Paso, Texas
Employees by Funding Source and Function (continued)
Last Ten Fiscal Years

Activity	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Public Safety	2,312	2,395	2,297	2,308	2,284	2,406	2,374	2,345	2,341	2,366
Public Works	369	399	317	319	339	323	353	376	372	383
Public Health	368	425	348	300	301	298	261	310	316	318
Parks Department	332	274	258	264	259	272	437	292	274	305
General Government	328	302	294	348	343	283	340	246	249	264
Library	152	155	145	149	147	183	194	165	159	166
Culture and Recreation	154	145	216	154	158	163	168	155	150	148
Community and Human Development	36	35	48	35	38	37	44	58	63	57
Facilities Maintenance		69	65	64	63	69	158	36	35	37
Planning		17	27	27	27	112	24	15	15	47
Economic Development	136	18	16	21	4	4	11	38	40	15
Supply and Support	104	95	96	97	90	79	67	83	82	79
Self Insurance Funds	16	—	—	—	—	—	15	3	6	10
Sun Metro	556	560	551	583	574	533	620	619	627	608
Solid Waste	347	277	344	370	370	366	446	317	315	296
Airport	255	223	272	257	252	206	203	268	275	276
International Bridges	62	61	60	55	51	56	52	54	54	54
Tax Office	20	19	21	—	—	—	—	—	—	—
Private Purpose Trusts	—	—	5	—	—	—	—	—	—	—
Agency Funds	9	8	6	7	8	8	5	5	5	5
Total	5,556	5,477	5,381	5,358	5,308	5,398	5,772	5,385	5,378	5,434

City of El Paso, Texas
Operating Indicators by Function/Program
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Safety										
Police										
Number of Dispatch calls	523,725	517,528	477,546	466,771	306,739	487,492	396,874	337,676	310,104	374,439
Number of citations issued	349,249	345,477	336,458	306,783	435,819	309,852	289,900	246,866	216,428	223,796
Fire										
Number of service calls-Fire	21,861	21,765	24,032	22,745	24,254	24,784	25,978	26,766	29,222	30,283
Number of service calls-EMS	50,296	49,494	47,422	49,331	49,849	50,905	52,267	53,199	52,679	53,479
Public Works										
Department of Transportation										
Number of miles of street	15	12	12	21	8	13	16	14	10	31
Public Health										
Number of clients served	267,536	285,480	310,008	247,481	215,557	207,016	660,359	1,406,226	1,886,861	612,945
Parks										
Number of athletic field permits	20,368	13,783	9,682	5,618	7,110	2,475	2,437	4,874	4,293	5,331
Number of users	34,000	36,362	38,960	43,000	45,400	51,000	51,000	52,125	53,125	79,965
Library										
Average monthly circulation	134,184	123,380	122,569	141,052	146,842	143,735	133,677	179,134	190,669	171,257
Culture and Recreation										
Number of museums	3	3	3	3	3	3	3	3	3	3
Number of users	137,802	167,328	133,753	136,500	704,752	157,000	137,320	182,779	156,972	197,635
Community and Economic Development Services										
Number of permits issued	37,869	44,071	28,722	29,045	31,061	30,983	35,115	41,274	47,206	40,907
International Airport Operations										
Number of Takeoff and Landings	96,437	102,731	94,983	95,514	91,775	93,396	83,990	80,309	76,136	81,725
Solid waste disposal operations										
Refuse collection (tons)	419,952	457,284	456,502	428,824	401,583	408,101	401,058	434,570	474,403	438,346
Recyclables collected (tons)	33,609	36,628	35,263	34,928	33,071	32,983	33,290	32,446	31,540	28,281
Mass transit operations										
Number of passengers	12,867,324	14,174,578	15,799,858	16,402,270	16,459,406	16,592,000	15,954,000	14,696,000	13,670,000	13,403,058
International bridges operations										
Number of pedestrian crossings	5,138,953	5,150,718	4,455,679	4,030,990	3,938,677	4,063,492	4,281,618	4,426,791	4,422,551	4,324,681
Number of vehicle crossings	3,882,659	3,630,336	3,808,965	3,724,722	4,174,351	4,331,800	4,462,625	4,539,972	4,167,034	4,364,654
Zoo										
Annual Attendance	281,753	331,646	321,195	354,130	332,615	378,009	358,166	344,309	318,864	315,846
Component Unit										
El Paso Water Utility										
Customers (retail)	182,315	185,062	188,927	191,625	194,274	196,600	198,767	201,807	204,140	206,609
Water pumped (million gallons)	35,476	37,067	37,348	38,833	38,820	37,345	37,324	37,487	37,693	37,958

City of El Paso, Texas
Capital Asset Statistics by Function
Last Ten Fiscal Years

Function/Program	Fiscal Year									
	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018
Public Safety										
Police										
Number of police vehicles	719	729	758	762	813	840	814	775	774	787
Number of stations	5 Regions and HQ	5 Regions and HQ	5 Regions and HQ	5 Regions and HQ	5 Regions and HQ	5 Regions and HQ	5 Regions and HQ	5 Regions and HQ	5 Regions and HQ	5 Regions and HQ
Fire										
Number of fire engines	66	66	66	68	68	67	67	99	99	97
Number of fire stations	34	34	34	35	36	36	35	35	35	35
Public Works										
Department of Transportation										
Paved streets (lane miles)	2,014	2,098	2,126	2,176	2,200	2,224	2,280	2,243	2,264	2,311
Traffic signals	612	629	636	642	643	652	655	656	656	660
Public Health										
not applicable										
Parks										
Number of parks	200	214	212	239	236	244	258	261	288	292
Number of swimming pools	14	14	14	14	14	14	14	14	14	15
Number of recreation centers	15	15	15	16	16	16	16	16	16	16
Library										
Number of branch libraries	13	13	13	13	13	13	13	13	13	13
Book stock	902,521	900,191	579,503	627,484	611,082	642,831	709,982	749,270	784,565	793,396
Culture and Recreation										
Number of exhibits	30	26	36	34	95	34	35	38	31	29
Community and Economic										
not applicable										
International Airport Operations										
Number of hangars	244	231	221	233	242	203	203	236	253	253
Solid waste disposal operations										
Number of collection trucks	110	108	96	110	103	115	115	120	118	113
Mass transit operations										
Number of buses	159	159	166	166	166	169	169	169	162	169
International bridges operations										
not applicable										
Component Unit										
El Paso Water Utility										
Capitalize miles of water mains	2,468	2,489	2,506	2,530	2,561	2,593	2,615	2,635	2,670	2,692