

COUNTY OF EL PASO, TEXAS
ANNUAL FINANCIAL AND COMPLIANCE REPORTS
WITH INDEPENDENT AUDITOR'S REPORT
FOR THE YEAR ENDED SEPTEMBER 30, 2012

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FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying primary government financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of El Paso, Texas (County), as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, which statements reflect total assets of \$577,509,000 as of the respective balance sheet date and total revenues of \$455,211,000 for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors.


We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the discretely presented component unit were audited in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the report of the other auditors provides a reasonable basis for our opinions.

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information of the County as of September 30, 2012, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 13, 2013, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents on pages 5 through 21, and 77, respectively, be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements. The accompanying schedule of expenditures of federal and state awards, as required by the *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* and the *State of Texas Single Audit Circular*, is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal and state awards is fairly stated in all material respects, in relation to the financial statements as a whole.



El Paso, Texas
March 13, 2013

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MANAGEMENT'S DISCUSSION & ANALYSIS

Management's Discussion and Analysis

As management of the County of El Paso (the County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2012. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 through 10 of this report.

Financial Highlights. Combined County assets from governmental and business type activities exceeded liabilities at the close of fiscal year 2012 by \$140,306,790, which represents total net assets. Of this amount, \$129,323,033 or 92.17 percent relates to governmental-type activities while \$10,983,757 or 7.83 percent represents business-type activities. Total net assets are comprised of restricted and unrestricted assets and investment in capital assets net of related debt. Investment in capital assets net of related debt totaled \$95,774,632 or 68.26 percent of total net assets. Restricted assets represent funds subject to constraints that are imposed externally by creditors, debt covenants, grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets totaled \$26,791,909 or 19.10 percent of total net assets of which \$26,489,734 relates to the primary government and \$302,175 relates to business type activities. Unrestricted net assets on the other hand may be used to meet the county's ongoing obligations to citizens and creditors and totaled \$17,740,249 or 12.64 percent of total net assets.

The County's fiscal year 2012 operations resulted in total net assets decreasing by \$5,557,544 or 3.81 percent. This was attributable to a decrease of \$5,565,969 or 4.13 percent in the governmental-type and an increase in business-type activities of \$8,425 or .08 percent. Explanation of these changes is depicted hereafter in this management discussion and analysis.

Overview of the Financial Statements

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

Government-Wide Financial Statements. The government-wide financial statements are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business. The statement of net assets presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the County is improving or deteriorating.

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

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

The government-wide financial statements include not only the County itself (known as the primary government), but also the Hospital District, known as University Medical Center (UMC), a discretely presented component unit. The District is included in this CAFR because the El Paso County Commissioners Court, the County's governing body, has the legal duty to exercise financial accountability over it by appointing its board members, approving its budget and setting its tax rate as discussed in the letter of transmittal. Copies of any of the District's separately issued financial reports can be obtained directly from the District. The government-wide financial statements can be found on exhibits 1 and 2 of this report.

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

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

The County maintains multiple individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, grant funds, capital projects 2007 and capital projects 2012. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

The basic governmental fund financial statements can be found on Exhibits 3-6 of this report.

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

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

The basic proprietary fund financial statements can be found on Exhibits 7-9 of this report.

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

The basic fiduciary fund financial statement can be found on Exhibit 10 of this report.

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

Other Information. The combining statements regarding non-major governmental funds are presented following the notes to the financial statements. Combining and individual fund statements and schedules are presented following the supplementary information of this report.

Government-Wide Financial Analysis

As previously noted, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$140,306,790 at the close of fiscal year 2012. By far the largest component of the County's net assets represents investment in capital assets (e.g., land, buildings, machinery, and equipment) totaling \$95,774,632 or 68.26 percent of total net assets, which is net of any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The second largest component is restricted assets and represents resources that are subject to external restrictions on how they may

be used. Restricted assets total \$26,791,909 and are comprised of capital project funds totaling \$961,318 or 3.59 percent, special purpose funds totaling \$25,309,065 or 94.47 percent, enterprise funds totaling \$266,964 or 1.00 percent of restricted assets. Also included are debt service funds totaling \$254,562 or .95 percent of total restricted net assets. The next category relates to unrestricted net assets totaling \$17,740,249 or 12.64 percent of total net assets, which may be used to meet the County's ongoing obligations to citizens and creditors.

Furthermore, as of September 30, 2012, the County's net assets for the governmental activities decreased by \$5,565,969 or 4.13 percent and business-type activities increased by \$8,425 or .08 percent for a net overall decrease of \$5,557,544 or 3.81 percent from the previous fiscal year. Investments in capital assets net of related debt from governmental and business-type activities increased by \$642,603 or .68 percent. There was a net decline of \$5,627,637 or 17.36 percent in restricted assets reported, composed of a decrease of \$5,463,140 related to governmental activities and an decrease of \$164,497 related to business-type activities. Unrestricted net assets totaled \$17,740,249 and were down by \$572,510 or 3.13 percent, which included a decline of \$847,775 related to governmental activities and an increase of \$275,265 related to business-type activities.

On a global perspective, the County of El Paso's total assets from governmental and business-type activities increased by \$108,709,935 or 29.58 percent. This increase was the culmination of a multitude of changes at the fund level, but more so, at the entity-wide level. Discussion here will focus on selective information to give the reader a basic understanding of changes by evaluating changes in the statement of net assets and the associated changes in revenues and expenses. Detailed analysis and explanation will be focused on significant changes, which occurred throughout the various levels within these financial statements.

The overall decrease in net assets of the County can be better understood when evaluating the changes to net assets, total assets minus total liabilities. Total assets amounted to \$476,206,516 an increase of \$108,709,935 or 29.58 percent, while liabilities totaled \$335,899,726, an increase of \$114,267,480 or 51.56 percent. Further analysis reflects that the majority of all assets relate to governmental activities totaling \$463,748,975 and represents 97.38 percent of the total assets. Overall, capital assets (net of related depreciation) totaled \$211,968,026 and increased by \$19,166,605 or 9.94 percent from the prior year, mainly due to County facilities being constructed. Capital assets are comprised for the most part of land, roads, buildings and construction in progress.

El Paso County, Texas Net Assets						
	Governmental		Business-type		Total	
	Activities		Activities			
	FY2012	FY2011	FY2012	FY2011	FY2012	FY2011
Current and other assets	\$ 262,146,637	\$ 172,395,195	\$ 2,091,853	\$ 2,299,965	\$ 264,238,490	\$ 174,695,160
Capital assets	201,602,338	182,576,206	10,365,688	10,225,215	211,968,026	192,801,421
Total assets	463,748,975	354,971,401	12,457,541	12,525,180	476,206,516	367,496,581
Long-term liabilities outstanding	301,859,687	191,644,222	1,266,000	1,023,000	303,125,687	192,667,222
Other liabilities	32,566,255	28,438,176	207,784	526,848	32,774,039	28,965,024
Total liabilities	334,425,942	220,082,398	1,473,784	1,549,848	335,899,726	221,632,246
Net assets:						
Invested in capital assets, net of related debt	86,681,155	85,936,209	9,093,477	9,195,820	95,774,632	95,132,029
Restricted	26,489,734	31,952,874	302,175	466,672	26,791,909	32,419,546
Unrestricted	16,152,144	16,999,919	1,588,105	1,312,840	17,740,249	18,312,759
Total net assets	\$ 129,323,033	\$ 134,889,002	\$ 10,983,757	\$ 10,975,332	\$ 140,306,790	\$ 145,864,334

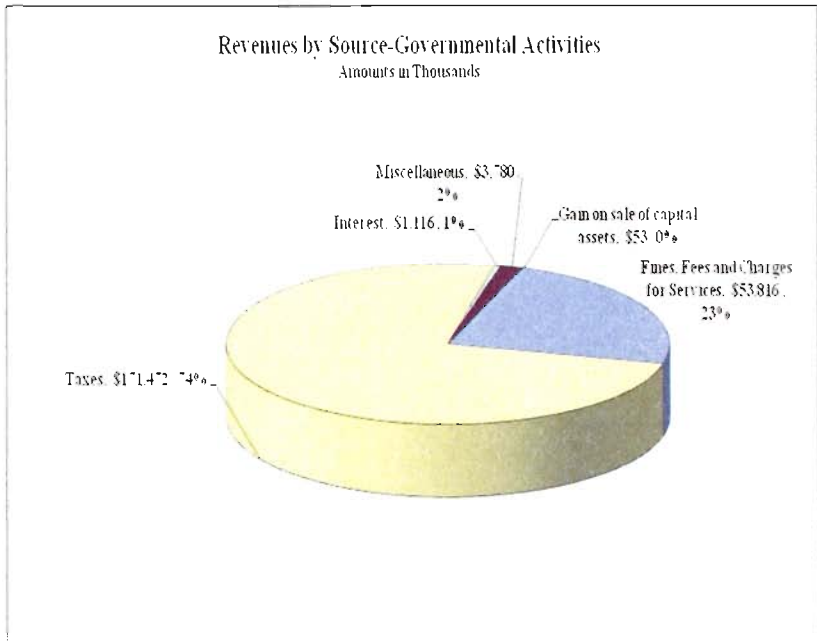
For entity-wide reporting purposes under GASB 34, capital expenditures made at the fund level must be reversed from expenses at the entity-wide level financial statements and reflected as capital assets net of depreciation. For this reason, you may observe fund level expenditure amounts in excess of what is reported at the entity-wide level or vice versa. Total assets increased by 29.58 percent and the most significant impact to total assets represent an increase in cash and cash equivalents of \$85,805,377 due to the issuance of the Certificates of Obligation, Series 2012 in July 2012. Receivables increased by \$3,892,763 or 10.54 percent due to higher property taxes still outstanding along with higher billings to the granting agencies still pending reimbursement. Capital assets increased for a net amount of \$19,166,605 attributed mostly to the on-going construction and renovation of county facilities. The significance of this can be further evaluated by shifting attention away from assets and liabilities and focusing on the changes to the component of total net assets, which is discussed immediately following discussion on total liabilities.

Overall, entity-wide liabilities were \$335,899,726 and increased by \$114,267,480 or 51.56 percent. Further analysis reflects that the majority of liabilities relate to governmental activities totaling \$334,425,942 or 99.56 percent and business type activities totaling \$1,473,784 or .44 percent. Compared to fiscal year 2011, liabilities increased in the areas of vouchers payable by \$3,576,417 or 30.09 percent and compensated absences by \$1,173,846 or 3.98 percent. Other Benefits (OPEB) increased by \$5,527,357 or 31.79 percent due to the County's continuing policy of funding retiree health benefits on a pay-as-you-go basis. Bonds payable increased by \$103,921,988 or 72.31 due to the debt issuance in 2012. For additional information regarding compensated absences and other post employment benefits, please see note 1-K and 3-J, respectively.

County of El Paso, Texas Changes in Net Assets						
	Governmental		Business-type		Total	
	Activities		Activities			
	FY2012	FY2011	FY2012	FY2011	FY2012	FY2011
Revenues:						
Program revenues:						
Charges for services	\$ 53,815,668	\$ 55,855,660	\$ 1,212,011	\$ 1,212,009	\$ 55,027,679	\$ 57,067,669
Operating grants and contributions	35,936,546	34,554,689	-	157,689	35,936,546	34,712,378
Capital grants and contributions	-	-	214,331	-	214,331	-
General revenues:						
Property taxes	127,685,281	123,986,002			127,685,281	123,986,002
Other taxes	43,786,254	43,566,341			43,786,254	43,566,341
Other	4,948,825	6,555,421	6,063	16,287	4,954,888	6,571,708
Total revenues	266,172,574	264,518,113	1,432,405	1,385,985	267,604,979	265,904,098
Expenses:						
General government	41,422,883	38,027,384			41,422,883	38,027,384
Administration of justice	54,599,239	54,180,432			54,599,239	54,180,432
Public safety	134,637,811	128,759,893			134,637,811	128,759,893
Health and welfare	13,235,053	12,509,241			13,235,053	12,509,241
Community services	2,909,656	1,877,955			2,909,656	1,877,955
Resource development	1,552,486	1,576,294			1,552,486	1,576,294
Culture and recreation	8,593,417	8,261,639			8,593,417	8,261,639
Public works	7,920,139	9,660,880			7,920,139	9,660,880
Interest on long-term debt	7,085,603	7,011,366			7,085,603	7,011,366
Enterprise fund			1,423,980	1,595,892	1,423,980	1,595,892
Total expenses	271,956,287	261,865,084	1,423,980	1,595,892	273,380,267	263,460,976
Increase (decrease) in net assets before transfers	(5,783,713)	2,653,029	8,425	(209,907)	(5,775,288)	2,443,122
Transfers	-	(12,184)	-	12,184	-	-
Increase in net assets	(5,783,713)	2,640,845	8,425	(197,723)	(5,775,288)	2,443,122
Net assets October 1	134,889,002	132,254,932	10,975,332	11,173,055	145,864,334	143,427,987
Prior period adjustment	217,744	(6,775)	-	-	217,744	(6,775)
Net assets September 30	\$ 129,323,033	\$ 134,889,002	\$ 10,983,757	\$ 10,975,332	\$ 140,306,790	\$ 145,864,334

The decrease in the County's net assets of \$5,557,544 or 3.81 percent represents the degree to which expenses have outpaced revenues. Overall, revenue increased by \$1,700,881 or .64 percent but was outpaced by \$8,218,410 by the increase in expenses of \$9,919,291. The increase in expenses can be attributed in part to the restoration of funding for the budget cuts done in the previous fiscal year, along with a two percent cost of living for all employees plus the increase for the Sheriff's Bargaining Unit contract.

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

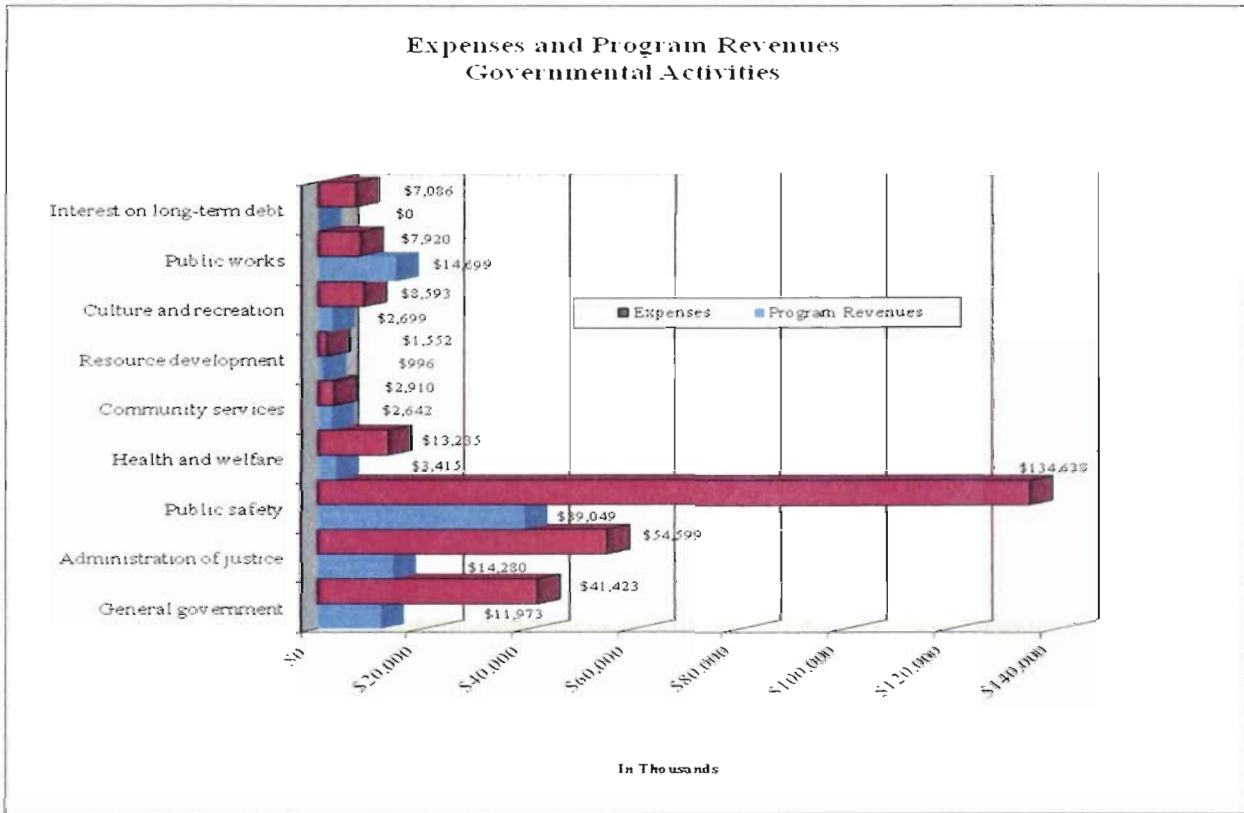


Governmental Activities

Governmental activities during fiscal year 2012 resulted in a decrease in net assets of \$5,565,969 which represents 100.15 percent of the total decrease for the primary government. Comparative fiscal year 2012 and 2011 data relating to these changes is discussed below.

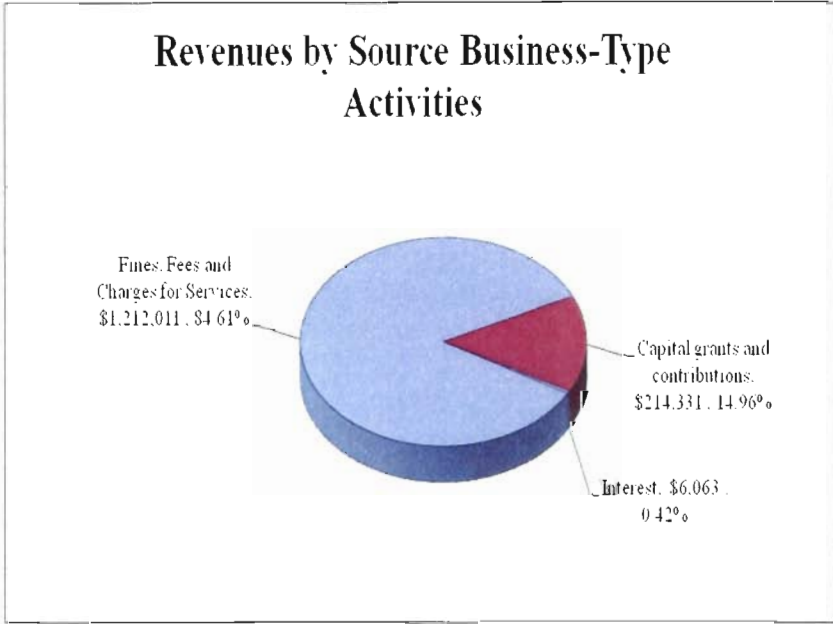
Total revenues in the governmental activities increased by \$1,654,461 or .63 percent over the previous year. Property taxes increased by \$3,699,279 or 2.98 percent; operating grants and contributions increased by \$1,381,857 or 4.00 percent; and other taxes increased by \$219,913. The increase in property taxes is attributable to increases in existing taxable property values and increases in new improvements. Commissioners Court opted to lower the tax rate in fiscal year 2012 to \$0.361196 from \$0.363403 per \$100 of assessed valuation. Other taxes comprised of sales and uses taxes, hotel taxes, and mixed beverage alcohol taxes increased by \$219,913 or .50 percent. These increases were offset by a decrease in charges for services of \$2,039,992 or 3.65 percent and by a decrease in interest earnings of \$1,770,454 or 61.34 percent.

Expenses in governmental activities increased by \$10,091,203 or 3.85 percent and comprise 101.73 percent of the overall entity-wide increase of \$9,919,281. Most functions experienced increases in expenses. Significant increases were evident in public safety totaling \$5,877,918 or 4.57 percent due in part to the collective bargaining agreement; general government \$3,395,499 or 8.93 percent attributed to increases for employee benefits and computer maintenance contracts; and community services \$1,031,701 or 54.94 percent. Decreases were experienced in public works totaling \$1,740,741 or 18.02 percent and resource development \$23,808 or 1.51 percent.



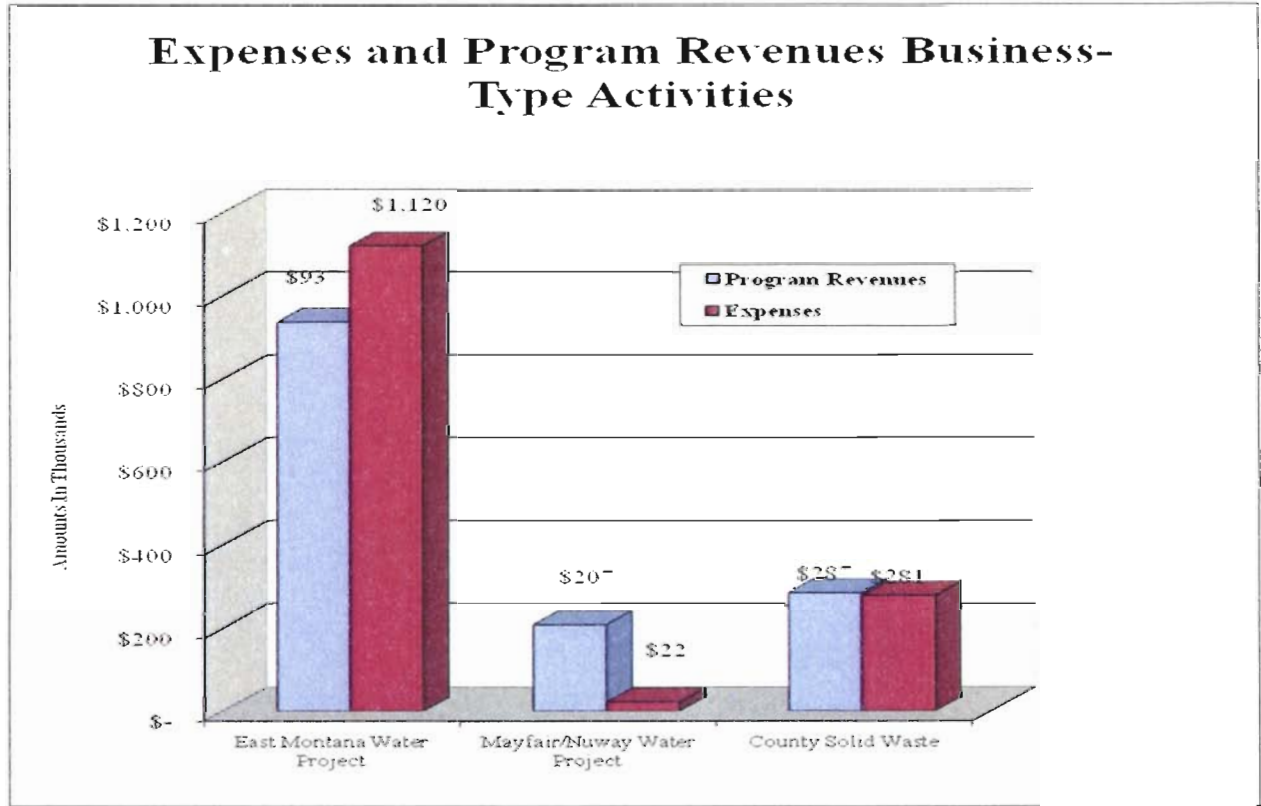
Changes mentioned previously within each of the functions above are the result of a combination of factors both at the fund level and more materially at the entity-wide level as explained in the discussion of the changes in the statement of net assets. More specific information can be found in the fund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

Business-type Activities
Business-type activities resulted in an increase in net assets of \$8,425 or .08 percent and accounted for .15 percent of the total change in the primary government's net assets. Comparative fiscal year 2012 and 2011 data relating to these changes is reflected on Exhibit 7 of this report.



Overall revenues grew by \$46,420 or 3.35 percent for a total of \$1,432,405 due to an increase in capital grants and contributions. Capital grants and contributions increased by \$214,331 due to a new water system being built to serve another Colonia in West El Paso County. Interest earnings decreased by \$10,224 or 62.77 percent.

Expenses in this area totaled \$1,423,980 a decrease of \$171,912 or 10.77 percent and is mainly related to a reduction in the water rates for the enterprise operations.



Financial Analysis of the Government's Funds

Governmental Funds

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

At the end of the fiscal year, the County's governmental funds reported combined ending fund balances of \$209,914,873 an increase of \$84,346,412 or 67.17 percent in comparison with the prior year. Unassigned fund balance constitutes \$38,317,585 or 18.25 percent of total fund balance, which is available for spending at the government's discretion. The remainder of fund balance is non-spendable, restricted, committed or assigned to indicate that it has already been earmarked. The majority of the restricted amount is attributable to capital projects, debt service, grants, and special revenue funds whose restrictions are stipulated by bond covenants, external resource providers or enabling legislation. The committed amount represents the Commissioners

Court's formal action to use the funds for capital improvements within the County. The assigned amount is attributable to funds set aside to cover outstanding encumbrances at year end and an amount to balance the 2013 fiscal year's budget.

The general fund is the chief operating fund of the County. Fund balance totaled \$50,271,641, and increased by \$3,679,104 or 7.90 percent. At the end of the fiscal year, \$38,317,585 was unassigned while \$11,196,594 represents the amount assigned to balance the general fund budget for fiscal year 2013. The unassigned fund balance of the general fund increased by \$3,259,150 or 9.30 percent. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The Commissioners Court utilized unassigned reserves in balancing the fiscal year 2013 operating budget, which included an expenditure level exceeding the corresponding rate of estimated revenue growth, and therefore, increased the designation by \$276,685 or 2.53 percent from that of the prior fiscal year.

Grant funds ended the fiscal year with a fund balance of \$2,028,702, a decrease of \$757,343 or 27.18 percent. This decrease is mainly attributed to less funding from the federal and state level for such programs as Title IV-E geared toward juveniles as well as less funding for the Border Children's Mental Health. The latter program will eventually be picked up entirely by County funds.

The Capital Projects 2007 reported as a major fund ended the fiscal year with a fund balance of \$11,204,991 and decreased by \$22,399,417 or 66.66 percent due to the completion or near completion of the projects which were covered with these funds. This fund is presented as a major fund only for consistency purposes even though it does not meet the criteria for such presentation. The Capital Projects 2012 reflects a fund balance of \$110,185,300 and represents the new bond proceeds in fiscal year 2012.

The debt service fund ended the fiscal year with a fund balance of \$1,635,348, all of which is restricted for the payment of debt service.

The special revenue funds in the aggregate ended the year with a fund balance of \$23,280,363, a decrease of \$127,229 or .54 percent compared to the previous year. This decrease is mainly due to the Road and Bridge fund receiving less allocation from the auto sales tax that is now being split between general fund and the road and bridge fund pursuant to a change in the statute by the State Legislature. The Road and Bridge Fund ended the year with a fund balance of \$8,696,185, a decrease of \$3,409,008 or 28.16 percent.

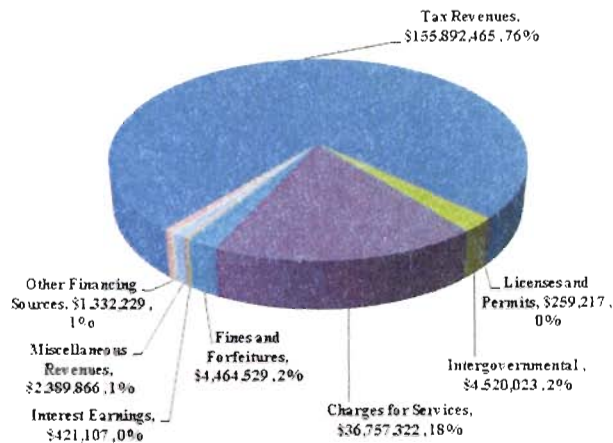
General Fund Trends

	2012 Actuals	2011 Actuals	Amount Increase (Decrease) from FY 2011	Percent Increase (Decrease)	2012 Actual as a % of Total Revenues and Other Financing Sources
General Fund Revenues					
Tax Revenues	\$155,892,465	\$ 150,869,855	\$5,022,610	3.33%	75.66%
Licenses and Permits	259,217	231,371	27,846	12.04%	0.13%
Intergovernmental	4,520,023	7,029,052	(2,509,029)	-35.70%	2.19%
Charges for Services	36,757,322	36,474,166	283,156	0.78%	17.84%
Fines and Forfeits	4,464,529	6,218,678	(1,754,149)	-28.21%	2.17%
Interest Earnings	421,107	1,125,637	(704,530)	-62.59%	0.20%
Miscellaneous Revenues	2,389,866	2,137,439	252,427	11.81%	1.16%
Other Financing Sources	1,332,229	1,334,082	(1,853)	-0.14%	0.65%
Total revenues and other sources	\$206,036,758	\$ 205,420,280	\$ 616,478	0.30%	100.00%

A myriad of factors contributed to the general fund's financial position. Factors included actual revenues and transfers-in over expenditures and transfers-out in the amount of \$3,456,453. Actual revenues totaled \$204,704,529, an increase of \$618,331 or .30 percent over fiscal year 2011 partly due to higher property taxes. Sales and uses taxes experienced an increase of \$293,842. Charges for services saw an increase of \$283,156, or .78 percent.

It is noteworthy to mention that various factors and actions by the County during the fiscal year had the effect of enhancing the fund balance and unspent budgeted amounts within the general fund. This included the continuation of the hiring freeze unless justification was made to the Hiring Freeze Committee.

General Fund Revenues



Further analysis of the general fund reflects that revenue increases were netted by revenue declines in interest earnings of \$704,530, fines and forfeits of \$1,754,149 and intergovernmental of \$2,509,029, due to lower interest rates, lower collections due to fewer warrants issued because of the conversion to a new judicial computer system, and less funds received from the federal government, in particular for prosecuting drug cases.

Comparison of the general fund adopted appropriations reflects an increase in fiscal year 2012 of \$15,026,181 or 7.54 percent for a total of \$214,260,168. Actual expenditures and transfers-out in fiscal year 2012 increased by \$11,344,097 or 5.93 percent bringing the total of general fund expenditures and transfers to \$202,580,305.

Expenditures increases as reflected in the chart below were mainly as a result of a two percent cost of living afforded to County employees, staff increases for the medical examiner, county and district attorneys and an increase in the employee retirement benefit contributions. The increase

Expenditures increases as reflected in the chart below were mainly as a result of a two percent cost of living afforded to County employees, staff increases for the medical examiner, county and district attorneys and an increase in the employee retirement benefit contributions. The increase

General Fund Expenditures	2012 Actuals	2011 Actuals	Amount Increase (Decrease) from FY 2011	Percent Increase (Decrease)	2012 Actual as a % of Total Expenditures and Other Financing Uses
Current:					
General Government	\$34,400,799	\$32,085,864	\$2,314,935	7.21%	16.98%
Administration of Justice	47,502,229	45,138,602	2,363,627	5.24%	23.45%
Public Safety	108,897,329	102,106,535	6,790,794	6.65%	53.76%
Health and Welfare	5,671,876	5,259,017	412,859	7.85%	2.80%
Resource Development	253,576	205,336	48,240	23.49%	0.13%
Culture and Recreation	3,481,027	3,153,371	327,656	10.39%	1.72%
Public Works	4,436	6,984	(2,548)	-36.48%	0.00%
Capital Outlays	357,077	94,333	262,744	278.53%	0.18%
Other Financing Uses	2,011,956	3,186,166	(1,174,210)	-36.85%	0.99%
Total Expenditures (Uses)	\$202,580,305	\$191,236,208	\$11,344,097	5.93%	100.00%

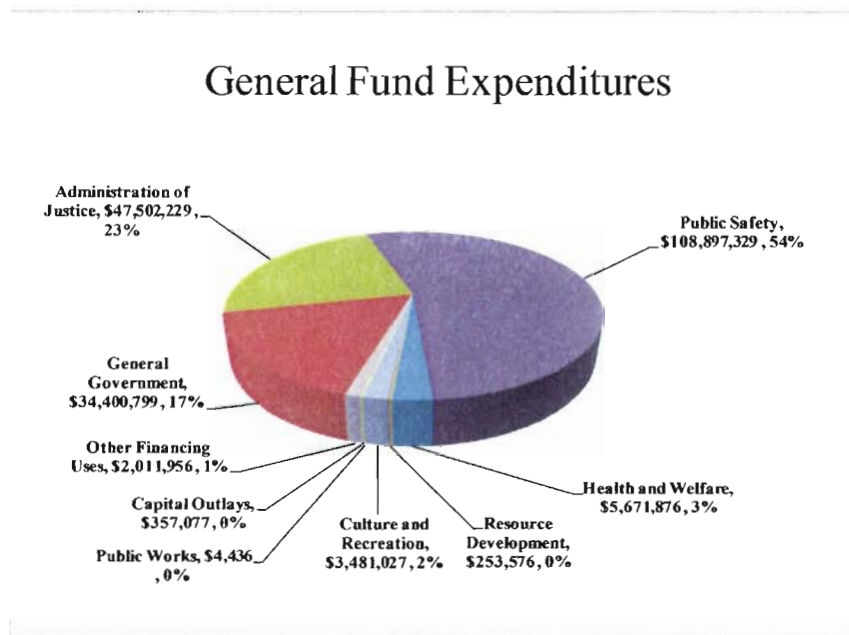
in public safety is mainly attributed to the automatic step increases in the Sheriff's Department for law enforcement in accordance with the CLEAT contract.

Further analysis reflects a decrease in the other financing uses of \$1,174,210 or 36.85 percent due to less excess sales taxes available to transfer to debt service as required by state law.

General Fund Budgetary Highlights

The fiscal year 2012 adopted budget of \$214,260,168 did not increase during the fiscal year other than for carryover appropriations

totaling \$823,906 bringing the original budget total to \$215,084,074. This budget included \$10,919,909 of fund balance reserves to balance the fiscal year 2012 budget gap of appropriations in excess of estimated revenues. The only changes were for reallocations within expenditure classifications and between classifications as approved by the Court.



General Fund Budgetary Variance Highlights

Analysis of budget actual trends in Exhibit 5 depicts that actual revenues were \$2,397,103 more than estimates and occurred in all areas except in intergovernmental and in fines and forfeitures. Significant positive variances were in property taxes for an increase of \$1,347,270 or 56.20 percent and in sales and use taxes of \$1,200,146 or 50.07 percent of the total variance. Other financing sources representing transfers-in had a positive variance of only \$401 due to residual matching funds remaining after close-out of respective grants.

Favorable appropriation variances were experienced in all functions of the County's general fund as the Commissioners Court and County departments remained frugal and the Court enforced cost reduction policies such as maintaining a hiring freeze on filling staffing vacancies, no appropriation transfers between categories of personnel, operating and capital without sufficient justification for approval by the Court and encouraging efficiencies in business practices.

Overall favorable appropriation variances totaled \$12,790,085 which represents 5.95 percent of the adopted budget with carryover. The most significant favorable variance was in the area of general government totaling \$7,073,268 or 55.30 percent of overall appropriation variances. The majority of this variance related to appropriations for contingencies that did not materialize and unspent personnel appropriations made possible due to the County's hiring freeze policy. In regard to operating appropriations, the favorable variance was mainly due to frugal use of

operating contingency funds under the control of the Commissioners Court. Appropriations for transfers-out relate to leveraging county matching funds to secure state and federal grant funding.

Capital Asset and Debt Administration

Capital assets

El Paso County, Texas						
Summary of Capital Assets (Net of Depreciation)						
Categories	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
Land	\$ 16,825,806	\$ 16,322,295			\$ 16,825,806	\$ 16,322,295
Easements	110,000	100,000			110,000	100,000
Buildings	98,338,417	100,892,756			98,338,417	100,892,756
Improvements	6,498,793	6,797,975			6,498,793	6,797,975
Equipment	4,745,127	4,520,398	\$ 9,752,678	\$ 10,068,215	14,497,805	14,588,613
Furniture and Fixtures	183,179	166,255			183,179	166,255
Infrastructure	3,800,666	1,500,621			3,800,666	1,500,621
Vehicles	4,493,515	5,313,600	-	1,416	4,493,515	5,315,016
Roads	18,089,212	17,345,027			18,089,212	17,345,027
Bridges and culverts	1,404,561	1,499,431			1,404,561	1,499,431
Leased equipment	308,068	191,146			308,068	191,146
IT Systems in progress	7,771,920	4,646,324			7,771,920	4,646,324
Construction in progress	39,033,074	23,280,378	613,010	155,584	39,646,084	23,435,962
Total assets	\$ 201,602,338	\$ 182,576,206	\$ 10,365,688	\$ 10,225,215	\$ 211,968,026	\$ 192,801,421

The County's capital assets for governmental and business type activities as of September 30, 2012 amounted to \$211,968,026 net of accumulated depreciation. This investment in capital assets includes land, easements, buildings, improvements, equipment, vehicles, roads and bridges. The total change in the County's capital assets for the current fiscal year was a net increase of \$19,166,605 or 9.94 percent, comprised of an increase of \$19,026,132 or 10.42 percent in governmental activities and a increase of \$140,473 or 1.37 percent in the business-type activities.

Major capital asset activity occurring in fiscal year 2012 included the on-going activity in the Tornillo Guadalupe Port of Entry in Far East El Paso. The County is working with the State and Federal governments and Mexican officials for the construction of a new international port of entry between the United States and Mexico. Other increases to capital assets include the installation of water lines in the colonias within the County. Additional information on the County's capital assets can be found in note 3-C and Exhibit G1- G3.

Long-term Debt

El Paso County's Outstanding Debt						
Type of Debt	Governmental Activities		Business-type Activities		Totals	
	2012	2011	2012	2011	2012	2011
	General obligation bonds	\$57,340,000	\$48,855,000			\$57,340,000
Certificates of obligation bonds	177,230,000	93,395,000			177,230,000	93,395,000
Revenue bonds			\$1,266,000	\$1,023,000	1,266,000	1,023,000
Total	\$234,570,000	\$142,250,000	\$1,266,000	\$1,023,000	\$235,836,000	\$143,273,000

At the end of the fiscal year, the County had total bonded debt outstanding of \$235,836,000 as reflected above. Of this amount, \$234,270,000 comprises debt backed by the full faith and credit of the government. The remainder of the County's debt represents revenue bonds secured solely by specified revenue sources. During the current fiscal year the County's total debt increased by \$92,563,000 or 64.61 percent due to the issuance of new debt.

In December 2012, the Commissioners Court issued new debt to refinance some of its existing debt, taking advantage of favorable interest rates. In July 2012, the Commissioners Court issued Certificates of Obligation for a multitude of projects, including the ongoing construction of the port of entry, expansion of the jail annex, and acquisition of software and hardware for the County's information and technology systems. At that time, both Moody's Investors Service and Standards & Poors reaffirmed bond ratings for a stable outlook in El Paso County with ratings of Aa2 and AA, respectively. The County also received a rating of AA from Fitch Ratings with a stable outlook on the certificates of obligation. These ratings reflect the County's diverse and moderately growing economic base, well managed financial operations with emphasis on long-range financial goals of maintaining ample reserves, and a manageable debt position.

This optimistic outlook is based on the actions exhibited by the Commissioners Court in establishing expenditure controls in fiscal years 2009 through 2012. Assuming the local economy continues to stabilize, this outlook is based on the premise that trends in revenue enhancements will outpace the growth in expenditures over the next few fiscal years, which should propel the County's revenues and expenditures into relative alignment for the future. Furthermore, future gains of budgetary alignment will be dependent upon the actions of the Commissioners Court, statutory mandates imposed by the State and the impact of economic conditions in the El Paso region. More detailed information on the County's indebtedness may be found in note 3-F.

Economic Factors and Next Year's Budgets and Rates

- According to the Texas Workforce Commission's October 2012 issue of Texas Labor Market Review, the statewide unemployment rate was 6.8 percent in September. Compared to the same time last year, this was 19.0 percent lower. El Paso's unemployment rate decreased from 10.6 percent to 8.7 percent in 2012.
- Over the past fiscal year, between September 2011 and September 2012, El Paso gained 5,900 jobs overall. Further analysis reflects that 6,100 job gains were netted with 200

employment losses. The various job gains occurred in construction 500, transportation 100, trade 700, financial activities 200, the services sector 2,200, and government 2,400. The losses were in manufacturing (100) and information (100). The services sector comprises 38.6 percent of El Paso's employment market, while the government sector makes up 23.8 percent of the employment market. The reductions in the manufacturing sector may be attributable to apparel manufacturers shifting a portion of operations from El Paso to Mexico and Asia in order to reduce manufacturing costs. This is consistent with the nationwide trend of cost cutting within the apparel manufacturing sector.

- El Paso's cultural and business ties as a border region with Mexico drive its economy. The renewed attraction of El Paso County as a favorable business environment, coupled with continued moderately low interest rates, continues to stimulate local construction activity. The El Paso labor market will gain an estimated 64,000 new jobs from the expansion of Ft. Bliss between 2008 and 2013. Indirect and induced impacts will create nearly one additional job in El Paso for each one generated at Ft. Bliss.
- Assessed property values have averaged approximately 4.32 percent growth over the past 5 years.
- For fiscal year 2011 the tax rate was set at \$0.363403 and decreased to \$0.361196 per \$100 of assessed valuation in 2012 as a result of increased property valuations and the addition of new property to the tax base. The tax rate was increased to \$0.408870 for fiscal year 2013 in a continued effort to align revenues with expenditure trends.
- The overall fund balance of the general fund has experience positive growth the last three fiscal years, increasing approximately \$14 million or 42.9 percent, in fiscal year 2011 and increased slightly by \$3.7 million in fiscal year 2012.
- Sales and use tax revenues grew in 2010 after a decline in 2009 and have reflected positive growth through fiscal year 2012. On a positive note, inflationary trends in the region have trended favorably compared to the national levels.
- The Commissioners Court will continue its focus of containing general fund expenditure growth while enhancing revenue growth in order to keep up with inflation.

All of these factors were considered in preparing the County's budget for the 2013 fiscal year.

The focus of the County remains on conservative fiscal management while addressing public service needs and State mandates. As of September 30, 2012, the Federal Funds rate was between 0 and .25 percent. The Discount rate was .75 percent as of September 2012. Interest for the twelve months ended September 2012 was \$1,121,761 down \$1,780,678 or 61.35 percent when compared to \$2,902,439 the prior fiscal year, due mainly to lower interest rates received from the depository bank. The interest rate was lowered from three percent to .75 percent from the previous fiscal year.

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

For the future, it is anticipated that in fiscal year 2013, the Court will continue to face funding challenges. Some of these challenges will include identification of new sources or increases to

revenues through aggressive collection efforts of amounts due to the County and possible shifting of financial funding responsibilities from the State to the County. Other challenges include public health and welfare, public safety and culture and recreation in response to community needs. Healthcare benefit costs for County employees and retirees due to the trend of increasing health care costs and continuation of contractual collective bargaining salary adjustments for the sheriff's department remain major concerns. Further challenges facing the court in the future are the increasing space needs, inflation and various other funding mandates placed upon the County as it continues to grow.

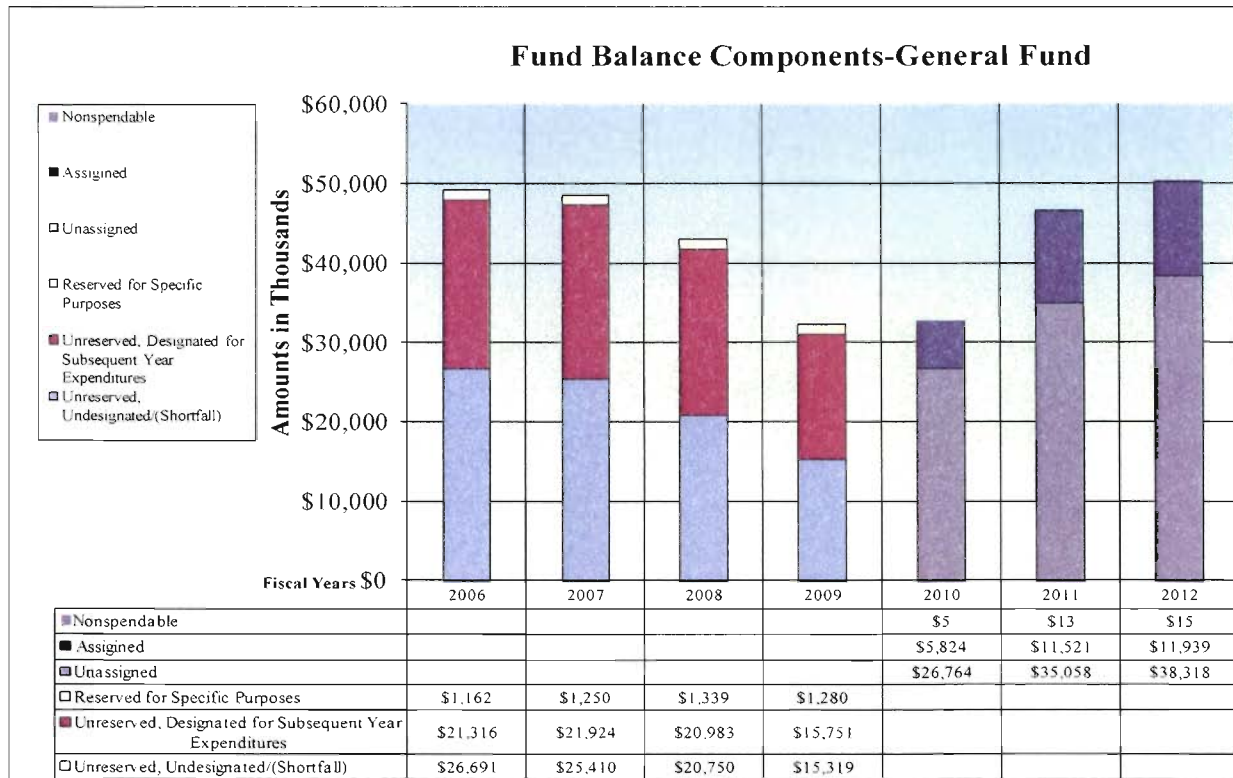
At its discretion, the Court will continue to utilize some amount of fund balance, which is healthy in the sense that it keeps the County from building up excessive reserves and reduces a future burden on taxpayers. The Court increased its use of fund balance in the fiscal year 2013 budget by a mere \$277 thousand compared to the amount used in fiscal year 2012. This action reflects the County's continued focus on fiscal and budgetary restraint in fiscal year 2013.

County government will continually strive to effectuate steady increases in revenue while costs are on the rise. In terms of the overall financial condition, the County's present financial position is similar to most communities across the nation and will require that the Commissioners Court continue to focus on bringing revenues and expenditures into alignment, while maintaining reserves to approximate first quarter operating costs. The graph on the next page is presented to reflect the change in the presentation of fund balance pursuant to the requirements of GASB 54 (Fund Balance Reporting and Governmental Fund Type Definitions), which the County implemented in fiscal year 2010. This graph depicts how the general fund's fund balances have increased or decreased over a period of years.

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

The fiscal year 2013 budget adopted by the County totaled \$282,760,433, a net increase of \$20,512,546 or 7.8 percent in comparison to the fiscal year 2012 adopted budget. Additional information regarding the 2013 budget can be obtained from the County's official 2013 published budget presentation package on the County's web page as reflected below.

<http://www.epcounty.com/auditor/publications/default.htm>



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

<http://www.epcounty.com/auditor/publications/default.htm>

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BASIC FINANCIAL STATEMENTS

County of El Paso, Texas
Statement of Net Assets
September 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Hospital District
ASSETS				
Cash and cash equivalents	\$221,391,010	\$1,722,082	\$223,113,092	\$69,029,000
Investments				1,001,000
Receivables (net of allowance for uncollectible)	40,740,337	102,963	40,843,300	69,613,000
Inventories	15,290		15,290	5,679,000
Prepaid				9,548,000
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents		266,808	266,808	
Other assets				16,193,000
Capital Assets (net of accumulated depreciation):				
Land	16,825,806		16,825,806	10,326,000
Easements	110,000		110,000	
Buildings	98,338,417		98,338,417	322,714,000
Improvements	6,498,793		6,498,793	
Equipment	4,745,127	9,752,678	14,497,805	
Furniture and fixtures	183,179		183,179	72,879,000
Infrastructure	3,800,666		3,800,666	
Vehicles	4,493,515		4,493,515	
Roads	18,089,212		18,089,212	
Bridges and culverts	1,404,561		1,404,561	
Leased equipment	308,068		308,068	
Construction in progress	46,804,994	613,010	47,418,004	527,000
Total assets	463,748,975	12,457,541	476,206,516	577,509,000
LIABILITIES				
Vouchers payable	15,368,363	92,959	15,461,322	66,128,000
Retainage payable	1,177,496		1,177,496	
Claims payable	964,283		964,283	
Payroll liabilities	7,271,169	3,661	7,274,830	
Due to others	98,651	95,550	194,201	
Due to other units	698,105		698,105	
Due to other governments	1,807,302	9,403	1,816,705	
Unearned revenue	3,133,196		3,133,196	
Accrued interest payable	1,415,997	6,211	1,422,208	
Claims and judgments	631,693		631,693	
Noncurrent liabilities:				
Due within one year				
Bonds	8,555,000	29,000	8,584,000	5,211,000
Capital leases	123,613		123,613	
Self-insured obligations				1,936,000
Contingent liabilities	590,000		590,000	
Compensated Absences	9,886,564		9,886,564	
Due in more than one year				
Bonds(net of related costs)	237,825,513	1,237,000	239,062,513	248,314,000
Capital leases	154,558		154,558	
Self-insured obligations				1,081,000
Contingent liabilities	1,000,000		1,000,000	
Compensated absences	20,810,006		20,810,006	
OPEB liability	22,914,433		22,914,433	
Other long term liabilities				991,000
Total liabilities	334,425,942	1,473,784	335,899,726	323,661,000
NET ASSETS				
Invested in capital assets, net of related debt	86,681,155	9,093,477	95,774,632	163,428,000
Restricted for:				
Capital Projects	961,318		961,318	
Grants	2,028,702		2,028,702	
Legislative	23,280,363		23,280,363	
Debt service	219,351	35,211	254,562	1,441,000
Enterprise fund:		266,964	266,964	
Health care				2,630,000
Unrestricted	16,152,144	1,588,105	17,740,249	86,349,000
Total net assets:	\$129,323,032	\$10,983,757	\$140,306,790	\$253,848,000

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

County of El Paso, Texas
Statement of Activities
For the Year Ended September 30, 2012

Functions/Programs	Program Revenues			Net (expense) Revenue and Changes in Net Assets			Component Unit	
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Hospital District
					Governmental Activities	Business-type Activities		
Primary government:								
Governmental Activities:								
General government	\$41,422,883	\$11,077,829	\$895,587		(\$29,449,467)		(\$29,449,467)	
Administration of justice	54,599,239	7,857,794	6,422,132		(40,319,313)		(40,319,313)	
Public safety	134,637,811	22,334,711	16,714,023		(95,589,077)		(95,589,077)	
Health and welfare	13,233,053	136,151	3,278,539		(9,820,363)		(9,820,363)	
Community services	2,909,656		2,641,569		(268,087)		(268,087)	
Resource development	1,552,486	2,699,314	995,645		(556,841)		(556,841)	
Culture and recreation	8,593,417	9,709,869			(5,894,103)		(5,894,103)	
Public works	7,920,139		4,989,051		6,778,781		6,778,781	
Interest on long-term debt	7,085,603				(7,085,603)		(7,085,603)	
Total governmental activities	271,956,287	53,815,668	35,936,546		(182,204,073)		(182,204,073)	
Business-type activities:								
East Montana water project	1,120,445	924,745		\$6,776	(\$188,924)		(188,924)	
Mayfair/Nauiway Water Project	22,129			207,555	185,426		185,426	
County Solid Waste	281,406	287,266			5,860		5,860	
Total business-type activities	1,423,980	1,212,011		214,331	2,362		2,362	
Total primary government	\$273,380,267	\$55,027,679	\$35,936,546	\$214,331	(\$182,204,073)		(\$182,201,711)	
Component units:								
Hospital district	\$394,267,000	\$222,522,000	\$153,974,000				(\$17,771,000)	
Total component units	\$394,267,000	\$222,522,000	\$153,974,000				(17,771,000)	
General revenues:								
Taxes:								
Property					127,685,281		\$127,685,281	
Hotel/Motel					3,246,193		3,246,193	
Sales					38,889,557		38,889,557	
Bingo					70,904		70,904	
Mixed beverage					1,579,600		1,579,600	
Interest					1,121,761	\$6,063	1,121,761	
Miscellaneous					3,780,314		3,780,314	
Gain on sale of capital assets					52,813		52,813	
Transfers								
Total general revenues and transfers					176,420,360	6,063	176,426,423	
Change in net assets					(5,783,713)	8,425	(5,775,288)	
Net assets - beginning					134,889,002	10,975,332	145,864,334	
Prior period adjustment					217,744		217,744	
Net assets - ending					\$129,323,033	\$10,983,757	\$140,306,790	
							\$253,848,000	

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

County of El Paso, Texas
Balance Sheet
Governmental Funds
September 30, 2012

	General	Special Revenue Grants	County Capital Projects 2007	County Capital Projects 2012	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$52,690,502	\$17,841	\$15,514,653	\$110,186,390	\$38,929,580	\$217,338,966
Receivables (net of allowances for uncollectible):						
Taxes	16,119,698					16,119,698
Accounts	9,576,006	10,816,379	319,082		319,767	21,031,234
Due from other funds	392,175	4,555,731			752	4,948,658
Inventory of supplies	15,290					15,290
Total assets	<u>\$78,793,671</u>	<u>\$15,389,951</u>	<u>\$15,833,735</u>	<u>\$110,186,390</u>	<u>\$39,250,099</u>	<u>\$259,453,846</u>
Liabilities and fund balances:						
Liabilities:						
Vouchers payable	\$4,347,322	4,623,517	\$3,862,904	\$1,090	\$2,533,530	\$15,368,363
Retainage Payable		213,449	765,840		198,207	1,177,496
Payroll liability	6,572,880	497,554			198,640	7,269,074
Due to others	286				87,342	87,628
Due to other funds	12,653	4,947,906			752	4,961,311
Due to other units	698,105					698,105
Due to other governments	1,799,913				7,389	1,807,302
Fringe benefits payable						
Deferred revenue	15,090,871	3,078,823				18,169,694
Total liabilities	<u>28,522,030</u>	<u>13,361,249</u>	<u>4,628,744</u>	<u>1,090</u>	<u>3,025,860</u>	<u>49,538,973</u>
Fund Balances:						
Nonspendable:						
Inventory	15,290					15,290
Restricted:						
Temporary budgetary stabilization					7,892,910	7,892,910
Building construction/renovation			373,303	\$7,750,000	461,943	58,585,246
Bridge construction			2,969,536	27,000,000	216,303	30,185,839
General assistance					5,007,220	5,007,220
Parks			356,125		8,853,319	9,209,444
Public safety					990,089	990,089
Records management					391,282	391,282
Road construction/maintenance					1,439,611	1,439,611
Software/IT improvements			884,550	10,000,000		10,884,550
Water/sewer construction						
Debt service					1,635,348	1,635,348
Other purposes		2,028,702	579,881	15,435,300	3,056,621	21,100,504
Committed:						
Other purposes					1,005,459	1,005,459
Assigned:						
Imprest and change funds	132,110					132,110
Temporary budgetary stabilization	11,196,594					11,196,594
Other purposes	610,062		6,041,596		5,274,134	11,925,792
Unassigned:						
Total fund balances	<u>50,271,641</u>	<u>2,028,702</u>	<u>11,204,991</u>	<u>110,185,300</u>	<u>36,224,239</u>	<u>209,914,873</u>
Total liabilities and fund balances	<u>\$78,793,671</u>	<u>\$15,389,951</u>	<u>\$15,833,735</u>	<u>\$110,186,390</u>	<u>\$39,250,099</u>	<u>\$259,453,846</u>

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

El Paso County, Texas
Reconciliation of the Governmental Funds Balance Sheet
to the Statement of Net Assets
September 30, 2012

Total fund balances for governmental funds \$209,914,873

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Land	16,825,806	
Easements	110,000	
Buildings, net of accumulated depreciation	98,338,417	
Improvements, net of accumulated depreciation	6,498,793	
Equipment, net of accumulated depreciation	4,745,127	
Furniture and fixtures, net of accumulated depreciation	183,179	
Infrastructure, net of accumulated depreciation	3,800,666	
Vehicles, net of accumulated depreciation	4,493,515	
Roads, net of accumulated depreciation	18,089,212	
Bridges and culverts, net of accumulated depreciation	1,404,561	
Leased equipment, net of accumulated depreciation	308,068	
Construction in progress	46,804,994	
Total capital assets		201,602,338

Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.

Deferred revenue property taxes		15,036,498
Receivable for court costs, net of allowance for uncollectible accounts		3,589,405
Compensated Absences		(30,696,570)
OPEB liability		(22,914,433)
Internal service fund is used to charge the health care costs for county employees, dependants, and retirees.		3,087,296

Long-term liabilities, including bonds payable, that are not due and payable in the current period and therefore not reported in the funds.

Accrued interest on bonds	(1,415,997)	
General long-term debt	(234,570,000)	
Capital leases	(278,171)	
Contingent liabilities	(1,590,000)	
Claims and judgments	(631,693)	
Deferred bond issuance costs	(11,810,513)	
Other liabilities		
Total long-term liabilities		(250,296,374)

Total net assets of governmental activities \$129,323,033

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

County of El Paso, Texas
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended September 30, 2012

	General	Special Revenue Grants	County Capital Projects 2007	County Capital Projects 2012	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$155,892,465				\$14,452,732	\$170,345,197
Licenses and permits	259,217					259,217
Intergovernmental revenues	4,520,023	\$30,555,355			861,168	35,936,546
Charges for services	36,757,322				11,721,514	48,478,836
Fines and Forfeitures	4,464,529				1,151,126	5,615,655
Interest	421,107	76,445	\$148,085	\$165,751	276,266	1,087,654
Miscellaneous	2,389,866	1,109,635	38		268,122	3,767,661
Total Revenues	<u>204,704,529</u>	<u>31,741,435</u>	<u>148,123</u>	<u>165,751</u>	<u>28,730,928</u>	<u>265,490,766</u>
EXPENDITURES						
Current:						
General Government	34,400,799	74,965			3,364,668	37,840,432
Administration of justice	47,502,229	3,006,733			1,361,058	51,870,020
Public safety	108,897,329	16,767,723			1,331,117	126,996,169
Health and welfare	5,671,876	4,644,401			97,004	10,413,281
Community services		2,782,811				2,782,811
Resource development	253,576	999,095				1,252,671
Culture and recreation	3,481,027	219			3,735,372	7,216,618
Public works	4,436	1,135,996			9,286,104	10,426,536
Debt Service:						
Principal					6,175,000	6,175,000
Interest					6,518,231	6,518,231
Bond issuance costs				771,977	166,221	938,198
Capital outlays	357,077	4,624,604	22,547,540		2,698,912	30,228,133
Total expenditures	<u>200,568,349</u>	<u>34,036,547</u>	<u>22,547,540</u>	<u>771,977</u>	<u>34,733,687</u>	<u>292,658,100</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,136,180</u>	<u>(2,295,112)</u>	<u>(22,399,417)</u>	<u>(606,226)</u>	<u>(6,002,759)</u>	<u>(27,167,334)</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	1,033,234	1,704,149			1,280,055	4,017,438
Transfers out	(2,011,956)	(175,227)			(1,830,255)	(4,017,438)
Premium (discount) on bonds issued				11,836,526	921,455	12,757,981
Issuance of debt				98,955,000		98,955,000
Refunding bonds issued					11,315,000	11,315,000
Payment to refunded bond escrow agent					(12,062,296)	(12,062,296)
Capital leases	298,995					298,995
Realized gain						
Sale of capital assets					\$2,813	\$2,813
Total other financing sources and uses	<u>(679,727)</u>	<u>1,528,922</u>		<u>110,791,526</u>	<u>(323,228)</u>	<u>111,317,493</u>
Net change in fund balances	3,456,453	(766,190)	(22,399,417)	110,185,300	(6,325,987)	84,150,159
Fund balances - beginning	46,592,537	2,786,045	33,604,408		42,585,471	125,568,461
Prior year adjustment	244,142	8,847	-	-	(35,245)	217,744
Net change in reserve for inventories	(21,491)					(21,491)
Fund balances - ending	<u>\$50,271,641</u>	<u>\$2,028,702</u>	<u>\$11,204,991</u>	<u>\$110,185,300</u>	<u>\$36,224,239</u>	<u>\$209,914,873</u>

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

County of El Paso, Texas
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended September 30, 2012

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

Net change in fund balances - total governmental funds \$84,150,159

Bond proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balance. In the statement of net assets, however, issuing debt increases long-term liabilities and does not affect the statement of activities. Similarly, repayment of principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets.

Debt issued:			
Bonds issued		(98,955,000)	
Refunding bonds issued		(11,315,000)	
Premium on bonds issued		(12,757,981)	
Repayments			
To escrow agent		12,062,296	
Bond issuance costs		1,111,697	
Principal payments		6,175,000	
Net adjustment		(103,678,988)	(103,678,988)

Court cost receivables, net of allowance for uncollectible amounts (538,040)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.

Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available.

Deferred revenue property taxes		1,126,338	
Additional contingent liabilities		330,000	
Additional Compensated Absences		(1,173,846)	
Additional Other Post Employment Benefits		(5,527,357)	
Depreciation expense		(16,287,692)	
The net effect of various transactions involving capital assets (i.e., sales and retirements) is to increase net assets			
Additions	45,249,966		
Retirements	(11,177,434)		
Accumulated depreciation related to retirements	1,241,292	35,313,824	
Unpaid claims workers comp		603,285	
Change in purchasing inventory		(21,491)	
Expenses related to capital lease payments and retirements		133,721	
Accrued interest on bonds		(567,372)	13,929,410

Internal service fund is used to charge the health care costs for county employees, dependants, and retirees. 652,741

Change in net assets of governmental activities: (\$5,783,713)

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

County of El Paso, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	\$114,005,134	\$114,005,134	\$115,352,404	\$1,347,270
Sales	37,689,411	37,689,411	38,889,557	1,200,146
Bingo	52,000	52,000	70,904	18,904
Mixed beverage	1,460,062	1,460,062	1,579,600	119,538
Licenses and permits	214,623	214,623	259,217	44,594
Intergovernmental	5,263,021	5,263,021	4,520,023	(742,998)
Charges for services	35,859,303	35,859,303	36,757,322	898,019
Fines and forfeitures	5,442,499	5,442,499	4,464,529	(977,970)
Interest	363,423	363,423	421,107	57,684
Miscellaneous	1,957,950	1,957,950	2,389,866	431,916
Total revenues	<u>202,307,426</u>	<u>202,307,426</u>	<u>204,704,529</u>	<u>2,397,103</u>
EXPENDITURES				
Current:				
General government				
Personnel	30,698,010	28,929,049	24,585,587	4,343,462
Operating	13,359,555	12,566,509	9,836,703	2,729,806
Total general Government	<u>44,057,565</u>	<u>41,495,558</u>	<u>34,422,290</u>	<u>7,073,268</u>
Administration of justice				
Personnel	42,522,631	44,140,509	42,480,956	1,659,553
Operating	5,472,992	5,409,168	5,021,273	387,895
Total Administration of justice	<u>47,995,623</u>	<u>49,549,677</u>	<u>47,502,229</u>	<u>2,047,448</u>
Public safety				
Personnel	91,929,040	91,624,287	91,232,918	391,369
Operating	17,894,296	18,702,307	17,664,411	1,037,896
Total Public safety	<u>109,823,336</u>	<u>110,326,594</u>	<u>108,897,329</u>	<u>1,429,265</u>
Health and welfare				
Personnel	2,514,364	2,703,836	1,832,678	871,158
Operating	4,187,057	4,438,057	3,839,198	598,859
Total Health and welfare	<u>6,701,421</u>	<u>7,141,893</u>	<u>5,671,876</u>	<u>1,470,017</u>
Resource development				
Personnel	309,637	298,070	234,078	63,992
Operating	29,774	29,774	19,498	10,276
Total Resource development	<u>339,411</u>	<u>327,844</u>	<u>253,576</u>	<u>74,268</u>
Culture and recreation				
Personnel	1,974,744	2,163,986	1,908,968	255,018
Operating	1,862,971	1,888,471	1,572,059	316,412
Total Culture and recreation	<u>3,837,715</u>	<u>4,052,457</u>	<u>3,481,027</u>	<u>571,430</u>
Public works				
Personnel				
Operating	13,300	13,300	4,436	8,864
Total Public works	<u>13,300</u>	<u>13,300</u>	<u>4,436</u>	<u>8,864</u>
Capital outlays	262,695	177,087	357,077	(179,990)
Total expenditures	<u>213,031,066</u>	<u>213,084,410</u>	<u>200,589,840</u>	<u>12,494,570</u>
Excess of revenues over expenditures	<u>(10,723,640)</u>	<u>(10,776,984)</u>	<u>4,114,689</u>	<u>14,891,673</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	1,032,833	1,032,833	1,033,234	401
Transfers out	(2,053,008)	(1,999,664)	(1,704,149)	295,515
Capital leases			298,995	298,995
Total other financing sources and uses	<u>(1,020,175)</u>	<u>(966,831)</u>	<u>(371,920)</u>	<u>594,911</u>
Net change in fund balances	<u>(11,743,815)</u>	<u>(11,743,815)</u>	<u>3,742,769</u>	<u>15,486,584</u>
Fund balances - beginning	58,762,168	58,762,168	58,762,168	
Prior period adjustment			244,142	244,142
Fund balances - ending	<u>\$47,018,353</u>	<u>\$47,018,353</u>	<u>\$62,749,079</u>	<u>\$15,730,726</u>

County of El Paso, Texas
Special Revenue Fund - Grant Funds
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
For the Year Ended September 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$37,174,170	\$62,848,247	\$30,555,355	(\$32,292,892)
Interest		435	76,445	76,010
Miscellaneous	545,206	1,448,412	1,109,635	(338,777)
Total revenues	<u>37,719,376</u>	<u>64,297,094</u>	<u>31,741,435</u>	<u>(32,555,659)</u>
Expenditures:				
General government:				
Personnel	55,264	119,133	54,557	64,576
Operating	10,150	313,762	20,408	293,354
Total general government	<u>65,414</u>	<u>432,895</u>	<u>74,965</u>	<u>357,930</u>
Administration of justice:				
Personnel	1,847,964	4,066,491	2,049,550	2,016,941
Operating	1,782,873	2,371,902	957,183	1,414,719
Total administration of justice	<u>3,630,837</u>	<u>6,438,393</u>	<u>3,006,733</u>	<u>3,431,660</u>
Public safety:				
Personnel	8,390,339	20,567,652	10,347,088	10,220,564
Operating	6,845,809	15,306,699	6,420,635	8,886,064
Total public safety	<u>15,236,148</u>	<u>35,874,351</u>	<u>16,767,723</u>	<u>19,106,628</u>
Health and welfare:				
Personnel	1,322,797	1,861,510	1,493,516	367,994
Operating	1,346,865	3,673,438	3,150,885	522,553
Total health and welfare	<u>2,669,662</u>	<u>5,534,948</u>	<u>4,644,401</u>	<u>890,547</u>
Resource development:				
Personnel	29,220	29,220		29,220
Operating	4,425,980	4,425,980	999,095	3,426,885
Total resource development	<u>4,455,200</u>	<u>4,455,200</u>	<u>999,095</u>	<u>3,456,105</u>
Community services:				
Personnel	215,518	406,214	173,758	232,456
Operating	2,197,142	2,836,658	2,609,053	227,605
Total community services	<u>2,412,660</u>	<u>3,242,872</u>	<u>2,782,811</u>	<u>460,061</u>
Culture and recreation:				
Operating	219	219	219	
Total culture and recreation	<u>219</u>	<u>219</u>	<u>219</u>	
Public works:				
Personnel	73,123	73,123	67,806	5,317
Operating	1,331,228	1,404,144	1,068,190	335,954
Total public works	<u>1,404,351</u>	<u>1,477,267</u>	<u>1,135,996</u>	<u>341,271</u>
Capital outlays	<u>10,474,606</u>	<u>11,109,384</u>	<u>4,624,604</u>	<u>6,484,780</u>
Total expenditures	<u>40,349,097</u>	<u>68,565,529</u>	<u>34,036,547</u>	<u>34,528,982</u>
Excess (deficiency) of revenues over (under) expenditures	(2,629,721)	(4,268,435)	(2,295,112)	1,973,323
Other financing sources (uses):				
Transfers in	1,250,019	2,733,315	1,704,149	(1,029,166)
Transfers out	(500)	(8,628)	(175,227)	(166,599)
Total other financing sources (uses)	<u>1,249,519</u>	<u>2,724,687</u>	<u>1,528,922</u>	<u>(1,195,765)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(1,380,202)	(1,543,748)	(766,190)	777,558
Fund balance - beginning	2,786,045	2,786,045	2,786,045	
Prior period adjustments			8,847	8,847
Fund balance - ending	<u>\$1,405,843</u>	<u>\$1,242,297</u>	<u>\$2,028,702</u>	<u>\$786,405</u>

County of El Paso, Texas
Statement of Net Assets
Proprietary Funds
September 30, 2012

Business-type Activities-Enterprise Funds

	East Montana Water Project (Current Year)	East Montana Water Project (Prior Year)	Mayfair/Nuway Water Project (Current Year)	Mayfair/Nuway Water Project (Prior Year)	County Solid Waste (Current Year)	County Solid Waste (Prior Year)	Total Current Year	Governmental Activities - Internal Service Fund
ASSETS								
Current assets:								
Cash and cash equivalents	\$1,714,746	\$1,611,336	5442		\$6,894	\$754	\$1,722,082	\$4,052,044
Accounts receivable	78,841	84,282		\$55,584	24,122	23,900	102,963	
Due from other funds		155,584						12,653
Restricted cash and cash equivalents								
Customer deposits	95,550	93,400					95,550	
East Montana 1997A interest and sinking fund	24,382	29,457					24,382	
East Montana 2000A interest and sinking fund	9,504	8,473					9,504	
Total current assets	1,925,023	1,982,532	442	155,584	31,016	24,654	1,954,481	4,064,697
Noncurrent assets:								
Restricted cash, cash equivalents, and investments:								
East Montana 1997B construction fund	36,470	36,470					36,470	
East Montana Reserve fund	100,902	100,725					100,902	
Total restricted assets	137,372	137,195					137,372	
Capital assets								
Equipment, water system	13,141,013	13,134,237					13,141,013	
Vehicles	16,979	16,979					16,979	
Construction in Progress			613,010	\$155,584			613,010	
Less accumulated depreciation	(3,405,314)	(3,081,585)					(3,405,314)	
Total capital assets, net of accumulated depreciation	9,752,678	10,069,631	613,010	155,584			10,365,688	
Total noncurrent assets	9,890,050	10,206,826	613,010	155,584			10,503,060	
Total assets	11,813,073	12,189,358	613,452	311,168	31,016	24,654	12,457,541	4,064,697
LIABILITIES								
Current liabilities:								
Vouchers payable	68,904	237,433	442		23,613	23,153	92,959	
Customer deposits payable	95,550	93,400					95,550	
Claims payable								964,283
Payroll Liability	3,661	1,249					3,661	2,095
Due to others				155,584				11,023
Due to other funds								
Due to other governments	9,403	9,614					9,403	
Current liabilities payable from restricted assets								
East Montana Water Project 1997A payable	20,000	20,000					20,000	
East Montana Water Project 2000A payable	10,000	9,000					10,000	
Accrued interest payable	6,211	6,395					6,211	
Total current liabilities	213,729	377,111	442	155,584	23,613	23,153	257,784	977,401
Noncurrent liabilities:								
East Montana Water Project 1997A payable	860,000	880,000					860,000	
East Montana Water Project 2000A payable	104,000	114,000					104,000	
Mayfair/Nuway Water System Bonds 2012 Payable			272,000				272,000	
Total noncurrent liabilities	964,000	994,000	272,000				1,236,000	
Total liabilities	1,177,729	1,371,111	272,442	155,584	23,613	23,153	1,473,784	977,401
NET ASSETS								
Invested in capital assets, net of related debt	8,752,467	9,049,236	341,010	155,584			9,093,477	
Restricted for:								
Debt	35,211	35,395					35,211	
East Montana Water Project	81,968	248,316					81,968	
County Solid Waste					7,403	1,501	7,403	
East Montana Reserve Fund	100,902	100,725					100,902	
East Montana 1997B construction fund	36,470	36,470					36,470	
East Montana 1997A interest and sinking	29,282	34,357					29,282	
East Montana 2000A interest and sinking	10,939	9,908					10,939	
Unrestricted:								
East Montana Water Project	1,388,105	1,312,840					1,388,105	
Internal Service fund								3,087,296
Total net assets	\$10,633,344	\$10,818,247	\$341,010	\$155,584	\$7,403	\$1,501	\$10,983,757	\$3,087,296

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

County of El Paso, Texas
 Statement of Revenues, Expenses, and
 Changes in Fund Net Assets
 Proprietary Funds
 For the Year Ended September 30, 2012

	Business-type Activities-Enterprise Funds						Governmental Activities - Internal Service Fund
	East Montana Water Project (Current Year)	East Montana Water Project (Prior Year)	Mayfair/Nuway Water Project (Current Year)	Mayfair/Nuway Water Project (Prior Year)	County Solid Waste (Current Year)	County Solid Waste (Prior Year)	
OPERATING REVENUES							
Charges for services	5924,745	959,353			\$287,266	\$261,656	\$1,212,011
Employee premiums							\$8,817,963
Employer premiums							10,832,439
Retiree premiums							1,493,969
Cobra							27,089
Stop loss reimbursements							190,081
Other							875,112
Total operating revenues	924,745	959,353			287,266	261,656	1,212,011
OPERATING EXPENSES							
Personnel expenses	55,109	16,532					55,109
Operating expenses	109,153	280,571					109,153
Depreciation	323,729	324,904					323,729
Public utilities	304,997	364,737					304,997
Professional services	276,481	267,386			281,406	278,312	357,887
Claims							13,810,246
Administrative							2,253,718
Total operating expenses	1,069,469	1,268,130			281,406	278,312	1,330,875
Operating income (loss)	(144,724)	(317,777)			5,860	(17,656)	(138,864)
NONOPERATING REVENUES (EXPENSES)							
Interest revenue	6,021	16,153			42	134	6,063
Interest expense	(50,976)	(52,450)					(50,976)
Total nonoperating revenues (expenses)	(44,955)	(36,297)			42	134	(44,913)
Income before contributions and transfers	(189,679)	(354,074)			5,902	(17,522)	(183,777)
Capital contributions	6,776	2,105	\$207,555	\$155,584			214,551
Transfers from other funds		684	(22,129)			11,500	(22,129)
Change in Net Assets	(182,903)	(351,285)	185,426	155,584	5,902	(2,022)	62,740
Total net assets, beginning	10,818,247	11,169,532	155,584		1,501	3,523	10,975,332
Prior period adjustment							
Total net assets, ending	\$10,635,344	\$10,818,247	\$341,010	\$155,584	\$7,403	\$1,501	\$10,993,757

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

County of El Paso, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2012

Business-Type Activities-Enterprise Funds

	East Montana Water Project (Current Year)	East Montana Water Project (Prior Year)	Mayfair/Nuway Water Project (Current Year)	Mayfair/Nuway Water Project (Prior Year)	County Solid Waste (Current Year)	County Solid Waste (Prior Year)	Total Current Year	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES								
Receipts from customers	\$1,087,709	\$799,942			\$287,044	\$258,468	\$1,374,755	
Payments for personnel expenses	(32,697)	(30,391)					(62,697)	
Payments for operating expenses	(277,702)	(109,736)	\$442	(\$57,913)	460	1,132	(276,800)	
Payments for utilities	(304,997)	(364,737)					(304,997)	
Payments for professional services	(276,481)	(267,386)			(281,406)	(275,312)	(557,887)	
Receipts from employee premiums								\$5,847,965
Receipts from employer premiums								10,839,786
Receipts from retiree premiums								1,495,969
Receipts from cobra premiums								27,089
Receipts from stop loss reimbursements								190,081
Receipts from miscellaneous services								275,117
Payments for claims								(15,742,604)
Payments for administrative expenses								(2,253,718)
Net cash provided (used) by operating activities	175,832	27,692	442	(\$57,913)	6,098	(15,712)	182,372	677,930
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES								
Transfers from other funds		684				11,500		
Net cash provided (used) by noncapital financing activities		684				11,500		
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES								
Bond proceeds			249,871				249,871	
Capital contributions	6,776	2,105	207,555	155,584			214,331	
Interest paid	(51,160)	(52,654)					(103,814)	
Principal repayments	(29,000)	(29,000)					(29,000)	
Construction in progress	(6,776)		(457,426)	(97,671)			(464,202)	
Net cash provided (used) by capital and related financing activities	(80,160)	(79,529)		57,913			(80,160)	
CASH FLOWS FROM INVESTING ACTIVITIES								
Receipt of interest	6,021	16,153			42	134	6,063	28,044
Net cash provided (used) by investing activities	6,021	16,153			42	134	6,063	28,044
Net increase in cash and cash equivalents	101,693	(35,000)	442		6,140	(4,078)	108,275	705,974
Cash and cash equivalents, beginning of year	1,879,861	1,914,861			754	4,832	1,880,615	3,346,070
Prior period adjustment								
Cash and cash equivalents, end of year	\$1,981,554	\$1,879,861	\$442		\$6,894	\$754	\$1,988,890	\$4,052,044
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:								
Operating income (loss)	(\$144,724)	(\$317,777)			\$5,860	(\$15,656)	(\$138,864)	2624,696
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation	323,729	324,904					323,729	
(Increase) decrease in accounts receivable	5,441	2,733					160,803	
(Increase) decrease in due from other funds	155,584	(155,584)	155,584	(155,584)	(222)	(3,188)	155,584	(12,653)
Increase (decrease) in customer deposits	2,150	1,900					2,150	
Increase (decrease) in vouchers payable	(168,349)	170,835	\$442	(\$57,913)	460	1,132	(167,647)	
Increase (decrease) in claims liability								68,242
Increase (decrease) in payroll liability	2,412	141					2,412	(2,355)
Increase (decrease) in due to other funds							(155,584)	
Increase (decrease) in due to other governments	(211)	540	(155,584)	155,584			(211)	
Total adjustments	320,556	345,469	442	(57,913)	238	(2,056)	321,236	58,234
Net Cash Provided (Used) by Operating Activities	\$175,832	\$27,692	\$442	(\$57,913)	\$6,098	(\$15,712)	\$182,372	\$677,930

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

County of El Paso, Texas
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
September 30, 2012

	Agency Funds
Assets	
Cash and cash equivalents	\$27,054,863
Accounts receivable	92,899
Restricted-funds custodial capacity cash equivalents	8,351,915
Total Assets	\$35,499,677
Liabilities	
Accounts payable	\$103,048
Payroll liabilities	2,826,075
Due to others	21,896,366
Due to other governmental agencies	10,674,188
Total Liabilities	\$35,499,677
Net Assets	

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

COUNTY OF EL PASO, TEXAS
Notes to the Financial Statements
September 30, 2012

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-budgeted	(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	<u>(12,169,631)</u>
Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$50,271,641</u>

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.

TexPool and TexPool Prime

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

Currently, TexPool and TexPool Prime are rated AAAM by Standard & 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:

<u>Assets</u>	<u>Years</u>
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:

<u>Assets</u>	<u>Years</u>
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:

<u>Number of Years of Service</u>	<u>Vacation Leave Days Earned Per Year</u>
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	<u>10,427,340</u>	0.41
Total	<u>\$45,618,896</u>	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	<u>\$ 1,000,715</u>	3.88
Restricted Investment Type	Fair Value	Weighted Average Maturity (Years)
Certificates of deposit	\$ 700,000	0.66
Total	<u>\$ 700,000</u>	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	Standard &
<u>Investment at September 30, 2012</u>	<u>Poor's Rating</u>
Local Government Investment Pools	AAAm
Component Unit	Standard &
<u>Investment at September 30, 2012</u>	<u>Poor's Rating</u>
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:

	<u>General</u>	<u>Capital Project 2007</u>	<u>Major Special Revenue-Grants Funds</u>	<u>Other Non-major Funds</u>	<u>Enterprise Funds</u>	<u>Total</u>
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	<u>(162,825)</u>					<u>(162,825)</u>
Net total receivables	<u>\$25,695,704</u>	<u>\$319,082</u>	<u>\$10,816,379</u>	<u>\$319,767</u>	<u>\$102,963</u>	<u>\$37,253,895</u>

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:

	<u>Unavailable</u>	<u>Unearned</u>
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)		<u>3,078,823</u>
Total deferred /unearned revenue for governmental funds	<u>\$15,061,268</u>	<u>\$3,108,426</u>

C. Capital assets

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

Primary Government

	<u>Beginning Balance</u>	<u>Prior Period Adjustments</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
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	<u>23,280,378</u>		<u>23,394,734</u>	<u>(7,642,038)</u>	<u>39,033,074</u>
Total capital assets, not being depreciated	<u>44,348,997</u>	<u>337,331</u>	<u>28,177,954</u>	<u>(9,123,482)</u>	<u>63,740,800</u>
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	<u>16,753,913</u>		<u>794,775</u>	<u>(528,383)</u>	<u>17,020,305</u>
Total capital assets, being depreciated	<u>323,006,708</u>		<u>16,734,681</u>	<u>(2,053,952)</u>	<u>337,687,437</u>

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	<u>(184,779,499)</u>		<u>(16,287,692)</u>	<u>1,241,292</u>	<u>(199,825,899)</u>
Total capital assets, being depreciated, net	<u>138,227,209</u>		<u>446,989</u>	<u>(812,660)</u>	<u>137,861,538</u>
Governmental activities capital assets, net	<u>\$182,576,206</u>	<u>\$337,331</u>	<u>\$28,624,943</u>	<u>(\$9,936,142)</u>	<u>\$201,602,338</u>
	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	<u>\$155,584</u>		<u>\$457,426</u>		<u>\$613,010</u>
Capital assets, being depreciated:					
Vehicles	16,979				16,979
Water System	<u>13,134,237</u>		<u>6,776</u>		<u>13,141,013</u>
Total capital assets, being depreciated	<u>13,151,216</u>		<u>6,776</u>		<u>13,157,992</u>
Business-type activities (continued):					
Less accumulated depreciation for:					
Vehicles	(15,564)		(1,415)		(16,979)
Water system	<u>(3,066,021)</u>		<u>(322,314)</u>		<u>(3,388,335)</u>
Total accumulated depreciation	<u>(3,081,585)</u>		<u>(323,729)</u>		<u>(3,405,314)</u>
Total capital assets, being depreciated, net	<u>10,069,631</u>		<u>(316,953)</u>		<u>9,752,678</u>
Business-type activities capital assets, net	<u>\$10,225,215</u>		<u>\$140,473</u>		<u>\$10,365,688</u>

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	<u>4,697,498</u>
Total depreciation expense governmental activities	<u>\$16,287,692</u>

Note 3. Detailed notes on all funds (Continued)

C. Capital assets (Continued)

Business-type activities:	
Vehicles	\$1,415
Water system	<u>322,314</u>
Total depreciation expense	
Business-type activities	<u>\$323,729</u>

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	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
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	<u>\$46,804,994</u>	<u>\$98,622,273</u>
Business Type Activities		
Nuway – Mayfair Water Project	<u>\$613,010</u>	
Total	<u>\$613,010</u>	

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:

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

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:

	<u>Due From</u>	<u>Due To</u>
General Fund	\$392,175	\$12,653
Major Special Revenue-Grants		
34 th Judicial District Prosecution Initiative		90,303
65 th District Family Drug Court		31,458
384 th District Drug Court		32,580
409 th District Drug Court		20,013
409 th 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)

	<u>Due From</u>	<u>Due To</u>
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
ONDPCP 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	<u>4,555,731</u>	<u>4,947,906</u>

Note 3. Detailed notes on all funds (Continued)

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

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

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

	<u>Transfers Out Actual</u>	<u>Transfers In Actual</u>
<u>General Fund</u>		
409 th 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	<u>93,312</u>	
Subtotal	<u>2,011,956</u>	<u>1,033,234</u>
<u>Major Special Revenue-Grants</u>		
409 th 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	<u>1,225</u>	<u>93,312</u>
Subtotal	<u>175,227</u>	<u>1,704,149</u>
<u>Special Revenue</u>		
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	<u>190,174</u>	
Subtotal	<u>1,491,899</u>	<u>633,892</u>
<u>Debt Service</u>		
G.O. Refunding 2011		307,807
G.O. Refunding 2002		338,356
Certificates of Obligation 2007	<u>338,356</u>	
Subtotal	<u>338,356</u>	<u>646,163</u>
Total Non Major	<u>1,830,255</u>	<u>1,280,055</u>
Grand total	<u>\$4,017,438</u>	<u>\$4,017,438</u>

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:

	<u>Governmental Activities</u>
Asset:	
Machinery and equipment	\$427,989
Less: accumulated depreciation	<u>119,921</u>
Total	<u>\$308,068</u>

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

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

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:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount</u>
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
				<u>\$234,570,000</u>

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

<u>Year Ending September 30</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
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
	<u>\$234,570,000</u>	<u>\$124,501,668</u>	<u>\$359,071,668</u>

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:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount</u>
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				<u>\$1,266,000</u>

Note 3. Detailed notes on all funds (Continued)

F. Long-term Debt (Continued)

Revenue bond debt service requirements to maturity are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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
	<u>\$1,266,000</u>	<u>\$854,144</u>	<u>\$2,120,144</u>

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:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
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	<u>(685,648)</u>	<u>(287,296)</u>	<u>685,648</u>	<u>(287,296)</u>	
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	<u>17,387,076</u>	<u>5,527,357</u>	<u></u>	<u>22,914,433</u>	
Governmental activity Long-term liabilities	<u>\$192,879,201</u>	<u>\$160,518,622</u>	<u>(\$50,906,443)</u>	<u>\$302,491,380</u>	<u>\$19,786,870</u>
	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Business-type activities:					
Bonds payable:					
Revenue Bonds	<u>\$1,023,000</u>	<u>\$272,000</u>	<u>(\$29,000)</u>	<u>\$1,266,000</u>	<u>\$30,000</u>
Total bonds payable	1,023,000	272,000	(29,000)	1,266,000	30,000
Business-type activity Long-term liabilities	<u>\$1,023,000</u>	<u>\$272,000</u>	<u>(\$29,000)</u>	<u>\$1,266,000</u>	<u>\$30,000</u>

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:

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

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:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	<u>88,610,000</u>	<u>15,887,000</u>	<u>104,497,000</u>
	<u>\$251,250,000</u>	<u>\$200,711,000</u>	<u>\$451,961,000</u>

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 non-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

Plan Description

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 <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of <u>APC Contributed</u>	Net Pension <u>Obligation</u>
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	<u>413,813,961</u>
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 <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of <u>APC Contributed</u>	Net Pension <u>Obligation</u>
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 <u>Date</u>	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	<u>(724,902)</u>
Annual OPEB cost	6,459,147
Contributions for year ended September 30, 2012	<u>(931,790)</u>
Increase in net OPEB obligation	5,527,357
Net OPEB obligation – Beginning of year	<u>17,387,076</u>
Net OPEB obligation – End of year	<u>\$22,914,433</u>
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 <u>September 30, 2012</u>	Year Ended <u>September 30, 2011</u>
Unpaid claims, beginning of fiscal year	\$1,234,978	\$1,519,831
Incurring claims (including incurred but not reported)	1,922,578	1,449,069
Claim payments	<u>(2,525,863)</u>	<u>(1,733,922)</u>
Unpaid claims, end of fiscal year	<u>\$631,693</u>	<u>\$1,234,978</u>

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.

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**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.

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FEDERAL AND STATE AWARD SECTION

REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS* AND
THE STATE OF TEXAS *UNIFORM GRANT MANAGEMENT STANDARDS*

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

We have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of El Paso, Texas, as of and for the year ended September 30, 2012, which collectively comprise the County of El Paso, Texas' basic financial statements and have issued our report thereon dated March 13, 2013. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* and the State of Texas *Uniform Grant Management Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the discretely presented component unit, as described in our report on the County of El Paso, Texas' primary government financial statements. The financial statements of the discretely presented component unit were audited in accordance with *Government Auditing Standards* and the State of Texas *Uniform Grant Management Standards*. This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

Management of the County of El Paso, Texas is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the County of El Paso, Texas' internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County of El Paso, Texas' internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the County of El Paso, Texas' internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the County of El Paso, Texas, in a separate letter dated March 13, 2013.

This report is intended solely for the information and use of Commissioners Court, management, others within the entity, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink that reads "Ch Ruddock" followed by a stylized flourish and the letters "CC".

El Paso, Texas
March 13, 2013

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROLS
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR

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

Compliance

We have audited the County of El Paso, Texas' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the State of Texas Single Audit Circular that could have a direct and material effect on each of the County of El Paso, Texas' major federal and state programs for the year ended September 30, 2012. The County of El Paso, Texas' major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the County of El Paso, Texas' management. Our responsibility is to express an opinion on the County of El Paso, Texas' compliance based on our audit.

The County of El Paso, Texas' basic financial statements include the operations of the discretely presented component unit, which received no federal awards and \$2,105,939 in state awards, which are not included in the schedule during the year ended September 30, 2012. Our audit, described below, did not include the operations of the discretely presented component unit because it engaged other auditors to perform an audit in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular. This report does not include the results of other auditors' testing of compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the State of Texas Single Audit Circular.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the State of Texas Single Audit Circular. Those standards, OMB Circular A-133 and the State of Texas Single Audit Circular, require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the County of El Paso, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the County of El Paso, Texas' compliance with those requirements.

In our opinion, based on our audit and on the report of the other auditors, the County of El Paso, Texas complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2012.

Internal Control Over Compliance

Management of the County of El Paso, Texas is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered the County of El Paso, Texas' internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the County of El Paso, Texas' internal control over compliance. As described in the first paragraph of this report, other auditors were engaged to perform an audit of the operations of the discretely presented component unit in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular. This report does not include the results of other auditors' testing of internal control over compliance that are reported on separately by those auditors.

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

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

This report is intended solely for the information and use of Commissioners Court, management, others within the entity, federal and state awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.



El Paso, Texas
March 13, 2013

COUNTY OF EL PASO, TEXAS

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

Schedule Reference Number	PROGRAM	DESCRIPTION
<u>SUMMARY OF AUDITOR'S RESULTS</u>		
<u>FINANCIAL STATEMENTS</u>		
	Type of Auditor's Report Issued:	Unqualified
	Internal control over financial reporting:	
	Material weaknesses identified?	None
	Significant deficiencies identified that are not considered to be material weaknesses?	None reported
	Noncompliance material to the financial statements:	None
<u>FEDERAL AND STATE AWARDS</u>		
	Internal control over major programs:	
	Material weaknesses identified?	None
	Significant deficiencies identified that are not considered to be material weaknesses?	Federal - None reported. State - None reported.
	Type of auditor's report issued on compliance for major programs:	Unqualified
	Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133 or the State of Texas Single Audit Circular?	None - Federal Programs None - State Programs

(Continued)

COUNTY OF EL PASO, TEXAS

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

Schedule Reference Number	PROGRAM	DESCRIPTION
	Major Federal Programs:	<p><u>Water and Waste Disposal Systems for Rural Communities:</u> CFDA 10.760: Schuman Water Project, Mayfair/Nuway Project, and Colonia Revolucion Water Project;</p> <p><u>Homelessness Prevention and Rapid Re-Housing Program (HPRP) (Recovery Act Funded):</u> CFDA 14.257;</p> <p><u>Equitable Sharing for State and Local Law Enforcement Agencies:</u> CFDA 16.000: El Paso County Metro Criminal Enterprise Unit, El Paso County Metro Criminal Enterprise Unit (Treasury), HIDTA Asset Forfeitures, El Paso County Sheriff's Office, and Organized Crime Drug Enforcement Task Force;</p> <p><u>Crime Victim Assistance:</u> CFDA 16.575: Victim Witness Services, Victim of Crimes Act, and Sheriff's Human Trafficking Project;</p> <p><u>Grants to Encourage Arrest Policies and Enforcement Protection Orders Program:</u> CFDA 16.590: Community-Defined Solutions/Arrest;</p> <p><u>Job Access - Reverse Commute:</u> CFDA 20.516: El Paso County, Texas and Eastern New Mexico;</p> <p><u>Renewable Energy Research and Development (Recovery Act Funded):</u> CFDA 81.087: Geothermal Project ARRA;</p> <p><u>Homeland Security Grant Program Enforcement:</u> CFDA 97.067: Operation Stonegarden, and CFDA 97.073: Homeland Security.</p>

(Continued)

COUNTY OF EL PASO, TEXAS

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

Schedule Reference Number	PROGRAM	DESCRIPTION
	Major State Programs:	Border Colonia Access Program: 248BCF5003; Sheriff's Training Academy: SF-06-A10-14285-13, and SF-06-A10-14285-14; Local Border Security Program: LSBP-110001; Public Defenders Indigent Defense: 212-11-071, and 212-12-071; and Elections Chapter 19.
	Dollar Threshold Considered Between Type A and Type B Federal and State Programs:	\$718,637 - Federal Programs \$307,886 - State Programs
	Auditee qualified as low-risk auditee?	Yes - Federal Programs Yes - State Programs

(Continued)

COUNTY OF EL PASO, TEXAS
SCHEDULE OF FINDINGS & QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Schedule Reference Number	PROGRAM	DESCRIPTION
<u>FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS</u>		
		There were no current year findings
<u>FEDERAL AWARD FINDINGS AND QUESTIONED COSTS</u>		
		There were no current year findings

COUNTY OF EL PASO, TEXAS

SCHEDULE OF STATUS OF PRIOR FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2012

Scheduled Reference Number	PROGRAM	STATUS OF PRIOR YEAR'S FINDINGS/NONCOMPLIANCE
<u>FINANCIAL STATEMENT FINDINGS</u>		
11-1	Procurement	No similar instances noted. It appears management implemented the corrective action noted in the report for the year ended September 30, 2011.
<u>FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS</u>		
11-2	Equitable Sharing for State and Local Law Enforcement Agencies (CFDA 16.000)	No similar instances noted. It appears management implemented the corrective action noted in the report for the year ended September 30, 2011.

County of El Paso
Schedule of Expenditures of Federal and State Awards
Year Ended September 30, 2012

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2011-2012	State Expenditures 2011-2012
Federal Expenditures				
U. S. Department of Agriculture				
Rural Development				
Schuman Water Project	10.760	49-071-0763-03-10	\$ 596,685	
Mayfair/Nuway Project	10.760	Grant#00-01	\$ 207,555	
Mayfair/Nuway Project	10.760	RD Grant	\$ 627,620	
Colonia Revolucion Water Project	10.760	RD Grant	\$ 66,500	
Total for CFDA 10.760			\$ 1,498,360	
*Texas Department of Health and Human Services				
National School Lunch Program	10.555	TX-071215	\$ 116,638	
*TDHS - Commodities Distribution				
El Paso County Juvenile Probation (non-cash)	10.565	071-050-A4	\$ 6,128	
Total U.S. Department of Agriculture			\$ 1,621,126	\$ -
U. S. Department of Housing and Urban Development				
*Office of Rural Affairs within the Texas Department of Agriculture				
Colonia Self Help Center	14.228	710013	\$ 746,145	
Bosque Bonito	14.228	729165	\$ 81,155	
Wildhorse and Hacienda Real	14.228	729035	\$ 3,165	
Conquistador & Lourdes Step Project	14.228	710006	\$ 317,615	
Total for CFDA 14.228			\$ 1,148,080	
*Texas Department of Housing and Community Affairs				
Homelessness Prevention and Rapid Re-Housing Program ARRA	14.257	12090000697	\$ 121,533	
Emergency Solutions Grant Program	14.231	42110001502	\$ 1,262	
Community Development Block Grants				
*City of El Paso				
Homebound Meals	14.218	56663	\$ 55,912	
Lower Dyer Neighbor Revitalization Strategy Area TVP	14.218	2012-0494	\$ 7,095	
Total for CFDA 14.218			\$ 63,007	
Housing and Urban Development (HUD)				
*City of El Paso				
Homelessness Prevention and Rapid Re-Housing Program ARRA	14.257	51320V3	\$ 51,223	
Total U.S. Department of Housing and Urban Development			\$ 1,385,105	\$ -
U. S. Department of Justice				
Bureau of Justice Assistance				
State Criminal Alien Assistance Program (SCAAP)	16.606	2012-AP-BX-0321	\$ 335,439	
Bullet Proof Vest Partnership	16.607	2009-BO-BX-09046765	\$ 830	
Southwest Border Prosecution Initiative	16.755	JW09A04749	\$ 565,286	
*Texas Border Sheriff's Coalition				
Operation Linebacker	16.753	2010-DD-BX-0484	\$ 5,572	
Office of Community Oriented Policing Services(COPS)				
Community Policing - COPS in Schools	16.710	2009-CK-WX-0755	\$ 1,669	
Community Policing - COPS in Schools	16.710	2011-CK-WX-0055	\$ 35,794	
Community Policing - Technology Grants	16.710	2010-CK-WX-0252	\$ 152,053	
Total for CFDA 16.710			\$ 189,516	

County of El Paso
Schedule of Expenditures of Federal and State Awards
Year Ended September 30, 2012

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2011-2012	State Expenditures 2011-2012
Asset Forfeiture Money Laundering Section				
El Paso County Metro Criminal Enterprise Unit	16.000	TX07100PO	\$ 136,206	
El Paso County Metro Criminal Enterprise Unit(Treasury)	16.000	TX07100PO	\$ 39,993	
HIDTA Asset Forfeitures	16.000	TX0712000	\$ 51,448	
El Paso County Sheriff's Office	16.000	TX0710000	\$ 470,023	
Office of Justice Programs				
Organized Crime Drug Enforcement Task Force	16.000	SW-TXW-0538H	\$ 3,806	
Organized Crime Drug Enforcement Task Force	16.000	SW-TXW-0547H	\$ 4,780	
Organized Crime Drug Enforcement Task Force	16.000	SW-TXW-0548H	\$ 3,352	
Organized Crime Drug Enforcement Task Force	16.000	SW-TXW-0557H	\$ 1,010	
Organized Crime Drug Enforcement Task Force	16.000	SW-TXW-0560H	\$ 4,707	
Organized Crime Drug Enforcement Task Force	16.000	SW-TXW-0566H	\$ 12,097	
Organized Crime Drug Enforcement Task Force	16.000	SW-TXW-0570H	\$ 3,504	
Organized Crime Drug Enforcement Task Force	16.000	SW-TXW-0571H	\$ 293,722	
Organized Crime Drug Enforcement Task Force	16.000	SW-TXW-0572H	\$ 2,304	
Organized Crime Drug Enforcement Task Force	16.000	SW-TXW-0582H	\$ 5,419	
Total for CFDA 16.000			\$ 1,032,371	
Project M2-Moblizing Mentors	16.726	2008-JU-FX-0022	\$ 20,883	
El Paso Juvenile Drug Court Mentoring Project	16.726	2010-DC-BX-0201	\$ 93,042	
Total for CFDA 16.726			\$ 113,925	
& Edward Byrne Memorial Justice Assistant Grant	16.738	2005-DJ-BX-0289	\$ 7,944	
& Edward Byrne Memorial Justice Assistant Grant	16.738	2008-DJ-BX-0598	\$ 40,036	
& Edward Byrne Memorial Justice Assistant Grant	16.738	2009-DJ-BX-1374	\$ 174,496	
& Edward Byrne Memorial Justice Assistant Grant	16.738	2010-DJ-BX-1416	\$ 135,113	
& Edward Byrne Memorial Justice Assistant Grant	16.738	2011-DJ-BX-3043	\$ 127,119	
& Edward Byrne Memorial Justice Assistant Grant	16.738	2011-DJ-BX-0311	\$ 106	
Total for CFDA 16.738			\$ 484,814	
Paul Coverdell Forensic Science Improvement	16.742	2010-CD-BX-0068	\$ 59,655	
Justice and Mental Health Collaboration Program	16.745	2010-MO-BX-0057	\$ 109,694	
Second Chance Act Prisoner Reentry Initiative	16.812	2011-RN-BX-0011	\$ 192,858	
Office on Violence Against Women				
Community-Defined Solutions/Arrest	16.590	2010-WE-AX-0023	\$ 378,569	
*City of El Paso				
& Edward Byrne Memorial Justice Assistant Grant ARRA	16.804	2009-SB-B9-3086	\$ 8,950	
*Office of the Governor - Criminal Justice Division				
Juvenile Accountability Incentive Block Grant	16.523	JB-09-J20-13358-12	\$ 2,113	
Juvenile Accountability Incentive Block Grant	16.523	JB-10-J20-13358-13	\$ 59,320	
409th Juvenile Drug Court	16.523	JB-08-J20-18028-06	\$ 868	
409th Juvenile Drug Court	16.523	JB-09-J20-18028-07	\$ 91,893	
409th Juvenile Drug Court	16.523	JB-09-J20-18028-08	\$ 1,556	
Total for CFDA 16.523			\$ 155,750	
Victim Witness Services	16.575	VA-11-V30-13625-14	\$ 68,822	
Victim Witness Services	16.575	VA-11-V30-13625-15	\$ 5,345	
Victim of Crimes Act	16.575	VA-10-V30-23931-02	\$ 47,485	
Sheriff's Human Trafficking Project	16.575	VA-10-V30-24284-01	\$ 31,185	
Total for CFDA 16.575			\$ 152,837	

County of El Paso
Schedule of Expenditures of Federal and State Awards
Year Ended September 30, 2012

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2011-2012	State Expenditures 2011-2012
Domestic Violence Unit	16.588	WF-10-V30-13437-13	\$ 4,242	
Domestic Violence Unit	16.588	WF-10-V30-13437-14	\$ 102,163	
Domestic Violence Unit	16.588	WF-09-V30-13437-15	\$ 11,379	
Protective Order Court	16.588	WF-10-V30-24316-02	\$ 91,924	
Protective Order Court	16.588	WF-10-V30-24316-03	\$ 3,793	
Total for CFDA 16.588			\$ 213,501	
& DWI Court	16.738	DJ-10-A10-18692-05	\$ 100,740	
& DWI Court	16.738	DJ-10-A10-18692-06	\$ 4,568	
& Border Crime Initiative	16.738	DJ-08-A10-19860-05	\$ 1,842,602	
& Border Crime Initiative	16.738	DJ-08-A10-19860-06	\$ 77,071	
Total for CFDA 16.738			\$ 2,024,981	
Office of Juvenile Justice and Delinquency Prevention				
<u>*Texas Alcoholic Beverage Commission</u>				
Enforcing the Underage Drinking Laws	16.727	EUDL 80021	\$ 15,705	
Total U. S. Department of Justice			\$ 6,040,253	\$ -
U. S. Department of Transportation				
Federal Transit Administration				
<u>*Texas Department of Transportation</u>				
Van Pool	20.205	CSJ#0924-06-286	\$ 238,130	
Van Pool	20.205	CSJ#0924-03-386	\$ 123,607	
Secure Border Trade Demo Project	20.205	CSJ#0914-06-292	\$ 1,247,317	
Total for CFDA 20.205			\$ 1,609,054	
Rural Transit Assistance Program	20.509	51024F7205	\$ 2,870	
Rural Transit Assistance Program	20.509	51024F7154	\$ 97,621	
Rural Transit Assistance Program	20.509	51024F7192	\$ 240,329	
Total for CFDA 20.509			\$ 340,820	
Regional Public Transportation Plan	20.515	51224F7114	\$ 82,381	
Regional Public Transportation Plan	20.515	51324F7076	\$ 4,523	
Total for CFDA 20.515			\$ 86,904	
El Paso County, Texas and Eastern New Mexico	20.516	51124F7110	\$ 355,528	
National Highway Traffic Safety Administration				
<u>*Texas Department of Transportation</u>				
STEP-Impaired Driving Mobilization Project 2012	20.600	IDM-00003	\$ 32,019	
STEP-Impaired Driving Mobilization Project 2012	20.600	S-1YG-0006	\$ 40,584	
Total for CFDA 20.600			\$ 72,603	
Total U.S. Department of Transportation			\$ 2,464,909	\$ -
U.S. Department of Energy				
Geothermal Project ARRA	81.087	DE-EE0002827	\$ 995,645	
Total U.S. Department of Energy			\$ 995,645	\$ -
U.S. Election Assistance Commission				
<u>*Texas Office of the Secretary of State</u>				
General HAVA Compliance	90.401	78546	\$ 17,001	\$ 895
Total U.S. Election Assistance Commission			\$ 17,001	\$ 895

County of El Paso
Schedule of Expenditures of Federal and State Awards
Year Ended September 30, 2012

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2011-2012	State Expenditures 2011-2012
U.S. Department of Health and Human Services				
*Texas Department of Health and Human Services:				
Social Services Block Grant-Home Delivered Meals	93.667	UCN 10N1493	\$ 1,118,924	
*Texas Department of Family and Protective Services				
Promoting Safe and Stable Families -Child Protective	93.658	23940331	\$ 117,120	
*Texas Juvenile Probation Commission				
Title IV-E	93.658	TJPC-E- -071	\$ 42,059	
Total for CFDA 93.658			\$ 159,179	
*Texas Department of Aging and Disability Services				
**Title III C1 -Congregate Meals	93.045	000173100	\$ 469,090	
**Title III C2 - Homebound Meals	93.045	001004302	\$ 179,185	
**Participant Assessment	93.045	001004302	\$ 2,863	
Total for CFDA 93.045			\$ 651,138	
Administration on Aging				
National Hispanic Council on Aging	93.048	90AM2906/02	\$ 421	
*Rio Grande Council of Governments				
**Congregate Meals	93.053	539-08-0218-00001	\$ 326,121	
*Texas Attorney General:				
Child Support Enforcement	93.563	AG TITLE IV -D	\$ 711,478	
Child Support Probation Cases	93.563	10-C0024	\$ 147,988	
OAG Cases Redirected	93.563	00-08002	\$ 15	
State Case Registry Services	93.563	11-C0028	\$ 31,671	
Total for CFDA 93.563			\$ 891,152	
Access and Visitation Grant	93.597	11-C0110	\$ 49,394	
Access and Visitation Grant	93.597	11-C0110	\$ 3,577	
Total for CFDA 93.597			\$ 52,971	
Total U.S. Department of Health and Human Services			\$ 3,199,906	\$ -
Executive Office of the President				
Office of National Drug Control Policy (ONDCP)				
34th Judicial Dist. Prosecution Initiative	95.001	G09SW0003A	\$ 11,426	
34th Judicial Dist. Prosecution Initiative	95.001	G10SW0003A	\$ 32,234	
34th Judicial Dist. Prosecution Initiative	95.001	G11SW0003A	\$ 413,064	
34th Judicial Dist. Prosecution Initiative	95.001	G11SW0003A	\$ 131,446	
Multiple Initiatives	95.001	G09SW0001A	\$ 15,518	
Multiple Initiatives	95.001	G10SW0001A	\$ 468,000	
Multiple Initiatives	95.001	G11SW0001A	\$ 2,839,803	
Multiple Initiatives	95.001	G12SW0001A	\$ 256,677	
Total for CFDA 95.001			\$ 4,168,168	\$ -
U. S. Social Security Administration				
Social Security Incentive Payment	96.008	20100901	\$38,400	
Total U.S. Social Security Administration			\$ 38,400	\$ -
U.S. Department of Homeland Security				
Emergency Food and Shelter National Board Program	97.024	803600-014 Phase	\$ 90,000	

County of El Paso
Schedule of Expenditures of Federal and State Awards
Year Ended September 30, 2012

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2011-2012	State Expenditures 2011-2012
*Texas Department of Public Safety				
Urban Area Security Initiative	97.008	2010-SS-TD-0008	\$ 118,197	
%Operation Stonegarden	97.067	2009-SJ-T9-0011	\$ 709,656	
%Operation Stonegarden	97.067	2010-SS-T0-0008	\$ 2,913,542	
Total for CFDA 97.067			\$ 3,623,198	
%Homeland Security	97.073	2009-SS-T9-0064	\$ 155,689	
%Homeland Security	97.073	2010-SS-T9-0008	\$ 36,977	
Total for CFDA 97.073			\$ 192,666	
Total U.S. Department of Homeland Security			\$ 4,024,061	\$ -
<u>State Expenditures</u>				
Office of the Governor - Criminal Justice Division				
! 243th Drug Court Program	N/A	SF-10-A10-16921-06		\$ (222)
District Attorney's Border Prosecution	N/A	CH-10-A10-22837-01		\$ 529,974
District Attorney's Border Prosecution	N/A	CH-10-A10-22837-02		\$ 277,367
^ SHOCAP Enhancement Project	N/A	CG-10-J20-23211-01		\$ (61,896)
384th Drug Court Program	N/A	SF-10-A10-16921-08		\$ (1,873)
384th Drug Court Program	N/A	SF-10-A10-16921-09		\$ 98,869
384th Drug Court Program	N/A	SF-10-A10-16921-10		\$ 7,840
65th Family Drug Court Program	N/A	DC-11-A10-23858-02		\$ 70,519
Criminal History Updates	N/A	SF-12-A10-26127-01		\$ 51,733
*Rio Grande Council of Governments				
Sheriff's Training Academy	N/A	SF-06-A10-14285-13		\$ 181,378
Sheriff's Training Academy	N/A	SF-06-A10-14285-14		\$ 14,353
Total Office of the Governor-Criminal Justice Division			\$ -	\$ 1,168,042
Texas Department of Agriculture				
Home-Delivered Meal Grant Program	N/A	HDM-11-634		\$ 125,392
*Office of Rural Affairs within the Texas Department of Agriculture				
< Texas Bootstrap Loan Program	N/A	857602		\$ (4,841)
Total Texas Department of Agriculture			\$ -	\$ 120,551
Office of the Attorney General				
Sheriff's Crime Victim's Liaison	N/A	12-26810		\$ 37,424
Sheriff's Crime Victim's Liaison	N/A	13-33038		\$ 2,434
DA Victim Information Notification Everyday	N/A	12-24294		\$ 30,710
Total Office of the Attorney General			\$ -	\$ 70,568
Texas Department of Transportation				
Border Colonia Access Program	N/A	248BCF5003		\$ 2,483,067
Click or Ticket	N/A	2012-ELPASOCO-CIOT		\$ 9,860
Rural Transit Assistance Program	N/A	51124F7017		\$ 221,784
Total Texas Department of Transportation			\$ -	\$ 2,714,711
Texas Comptroller of Public Accounts				
Tobacco Compliance Grant Sheriff FY 2012	N/A	Tobacco Grant 2012 Sheriff		\$ 18,969
Tobacco Compliance Grant Constable 4 FY 2012	N/A	Tobacco Grant 2012 Cons 4		\$ 18,414
Elections Chapter 19	N/A	TX Election CD Chapter 19		\$ 116,035
Lateral Road Fund Distribution	N/A	94F0001072		\$ 67,099
Total Texas Comptroller of Public Accounts			\$ -	\$ 220,517

County of El Paso
Schedule of Expenditures of Federal and State Awards
Year Ended September 30, 2012

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2011-2012	State Expenditures 2011-2012
Texas Department of Housing and Community Affairs				
Homeless and Housing Services Program	N/A	66120001331		\$ 75,000
Texas Department of Housing and Community Affairs			\$ -	\$ 75,000
Texas Department of State Health Services				
Zoonosis Control	N/A	2011-039013		\$ 3,513
Texas School Safety Center at Tx State University-San Marcos				
Tobacco Enforcement Program	N/A	El Paso County Sheriff		\$ 26,738
Texas Department of State Health Services			\$ -	\$ 30,251
Texas Task Force on Indigent Defense				
# Public Defender Indigent Defense	N/A	212-11-071		\$ 147,957
Public Defender Indigent Defense	N/A	212-12-071		\$ 832,614
Total Texas Task Force on Indigent Defense			\$ -	\$ 980,571
Texas Juvenile Justice Department				
TJJD Juvenile Board State Aid	N/A	TJJD-A-2011-071		\$ (29,350)
TJJD Juvenile Board State Aid	N/A	TJJD-A-2012-071		\$ 3,065,964
TJJD Juvenile Board State Aid	N/A	TJJD-A-2013-071		\$ 225,951
TJJD Commitment Reduction Program	N/A	TJJD-C-2012-071		\$ 292,639
TJJD Progressive Sanctions	N/A	TJJD-F-2011-071		\$ (13,823)
TJJD Special Needs Diversionary	N/A	TJJD-M-2012-071		\$ 49,460
TJJD Juvenile Justice Alt. Education	N/A	TJJD-P-2011-071		\$ 115,286
TJJD Juvenile Justice Alt. Education	N/A	TJJD-P-2012-071		\$ 156,711
TJJD Family Preservation	N/A	TJJD-S-2012-071		\$ 57,356
TJJD Family Preservation	N/A	TJJD-S-2013-071		\$ 8,750
Total Texas Juvenile Justice Department			\$ -	\$ 3,928,944
Texas Department of Public Safety				
* Division of Emergency Management				
Local Border Security Program	N/A	LBSP-110001		\$ 777,568
Total Texas Department of Public Safety			\$ -	\$ 777,568
Texas District Courts-Comptroller Judiciary				
Reimbursement of State Witness	N/A	TX CD Cram Proc 35.27/104.003		\$ 76,867
DA Apportionment Salaries	N/A	Gov CD Chpt 46.004		\$ 23,833
Total Texas District Courts-Comptroller Judiciary			\$ -	\$ 100,700
Texas Department of Criminal Justice				
Reimbursement of Offender Transportation	N/A	Gov CD Chpt 499.125		\$ 56,351
Total Texas Department of Criminal Justice			\$ -	\$ 56,351
Texas Department of Health and Human Services Commissions				
District Attorney Food stamp Fraud	N/A	OIG 042010A		\$ 18,200
Total Texas Department of Health and Human Services Commissions			\$ -	\$ 18,200
TOTAL FEDERAL AND STATE FINANCIAL ASSISTANCE			\$ 23,954,574	\$ 10,262,869

County of El Paso
Schedule of Expenditures of Federal and State Awards
Year Ended September 30, 2012

Federal Funds Expended	\$ 23,954,574
State Funds Expended	\$ 10,262,869
Total Funds Expended	<u>\$ 34,217,443</u>

Note:

Special Revenues-Grants Exhibit 4 Total Expenditures	\$ 34,036,547
Plus Funds received through General Fund	\$ 2,944,065
Plus Funds received through Special Revenues	\$ 811,828
Plus Funds received through Enterprise Fund	\$ 207,555
Less Prior period Adjustments to Schedule for Over/Under reporting	\$ (95,795)
Less Non-Federal or State Funding Sources	\$ (3,686,757)
TOTAL FEDERAL AND STATE FINANCIAL ASSISTANCE	<u>\$ 34,217,443</u>

Revenues

Special Revenues-Grants Exhibit 4 Total Revenues	\$ 31,741,435
Plus Revenues through General Fund	\$ 2,944,065
Plus Juvenile Probation Commodities	\$ 6,128
Plus Revenues through Special Revenues	\$ 811,828
Plus Revenues through Enterprise Fund	\$ 207,555
Less Prior period Adjustments to Schedule for Over/Under reporting	\$ (95,795)
Less Non-Federal or State Funding Sources	\$ (1,397,773)
Adjusted Balance	<u>\$ 34,217,443</u>
	\$ -

* Federal or State Funds Passed-Through Another Agency

** Clustered per the June 2012 Compliance Supplement

& Clustered per the June 2012 Compliance Supplement

% Clustered per the June 2012 Compliance Supplement

Prior Period Adjustment on the General Fund Statements.

^ SHOCAP Enhancement Project Contract Number CG-10-J20-23211-01 expenditures were reduced due to unallowable cost and the revenues were returned to the State of Texas.

! 243th Drug Court Program Contract Number SF-10-A10-16921-06 a vendor check was void and the vendor can no longer be located, expenditures were reduced and the funds were returned to the State of Texas.

< Texas Bootstrap Loan Program Contract Number 857602 a receivable was established for the administrative costs of the program which the State of Texas is not reimbursing. The County of El Paso funded the costs.

COUNTY OF EL PASO, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED SEPTEMBER 30, 2012

1. GENERAL

The accompanying Schedule of Expenditures of Federal and State Awards presents the activity of all federal and state financial assistance programs of the County of El Paso, Texas (County) for the year ended September 30, 2012. The County's reporting entity is defined in Note 1 to the County's basic financial statements. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

2. BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal and State Awards is presented using the modified accrual basis of accounting which is the same basis as the County's Governmental Fund financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and State of Texas Single Audit Circular.

3. SINGLE AUDIT MAJOR PROGRAM DETERMINATION

OMB Circular A-133 and the State of Texas Single Audit Circular prescribe a risk-based approach to determining which federal and state programs are major programs, respectively. The approach includes consideration of current and prior audit experience, oversight by federal or state agencies and pass-through entities, and the inherent risk of the program.

Federal Type A programs, for the County, are programs that have expenditures equal to or greater than three percent of total Federal awards expended (\$718,637). State Type A programs, for the County, are programs that have expenditures exceeding the larger of \$300,000 or three percent of total State awards expended (\$307,886). Federal and State programs not labeled Type A are labeled Type B programs.

4. REPORTING ENTITY

The County, for purposes of the supplementary schedule of expenditures of federal and state awards includes all the funds of the primary government as defined by the Governmental Accounting Standards Board Statement No. 14, "The Financial Reporting Entity." It does not include the operations of the University Medical Center, a discretely presented component unit.

The discretely component unit received no federal awards and \$2,105,939 in state awards, which are not included in the schedule during the year ended September 30, 2012 because the discretely presented component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular.