NOTES TO THE FINANCIAL STATEMENTS

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

The financial statements of the County, the reporting entity, include all governmental activities, departments, agencies, organizations and functions of the County for which the governing body is financially accountable. In evaluating and determining how to define the financial reporting entity, all likely units have been considered.

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

In conformity with the criteria discussed above, the financial statements of the El Paso County Hospital District (District) have been included in the financial reporting entity as a discretely presented component unit. This unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the County.

The District operates University Medical Center, a non-profit organization, formally known as R. E. Thomason General Hospital. The El Paso County Commissioners Court appoints the District's seven member governing body, approves the District's budget, tax rate and issuance of bonded debt. Complete financial statements for the District can be obtained from its administrative office:

University Medical Center
4815 Alameda Avenue
El Paso, Texas 79905
(915) 521-7610

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-wide and fund financial statements

The government-wide financial statements report financial information of the primary government and its component unit for all non-fiduciary activities. The effects of inter-fund activities have been removed from the government-wide financial statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separate from business-type activities, which rely on fees and charges for a significant portion of their revenues.

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

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

C. Measurement focus, basis of accounting, and financial statement presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of* accounting, as are the proprietary and fiduciary fund financial statements. Under the accrual basis of accounting, revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of when the related cash flows occur. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements have been met.

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

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

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

The County reports the following major governmental funds:

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

The County reports enterprise funds as major proprietary funds. The enterprise fund accounts for the activities of the East Montana Water Project, the Mayfair/Nuway Water Project and County Solid Waste. User charges are used to pay off the debt on the revenue bonds for the East Montana Water Project, plus the operating expenses for both enterprise funds.

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

The County reports the following non-major governmental funds:

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

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

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

The County additionally reports the following fund types:

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

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

> *County Payroll Fund* is used as a clearing account for the bi-weekly employee payroll.
>
> *IRS Section 125 Fund* is used to account for the employees' contributions to a cafeteria plan under the provisions of the *Internal Revenue Code Section 125.*
>
> *County Employees' Retirement Fund* is used as a clearing account for the County and employees' contributions to the Texas County and District Retirement System.
>
> *Social Security Fund is* used as a clearing account for the F.I.T. and F.I.C.A. withholdings.
>
> *Child Support Fund* is used as a clearing account for County employees' deductions for court ordered child support payments.

Note 1. Summary of Significant Accounting Policies (Continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

West Texas Community Supervision and Corrections Fund is used to account for the activities of the State Adult Probation Department.

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

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

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

Domestic Relations Office Fund is used to account for the collections and disbursements of the child support funds.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business type activities subject to this same limitation; however, the County has elected not to follow subsequent private sector guidelines.

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgets

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

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

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

The annual adopted budget for fiscal year 2012 totaled $262,247,887. Throughout the year, the Commissioners Court amended the budget for an aggregate increase total of $151,365,327. These increases represented statutorily provided increases for additional funding by granting agencies and intergovernmental agreements bringing the overall budget total to $413,613,214, including re-appropriations. The appropriation changes included revisions as follows:

County of El Paso, Texas
Schedule of Amended Funding Amounts
For the period ending September 30, 2012

Date of Amendment	General Fund	Special Revenue Fund	Enterprise Fund	Debt Service Fund	Capital Projects Fund	Grants	Total Funding Amounts
October 5, 2010	$214,260,168	$31,866,256	$2,864,479	$12,964,010	$292,974	$0	$262,247,887
Total amendments		(7,534)	(63,000)	12,236,455	110,789,026	28,410,380	151,365,327
Subtotal	$214,260,168	$31,858,722	$2,801,479	$25,200,465	$111,082,000	$28,410,380	$413,613,214
Carry over Re-appropriation	823,906	1,566,209	8,232		50,172,685	77,473,069	130,044,101
Totals	$215,084,074	$33,424,931	$2,809,711	$25,200,465	$161,254,685	$105,883,449	$543,657,315

A reconciliation of budgeted and non-budgeted fund balance is as follows:

	General Fund
Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual	$62,749,079
Revenues:	
Non-Budgeted	
Expenditures:	
Non-budgeted	(21,491)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgets (Continued)

Revenues over (under) Expenditures	21,491
Other financing sources (uses): Non-budged	(307,807)
Excess (deficiency) of revenues and Other financing sources over (under) Expenditures and other financing uses	(286,316)
Change in reserve for inventory	(21,491)
Prior years differences	(12,169,631)
Statement of Revenues, Expenditures and Changes in Fund Balances	$50,271,641

The non-budgeted expenditure in the general fund is a change in the reserve for inventory of $21,491 which represents the amount of inventory consumed during the year and $307,807 of excess sales taxes transferred from the general fund to the debt service fund.

E. Excess of Expenditures Over Appropriations

Within the Special Revenue Grants Fund, there was a budget shortfall of $166,599, which represents an excess grant match transferred back to General Fund. Within the General Fund there was a budget shortfall of $6,386 in the Council of Judges Administration; a shortfall of $9,289 in the Juvenile Probation Community Based; and a shortfall of $179,990 in the Capital Outlays, all of which were covered with available fund balance.

F. Deposits and Investments

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

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

Governmental Accounting Standards Board Statement Number 40 "*Deposit and Investment Risk Disclosures, an amendment to GASB Statement Number 3"*, establishes and modifies disclosure requirements related to investment risks associated with credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. To limit the concentration of credit risk, the County has an established policy, whereby the maximum aggregate for all investments in obligations of U. S. Agencies and Instrumentalities shall not exceed 75 percent. The County has also established interest rate risk policies that limit the maximum maturity of any one security to 5 years or less.

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

Note 1. Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (continued)

Governmental Accounting Standards Board Statement (GASB) Number 59 became effective for fiscal years beginning after June 15, 2010. Statement No. 59 requires external investment pools that operate in conformity with the Securities and Exchange Commission (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended, to report investments using the net asset value per share method calculated on a basis other than fair value, such as "amortized cost" method that provides a net asset value per share that approximates fair value. To qualify as a 2a7-like pool, the pool should satisfy all SEC requirements of rule 2a7, including that a group of individuals fulfills the functions of a board of directors.

Investments reported on the balance sheet are stated at amortized fair value. All of the County's investments are purchased with maturity of ten years or less. In accordance with Public Funds Investment Act, all County investments are in United States Treasury Securities, agency securities, TexPool, TexPool Prime, certificates of deposit or commercial paper through an authorized investment pool. All certificates of deposit are fully insured by the Federal Deposit Insurance Corporation and/or fully collateralized with United States Treasury or agency securities. United States Treasury Securities are backed by the full faith and credit of the United States.

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

<u>TexPool and TexPool Prime</u>

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

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

TexPool and TexPool Prime operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, as amended. TexPool and TexPool Prime qualify as 2a7-like pools and are reported at the net asset value per share (which approximates fair value) even though it is calculated using the amortized cost method in accordance with the provisions of GASB Statement 59. The pools are subject to regulatory oversight by the Texas State Comptroller, although it is not registered with the SEC.

Note 1. Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (continued)

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

G. Receivables and Payables

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

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

All trade and property tax receivables are shown net of an allowance for uncollectable accounts. Property taxes are levied October 1st and become delinquent on February 1st, at which time penalties and interest are assessed. The allowance for uncollectable property taxes is set at one percent of the outstanding delinquent taxes at September 30, 2012.

H. Inventories and prepaid items

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

I. Restricted Assets

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

The government-wide statement of net assets reports $26,791,909 of restricted net assets, of which $23,280,363 is restricted by enabling legislation.

Note 1. Summary of Significant Accounting Policies (Continued)

J. Capital Assets

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

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

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

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

Capital assets for the enterprise fund related to the East Montana Water System are depreciated using the 120 percent declining balance over 40 years in accordance with the bond covenant. All other capital assets are depreciated in accordance with the County depreciation method listed below. Capital assets under construction are not depreciated until construction is completed.

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

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

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

Assets	Years
Building & Improvements	8-40
Moveable & Fixed Equipment	3-15

Note 1. Summary of Significant Accounting Policies (Continued)

K. Compensated Absences

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

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

Vacation leave may be accumulated up to a maximum of two times the annual vacation benefit (20, 30 or 40 days depending on the number of years of service). Employees lose, without pay, unused vacation leave, which exceeds this limit. Regular part-time employees accumulate vacation leave at half the rate of regular full-time employees. On September 30, 2012, the County's total liability for vested vacation leave totaled $12,712,780.

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

A liability in the amount of $17,983,790 has been established for the accumulated vested sick leave benefits of the El Paso County Sheriff's deputies and detention officers. This is in accordance with the provisions of the contract agreement between the County and the El Paso County Sheriff's Association, whereby the County shall buy back any unused sick leave at the end of an officer’s career. An officer will be paid at the rate of one day's pay for one day's sick leave up to 90 days and thereafter at the rate of one day's pay for every three days of sick leave.

Vested vacation and sick leave benefits are not expected to be liquidated with expendable and available financial resources and therefore, are reported as long term liabilities in the government wide statements. The accrued accumulated vested benefits liability for the current year is $30,696,570 of which $9,886,564 is reported as due within one year. The general fund or the appropriate special revenue fund is used to liquidate any liabilities for compensated absences.

L. Long-term Obligations

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

Note 1. Summary of Significant Accounting Policies (Continued)

L. Long-term Obligations (Continued)

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

M. Fund Balances

During the meeting of September 24, 2012, the County Commissioners Court established financial policies that included a policy for maintaining a minimum fund balance of 10 to 15 percent of the total general fund adopted operating budget in any one fiscal year, or at a minimum, a balance equal to the projected cash needs for the first fiscal quarter to meet operating obligations.

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

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

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

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

Assigned Fund Balance – Represents amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. The governing body has delegated authority to the County Auditor, the chief financial officer, to make recommendations to allocate funds, which have not been previously restricted or committed.

Unassigned Fund Balance – Represents the residual amount in the general fund that has not been restricted, committed, or assigned to specific purposes.

Note 1. Summary of Significant Accounting Policies (Continued)

M. Fund Balances (Continued)

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

The restricted other purposes amount of $3,056,621 reported as other governmental funds consists of $2,369,920 special revenue funds restricted for various programs and projects. The remaining balance of $686,701 is restricted for non-major capital projects.

N. Comparative Data/reclassifications

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

O. Use of Estimates

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

Note 2. Legal Compliance - Budgets

The County Auditor serves as the Budget Officer for the Commissioners Court of the County. Budgets are adopted by Commissioners Court on a modified accrual basis.

The Budget Officer prepares a proposed budget utilizing spending requests received from the various County departments and agencies. This proposed budget contains the County Auditor's estimate of revenues. The Commissioners Court may not legally adopt an annual operating budget containing appropriations in excess of the available funds at the beginning of the fiscal year and the anticipated revenues for the fiscal year as estimated by the County Auditor.

Public hearings pertaining to the proposed budget are conducted by Commissioners Court and the Budget Officer. During these hearings, the department heads are requested to explain and justify their spending requests. Before determining the final budget, Commissioners Court, while establishing overall spending priorities for the County, may increase or decrease the amounts requested by the different departments and agencies.

Note 2. Legal Compliance – Budgets (Continued)

After approval of the budget, Commissioners Court may authorize transfers of appropriations within the various expenditure levels during the year. Such transfers, however, may not increase the overall budget total. The County budget may be increased during the course of the fiscal year for newly received bond proceeds, grants, state aid, intergovernmental contracts or unanticipated revenue received after adoption of the budget.

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

Note 3. Detailed notes on all funds

A. Deposits and Investments

At year-end, the carrying amounts of the County's deposits were $258,786,678 consisting of cash and cash equivalents. Of this amount, $2,010,085 represents custodial funds from the County Clerk's Probate Account, $6,341,830 represents funds held in the District Clerk's Custodial Account and $266,808 represents restricted assets for business-type activities. The bank balance of $205,517,528 was covered by $250,000 federal depository insurance with the remaining bank balance fully collateralized with securities held in the County's name in a joint custody account with the County's Depository bank at Frost National Bank.

The carrying amount of the deposits for the Hospital District, the discretely presented component unit, was $81,672,000, consisting of cash and cash equivalents. The bank balance was covered by $250,000 federal deposit insurance and the remaining bank balance collateralized with securities held in the hospital's name by the depository bank's trust department.

As of September 30, 2012 the County had the following investments.

Investment Type	Fair Value	Weighted Average Maturity (Years)
TexPool investment pool	$35,191,556	0.10
TexPool Prime investment pool	10,427,340	0.41
Total	$45,618,896	0.17

Note 3. Detailed notes on all funds (Continued)

A. Deposits and Investments (Continued)

As of September 30, 2012 the District had the following investments.

Unrestricted Investment Type	Fair Value	Weighted Average Maturity (Years)
U.S. Agencies	$ 1,000,715	3.88
Total	$ 1,000,715	3.88

Restricted Investment Type	Fair Value	Weighted Average Maturity (Years)
Certificates of deposit	$ 700,000	0.66
Total	$ 700,000	0.66

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

The District has established interest rate risk policies that limits the maximum maturity of any one security to 5 years or less, except for the tobacco settlement fund for which the maximum maturity is 10 years.

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

El Paso County Investment at September 30, 2012	Standard & Poor's Rating
Local Government Investment Pools	AAAm

Component Unit Investment at September 30, 2012	Standard & Poor's Rating
Federal Home Loan Bank	AA+
Local Government Investment Pools	AAAm

Note 3. Detailed notes on all funds (Continued)

A. Deposits and Investments (Continued)

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

District investments shall be diversified by limiting concentration of specific security types, issuers, and by staggering maturity dates.

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

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

B. Receivables

Receivables as of September 30, 2012 for the general, major capital and grant funds, enterprise funds and non-major governmental, including applicable allowances for uncollectable accounts, are as follows:

	General	Capital Project 2007	Major Special Revenue-Grants Funds	Other Non-major Funds	Enterprise Funds	Total
Receivables:						
Taxes	$16,282,523					$16,282,523
Accounts	9,576,006	$319,082	$9,969,271	$319,767	$102,963	20,287,089
Notes			847,108			847,108
Less: allowance for uncollectable	(162,825)					(162,825)
Net total receivables	$25,695,704	$319,082	$10,816,379	$319,767	$102,963	$37,253,895

Accounts and property taxes receivables are reported net of unrealizable amounts. The taxes receivable account represents uncollected tax levies of the past twenty years on real property and the last four years on personal property in accordance with State statute. The allowance for estimated uncollectable taxes is one percent of the total delinquent taxes receivable, including penalties and interest, as of September 30, 2012. Based on a five year trend of the taxes receivable, including penalties and interest, the County deferred approximately 92.0 percent until collection of those revenues. In calculating the taxes receivable, a period of 60 days is used to measure availability since the taxes for any current tax year are materially received well into the next fiscal year. Expenditure accruals are also being recognized 60 days after the fiscal year end.

Note 3. Detailed notes on all funds (Continued)

B. Receivables (Continued)

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

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

	Unavailable	Unearned
Delinquent property taxes receivable (general fund)	$15,036,498	
Cell Phone Tower Commissions (general fund)		$29,603
Court costs and fines (general fund)	24,770	
Draw-downs prior to meeting eligibility requirements (grants)		3,078,823
Total deferred /unearned revenue for governmental funds	$15,061,268	$3,108,426

C. Capital assets

Capital assets activity for the year ended September 30, 2012 was as follows:

Primary Government

	Beginning Balance	Prior Period Adjustments	Increases	Decreases	Ending Balance
Governmental Activities:					
Capital assets, not being depreciated:					
Land	$16,322,295	$337,331	$1,647,624	$(1,481,444)	$16,825,806
Easements	100,000		10,000		110,000
Information Technology System in progress	4,646,324		3,125,596		7,771,920
Construction in progress	23,280,378		23,394,734	(7,642,038)	39,033,074
Total capital assets, not being depreciated	44,348,997	337,331	28,177,954	(9,123,482)	63,740,800
Capital assets, being depreciated:					
Bridges and culverts	3,570,308				3,570,308
Buildings	224,429,539		6,065,633		230,495,172
Equipment	26,589,513		2,173,921	(1,378,111)	27,385,323
Furniture and fixtures	897,713		56,660		954,373
Improvements	12,427,418		429,370		12,856,788
Infrastructure	1,955,622		2,423,171		4,378,793
Leased equipment	300,589		274,858	(147,458)	427,989
Roads	36,082,093		4,516,293		40,598,386
Vehicles	16,753,913		794,775	(528,383)	17,020,305
Total capital assets, being depreciated	323,006,708		16,734,681	(2,053,952)	337,687,437

Note 3. Detailed notes on all funds (Continued)

C. Capital assets (Continued)

	Beginning Balance	Prior Period Adjustments	Increases	Decreases	Ending Balance
Less accumulated depreciation for:					
Bridges and culverts	(2,070,877)		(94,870)		(2,165,747)
Buildings	(123,536,783)		(8,619,972)		(132,156,755)
Equipment	(22,069,115)		(1,358,842)	787,761	(22,640,196)
Furniture and fixtures	(731,458)		(39,736)		(771,194)
Improvements	(5,629,443)		(728,552)		(6,357,995)
Infrastructure	(455,001)		(123,126)		(578,127)
Leased equipment	(109,443)		(82,046)	71,568	(119,921)
Roads	(18,737,066)		(3,772,108)		(22,509,174)
Vehicles	(11,440,313)		(1,468,440)	381,963	(12,526,790)
Total accumulated depreciation	(184,779,499)		(16,287,692)	1,241,292	(199,825,899)
Total capital assets, being depreciated, net	138,227,209		446,989	(812,660)	137,861,538
Governmental activities capital assets, net	$182,576,206	$337,331	$28,624,943	($9,936,142)	$201,602,338

	Beginning Balance	Prior Period Adjustments	Increases	Ending Decreases	Balance
Business-type activities:					
Capital assets, not being depreciated:					
Construction in Progress	155,584		457,426		613,010
Total capital assets, not being depreciated	$155,584		$457,426		$613,010
Capital assets, being depreciated:					
Vehicles	16,979				16,979
Water System	13,134,237		6,776		13,141,013
Total capital assets, being depreciated	13,151,216		6,776		13,157,992
Business-type activities (continued):					
Less accumulated depreciation for:					
Vehicles	(15,564)		(1,415)		(16,979)
Water system	(3,066,021)		(322,314)		(3,388,335)
Total accumulated depreciation	(3,081,585)		(323,729)		(3,405,314)
Total capital assets, being depreciated, net	10,069,631		(316,953)		9,752,678
Business-type activities capital assets, net	$10,225,215		$140,473		$10,365,688

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

Governmental activities:	
General Government	$3,884,513
Administration of justice	112,549
Public safety	5,768,890
Health and welfare	156,900
Community service	109,863
Resource Development	1,271
Culture and recreation	1,556,208
Public works	4,697,498
Total depreciation expense governmental activities	$16,287,692

Note 3. Detailed notes on all funds (Continued)

C. Capital assets (Continued)

Business-type activities:	
Vehicles	$1,415
Water system	322,314
Total depreciation expense	
Business-type activities	$323,729

During the current fiscal year there was a change in accounting estimate for depreciation expense.

Construction and Technology Computer Systems Commitments

The County has several active projects as of September 30, 2012. The projects include, among others, the Fabens Port of Entry, Youth Services Center, Ascarate Park Pavilion and Entrance, Sportspark Complex Renovations, Aguilera Highway, Tornillo Guadalupe Major Arterial Roadway, Schuman Brothers Water Project, Salcido Sewer Project, Disaster Recovery Center and the Judicial Administration Software. The County's year-end commitments are as follows:

Project	Spent-to-date	Remaining Commitment
Governmental Activities		
Tornillo Guadalupe Port of Entry	$22,087,443	$32,832,641
Youth Services Center	4,568,990	295,054
Ascarate Park Pavilion	538,847	58,640
Ascarate Park Entrance	549,325	136,371
Upper Valley Annex	205,044	4,350,161
Sportspark Complex Renovations	942,235	8,763,286
Aguilera Highway	281,244	1,654,377
Tornillo Guadalupe Major Arterial Roadway	7,587,768	50,501
Schuman Brothers Water Project	796,663	543,142
Mayfair-Nuway Water Project	627,620	763,059
Disaster Recovery Data Center	4,409,988	490,958
Judicial Administration Software	3,361,932	2,411,978
New Jail Annex Unit	492,895	46,152,105
Salcido Sewer Project	355,000	120,000
Total	$46,804,994	$98,622,273
Business Type Activities		
Nuway – Mayfair Water Project	$613,010	
Total	$613,010	

Note 3. Detailed notes on all funds (Continued)

C. Capital assets (Continued)

Component unit

Capital asset activity for the District for the year ended September 30, 2012, was as follows:

	Beginning Balance	Increases	Transfer Disposals/ Retirements	Ending Balances
Capital assets, not being depreciated:				
Land	$10,128,000	$198,000		$10,326,000
Construction in progress	245,345,000	41,682,000	($286,500,000)	527,000
Total capital assets, not being depreciated	255,473,000	41,880,000	(286,500,000)	10,853,000
Capital assets, being depreciated:				
Buildings and improvements	163,642,000	163,000	247,176,000	410,981,000
Movable and fixed equipment	180,740,000	5,996,000	39,122,000	225,858,000
Total capital assets, being depreciated	344,382,000	6,159,000	286,298,000	636,839,000
Less accumulated depreciation for:				
Buildings, improvements and equipment	(213,140,000)	(28,198,000)	92,000	(241,246,000)
Total accumulated depreciation	(213,140,000)	(28,198,000)	92,000	(241,246,000)
Total capital assets, being depreciated, net	131,242,000	(22,039,000)	286,390,000	395,593,000
District capital assets, net	$386,715,000	$19,841,000	($110,000)	$406,446,000

Construction in progress for the Component Unit at September 30, 2012 represents the Master Plan Implementation Project, with a completion date of June 2012. This project is expected to cost $154 million and is to be paid from the $113 million in proceeds from the 2005 bond issue and the remaining $41 million came from hospital district reserves. Infrastructure Improvement Projects, consist of various individual construction projects estimated to cost $16.5 million, to be paid from Hospital District reserves and were substantially completed by mid 2012.

D. Inter-fund receivables, payables, and transfers

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

The composition of inter-fund/intra-fund balances as of September 30, 2012, is as follows:

	Due From	Due To
General Fund	$392,175	$12,653
Major Special Revenue-Grants		
34th Judicial District Prosecution Initiative		90,303
65th District Family Drug Court		31,458
384th District Drug Court		32,580
409th District Drug Court		20,013
409th District Drug Court EPISD	16,312	
Access and Visitation		6,544
Animal Control		1,678
BCMHC Interception Project		11,407
BCMHC Juvenile Court Mentoring		24,282
BCMHC Non-Traditional Services	8,817	
Border Children's Mental Health Collaborative	713,415	

Note 3. Detailed notes on all funds (Continued)

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

	Due From	Due To
Border Crime Initiative	$299,457	$439,647
Bosque Bonito		1,835
Byrne Justice Assistance Grant		262,233
Byrne Justice Assistance City Grant (ARRA)		8,224
Canutillo Western Village		1,206
Child Protective Services	57,931	
Colonia Revolucion Water Project		66,500
Colonia Road Projects		225,471
Colonia Self-Help Center		283,854
Community Defined Solutions to Violence		27,223
Conquistador & Lourdes Step Project		54,862
Constable Tobacco Compliance	186	
COPS in Schools	16,170	
Criminal History Updates		20,734
DA Border Prosecution		99,449
DAG Reporting		12,007
DIMS Project		29,736
Domestic Violence Unit		13,304
DWI Court Program		24,708
El Paso/NM Transit System		32,320
Enforcing of Underage Drinking Laws		3,546
Energy Efficiency and Conservation (ARRA)	66,417	
Emergency Solution Grant Program		1,240
Explorer Post Task Force	1,694	
Family and Youth Activities	1,305	
Fit to Grow	22,830	
Hispanic Nutrition Program	649	
Homeland Security		734
Homeless & Housing Service		75,000
Homeless Re-housing Program (ARRA)	1,120	
HIDTA Program Income	982,967	
Juvenile Accountability Incentive		8,465
Juvenile Board State Aid	97,569	
Nutrition Meals		74,959
ONDCP Multiple Initiatives	680	568,470
Operation Stonegarden		635,231
Organized Crime Drug Enforcement Task Force		57,543
Project Border Star		74,342
Protective Order Court		12,640
Reclaiming Futures	288	
Regional Public Transportation Plan		54,216
Rural Transit Assistance	64,598	
Rural Bus Auction Proceeds	8,129	
Schuman Estates Water Project	82	
Second Chance Act Family		40,980
Secure Border Trade		1,299,505
Sheriff's Crime Victim Services		2,434
Sheriff's Step		5,182
Sheriff's Training Academy		30,225
Sheriff's Training Academy VAWA	5,618	
Texas Juvenile Justice Department	914,301	
TJPC Secure Post-Adjudication	125,479	
TJPC Title IV-E Enhanced Billing	953,256	
Texas Tobacco Enforcement	8,678	
Texas Capital Project	183,405	
Tobacco Compliance	31	
Urban Area Security Initiative		36,178
USTA Tennis 123	210	
Van Pool Program		130,071
Victim of Crime		14,067
Victim Witness Services	4,137	
Wildhorse and Hacienda Real		1,300
Subtotal	4,555,731	4,947,906

Note 3. Detailed notes on all funds (Continued)

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

	Due From	Due To
Special Revenue		
Elections Contract Services	752	
Elections Chapter 19 Fund		752
Subtotal	752	752
Internal Service Fund		
Health & Life Fund	12,653	
Subtotal	12,653	
Grand Total	$4,961,311	$4,961,311

The following are the transfers in and out as of September 30, 2012:

	Transfers Out Actual	Transfers In Actual
General Fund		
409th District Drug Court – Match	$13,463	
Access and visitation – Match	7,245	
Border Children's Mental Health – Match	300,000	
Bootstrap Program – Match	4,841	
Child Protective Services – Match	575,000	
DIMS Project – Match	350,000	
Domestic Violence Unit – Match	111,707	
General & Administrative	307,807	$1,033,234
Juvenile Accountability Incentive	7,598	
Nutrition – Match	183,645	
Protective Order – Match	57,338	
Victim Witness Services	93,312	
Subtotal	2,011,956	1,033,234
Major Special Revenue-Grants		
409th District Drug Court		13,463
Access and Visitation		7,245
Border Children's Mental Health Collaborative		300,000
Bootstrap Program		4,841
Child Protective Services	153,898	575,000
DIMS Project	9,780	350,000
Domestic Violence Unit		111,707
Juvenile Accountability Incentive	1,366	7,598
Nutrition		183,645
Protective Order Court	3,340	57,338
Sheriff's Training Academy VAWA	5,618	
Victim Witness Services	1,225	93,312
Subtotal	175,227	1,704,149
Special Revenue		
Coliseum Tourist Promotion	633,892	
County Attorney Supplement	58,833	
County Tourist Promotion		633,892
Court Reporter Service Fund	406,000	
Courthouse Security	203,000	
Juvenile Case Manager	190,174	
Subtotal	1,491,899	633,892
Debt Service		
G.O. Refunding 2011		307,807
G.O. Refunding 2002		338,356
Certificates of Obligation 2007	338,356	
Subtotal	338,356	646,163
Total Non Major	1,830,255	1,280,055
Grand total	$4,017,438	$4,017,438

Note 3. Detailed notes on all funds (Continued)

E. Leases

Operating Leases

The County has various lease commitments for office space, equipment and data processing software. These leases are considered to be operating leases, which are renewable on an annual basis. Lease expenditures for the year ending September 30, 2012 amounted to $829,634.

Capital Leases

The County leases equipment through capital leasing arrangements in the governmental fund types. Payments during fiscal year ended September 30, 2012, amounted to $133,721. The County entered into two new lease agreements as lessee during the fiscal year. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	Governmental Activities
Asset:	
Machinery and equipment	$427,989
Less: accumulated depreciation	119,921
Total	$308,068

The future minimum lease payments and the net present value of these minimum lease payments as of September 30, 2012 are as follows:

	Year ending September 30	Governmental Activities
	2013	$123,613
	2014	98,340
	2015	83,347
	2016	13,405
Total minimum lease payments		318,705
Less: Interest		40,534
Present value of future Minimum lease payments		$278,171

F. Long-term Debt

General and certificates of obligation bonds

The County issues general and certificate of obligation bonds as well as revenue bonds to provide the resources for the acquisition and construction of capital assets. These bonds have been issued for both governmental and business-type activities. The ending balance of the general and certificate of obligation bonds outstanding was $234,570,000. The ending balance of the revenue bonds is $1,266,000.

Note 3. Detailed notes on all funds (Continued)

F. Long-term Debt (continued)

The general and certificate of obligation bonds are direct obligations of the County, payable from the levy and collection of a direct and continuing ad valorem tax, within the limits prescribed by law, on all taxable property located within the County in an amount sufficient to provide payment of principal and interest. All general and certificate of obligation bonds have principal maturities on February 15th. Interest is payable semi-annually on February and August 15th.

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

Purpose	Interest Rates	Issue Date	Maturity Date	Amount
Certificates of Obligation, Series 2001	4.00 – 5.50%	2001	2022	$9,940,000
Certificates of Obligation, Series 2007	4.00 – 5.00%	2007	2032	58,905,000
General Obligation Refunding, Series 2007	4.00 – 5.00%	2007	2022	46,025,000
Taxable Certificates of Obligation, Series 2007	4.65 – 6.23%	2007	2032	9,430,000
General Obligation Refunding, Series 2011	2.125 – 5.25%	2011	2022	11,315,000
Certificates of Obligation, Series 2012	2.00 – 5.00%	2012	2032	98,955,000
				$234,570,000

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

Year Ending	Governmental Activities		
September 30	Principal	Interest	Total
2013	$8,555,000	$11,327,981	$19,882,981
2014	9,695,000	10,647,691	20,342,691
2015	10,105,000	10,282,582	20,387,582
2016	10,710,000	9,859,912	20,569,912
2017	11,270,000	9,349,331	20,619,331
2018-2022	59,360,000	38,835,471	98,195,471
2023-2027	54,650,000	24,954,419	79,604,419
2028-2032	70,225,000	9,244,281	79,469,281
	$234,570,000	$124,501,668	$359,071,668

Revenue Bonds

The County also issued bonds where the County pledged income derived from the acquired or constructed assets to pay debt service. The revenue bonds have principal maturities on August 15th. Interest is payable semi-annually on February and August 15th. Revenue bonds outstanding are as follows:

Purpose	Interest Rates	Issue Date	Maturity Date	Amount
East Montana Water Project				
$1,050,000 Waterworks System Revenue Bonds, Series 1997-A	4.87%	1997	2037	$880,000
$195,000 Waterworks System Revenue Bonds, Series 2000	4.95 – 6.10%	2000	2021	114,000
$272,000 Mayfair/Nuway Water System Revenue Bonds, Series 2012	2.25%	2012	2052	272,000
Total				$1,266,000

Note 3. Detailed notes on all funds (Continued)

F. Long-term Debt (Continued)

Revenue bond debt service requirements to maturity are as follows:

Year Ending September 30	Principal	Interest	Total
2013	$30,000	$58,147	$88,147
2014	31,000	54,256	85,256
2015	35,000	52,603	87,603
2016	37,000	50,889	87,889
2017	37,000	49,093	86,093
2018-2022	213,000	215,655	428,655
2023-2027	189,000	168,440	357,440
2028-2032	242,000	121,158	363,158
2033-2037	316,000	59,783	375,783
2038-2042	40,000	13,050	53,050
2043-2047	46,000	8,258	54,258
2048-2052	50,000	2,812	52,812
	$1,266,000	$854,144	$2,120,144

Current Year

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

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

Note 3. Detailed notes on all funds (Continued)

F. Long-term Debt (Continued)

Prior Years

On December 18, 2007, the County issued $9,940,000 El Paso County, Texas, Taxable Certificates of Obligation Bonds, Series 2007A, $59,835,000 El Paso County, Texas, tax-exempt Certificates of Obligation Bonds, Series 2007, and $48,550,000 El Paso County, Texas, tax-exempt General Obligation Refunding Bonds, Series 2007. The Taxable Bonds were issued for the purpose of financing construction of new facilities and renovations of existing facilities at the County Sportspark. The tax exempt Certificates of Obligation Bonds were issued to finance the following within the County: Capital Equipment, Parks and Open Space, Major Building Projects, Major Technology Projects, and other Permanent Improvements. The General Obligation Refunding Bonds were issued to restructure the County's long-term debt structure taking advantage of favorable interest rates. This refunding issue refunded $5,575,000 of the Combination Limited Tax and Surplus Obligations Series 1997, $6,700,000 Certificates of Obligation Series 1998, $9,745,000 General Obligation Refunding Bonds Series 1998, $6,095,000 Certificates of Obligation Series 2001, and $19,580,000 Certificates of Obligation Series 2002. This refunding resulted in a combined present value savings to the County of $1,245,949.

On August 17, 2004 the County advance refunded a portion of the County of El Paso, Texas General Obligation Refunding Bonds, Series 2001. These bonds were partially refunded after the County sold land that had been purchased with proceeds from a bond issue that was subsequently refunded by the General Obligation refunding bonds, series 2001. The sale of the land was considered a change in use event that required the partial defeasance of the bonds in order to comply with Internal Revenue Service regulations. The cost of defeasance was $23,000. The defeased bonds are payable starting in February 15, 2008 through February 15, 2012. On September 30, 2004 the outstanding defeased bonds were $100,000. The defeasance of bonds resulted in an economic gain of $18,048.

On December 9, 2002 the County issued $9,805,000 in long-term obligations consisting of Limited Tax Refunding Bonds, Series 2002A. These bonds are a current refunding of $6,945,000 of the Limited Tax General Obligation Refunding Bonds, Series 1993A and $2,945,000 of the Limited Tax General Obligation Refunding Bonds, Series 1993C. The refunding resulted in a present value savings of $674,162.

On August 7, 2002 the County issued $1,330,000 General Obligation Refunding Bonds, Series 2002 to currently refund a portion of the Certificates of Obligation Bonds, Series 1998. The County refunded a portion of these bonds in order to restructure the annual debt service payments to allow for issuance of additional debt without increasing the annual debt service payments from the current level.

Note 3. Detailed notes on all funds (Continued)

F. Long-term Debt (Continued)

On December 20, 2001 the County issued $20,920,000 General Obligation Refunding Bonds, Series 2001 to currently refund the remaining portion of $2,120,000 General Obligation Refunding Bonds, Series 1992, $250,000 Certificates of Obligation, Series 1992-A, and $17,980,000 General Obligation Bonds, Series 1992-B. The proceeds from the sale of the refunding bonds along with other legally available funds of the County were placed with an escrow agent. The refunded obligations and interest due thereon, were paid on February 15, 2002 from the funds deposited with the escrow agent. The County refunded these bonds in order to reduce total debt service payments by $1,520,690 over the next 10 years and to obtain an economic gain of $1,330,025.

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2012, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities:					
Bonds payable:					
General obligation bonds	$48,855,000	$11,315,000	($2,830,000)	$57,340,000	$3,280,000
Certificates of obligation bonds	93,395,000	98,955,000	(15,120,000)	177,230,000	5,275,000
Bond Premium	2,734,158	12,757,981	(1,067,231)	14,424,908	
Less deferred amounts:					
For issuance discounts	(1,596,985)	(938,198)	208,084	(2,327,099)	
On refunding	(685,648)	(287,296)	685,648	(287,296)	
Total bonds payable	142,701,525	121,802,487	(18,123,499)	246,380,513	8,555,000
Capital leases	112,897	270,515	(105,241)	278,171	123,613
Claims and judgments	1,234,978	631,693	(1,234,978)	631,693	631,693
Contingent liabilities	1,920,000	1,590,000	(1,920,000)	1,590,000	590,000
Compensated absences	29,522,725	30,696,570	(29,522,725)	30,696,570	9,886,564
OPEB Liability	17,387,076	5,527,357		22,914,433	
Governmental activity Long-term liabilities	$192,879,201	$160,518,622	($50,906,443)	$302,491,380	$19,786,870

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Bonds payable:					
Revenue Bonds	$1,023,000	$272,000	($29,000)	$1,266,000	$30,000
Total bonds payable	1,023,000	272,000	(29,000)	1,266,000	30,000
Business-type activity Long-term liabilities	$1,023,000	$272,000	($29,000)	$1,266,000	$30,000

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

Note 3. Detailed notes on all funds (Continued)

F. Long-term Debt (Continued)

No-commitment debt

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

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Long-term debt					
Bonds payable	$256,085,000		($4,835,000)	$251,250,000	$5,040,000
Bond premium and discount	2,445,000		(170,000)	2,275,000	171,000
Total long-term debt	$258,530,000		($5,005,000)	$253,525,000	$5,211,000

In October 2009, the Hospital District refunded the Series 2002 Public Property Finance Contractual Obligations; and the Series 1998 General Obligation Refunding Bonds; with $25.8 million Refunding Bonds, Series 2009 bond issue. The 2002 Public Property Finance Contractual Obligations redemption requirement was $18.0 million and the Series 1998 General Obligation Refunding Bonds redemption requirement was $8.4 million at the time of the closing. The original maturity schedule of the 2002 Public Property Finance Contractual Obligations and the Series 1998 General Obligation Refunding Bonds from 2010 to 2018 were maintained with a stated interest rate ranging from 2.0% to 3.5%. The Series 2009 are not subject to redemption prior to maturity. The Series 2009 bonds are direct obligations of the Hospital District and are payable from an ad valorem tax.

In May 2008, the Hospital District issued $120.1 million in Series 2008A General Obligation Bonds. Proceeds of the bonds will finance the construction and equipping of a Children's Hospital as part of the District's hospital system.

The Series 2008A General Obligation Bonds, at the option of the Hospital District, provide for the early redemption on the Obligations having stated maturities on or after August 15, 2019, in whole or in part, on August 15, 2018, or any date thereafter, at the par value thereof plus accrued interest to date of redemption.

The Series 2008A General Obligation Bonds constitute direct obligation of the Hospital District, payable from the levy and collection of an ad valorem tax levied for the benefit of the Hospital District by the Court, within the limits prescribed by law, on all taxable property located within the Hospital District and any revenues or funds available to the Hospital District for its public purpose.

On December 20, 2005, the District issued Series 2005 Combination Tax and Revenue Bonds/ Certificates of Obligation. Proceeds of the bonds were used to finance the construction and equipping of operating and emergency departments, replacement facility for inpatient surgery, additional patient rooms, a heart program and additional outpatient clinics.

Note 3. Detailed notes on all funds (Continued)

F. Long-term Debt (Continued)

The Combination Tax and Revenue Certificates, Series 2005, at the option of the District, provide for early redemption of Obligations having stated maturities on and after September 30, 2013, in whole or in part, on August 15, 2007, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

The Series 2005 Combination Tax and Revenue Bonds constitute direct obligations of the District, payable from the levy and collection of an ad valorem tax levied for the benefit of the District by Commissioners Court, within the limits prescribed by law, on all taxable property located within the District and any revenues of funds available to the District for its public purpose.

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

	Principal	Interest	Total
Year ending September 30			
2013	$5,040,000	$12,237,000	$17,277,000
2014	5,230,000	12,043,000	17,273,000
2015	5,440,000	11,833,000	17,273,000
2016	5,690,000	11,581,000	17,271,000
2017	5,945,000	11,329,000	17,274,000
2018-2022	34,650,000	52,293,000	86,943,000
2023-2027	44,240,000	42,835,000	87,075,000
2028-2032	56,405,000	30,673,000	87,078,000
2033-2038	88,610,000	15,887,000	104,497,000
	$251,250,000	$200,711,000	$451,961,000

The long-term debt of the component unit is the obligation of the component unit and is fully covered by the property tax levy assessed by the District. These bonds are considered no-commitment debt since the County is not obligated in any way to pay any part of the principal or interest.

G. Contingent Liabilities

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

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the County's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government. Presently, an amount of $1,590,000 for probable losses has been accrued as a contingency and is reported at the government-wide financial statements. Of this amount $590,000 is reported due within one year and $1,000,000 due in more than one year.

Note 3. Detailed notes on all funds (Continued)

G. Contingent Liabilities (continued)

The Component Unit has certain pending and threatened litigation and claims incurred in the ordinary course of business; however, management believes that the probable resolution of such contingencies will not exceed the District's self-insurance reserves, and will not materially affect the financial position of the District or the results of its operations.

H. Deferred Compensation

The County offers its employees a deferred compensation plan that permits them to defer a portion of their current salary until future years. Any contributions made to the deferred compensation plan, in compliance with Section 457 of the Internal Revenue Code, are not available to employees until termination of employment, retirement, death or an unforeseen emergency. Contributions to the plan are administered by Nationwide Retirement Solutions, ING Life Insurance and Annuity Company and VALIC, as third party administrators. In accordance with the provisions of the IRC Section 457(g), the plan assets are in custodial accounts for the exclusive benefit of the plan participants and beneficiaries. The County provides neither administrative services nor investment advice to the plans. Therefore, in accordance with GASB 32, no fiduciary relationship exists between the County and the deferred compensation pension plans. At September 30, 2012 the plan assets were valued at $21,917,714.

I. Employee Retirement Plan

<u>Plan Description</u>

The County provides retirement, disability, and death benefits for all of its full-time employees and part-time employees working at least 900 hours a year through an agent multiple-employer defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 624 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the County, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at age 60 and above with eight or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Note 3. Detailed notes on all funds (Continued)

I. Employee Retirement Plan (Continued)

Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the County within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits is expected to be adequately financed by the County's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding Policy

The County has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The County contributed using the actuarially determined rate of 13.01% for the months of the accounting year in 2011, and 13.85% for the months of the accounting year in 2012.

The contribution rate payable by the employee members for calendar year 2012 is the rate of 7% as adopted by the governing body of the County. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Annual Pension Cost

For the County's accounting year ending September 30, 2012, the annual pension cost for the TCDRS plan for its employees was $20,771,949, and the actual contributions were $20,771,949. The annual required contributions were actuarially determined using the entry age actuarial cost method and were in compliance with the GASB Statement No. 27 parameters as amended by GASB 50 and based on the actuarial valuations as of December 31, 2009 and December 31, 2010, the basis for determining the contribution rates for calendar years 2011 and 2012. The December 31, 2011 actuarial valuation is the most recent valuation. The actuarial assumptions at December 31, 2011 included (a) 8.0 percent investment rate of return (net of administrative expenses) and (b) projected salary increases of 5.4 percent. Both (a) and (b) included an inflation component of 3.5 percent. The actuarial value of the plan's assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis.

Note 3. Detailed notes on all funds (Continued)

I. Employee Retirement Plan (Continued)

Actuarial Valuation Information

Actuarial valuation date	12/31/09	12/31/10	12/31/11
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period in years	20	20	20
Asset valuation method			
Subdivision Accum.Fund	10-yr smoothed value	10-yr smoothed value	10-yr smoothed value
Employees Saving Fund	Fund value	Fund value	Fund value
Actuarial Assumptions:			
Investment return[1]	8.0%	8.0%	8.0%
Projected salary increases[1]	5.4%	5.4%	5.4%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

Trend Information
for the Retirement Plan for the Employees of the County of El Paso

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/10	$16,825,068	100%	0
09/30/11	18,092,030	100%	0
09/30/12	20,771,949	100%	0

Funded Status

The funded status of the plan as of December 31, 2011, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	$505,674,270
Actuarial value of plan assets	413,813,961
Unfunded AAL (UAAL)	$91,860,309
Funded ratio	81.83%
Annual Covered payroll (actuarial)[2]	$141,744,782
UAAL as percentage of covered payroll	64.81%

The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits and is presented as required supplementary information following the notes to the financial statements.

[1] Includes inflation at the stated rate.
[2] Covered payroll based on actuarial valuations.

Note 3. Detailed notes on all funds (Continued)

I. Employee Retirement Plan (Continued)

Retirement Plan - Component Unit

Plan Description

The Hospital District (the District) provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 624 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the Board of Managers of the District, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at age 60 and above with eight or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by their employer.

Benefit amounts are determined by the sum of the employee’s contributions to the plan, with interest, and employer-financed monetary credits. The level of these monetary credits is adopted by the governing body of the District within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the district’s commitment to contribute.

At retirement, death, or disability, the benefit is calculated by converting the sum of the employee’s accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding Policy

The District has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The District contributed using the actuarially determined rate of 5.94% for the months of the accounting year in 2011, and 6.13% for the months of the accounting year in 2012.

The contribution rate payable by the employee members for calendar year 2012 is the rate of 5% as adopted by the governing body of the District. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Note 3. Detailed notes on all funds (Continued)

I. Employee Retirement Plan (Continued)

Annual Pension Cost

For the District's accounting year ending September 30, 2012, the annual pension cost for the TCDRS plan for its employees was $6,696,000 and the actual contributions were $6,696,000. The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2009 and December 31, 2010, the basis for determining the contribution rates for calendar years 2011 and 2012. The December 31, 2011 actuarial valuation is the most recent valuation. The actuarial value of the assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a ten-year period.

Actuarial Valuation Information

Actuarial valuation date	12/31/09	12/31/10	12/31/11
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period in years	20	20	20
Asset valuation method			
Subdivision Accumulation Fund	10-yr smoothed value	10-yr smoothed value	10-yr smoothed value
Employees Saving Fund	Fund value	Fund value	Fund value
Actuarial Assumptions:			
Investment return[1]	8.0%	8.0%	8.0%
Projected salary increases[1]	5.4%	5.4%	5.4%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

Trend Information
for the Retirement Plan for the Employees of the Hospital District

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/10	$5,782,000	100%	0
09/30/11	6,302,000	100%	0
09/30/12	6,696,000	100%	0

Funded Status and Funding Progress for the Retirement Plan (Hospital District)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll[2] (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/11	$185,653,355	$219,167,838	$33,514,483	84.71%	$112,317,718	29.84%

The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

[1] Includes inflation at the stated rate.
[2] The annual covered payroll is based on actuarial valuations.

Note 3. Detailed notes on all funds (Continued)

J. Other Post-employment Health Care Benefits

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

As of September 30, 2012 there were 2244 active employees and 121 retirees and their dependents receiving the benefits. The Plan provides for separate rate schedules for active employees and retirees. The County offers a Core and a Buy-up medical plan for both active and retirees. Retirees in the Core and Buy-up plans are expected to pay approximately 43.8 percent and 53.7 percent, respectively, of the total premium cost for insurance coverage. For fiscal year ended September 30, 2012, retirees currently receiving benefits contributed $767,973 and the County contributed $122,666 toward the cost of health insurance premiums. Total benefits paid on behalf of retirees and their dependents during the fiscal year ended September 30, 2012 was $1,787,874.

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

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

Annual Required Contribution (ARC)	$6,401,631
Interest on Net OPEB Obligation	782,418
Adjustment to annual required contribution	(724,902)
Annual OPEB cost	6,459,147
Contributions for year ended September 30, 2012	(931,790)
Increase in net OPEB obligation	5,527,357
Net OPEB obligation – Beginning of year	17,387,076
Net OPEB obligation – End of year	$22,914,433
Percentage of Annual OPEB Cost paid	14.4%

Note 3. Detailed notes on all funds (Continued)

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

The County's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2012 and the preceding years is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/09	$4,621,042	3.6%	$7,696,558
9/30/10	$5,582,793	15.0%	$12,442,216
9/30/11	$5,765,212	14.2%	$17,387,076
9/30/12	$6,459,147	14.4%	$22,914,433

Funded Status and Funding Progress. As of December 31, 2011, the most recent actuarial valuation date, the funded status of the plan was as follows:

Unfunded actuarial accrued liability	$59,808,706
Funded ratio	0%
Covered payroll	$152,329,012
Unfunded actuarial accrued liability as a Percentage of covered payroll	39.3%

The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan, as understood by the County 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 County and plan members at that point. The actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The County had an actuarial study done as of December 31, 2011, which assumed that the calculations performed were appropriate for reporting September 30, 2012. The actuarial cost method utilized to calculate the ARC was the projected unit credit cost method. Using the plan benefits, the health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method provided for a systematic recognition of the cost of the anticipated payments. The annual ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded liability. The allocation of the total liability into past and future service cost was based upon a straight years of service ratio. The actuarial assumptions utilized included a 3.0 percent inflation rate, a 4.5 percent investment rate of return (net payroll of expenses) and an annual healthcare cost trend rate of 8.5 percent initially, reduced to an ultimate rate of 4.5 percent after nine years. The accrued liability was assumed to be amortized over a 30-year period for the fiscal year ending September 30, 2012. The UAAL is being amortized as a level percentage of projected payroll on an open basis.

Note 3. Detailed notes on all funds (Continued)

K. Property Taxes

Levy and Collection

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

Tax Rate

The County's total tax rate for fiscal year 2012 was $0.361196 per $100 of assessed valuation, of which $0.329276 was allocated for maintenance and operations, and $0.031920 was allocated to the debt service funds. State law permits the County to levy property taxes up to $0.80 per $100 of assessed valuation for the general fund and up to $0.15 per $100 assessed valuation for the road and bridge fund.

Legislation Affecting Property Tax Policies and Procedures

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

The property tax code:

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

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

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

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

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

Note 3. Detailed notes on all funds (Continued)

L. Federal and State Grants

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

M. Risk Management

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

The County retains the risk of loss relating to workers compensation and unemployment liability. Contributions to cover any claims for unemployment are made to a third party administrator with the liability funded on a pay-as-you-go basis. Contribution adjustments are made throughout the year in order to maintain the reserves necessary to meet future claims determined on historical trends. Claims for workers compensation are processed through a third party administrator and also funded on a pay-as-you-go-basis. The estimated potential claims, which are reported in the accompanying financial statements, totaled $631,693. This estimate includes amounts for non-incremental claim adjustment expenses related to specific claims. Changes in the balances of claims liabilities during the past year are as follows:

	Year Ended September 30, 2012	Year Ended September 30, 2011
Unpaid claims, beginning of fiscal year	$1,234,978	$1,519,831
Incurred claims (including incurred but not reported)	1,922,578	1,449,069
Claim payments	(2,525,863)	(1,733,922)
Unpaid claims, end of fiscal year	$631,693	$1,234,978

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

Note 3. Detailed notes on all funds (Continued)

M. Risk Management (Continued)

For the fiscal year 2012, the County purchased stop loss insurance to cover individual health claims that exceed $225,000 and aggregate losses in excess $17,731,598. During the fiscal year, fourteen claims were filed with the stop loss insurance carrier. No claims in excess of the aggregate insurance coverage occurred during the year. Also at year-end, the County had outstanding health claims in the amount of $948,224, which will be liquidated within sixty days.

N. Assigned for other purposes

Encumbrances outstanding at year-end are reported as assigned for other purposes as part of the new fund balance classifications. As of September 30, 2012, encumbrances amounted to $12,103,346, of which $610,062 relates to the general fund, $6,041,596 to the major capital projects 2007, $5,189,331 to the special revenue fund and $84,803 to the non-major capital projects fund.

O. Payroll Receivable/Payable

The County utilizes the payroll fund to account for those liabilities relating to payroll. The payroll fund maintains a $30,000 cash imprest balance to cover unforeseen payroll liabilities or adjustments necessary during the normal course of operations and to protect against the possibility of an overdraft because of such adjustments. This amount represents an inter-fund loan which at year-end is reversed and reported in the general fund.

P. Federal Commodities

For the fiscal year ended September 30, 2012, the County received federal commodities in the amount of $6,128 for the Juvenile Probation Department.

Q. Prior Period Adjustments

Prior period adjustments totaling $217,744 were made to include $244,142 in the General Fund, ($35,245) in the Special Revenue, and $8,847 in the Special Revenue-Grants. These adjustments relate to funds from fiscal year 2011 that for the most part had not been recognized in that period.

R. Related Party Transactions

The County entered into a rental lease agreement for office space to be used for one of the County's Departments. The contract period began in January 2008, and is currently on a month to month basis. The property is owned by the prior Judge, Justice of the Peace Precinct No. 4, who used to occupy the office space and is currently occupied by the new Justice of the Peace, who took office in July 2010. The contract terms initially called for a monthly payment of $2,600 and were increased to $2,880 in May 2010, which represents the market value for similar office space in the area. This lease agreement was terminated in November 2011.

Note 3. Detailed notes on all funds (Continued)

S. Joint Ventures

The County and the Lower Valley Water District entered into an interlocal agreement for construction of first-time water and wastewater system improvement projects to provide service to the rural communities in East El Paso. The County authorized the use of up to $1.4 million of the 2008 Certificates of Obligation bond proceeds as a cash match for the approximately $7 million project. This agreement was executed in March 2009, and as of fiscal year end 2012, total expenditures of $1,781,069 had been incurred. The County and the Lower Valley Water District entered into a second interlocal agreement in January 2010 for water infrastructure and as of September 30, 2012 has committed and expended $1,200,000. Also, in June 13, 2011, the County and the Tornillo Water Improvement District entered into an interlocal agreement in the amount of $300,000 for construction of a water well. Additionally, in June 27, 2011, the County entered into an interlocal agreement in the amount of $293,766 with the El Paso Water Utilities for the construction of water lines. All these joint ventures were made in an effort to improve the infrastructure of the rural communities within the County.

T. Subsequent events

The County's top tax payer has filed an appeal to the Central Appraisal Review Board, whereby the appraisal for property tax purposes is being challenged. Although the tax payer has paid the full amount of $3,744,324 based on the current appraisal, the County and other taxing entities within the County may have to refund a portion of that amount if the challenge is successful.

EL PASO COUNTY, TEXAS

REQUIRED SUPPLEMENTARY INFORMATION

(Unaudited)

Required Supplementary Information
(Unaudited)

Schedule of Funding Progress for the Retirement Plan
County of El Paso

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll[1] (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/09	$358,558,789	$428,024,119	$69,465,330	83.77%	$141,737,570	49.01%
12/31/10	386,607,277	468,130,972	81,523,695	82.59%	139,765,922	58.33%
12/31/11	413,813,961	505,674,270	91,860,309	81.83%	141,744,782	64.81%

(1) Funding information may differ from prior year due to plan changes that included a cost of living (COLA) for retirees effective 1/1/2012.

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/09	$0	$50,530,714	$50,530,714	0%	$139,424,666	36.24%
12/31/09	0	50,530,714	50,530,714	0%	141,052,447	35.82%
12/31/11	0	59,808,706	59,808,706	0%	152,329,012	39.26%

Schedule of Funding Progress for the Retirement Plan
for the Employees of the Hospital District

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll[1] (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/09	$154,758,572	$181,445,304	$26,686,732	85.29%	$99,435,923	26.84%
12/31/10	170,164,881	199,591,735	29,426,854	85.26%	102,322,833	28.76%
12/31/11	185,653,355	219,167,838	33,514,483	84.71%	112,317,718	29.84%

[1] The annual covered payroll is based on actuarial valuations.