

**COUNTY OF EL PASO, TEXAS**  
**ANNUAL FINANCIAL AND COMPLIANCE REPORTS**  
**WITH INDEPENDENT AUDITOR'S REPORT**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2013**



**GIBSON RUDDOCK PATTERSON LLC**  
certified public accountants

**A** 600 SUNLAND PARK, 6-300 EL PASO, TX 79912

**P** 915 356-3700      **F** 915 356-3779

**W** [GRP-CPA.COM](http://GRP-CPA.COM)

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## **FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying 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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, which statements reflect total assets and deferred outflows of resources of \$740,271,000 as of the respective balance sheet date and total revenues of \$473,094,000 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 from 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **Opinions**

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information of the County as of September 30, 2013, 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.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents on pages 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.

### *Supplementary and Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements.

The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 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 combining and individual nonmajor fund financial statements and the schedule of expenditures of federal and state awards are fairly stated in all material respects, in relation to the financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 23, 2014 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* in considering the County's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Ch Ruddock Patten LLC". The signature is written in a cursive, flowing style.

El Paso, Texas  
April 23, 2014



## **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, 2013. 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 2013 by \$147,019,216 which represents total net position. Of this amount, \$136,219,343 or 92.65 percent relates to an increase in governmental-type activities while \$10,799,873 or 7.34 percent represents business-type activities. Total net position is comprised of restricted and unrestricted assets and net investment in capital assets. Net investment in capital assets totaled \$110,255,306 or 74.99 percent of total net position. Restricted assets represent funds subject to constraints that are imposed externally by creditors, debt covenants, grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets totaled \$27,745,517 or 18.87 percent of total net position of which \$27,529,341 relates to the primary government and \$216,176 relates to business type activities. Unrestricted net position on the other hand may be used to meet the county's ongoing obligations to citizens and creditors and totaled \$9,018,393 or 6.13 percent of total net position.

The County's fiscal year 2013 operations resulted in total net position increasing by \$6,712,426 or 4.78 percent. This was attributable to an increase of \$6,896,310 or 5.33 percent in the governmental-type and a decrease in business-type activities of \$183,884 or 1.67 percent. Explanation of these changes is depicted hereafter in this management discussion and analysis.

### Overview of the Financial Statements

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

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

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

Both of the government-wide financial statements distinguish functions of the County that are primarily supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges similar to business-type activities. The governmental activities of the County include general government, administration of justice, public safety, health and welfare, community services, resource development, culture and recreation and public works. The business-type activities of the County include the 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 position may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$147,019,216 at the close of fiscal year 2013. By far the largest component of the County's net position represents net investment in capital assets (e.g., land, buildings, machinery, and equipment) totaling \$110,255,306 or 74.99 percent of total net position, which is net of any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. 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 \$27,745,517 and are comprised of capital project funds totaling \$3,041,992 or 10.96 percent, special purpose funds totaling \$24,487,349 or 88.26 percent, enterprise funds totaling \$190,935 or .69 percent of restricted assets. Also included are debt service funds totaling \$25,241 or .09 percent of total restricted net position. The next category relates to unrestricted net position totaling \$9,018,393 or 6.13 percent of total net position, which may be used to meet the County's ongoing obligations to citizens and creditors.

Furthermore, as of September 30, 2013, the County's net position for the governmental activities increased by \$6,896,310 or 5.33 percent and business-type activities decreased by \$183,884 or 1.67 percent for a net overall increase of \$6,712,426 or 4.78 percent from the previous fiscal year. Net investments in capital assets from governmental and business-type activities increased by \$14,480,674 or 15.12 percent. There was a net increase of \$953,608 or 3.56 percent in restricted assets reported, composed of a increase of \$1,039,607 related to governmental activities and an decrease of \$85,999 related to business-type activities. Unrestricted net position totaled \$9,018,393 and was down by \$8,721,856 or 49.16 percent, which included a decline of \$8,822,304 related to governmental activities and an increase of 100,448 related to business-type activities.

On a global perspective, the County of El Paso's total assets from governmental and business-type activities decreased by \$1,909,132 or .40 percent. This decrease was the culmination of a multitude of changes at the fund level, but more so, at the entity-wide level. Discussion here will focus on selective information to give the reader a basic understanding of changes by evaluating changes in the statement of net position and the associated changes in revenues and expenses. Detailed analysis and explanation will be focused on significant changes, which occurred throughout the various levels within these financial statements.

The overall decrease in net position of the County can be better understood when evaluating the changes to net position, total assets minus total liabilities. Total assets amounted to \$474,297,384 a decrease of \$1,909,132 or .40 percent, while liabilities totaled \$327,278,168, a decrease of \$8,621,558 or 2.57 percent. Further analysis reflects that the majority of all assets relate to governmental activities totaling \$462,183,157 and represents 97.45 percent of the total assets. Overall, capital assets (net of related depreciation) totaled \$243,057,845 and increased by \$31,089,819 or 14.67 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 Position						
	Governmental		Business-type		Total	
	Activities		Activities			
	FY2013	FY2012	FY2013	FY2012	FY2013	FY2012
Current and other assets	\$ 229,162,037	\$ 262,146,637	\$ 2,077,502	\$ 2,091,853	\$ 231,239,539	\$ 264,238,490
Capital assets	233,021,120	201,602,338	10,036,725	10,365,688	243,057,845	211,968,026
Total assets	462,183,157	463,748,975	12,114,227	12,457,541	474,297,384	476,206,516
Long-term liabilities outstanding	299,804,818	301,859,687	1,132,000	1,266,000	300,936,818	303,125,687
Other liabilities	26,158,996	32,566,255	182,354	207,784	26,341,350	32,774,039
Total liabilities	325,963,814	334,425,942	1,314,354	1,473,784	327,278,168	335,899,726
Net position:						
Net investment in capital assets	101,360,162	86,681,155	8,895,144	9,093,477	110,255,306	95,774,632
Restricted	27,529,341	26,489,734	216,176	303,175	27,745,517	26,792,909
Unrestricted	7,329,840	16,152,144	1,688,553	1,587,105	9,018,393	17,739,249
Total net position	\$ 136,219,343	\$ 129,323,033	\$ 10,799,873	\$ 10,983,757	\$ 147,019,216	\$ 140,306,790

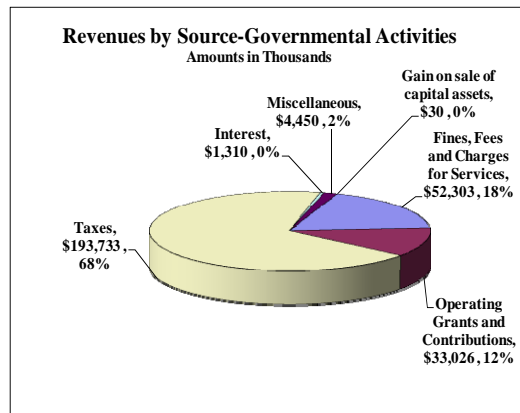
For entity-wide reporting purposes under GASB 34, capital expenditures made at the fund level must be reversed from expenses at the entity-wide level financial statements and reflected as capital assets net of depreciation. For this reason, you may observe fund level expenditure amounts in excess of what is reported at the entity-wide level or vice versa. Total assets decreased by \$1,909,132 or .40 percent and the most significant impact to total assets represented a decrease in cash and cash equivalents of \$28,208,556 attributed to the draw down utilization of bond proceeds as projects progressed. Receivables also decreased by \$4,779,388 or 11.70 percent due to a decline in property taxes still outstanding along with lower billings to the granting agencies for pending reimbursement. Capital assets increased for a net amount of \$31,089,819 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 position, which is discussed immediately following discussion on total liabilities.

Overall, entity-wide liabilities were \$327,278,168 and decreased by \$8,621,558 or 2.57 percent. Further analysis reflects that the majority of liabilities relate to governmental activities totaling \$325,963,814 or 99.60 percent and business type activities totaling \$1,314,354 or .40 percent. Compared to fiscal year 2012, liabilities increased in the areas of payroll liabilities by \$750,191 or 10.31 percent, short term bonds payable by \$1,130,000 or 13.16 percent and current and long-term compensated absences by \$1,063,273 or 3.46 percent. Other Benefits (OPEB) increased by \$5,733,955 or 25.02 percent due to the County's continuing policy of funding retiree health benefits on a pay-as-you-go basis. Decreases included vouchers payable totaling \$5,644,182 or 36.51 percent, unearned revenue by \$2,930,290 or 93.52 percent and long-term bonds totaling \$10,403,839 or 4.35 percent. 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 Position						
	Governmental		Business-type		Total	
	Activities		Activities			
	FY2013	FY2012	FY2013	FY2012	FY2013	FY2012
Revenues:						
Program revenues:						
Charges for services	\$ 52,302,597	\$ 53,815,668	\$ 1,347,039	\$ 1,212,011	\$ 53,649,636	\$ 55,027,679
Operating grants and contributions	33,025,540	35,936,546	-	-	33,025,540	35,936,546
Capital grants and contributions	-	-	-	214,331	-	214,331
General revenues:						
Property taxes	148,612,137	127,685,281			148,612,137	127,685,281
Other taxes	45,121,297	43,786,254			45,121,297	43,786,254
Other	5,791,120	4,948,825	4,883	6,063	5,796,003	4,954,888
Total revenues	284,852,691	266,172,574	1,351,922	1,432,405	286,204,613	267,604,979
Expenses:						
General government	43,008,593	41,422,883			43,008,593	41,422,883
Administration of justice	60,359,745	54,599,239			60,359,745	54,599,239
Public safety	140,506,569	134,637,811			140,506,569	134,637,811
Health and welfare	10,802,156	13,235,053			10,802,156	13,235,053
Community services	2,674,116	2,909,656			2,674,116	2,909,656
Resource development	2,457,717	1,552,486			2,457,717	1,552,486
Culture and recreation	7,100,512	8,593,417			7,100,512	8,593,417
Public works	1,075,107	7,920,139			1,075,107	7,920,139
Interest on long-term debt	11,242,946	7,085,603			11,242,946	7,085,603
Enterprise fund			1,535,806	1,423,980	1,535,806	1,423,980
Total expenses	279,227,461	271,956,287	1,535,806	1,423,980	280,763,267	273,380,267
Increase (decrease) in net position before transfers	5,625,230	(5,783,713)	(183,884)	8,425	5,441,346	(5,775,288)
Transfers	-	-	-	-	-	-
Increase in net position	5,625,230	(5,783,713)	(183,884)	8,425	5,441,346	(5,775,288)
Net position October 1	129,323,033	134,889,002	10,983,757	10,975,332	140,306,790	145,864,334
Prior period adjustment	1,271,080	217,744			1,271,080	217,744
Net position September 30	\$ 136,219,343	\$ 129,323,033	\$ 10,799,873	\$ 10,983,757	\$ 147,019,216	\$ 140,306,790

The increase in the County's net position of \$6,712,426 or 4.78 percent represents the degree to which revenues totaling \$286,204,613 outpaced expenditures totaling \$280,763,267. Overall, revenues grew by \$18,813,965 or 7.04 percent mainly due to an increased debt service levy and implementation of a one cent allocation creating a short-term county capital outlay fund and expenses grew by \$7,383,000 or 2.70 percent and can be attributed in part to the continued restoration of funding for the budget cuts done in the previous fiscal years, along with a two percent cost of living and step increases for all employees plus the increase for the Sheriff's Bargaining Unit contract and expenditure of capital bond funds.

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.

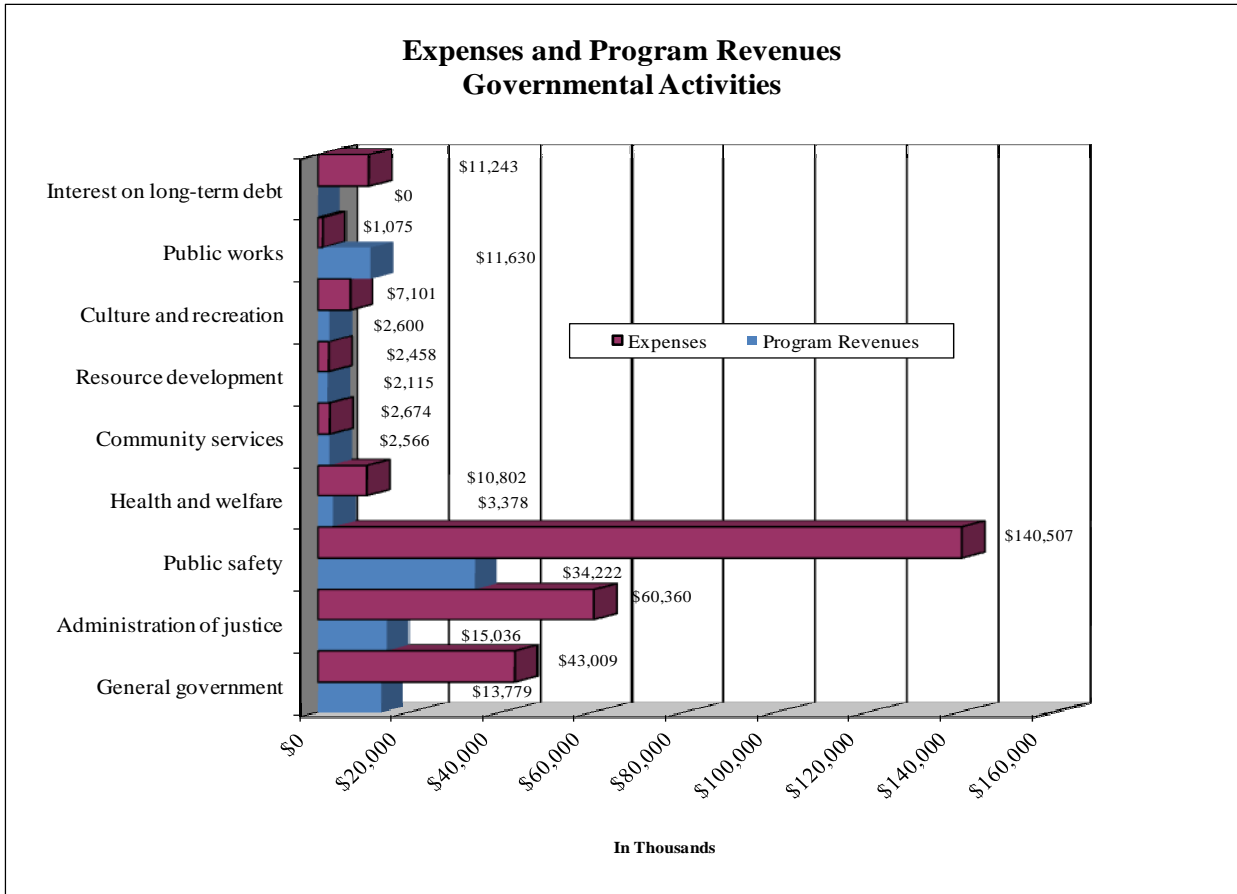


### Governmental Activities

Governmental activities during fiscal year 2013 resulted in an increase in net position of \$6,896,310 or 5.33 percent which represents 102.74 percent of the total increase for the primary government. Comparative fiscal year 2013 and 2012 data relating to these changes is discussed below.

Total revenues from governmental activities increased by \$18,680,117 or 7.02 percent over the previous year. Property taxes increased by \$20,926,856 or 16.39 percent; other taxes comprised of sales and uses taxes, hotel taxes, and mixed beverage alcohol taxes increased by \$1,335,043 or 3.05 percent and other miscellaneous taxes increased by \$842,295 or 17.02 percent. The increase in property taxes is attributable to increases in existing taxable property values and increases in new improvements an increase to the tax rate. In 2012 the Commissioners Court opted to lower the tax rate in fiscal year to \$0.361196 from \$0.363403 per \$100 of assessed valuation and in 2013 it was necessary to raise the rate to \$0.408870. These increases were offset by decreases in charges for services of \$1,378,043 or 2.50 percent and Operating grants and contributions totaling \$2,911,006 or 8.10 percent.

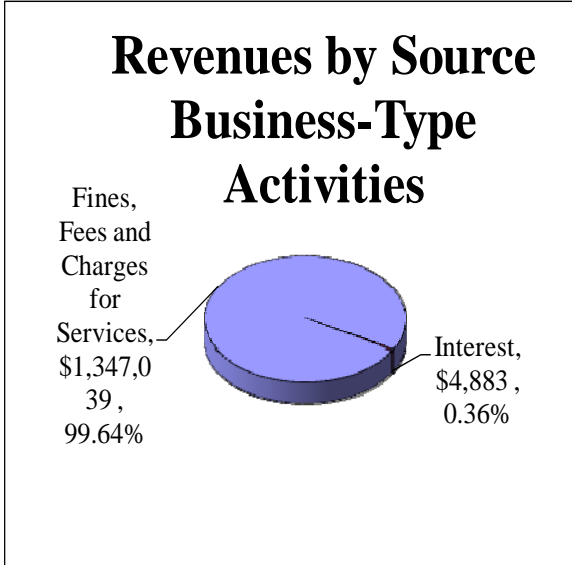
Expenses in governmental activities increased by \$7,271,174 or 2.67 percent and comprise 98.49 percent of the overall entity-wide increase of \$7,383,000. Most functions experienced increases in expenses. Significant increases were evident most areas such in public safety totaling \$5,868,758 or 4.36 percent due in part to the collective bargaining agreement; administration of justice totaling \$5,760,506 or 10.55; interest on long-term debt totaling \$4,157,343 or 58.67; general government \$1,585,710 or 3.83 percent and resource development totaling \$905,231 or 58.31 percent. Decreases were experienced in public works totaling \$6,845,032 or 86.43 percent; health and welfare totaling \$2,432,897 or 18.38 percent; culture and recreation totaling \$1,492,905 or 17.37 percent and community services totaling \$235,540 or 8.10 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 position. More specific information can be found in the fund level discussion. Factors affecting expenses that are recognized in governmental activities and not presented in the individual government funds can be found on Exhibits 3.1 and 4.1 of the basic financial statements.

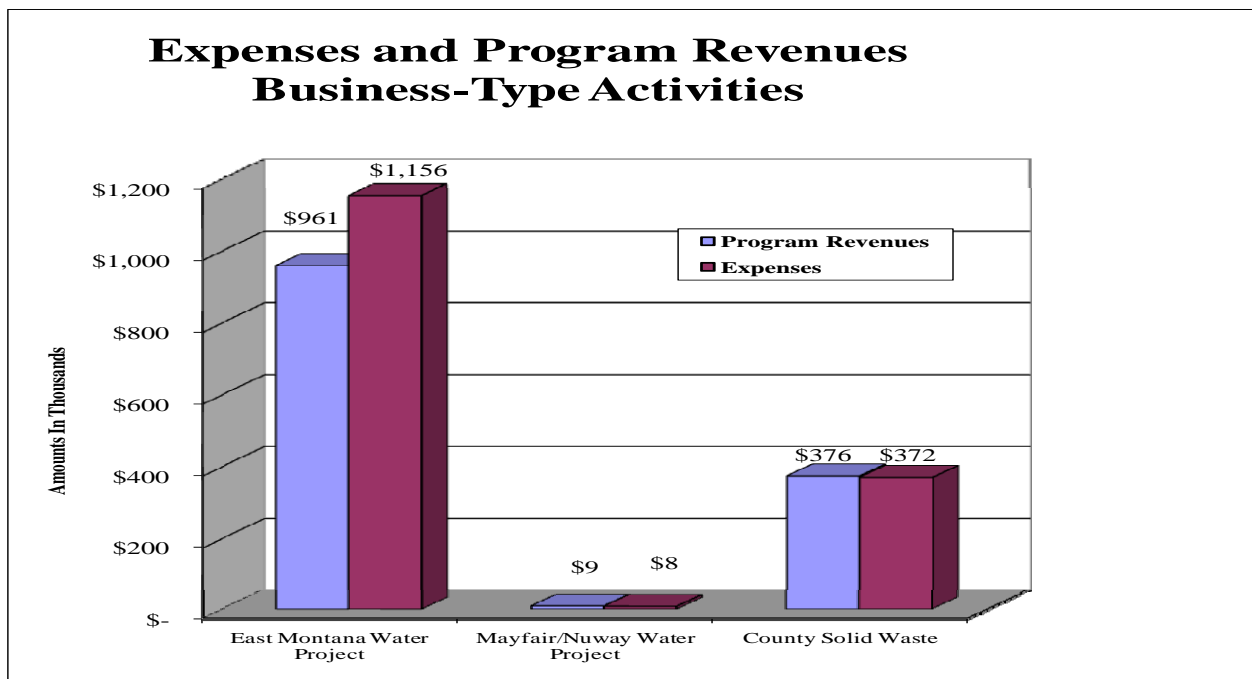
**Business-type Activities** Business-type activities resulted in a decrease in net position of \$183,884 or 1.67 percent and accounted for 2.83 percent of the total change in the primary government's net position. Comparative fiscal year 2013 and 2012 data relating to these changes is reflected on Exhibit 7 of this report.

Overall revenues declined by \$80,483 or 5.62 percent for a total of \$1,351,922. Charges for services grew by \$135,028 or 11.14 percent which netted with a net decrease in capital grants and contributions of \$214,331 or 100 percent due to a new water system being completed to serve another Colonia in West El Paso County. Additionally, interest earnings decreased by \$1,180 or 19.46 percent due to lower interest rates.





Expenses in this area totaled \$1,535,806 an increase of \$111,826 or 7.85 percent and is mainly related to completion of the water system upgrades 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 \$183,898,784 a decrease of \$26,016,089 or 12.40 percent in comparison with the prior year. Unassigned fund balance constitutes \$35,672,858 or 19.40 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 2014 fiscal year's budget.

The general fund is the chief operating fund of the County. Fund balance totaled \$49,824,760, and decreased of \$446,881 or 0.89 percent. At the end of the fiscal year, \$35,672,858 was unassigned while \$13,141,204 represents the amount assigned to balance the general fund budget for fiscal year 2014. 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 2014 operating budget, which included an expenditure level exceeding the corresponding rate of estimated revenue growth, and therefore, increased the designation by \$1,944,610 or 17.37 percent from that of the prior fiscal year.

Grant funds ended the fiscal year with a fund balance of \$3,457,076, an increase of \$1,428,374 or 70.41 percent. This increase is mainly attributed to HIDTA program income.

The Capital Projects 2007 reported as a major fund ended the fiscal year with a fund balance of \$4,238,809 and decreased by \$6,966,182 or 62.17 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 \$98,561,396 and decreased by \$11,623,904 or 10.55 due to the completion or near completion of the projects which were covered with these funds.

The debt service fund ended the fiscal year with a fund balance of \$766,094, a decline of 869,254 or 53.15 percent, 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 \$21,030,273, a decrease of \$2,250,090 or 9.67 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 and additional expenditures related to the Tornillo Guadalupe Port of Entry project. The Road and Bridge Fund ended the year with a fund balance of \$6,118,167, a decrease of \$2,578,018 or 29.65 percent.

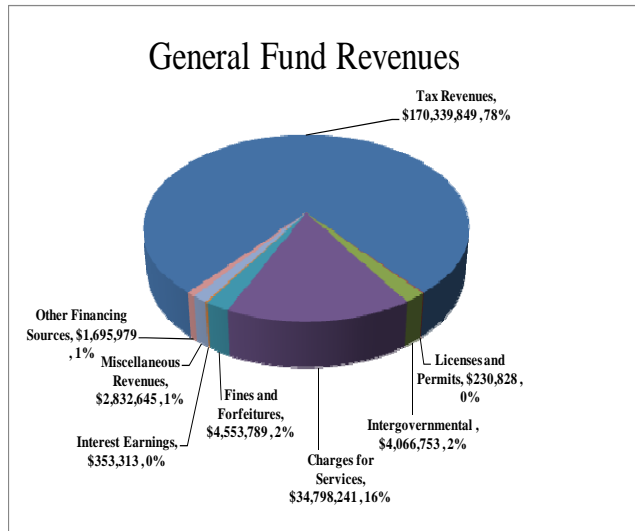
### General Fund Trends

	2013 Actuals	2012 Actuals	Amount Increase (Decrease) from FY 2012	Percent Increase (Decrease)	2013 Actual as a % of Total Revenues and Other Financing Sources
<b>General Fund Revenues</b>					
Tax Revenues	\$170,339,849	\$155,892,465	\$14,447,384	9.27%	77.83%
Licenses and Permits	230,828	259,217	(28,389)	-10.95%	0.11%
Intergovernmental	4,066,753	4,520,023	(453,270)	-10.03%	1.86%
Charges for Services	34,798,241	36,757,322	(1,959,081)	-5.33%	15.90%
Fines and Forfeits	4,553,789	4,464,529	89,260	2.00%	2.08%
Interest Earnings	353,313	421,107	(67,794)	-16.10%	0.16%
Miscellaneous Revenues	2,832,645	2,389,866	442,779	18.53%	1.29%
Other Financing Sources	1,695,979	1,332,229	363,750	27.30%	0.77%
<b>Total revenues and other sources</b>	<b>\$218,871,397</b>	<b>\$206,036,758</b>	<b>\$12,834,639</b>	<b>6.23%</b>	<b>100.00%</b>

A myriad of factors contributed to the general fund's financial position. Factors included actual revenues and transfers-in under expenditures and transfers-out in the amount of \$397,145. Actual revenues before transfers in totaled \$217,175,418, an increase of \$12,470,889 or 6.09 percent over fiscal year 2012 partly due to higher property taxes. Sales and uses taxes

experienced an increase of \$1,310,123. Fines and forfeits saw an increase of \$89,260, or 2.00 percent.

It is note-worthy to mention that various factors and actions by the County during the fiscal year had the effect of mitigating erosion of the fund balance and unspent budgeted amounts within the general fund. This included the continuation of the Staffing Review Committee (SRC) for further review and justification prior to submission to the Commissioners Court.



Further analysis of the general fund reflects that revenue increases were netted by revenue declines in charges for services of \$1,959,081 mainly due housing fewer reimbursable federal prisoners, intergovernmental of \$453,270 due to less funds received from the federal government, in particular for prosecuting drug cases, interest earnings of \$67,794 due to lower interest rates and licenses and permits of \$28,389.

Comparison of the general fund adopted appropriations reflects an increase in fiscal year 2013 of \$16,771,865 or 7.80 percent for a total of \$231,855,939. Actual expenditures and transfers-out in fiscal year 2013 increased by \$16,908,957 or 8.36 percent bringing the total of general fund expenditures and transfers to \$219,202,946.

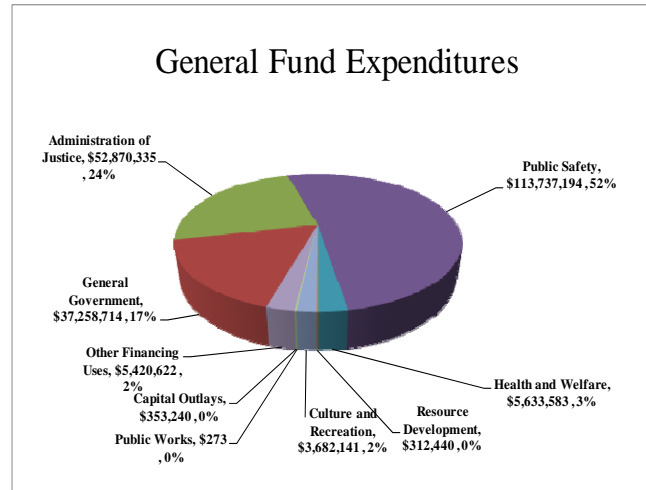
Expenditures increases as reflected in the chart below were mainly as a result of a two percent cost of living and step increases afforded to County employees and an increase in the employee retirement benefit contributions. The increase in public safety is mainly attributed to the automatic step increases in the Sheriff’s Department for law enforcement in accordance with the CLEAT contract.

General Fund Expenditures	2013 Actuals	2012 Actuals	Amount Increase (Decrease) from FY 2012	Percent Increase (Decrease)	2013 Actual as a % of Total Expenditures and Other Financing Uses
<b>Current:</b>					
General Government	\$37,296,434	\$34,422,290	\$2,874,144	8.35%	17.01%
Administration of Justice	52,870,335	47,502,229	5,368,106	11.30%	24.12%
Public Safety	113,737,194	108,897,329	4,839,865	4.44%	51.89%
Health and Welfare	5,633,583	5,671,876	(38,293)	-0.68%	2.57%
Resource Development	312,440	253,576	58,864	23.21%	0.14%
Culture and Recreation	3,682,141	3,481,027	201,114	5.78%	1.68%
Public Works	273	4,436	(4,163)	-93.85%	0.00%
Capital Outlays	353,240	357,077	(3,837)	-1.07%	0.16%
Other Financing Uses	5,317,306	1,704,149	3,613,157	212.02%	2.43%
<b>Total Expenditures (Uses)</b>	<b>\$219,202,946</b>	<b>\$202,293,989</b>	<b>\$16,908,957</b>	<b>8.36%</b>	<b>100.00%</b>

Further analysis reflects an increase in the other financing uses of \$3,613,157 or 212.02 percent due to the Commissioners Court allocation of one penny of the Tax Rate or dedicated as a transfer out to the Capital Projects fund (CPCNTYCAPIMP) totaling \$3,630,000 for short-term capital outlays and improvements.

### General Fund Budgetary Highlights

The fiscal year 2013 adopted budget of \$230,794,713 did not increase during the fiscal year other than for carryover appropriations totaling \$1,061,226 bringing the original budget total to \$231,855,939. This budget included \$11,196,594 of fund balance reserves to balance the fiscal year 2013 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 \$1,543,701 less than estimates and occurred in areas of taxes, intergovernmental, charges for services and fines and forfeitures which netted with other positive variances. Further analysis of this variance depicts variances in property taxes for a decrease of \$1,694,559 or 58.78 percent and in intergovernmental of \$1,264,150 or 1.86 percent, charges for services of \$985,259 or 15.90 percent and fines and forfeitures of \$26,211 or 2.08 percent. Offsetting positive variances included sales and use taxes of \$1,799,680 or 18.40 percent, bingo of \$513, or .02 percent, mixed beverage of \$147,632 or .75 percent and interest of \$78,313 or .16 percent. Other financing sources representing transfers-in also had a positive variance of \$765,639 or .75 percent 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 \$12,652,993 which represents 5.46 percent of the adopted general fund budget with carryover. The most significant favorable variance was in the area of general government totaling \$7,694,206 or 60.81 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

El Paso County, Texas						
Summary of Capital Assets (Net of Depreciation)						
Categories	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land	\$17,524,889	\$16,825,806			\$17,524,889	\$16,825,806
Easements	110,000	110,000			110,000	110,000
Buildings	102,472,743	98,338,417			102,472,743	98,338,417
Improvements	7,459,731	6,498,793			7,459,731	6,498,793
Equipment	5,524,335	4,745,127	\$9,423,715	\$9,752,678	14,948,050	14,497,805
Furniture and Fixtures	387,182	183,179			387,182	183,179
Infrastructure	4,923,262	3,800,666			4,923,262	3,800,666
Vehicles	7,052,940	4,493,515			7,052,940	4,493,515
Roads	24,833,794	18,089,212			24,833,794	18,089,212
Bridges and culverts	1,309,684	1,404,561			1,309,684	1,404,561
Leased equipment	218,448	308,068			218,448	308,068
IT Systems in progress	10,409,276	7,771,920			10,409,276	7,771,920
Construction in progress	50,794,836	39,033,074	613,010	613,010	51,407,846	39,646,084
Total assets	\$233,021,120	\$201,602,338	\$10,036,725	\$10,365,688	\$243,057,845	\$211,968,026

### Capital assets

The County's capital assets for governmental and business type activities as of September 30, 2013 amounted to \$243,057,845 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 \$31,089,819 or 14.67 percent, comprised of an increase of \$31,418,782 or 15.58 percent in governmental activities and a decrease of \$328,963 or 3.17 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	
	2013	2012	2013	2012	2013	2012
General obligation bonds	\$52,065,000	\$57,340,000			\$52,065,000	\$57,340,000
Certificates of obligation bonds	173,950,000	177,230,000			173,950,000	177,230,000
Revenue bonds			\$1,132,000	\$1,266,000	1,132,000	1,266,000
Total	\$226,015,000	\$234,570,000	\$1,132,000	\$1,266,000	\$227,147,000	\$235,836,000

At the end of the fiscal year, the County had total bonded debt outstanding of \$227,147,000 as reflected above. Of this amount, \$226,015,000 comprises debt backed by the full faith and credit of the government. The remainder of the County's debt represents revenue bonds secured solely

by specified revenue sources. During the current fiscal year the County's total debt decreased by \$8,689,000 or 3.68 percent due to the retirement of debt.

In December 2011, the Commissioners Court issued new debt to refinance some of its existing debt, taking advantage of favorable interest rates. In July 2012, the Commissioners Court issued Certificates of Obligation for a multitude of projects, including the ongoing construction of the port of entry, expansion of the jail annex, and acquisition of software and hardware for the County's information and technology systems. 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 and moderate expenditure growth in 2013. 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 2013 issue of Texas Labor Market Review, the statewide unemployment rate was 6.3 percent in September. When compared to the same time last year, this stayed the same. El Paso's unemployment rate for September was 8.8 percent in comparison to 8.7 percent in September 2012. Although the unemployment rate went up by a small amount, El Paso lost a net 3,100 jobs. The reason for the rate increase was the sharp growth in employable population that exceeded new job creation.
- Over the past fiscal year, between September 2012 and September 2013, El Paso lost 3,100 jobs overall. Further analysis reflects that 1,400 job were added which netted with 4,500 employment losses. The various job gains occurred in manufacturing, 700, trade 300, transportation, 200, and information at 200. On the other hand construction lost 800, financial activities 100, the service sector 1,600 while total government lost 2,000. The reduction continues in the service sector and all levels of government which seems to be a common theme throughout the nation.
- El Paso's cultural and business ties as a border region with Mexico drive its economy. The renewed attraction of El Paso County as a favorable business environment, coupled with continued moderately low interest rates, continues to stimulate local construction activity. The El Paso labor market experienced very favorable gains in new jobs resulting from 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 6.88 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 and due to a capital policy change to begin funding short-term capital outlays from the maintenance and operations tax rate equal to one penny rather than thru the issuance of debt.
- For fiscal years 2014, the tax rate was increased most significantly due to increase in the I&S tax rate for the repayment of the 2012 bond issue.
- The overall fund balance of the general fund has experience positive growth the past three fiscal years, increasing approximately \$14 million or 42.9 percent, in fiscal year 2011, slightly grew by \$3.7 million in fiscal year 2012 and marginally declined by \$750,130 or 1.49 percent in 2013.
- Sales and use tax revenues grew in 2010 after a decline in 2009 and have reflected positive growth through fiscal year 2013. 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 2014 fiscal year.

The focus of the County remains on conservative fiscal management while addressing public service needs and State mandates. As of September 30, 2013, the Federal Funds rate was between .25 percent and the Discount rate remains at .75 percent. Interest for the twelve months ended September 2013 was \$1,315,146 up \$193,385 or 17.24 percent when compared to \$1,121,761 the prior fiscal year, due mainly to increase principal to invest over the prior year. The interest rate was lowered from .75 to .0999 percent from the previous fiscal year based.

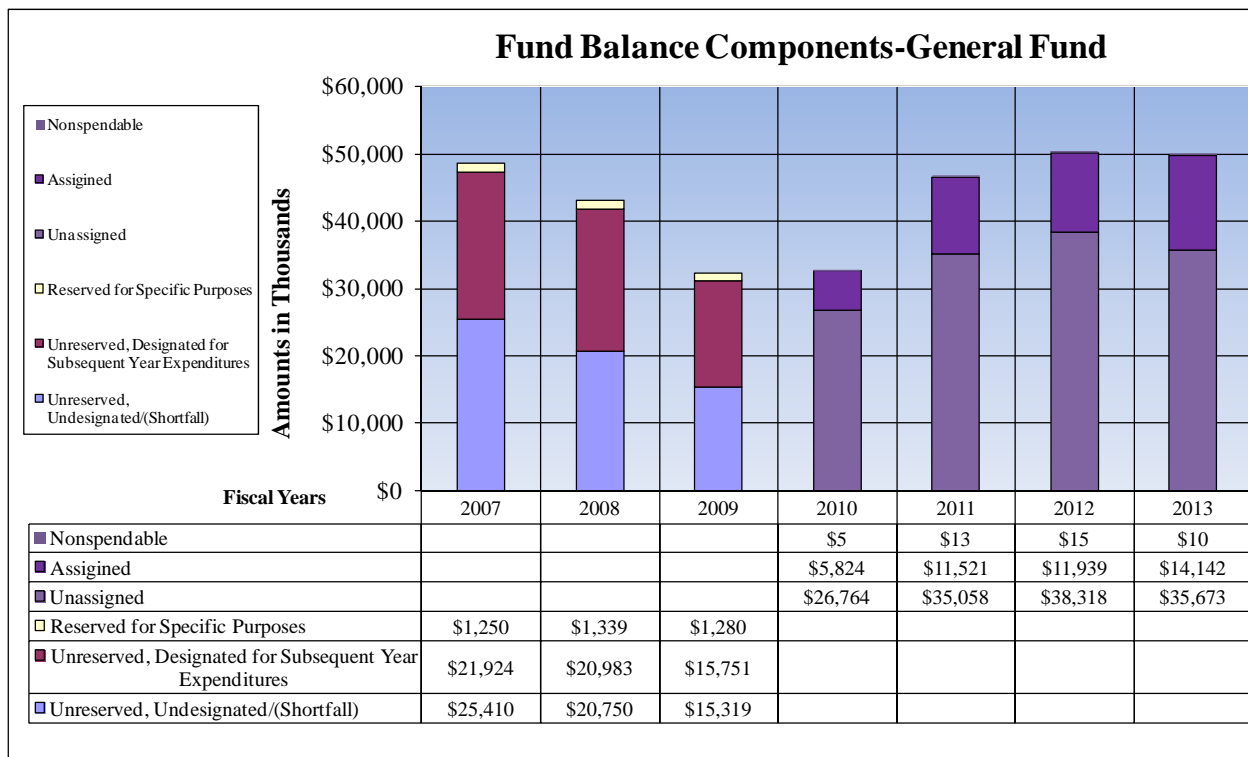
Unquestionably, the County faces continued challenges associated with meeting the steadily increasing demands for additional services and infrastructures for its rapidly growing population. The Commissioners Court members will continue to evaluate and analyze ways to streamline the County's operations 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 2014, 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 2014 budget by \$1,944,610 compared to the amount used in fiscal year 2013. This action reflects the County's continued focus on fiscal and budgetary restraint in fiscal year 2014.

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 2014 budget adopted by the County totaled \$301,815,403, a net increase of \$19,150,643 or 6.78 percent in comparison to the fiscal year 2013 adopted budget. Additional information regarding the 2014 budget can be obtained from the County's official 2014 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 above.

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## **BASIC FINANCIAL STATEMENTS**

**County of El Paso, Texas**  
**Statement of Net Position**  
**September 30, 2013**

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental</b>	<b>Business-type</b>	<b>Total</b>	<b>Hospital</b>
	<b>Activities</b>	<b>Activities</b>		<b>District</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$193,088,474	\$1,816,062	\$194,904,536	\$63,988,000
Investments				960,000
Receivables (net of allowance for uncollectible)	36,063,912		36,063,912	102,175,000
Inventories	9,651		9,651	6,147,000
Prepaid				11,513,000
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents		261,440	261,440	
Other assets				156,344,000
Capital Assets (net of accumulated depreciation):				
Land	17,524,889		17,524,889	10,330,000
Easements	110,000		110,000	
Buildings	102,472,743		102,472,743	312,060,000
Improvements	7,459,731		7,459,731	
Equipment	5,524,335	9,423,715	14,948,050	
Furniture and fixtures	387,182		387,182	61,061,000
Infrastructure	4,923,262		4,923,262	
Vehicles	7,052,940		7,052,940	
Roads	24,833,794		24,833,794	
Bridges and culverts	1,309,684		1,309,684	
Leased equipment	218,448		218,448	
Construction in progress	61,204,112	613,010	61,817,122	5,291,000
Total assets	<u>462,183,157</u>	<u>12,114,227</u>	<u>474,297,384</u>	<u>729,869,000</u>
<b>Deferred Outflows of Resources</b>				<u>10,402,000</u>
<b>LIABILITIES</b>				
Vouchers payable	9,761,808	55,332	9,817,140	74,590,000
Retainage payable	1,230,894		1,230,894	
Claims payable	882,705		882,705	
Payroll liabilities	8,020,556	4,465	8,025,021	
Due to others	136,495	98,750	235,245	
Due to other funds				
Due to other units	763,541		763,541	
Due to other governments	1,634,073	17,801	1,651,874	
Unearned revenue	202,906		202,906	
Accrued interest payable	1,330,961	6,006	1,336,967	
Claims and judgments	2,195,057		2,195,057	
Noncurrent liabilities:				
Due within one year				
Bonds	9,695,000	20,000	9,715,000	6,725,000
Capital leases	107,514		107,514	
Self-insured obligations				1,685,000
Contingent liabilities	382,000		382,000	
Compensated Absences	10,562,436		10,562,436	
Due in more than one year				
Bonds(net of related costs)	227,546,674	1,112,000	228,658,674	403,112,000
Capital leases	90,359		90,359	
Self-insured obligations				851,000
Contingent liabilities	1,575,000		1,575,000	
Compensated absences	21,197,407		21,197,407	
OPEB liability	28,648,428		28,648,428	
Other long term liabilities				1,173,000
Total liabilities	<u>325,963,814</u>	<u>1,314,354</u>	<u>327,278,168</u>	<u>488,136,000</u>
<b>NET POSITION</b>				
Net investment in capital assets	101,360,162	8,905,626	110,265,788	137,928,000
Restricted for:				
Capital Projects	3,041,992		3,041,992	
Grants	3,457,076		3,457,076	
Legislative	21,030,273		21,030,273	
Debt service		25,241	25,241	5,746,000
Enterprise fund:		190,935	190,935	
Health care				471,000
Unrestricted	7,329,840	1,678,071	9,007,911	107,990,000
Total net position	<u>\$136,219,343</u>	<u>\$10,799,873</u>	<u>\$147,019,216</u>	<u>\$252,135,000</u>

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, 2013

Functions/Programs	Program Revenues			Net (expense) Revenue and Changes in Net Position			Component Unit Hospital District
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Primary Government		Total	
				Governmental Activities	Business-type Activities		
<b>Primary government:</b>							
Governmental Activities:							
General government	\$43,008,593	\$11,584,931	\$2,194,419	(\$29,229,243)		(\$29,229,243)	
Administration of justice	60,359,745	9,402,379	5,633,744	(45,323,622)		(45,323,622)	
Public safety	140,506,569	18,211,375	16,011,060	(106,284,134)		(106,284,134)	
Health and welfare	10,802,156	123,518	3,254,736	(7,423,902)		(7,423,902)	
Community services	2,674,116		2,566,173	(107,943)		(107,943)	
Resource development	2,457,717		2,115,206	(342,511)		(342,511)	
Culture and recreation	7,100,512	2,600,441		(4,500,071)		(4,500,071)	
Public works	1,075,107	10,379,953	1,250,202	10,555,048		10,555,048	
Interest on long-term debt	11,242,946			(11,242,946)		(11,242,946)	
Total governmental activities	<u>279,227,461</u>	<u>52,302,597</u>	<u>33,025,540</u>	<u>(193,899,324)</u>		<u>(193,899,324)</u>	
Business-type activities:							
East Montana water project	1,156,101	961,270			(\$194,831)	(194,831)	
Mayfair/Nuway Water Project	7,906	9,572	-		1,666	1,666	
County Solid Waste	371,799	376,197			4,398	4,398	
Total business-type activities	<u>1,535,806</u>	<u>1,347,039</u>			<u>(188,767)</u>	<u>(188,767)</u>	
Total primary government	<u>\$280,763,267</u>	<u>\$53,649,636</u>	<u>\$33,025,540</u>	<u>(\$193,899,324)</u>	<u>(\$188,767)</u>	<u>(\$194,088,091)</u>	
<b>Component units:</b>							
Hospital district	<u>\$458,844,000</u>	<u>\$225,778,000</u>	<u>\$168,120,000</u>				<u>(\$64,946,000)</u>
Total component units	<u>\$458,844,000</u>	<u>\$225,778,000</u>	<u>\$168,120,000</u>				<u>(\$64,946,000)</u>
General revenues:							
Taxes:							
Property				\$148,612,137		\$148,612,137	\$73,080,000
Hotel/Motel				3,221,472		3,221,472	
Sales				40,199,680		40,199,680	
Bingo				52,513		52,513	
Mixed beverage				1,647,632		1,647,632	
Interest				1,310,263	\$4,883	1,315,146	210,000
Miscellaneous				4,450,430		4,450,430	(7,207,000)
Gain on sale of capital assets				30,427		30,427	
Total general revenues and transfers				<u>199,524,554</u>	<u>4,883</u>	<u>199,529,437</u>	<u>66,083,000</u>
Change in net position				5,625,230	(183,884)	5,441,346	1,137,000
Net position - beginning				129,323,033	10,983,757	140,306,790	250,998,000
Prior period adjustment				1,271,080		1,271,080	
Net position - ending				<u>\$136,219,343</u>	<u>\$10,799,873</u>	<u>\$147,019,216</u>	<u>\$252,135,000</u>

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

County of El Paso, Texas  
Balance Sheet  
Governmental Funds  
September 30, 2013

	General	Special Revenue Grants	County Capital Projects 2007	County Capital Projects 2012	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>						
Cash and cash equivalents	\$53,872,388	\$81,554	\$5,251,563	\$100,589,733	\$29,808,157	\$189,603,395
Receivables (net of allowances for uncollectible):						
Taxes	17,503,604					17,503,604
Accounts	6,745,494	7,882,926			248,002	14,876,422
Due from other funds	1,218,763	2,641,394				3,860,157
Inventory of supplies	9,651					9,651
Total assets	<u>\$79,349,900</u>	<u>\$10,605,874</u>	<u>\$5,251,563</u>	<u>\$100,589,733</u>	<u>\$30,056,159</u>	<u>\$225,853,229</u>
<b>Liabilities and fund balances</b>						
<b>Liabilities:</b>						
Vouchers payable	\$3,452,508	\$2,448,929	\$615,389	\$1,815,270	\$1,429,712	\$9,761,808
Retainage Payable		168,777	397,365	213,067	451,685	1,230,894
Payroll liability	7,235,983	536,310			246,168	8,018,461
Due to others	21,292				104,180	125,472
Due to other funds		3,860,157				3,860,157
Due to other units	763,541					763,541
Due to other governments	1,626,402				7,671	1,634,073
Unearned revenue	16,425,414	134,625				16,560,039
Total liabilities	<u>29,525,140</u>	<u>7,148,798</u>	<u>1,012,754</u>	<u>2,028,337</u>	<u>2,239,416</u>	<u>41,954,445</u>
<b>Fund Balances:</b>						
<b>Nonspendable:</b>						
Inventory	9,651					9,651
<b>Restricted:</b>						
Temporary budgetary stabilization					8,547,032	8,547,032
Building construction/renovation			190,785	51,962,335	157,831	52,310,951
Bridge construction			2,010,936	23,977,000	213,583	26,201,519
General assistance					5,204,888	5,204,888
Parks			154,829		721,515	876,344
Public safety					472,178	472,178
Records management					426,860	426,860
Road construction/maintenance					1,492,993	1,492,993
Software/IT improvements			446,896	10,000,000		10,446,896
Water/sewer construction			197,228			197,228
Debt service					766,094	766,094
Other purposes		3,457,076	101,511	7,672,301	6,499,279	17,730,167
<b>Assigned:</b>						
Imprest and change funds	133,610					133,610
Temporary budgetary stabilization	13,141,204					13,141,204
Other purposes	867,437		1,136,624	4,949,760	3,314,490	10,268,311
Unassigned:	35,672,858					35,672,858
Total fund balances	<u>49,824,760</u>	<u>3,457,076</u>	<u>4,238,809</u>	<u>98,561,396</u>	<u>27,816,743</u>	<u>183,898,784</u>
Total liabilities and fund balances	<u>\$79,349,900</u>	<u>\$10,605,874</u>	<u>\$5,251,563</u>	<u>\$100,589,733</u>	<u>\$30,056,159</u>	<u>\$225,853,229</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 Position**  
**September 30, 2013**

Total fund balances for governmental funds		\$183,898,784
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Land	17,524,889	
Easements	110,000	
Buildings, net of accumulated depreciation	102,472,743	
Improvements, net of accumulated depreciation	7,459,731	
Equipment, net of accumulated depreciation	5,524,335	
Furniture and fixtures, net of accumulated depreciation	387,182	
Infrastructure, net of accumulated depreciation	4,923,262	
Vehicles, net of accumulated depreciation	7,052,940	
Roads, net of accumulated depreciation	24,833,794	
Bridges and culverts, net of accumulated depreciation	1,309,684	
Leased equipment, net of accumulated depreciation	218,448	
Construction in progress	61,204,112	
Total capital assets	233,021,120	233,021,120
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Deferred revenue property taxes		16,357,133
Receivable for court costs, net of allowance for uncollectible accounts		3,683,886
Compensated Absences		(31,759,843)
OPEB liability		(28,648,428)
Internal service fund is used to charge the health care costs for county employees, dependants, and retirees.		2,589,256
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	(1,330,961)	
General long-term debt	(226,015,000)	
Capital leases	(197,873)	
Contingent liabilities	(1,957,000)	
Claims and judgments	(2,195,057)	
Deferred bond issuance costs	(11,226,674)	
Total long-term liabilities	(242,922,565)	(242,922,565)
Total net position of governmental activities		\$136,219,343

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, 2013**

	General	Special Revenue Grants	County Capital Projects 2007	County Capital Projects 2012	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>						
Taxes	\$170,339,849				\$22,072,950	\$192,412,799
Licenses and permits	230,828					230,828
Intergovernmental revenues	4,066,753	\$27,619,140			1,339,646	33,025,539
Charges for services	34,798,241				11,624,570	46,422,811
Fines and Forfeitures	4,553,789				1,000,689	5,554,478
Interest	353,313	132,170	\$31,519	\$584,881	187,550	1,289,433
Miscellaneous	2,832,645	1,265,497	14,617		337,671	4,450,430
Total Revenues	<u>217,175,418</u>	<u>29,016,807</u>	<u>46,136</u>	<u>584,881</u>	<u>36,563,076</u>	<u>283,386,318</u>
<b>EXPENDITURES</b>						
Current:						
General Government	37,258,714	676,243			3,962,443	41,897,400
Administration of justice	52,870,335	3,035,035			1,266,492	57,171,862
Public safety	113,737,194	15,033,827			1,612,474	130,383,495
Health and welfare	5,633,583	4,431,062			104,217	10,168,862
Community services		2,586,294				2,586,294
Resource development	312,440	2,118,709				2,431,149
Culture and recreation	3,682,141				3,497,553	7,179,694
Public works	273	27,228			8,084,204	8,111,705
Debt Service:						
Principal					8,555,000	8,555,000
Interest					11,327,982	11,327,982
Capital outlays	353,240	1,417,954	7,161,713	12,184,873	9,786,311	30,904,091
Total expenditures	<u>213,847,920</u>	<u>29,326,352</u>	<u>7,161,713</u>	<u>12,184,873</u>	<u>48,196,676</u>	<u>310,717,534</u>
Excess (deficiency) of revenues over (under) expenditures	<u>3,327,498</u>	<u>(309,545)</u>	<u>(7,115,577)</u>	<u>(11,599,992)</u>	<u>(11,633,600)</u>	<u>(27,331,216)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfers in	1,644,639	1,687,306			4,521,482	7,853,427
Transfers out	(5,420,622)	(965,623)			(1,467,182)	(7,853,427)
Premium (discount) on bonds issued				(28,912)	28,912	
Capital leases	51,340					51,340
Sale of capital assets					30,427	30,427
Total other financing sources and uses	<u>(3,724,643)</u>	<u>721,683</u>		<u>(28,912)</u>	<u>3,113,639</u>	<u>81,767</u>
Net change in fund balances	<u>(397,145)</u>	<u>412,138</u>	<u>(7,115,577)</u>	<u>(11,628,904)</u>	<u>(8,519,961)</u>	<u>(27,249,449)</u>
Fund balances - beginning	<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>
Prior year adjustment	(12,016)	1,016,236	149,395	5,000	112,465	1,271,080
Net change in reserve for inventories	(37,720)					(37,720)
Fund balances - ending	<u>\$49,824,760</u>	<u>\$3,457,076</u>	<u>\$4,238,809</u>	<u>\$98,561,396</u>	<u>\$27,816,743</u>	<u>\$183,898,784</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, 2013**

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

Net change in fund balances - total governmental funds (\$27,249,449)

Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered an other source of financing, but in the statement of net assets, the lease obligation is reported as a liability. (51,340)

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	-		
Refunding bonds issued	-		
Premium on bonds issued	-		
Repayments			
To escrow agent	-		
Bond issuance costs	\$583,839		
Principal payments	8,555,000		
Net adjustment	8,555,000		9,138,839

Court cost receivables, net of allowance for uncollectible amounts 94,481

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	1,320,635		
Additional contingent liabilities	(367,000)		
Additional Compensated Absences	(1,063,273)		
Additional Other Post Employment Benefits	(5,733,995)		
Depreciation expense	(13,066,479)		
The net effect of various transactions involving capital assets (i.e., sales and retirements) is to increase net assets			
Additions	\$39,282,005		
Retirements	(8,702,286)		
Accumulated depreciation related to retirements	13,905,542	44,485,261	
Unpaid claims workers comp		(1,563,364)	
Change in purchasing inventory		(37,720)	
Expenses related to capital lease payments and retirements		131,638	
Accrued interest on bonds		85,036	
			24,190,739

Internal service fund is used to charge the health care costs for county employees, dependants, and retirees. (498,040)

Change in net position of governmental activities \$5,625,230

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, 2013**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes:				
Property	\$130,134,583	\$130,134,583	\$128,440,024	(\$1,694,559)
Sales	38,400,000	38,400,000	40,199,680	1,799,680
Bingo	52,000	52,000	52,513	513
Mixed beverage	1,500,000	1,500,000	1,647,632	147,632
Licenses and permits	234,000	234,000	230,828	(3,172)
Intergovernmental	5,330,903	5,330,903	4,066,753	(1,264,150)
Charges for services	35,783,500	35,783,500	34,798,241	(985,259)
Fines and forfeitures	4,580,000	4,580,000	4,553,789	(26,211)
Interest	275,000	275,000	353,313	78,313
Miscellaneous	2,429,133	2,429,133	2,832,645	403,512
Total revenues	<u>218,719,119</u>	<u>218,719,119</u>	<u>217,175,418</u>	<u>(1,543,701)</u>
<b>EXPENDITURES</b>				
Current:				
General government				
Personnel	36,628,107	31,618,292	27,012,001	4,606,291
Operating	13,621,040	13,372,348	10,284,433	3,087,915
Total general Government	<u>50,249,147</u>	<u>44,990,640</u>	<u>37,296,434</u>	<u>7,694,206</u>
Administration of justice				
Personnel	44,706,179	46,458,353	45,251,719	1,206,634
Operating	6,626,315	8,293,906	7,618,616	675,290
Total Administration of justice	<u>51,332,494</u>	<u>54,752,259</u>	<u>52,870,335</u>	<u>1,881,924</u>
Public safety				
Personnel	93,698,284	94,773,149	94,865,584	(92,435)
Operating	19,250,427	19,477,671	18,871,610	606,061
Total Public safety	<u>112,948,711</u>	<u>114,250,820</u>	<u>113,737,194</u>	<u>513,626</u>
Health and welfare				
Personnel	3,538,887	3,752,642	2,976,895	775,747
Operating	3,458,616	3,396,055	2,656,688	739,367
Total Health and welfare	<u>6,997,503</u>	<u>7,148,697</u>	<u>5,633,583</u>	<u>1,515,114</u>
Resource development				
Personnel	298,070	297,415	288,122	9,293
Operating	36,748	36,748	24,318	12,430
Total Resource development	<u>334,818</u>	<u>334,163</u>	<u>312,440</u>	<u>21,723</u>
Culture and recreation				
Personnel	2,163,986	2,227,429	2,053,491	173,938
Operating	1,927,670	2,132,983	1,628,650	504,333
Total Culture and recreation	<u>4,091,656</u>	<u>4,360,412</u>	<u>3,682,141</u>	<u>678,271</u>
Public works				
Personnel				
Operating	13,300	13,300	273	13,027
Total Public works	<u>13,300</u>	<u>13,300</u>	<u>273</u>	<u>13,027</u>
Capital outlays				
Total expenditures	<u>226,413,517</u>	<u>226,427,337</u>	<u>213,885,640</u>	<u>12,541,697</u>
Excess of revenues over expenditures	<u>(7,694,398)</u>	<u>(7,708,218)</u>	<u>3,289,778</u>	<u>10,997,996</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	879,000	879,000	1,644,639	765,639
Transfers out	(5,442,422)	(5,428,602)	(5,317,306)	111,296
Capital leases			51,340	51,340
Total other financing sources and uses	<u>(4,563,422)</u>	<u>(4,549,602)</u>	<u>(3,621,327)</u>	<u>928,275</u>
Net change in fund balances	<u>(12,257,820)</u>	<u>(12,257,820)</u>	<u>(331,549)</u>	<u>11,926,271</u>
Fund balances - beginning	62,749,079	62,749,079	62,749,079	
Prior period adjustment			(12,016)	(12,016)
Fund balances - ending	<u>\$50,491,259</u>	<u>\$50,491,259</u>	<u>\$62,405,514</u>	<u>\$11,914,255</u>

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

**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, 2013**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$38,740,469	\$60,337,817	\$27,619,140	(\$32,718,677)
Interest	26,448	26,448	132,170	105,722
Miscellaneous	171,013	913,032	1,265,497	352,465
<b>Total revenues</b>	<u>38,937,930</u>	<u>61,277,297</u>	<u>29,016,807</u>	<u>(32,260,490)</u>
<b>Expenditures:</b>				
<b>General government:</b>				
Personnel	62,354	128,512	64,996	63,516
Operating	308,310	614,562	611,247	3,315
<b>Total general government</b>	<u>370,664</u>	<u>743,074</u>	<u>676,243</u>	<u>66,831</u>
<b>Administration of justice:</b>				
Personnel	1,752,698	2,971,413	2,379,997	591,416
Operating	221,351	746,600	655,038	91,562
<b>Total administration of justice</b>	<u>1,974,049</u>	<u>3,718,013</u>	<u>3,035,035</u>	<u>682,978</u>
<b>Public safety:</b>				
Personnel	9,184,626	19,915,086	9,137,859	10,777,227
Operating	6,227,756	10,603,482	5,895,968	4,707,514
<b>Total public safety</b>	<u>15,412,382</u>	<u>30,518,568</u>	<u>15,033,827</u>	<u>15,484,741</u>
<b>Health and welfare:</b>				
Personnel	468,600	1,411,909	1,158,219	253,690
Operating	438,862	3,595,080	3,272,843	322,237
<b>Total health and welfare</b>	<u>907,462</u>	<u>5,006,989</u>	<u>4,431,062</u>	<u>575,927</u>
<b>Resource development:</b>				
Personnel	29,220	29,220		29,220
Operating	3,426,884	3,426,884	2,118,709	1,308,175
<b>Total resource development</b>	<u>3,456,104</u>	<u>3,456,104</u>	<u>2,118,709</u>	<u>1,337,395</u>
<b>Community services:</b>				
Personnel	189,319	209,527	185,644	23,883
Operating	1,921,456	4,671,572	2,400,650	2,270,922
<b>Total community services</b>	<u>2,110,775</u>	<u>4,881,099</u>	<u>2,586,294</u>	<u>2,294,805</u>
<b>Culture and recreation:</b>				
Operating	209	209		209
<b>Total culture and recreation</b>	<u>209</u>	<u>209</u>		<u>209</u>
<b>Public works:</b>				
Personnel	374	48,043	8,179	39,864
Operating	440,688	893,017	19,049	873,968
<b>Total public works</b>	<u>441,062</u>	<u>941,060</u>	<u>27,228</u>	<u>913,832</u>
<b>Capital outlays</b>	<u>7,970,731</u>	<u>7,210,853</u>	<u>1,417,954</u>	<u>5,792,899</u>
<b>Total expenditures</b>	<u>32,643,438</u>	<u>56,475,969</u>	<u>29,326,352</u>	<u>27,149,617</u>
Excess (deficiency) of revenues over (under) expenditures	6,294,492	4,801,328	(309,545)	(5,110,873)
<b>Other financing sources (uses):</b>				
Transfers in	1,199,139	2,423,737	1,687,306	(736,431)
Transfers out	(1,652)	(1,652)	(965,623)	(963,971)
<b>Total other financing sources (uses)</b>	<u>1,197,487</u>	<u>2,422,085</u>	<u>721,683</u>	<u>(1,700,402)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	7,491,979	7,223,413	412,138	(6,811,275)
<b>Fund balance - beginning</b>	2,028,702	2,028,702	2,028,702	
<b>Prior period adjustments</b>			1,016,236	1,016,236
<b>Fund balance - ending</b>	<u>\$9,520,681</u>	<u>\$9,252,115</u>	<u>\$3,457,076</u>	<u>(\$5,795,039)</u>

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

County of El Paso, Texas  
 Statement of Net Position  
 Proprietary Funds  
 September 30, 2013

	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)	Total Current Year	
<b>ASSETS</b>								
Current assets:								
Cash and cash equivalents	\$1,740,580	\$1,714,746	\$2,431	\$442	\$73,051	\$6,894	\$1,816,062	\$3,485,079
Accounts receivable		78,841				24,122		
Restricted cash and cash equivalents								
Customer deposits	98,750	95,550					98,750	
East Montana 1997A interest and sinking fund	25,182	24,382					25,182	
East Montana 2000A interest and sinking fund		9,504						
Total current assets	1,864,512	1,923,023	2,431	442	73,051	31,016	1,939,994	3,485,079
Noncurrent assets:								
Restricted cash, cash equivalents, and investments:								
East Montana 1997B construction fund	36,470	36,470					36,470	
East Montana Reserve fund	101,038	100,902					101,038	
Total restricted assets:	137,508	137,372					137,508	
Capital assets:								
Equipment, water system	13,141,013	13,141,013					13,141,013	
Vehicles	16,979	16,979					16,979	
Construction in Progress			613,010	613,010			613,010	
Less accumulated depreciation	(3,734,277)	(3,405,314)					(3,734,277)	
Total capital assets, net of accumulated depreciation	9,423,715	9,752,678	613,010	613,010			10,036,725	
Total noncurrent assets	9,561,223	9,890,050	613,010	613,010			10,174,233	
Total assets	11,425,735	11,813,073	615,441	613,452	73,051	31,016	12,114,227	3,485,079
<b>LIABILITIES</b>								
Current liabilities:								
Vouchers payable	2,131	68,904		442	53,201	23,613	55,332	
Customer deposits payable	98,750	95,550					98,750	
Claims payable								882,705
Payroll Liability	4,465	3,661					4,465	2,095
Due to others								11,023
Due to other governments	9,800	9,403			8,001		17,801	
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						
Accrued interest payable	5,241	6,211	765				6,006	
Total current liabilities	140,387	213,729	765	442	61,202	23,613	202,354	895,823
Noncurrent liabilities:								
East Montana Water Project 1997A payable	840,000	860,000					840,000	
East Montana Water Project 2000A payable		104,000						
Mayfair/Nuway Water System Bonds 2012 Payable			272,000	272,000			272,000	
Total noncurrent liabilities	840,000	964,000	272,000	272,000			1,112,000	
Total liabilities	980,387	1,177,729	272,765	272,442	61,202	23,613	1,314,354	895,823
<b>NET POSITION</b>								
Net investment in capital assets	8,563,715	8,758,678	341,911	341,010			8,905,626	
Restricted for:								
Debt:								
East Montana Water Project	25,241	36,211					25,241	
East Montana Water Project	16,396	81,968					16,396	
County Solid Waste					11,849	7,403	11,849	
East Montana Reserve Fund	101,038	100,902					101,038	
East Montana 1997B construction fund	36,470	36,470					36,470	
East Montana 1997A interest and sinking	25,182	29,282					25,182	
East Montana 2000A interest and sinking		10,939						
Unrestricted:								
East Montana Water Project	1,677,306	1,580,894	765				1,678,071	
Internal Service fund								2,589,256
Total net position	\$10,445,348	\$10,635,344	\$342,676	\$341,010	\$11,849	\$7,403	\$10,799,873	\$2,589,256

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 Position  
Proprietary Funds  
For the Year Ended September 30, 2013

	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)	
<b>OPERATING REVENUES</b>							
Charges for services	\$961,270	\$924,745	\$9,572		\$376,197	\$287,266	\$1,347,039
Employee premiums							\$5,968,443
Employer premiums							11,245,612
Retiree premiums							1,535,089
Cobra							38,241
Stop loss reimbursements							346,856
Other							117,004
Total operating revenues	<u>961,270</u>	<u>924,745</u>	<u>9,572</u>		<u>376,197</u>	<u>287,266</u>	<u>1,347,039</u>
<b>OPERATING EXPENSES</b>							
Personnel expenses	101,895	55,109					101,895
Operating expenses	113,300	109,153					113,300
Depreciation	328,963	323,729					328,963
Public utilities	344,513	304,997					344,513
Professional services	211,350	276,481			371,799	281,406	583,149
Claims							17,459,509
Administrative							2,322,412
Total operating expenses	<u>1,100,021</u>	<u>1,069,469</u>			<u>371,799</u>	<u>281,406</u>	<u>1,471,820</u>
Operating income (loss)	<u>(138,751)</u>	<u>(144,724)</u>	<u>9,572</u>		<u>4,398</u>	<u>5,860</u>	<u>(124,781)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>							
Interest revenue	4,835	6,021			48	42	4,883
Interest expense	(47,580)	(50,976)	(7,906)				(55,486)
Total nonoperating revenues (expenses)	<u>(42,745)</u>	<u>(44,955)</u>	<u>(7,906)</u>		<u>48</u>	<u>42</u>	<u>(50,603)</u>
Income before contributions and transfers	<u>(181,496)</u>	<u>(189,679)</u>	<u>1,666</u>		<u>4,446</u>	<u>5,902</u>	<u>(175,384)</u>
Bond issuance costs					(\$22,129)		
Bond call costs	(8,500)						(8,500)
Capital contributions		6,776			207,555		
Change in Net Position	<u>(189,996)</u>	<u>(182,903)</u>	<u>1,666</u>		<u>185,426</u>	<u>5,902</u>	<u>(183,884)</u>
Total net position, beginning	10,635,344	10,818,247	341,010	155,584	7,403	1,501	10,983,757
Prior period adjustment							11,806
Total net position, ending	<u>\$10,445,348</u>	<u>\$10,635,344</u>	<u>\$342,676</u>	<u>\$341,010</u>	<u>\$11,849</u>	<u>\$7,403</u>	<u>\$10,799,873</u>

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, 2013

	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)	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>							
Receipts from customers	\$1,043,708	\$1,087,709	\$9,572		\$408,320	\$287,044	\$1,461,600
Payments for personnel expenses	(101,091)	(52,697)					(101,091)
Payments for operating expenses	(180,073)	(277,702)	(442)	\$442	29,588	460	(150,927)
Payments for utilities	(344,513)	(304,997)					(344,513)
Payments for professional services	(211,350)	(276,481)			(371,799)	(281,406)	(583,149)
Receipts from employee premiums							
Receipts from employer premiums							\$5,968,443
Receipts from retiree premiums							11,258,265
Receipts from cobra premiums							1,535,089
Receipts from stop loss reimbursements							38,241
Receipts from miscellaneous services							346,856
Payments for claims							117,004
Payments for administrative expenses							(17,541,087)
Net cash provided (used) by operating activities	<u>206,681</u>	<u>175,832</u>	<u>9,130</u>	<u>442</u>	<u>66,109</u>	<u>6,098</u>	<u>281,920</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>							
Bond proceeds							
Capital contributions		6,776			207,555		
Interest paid	(48,550)	(51,160)	(7,141)				(55,691)
Principal repayments	(141,500)	(30,000)					(141,500)
Construction in progress					(457,426)		
Net cash provided (used) by capital and related financing activities	<u>(190,050)</u>	<u>(74,384)</u>	<u>(7,141)</u>	<u>(249,871)</u>			<u>(197,191)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>							
Receipt of interest	4,835	6,021			48	42	20,830
Net cash provided (used) by investing activities	<u>4,835</u>	<u>6,021</u>			<u>48</u>	<u>42</u>	<u>4,883</u>
Net increase in cash and cash equivalents	21,466	107,469	1,989	(249,429)	66,157	6,140	(578,771)
Cash and cash equivalents, beginning of year	1,980,554	1,879,861	442		6,894	754	4,052,044
Prior period adjustment							11,806
Cash and cash equivalents, end of year	<u>\$2,002,020</u>	<u>\$1,987,330</u>	<u>\$2,431</u>	<u>(\$249,429)</u>	<u>\$73,051</u>	<u>\$6,894</u>	<u>\$3,485,079</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>							
Operating income (loss)	(\$138,751)	(\$144,724)	\$9,572		\$4,398	\$5,860	(\$124,781)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:							
Depreciation	328,963	323,729					328,963
(Increase) decrease in accounts receivable	78,841	5,441			\$155,584	24,122	102,963
(Increase) decrease in due from other funds		155,584				(222)	
Increase (decrease) in customer deposits	3,200	2,150					12,653
Increase (decrease) in vouchers payable	(66,773)	(168,549)	(442)	442	29,588	460	(37,627)
Increase (decrease) in claims liability							(81,578)
Increase (decrease) in payroll liability	804	2,412					804
Increase (decrease) in due to other funds					(155,584)		
Increase (decrease) in due to other governments	397	(211)			8,001		8,398
Total adjustments	<u>345,432</u>	<u>320,556</u>	<u>(442)</u>	<u>442</u>	<u>61,711</u>	<u>238</u>	<u>(68,925)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$206,681</u>	<u>\$175,832</u>	<u>\$9,130</u>	<u>\$442</u>	<u>\$66,109</u>	<u>\$6,098</u>	<u>\$281,920</u>

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, 2013**

	<b>Agency Funds</b>
<b>Assets</b>	
Cash and cash equivalents	\$26,957,279
Accounts receivable	467,501
Restricted-funds custodial capacity	
cash equivalents	9,379,449
<b>Total Assets</b>	<b>\$36,804,229</b>
<b>Liabilities</b>	
Accounts payable	\$499,198
Payroll liabilities	1,741,207
Due to other funds	
Due to others	22,029,872
Due to other governmental agencies	12,533,952
<b>Total Liabilities</b>	<b>\$36,804,229</b>
<b>Net Position</b>	

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, 2013**

**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. As such the County is not included in any other governmental entity as defined by GASB Statement 61, *The Financial Reporting Entity: Omnibus an amendment of GASB Nos. 14 and 34*.

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 position focuses on the net position of the governmental and business type activities of the primary government and its component unit, where the net position equals the assets 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 are 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 2013 totaled \$282,760,433. Throughout the year, the Commissioners Court amended the budget for an aggregate increase total of \$28,631,938. These increases represented statutorily provided increases for additional funding by granting agencies and intergovernmental agreements bringing the overall budget total to \$520,204,104, 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, 2013

Date of Amendment	General Fund	Special Revenue Fund	Enterprise Fund	Debt Service Fund	Capital Projects Fund	Grants	Total Funding Amounts
October 1, 2012	\$230,794,713	\$24,660,177	\$3,027,324	\$19,882,986	\$4,395,233	\$0	\$282,760,433
Total amendments		4,108,208	9,538		800,000	23,714,192	28,631,938
Subtotal	\$230,794,713	\$28,768,385	\$3,036,862	\$19,882,986	\$5,195,233	\$23,714,192	\$311,392,371
Carry over							
Re-appropriation	1,061,226	2,649,525	7,733		133,606,886	71,486,363	208,811,733
Totals	\$231,855,939	\$31,417,910	\$3,044,595	\$19,882,986	\$138,802,119	\$95,200,555	\$520,204,104

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	\$58,443,853
Revenues: Non-Budgeted	
Expenditures: Non-budgeted	(37,720)

## Note 1. Summary of Significant Accounting Policies (Continued)

### D. Budgets (Continued)

Revenues over (under) Expenditures	37,720
Other financing sources (uses): Non-budgeted	(103,316)
Excess (deficiency) of revenues and Other financing sources over (under) Expenditures and other financing uses	(65,596)
Change in reserve for inventory	(37,720)
Prior years differences	<u>(12,477,438)</u>
Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$45,863,099</u>

The non-budgeted expenditure in the general fund is a change in the reserve for inventory of \$37,720 which represents the amount of inventory consumed during the year and \$103,316 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 \$963,971, which represents an excess grant match transferred back to General Fund.

### 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 100 percent. The County has also established interest rate risk policies that limit the maximum maturity of any one security to 10 years or less.

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

## **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 & Poor’s, 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 1<sup>st</sup> and become delinquent on February 1<sup>st</sup>, 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, 2013.

### **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 position reports \$27,745,517 of restricted assets, of which \$21,030,273 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, 2013, the County's total liability for vested vacation leave totaled \$13,560,597.

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 \$18,199,246 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 \$31,759,843 of which \$10,562,436 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 position. 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 30, 2013, 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, have designated their use. These amounts are committed through the adoption of a court order. These amounts can only be re-allocated by the same formal action that was taken to originally commit those amounts. Funds allocated through the use of general fund monies for capital assets are categorized as committed.

**Assigned Fund Balance** – Represents amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. The governing body may delegate its authority to assign amounts to another body or officials, for example a budget or finance director. The Commissioners Court, when it is appropriate for fund balance to be assigned, delegates the authority to the County Auditor. Assignments may occur subsequent to fiscal year end.

**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 \$6,499,279 reported as other governmental funds consists of \$3,570,589 special revenue funds restricted for various programs and projects. The remaining balance of \$2,928,690 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.

### **P. New accounting pronouncement**

Governmental Accounting Standards Board (GASB) Statement Number 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* effective for financial reporting period beginning after December 15, 2011. The statement provides financial guidance for reporting deferred inflows and outflows of resources as well as, identifying net position as the residual of all other elements presented on the Statement of Net Position. The County's Statement of Net Position is presented in accordance with the guidance provided by this statement.

GASB Statement Number 65, *Items Previously Reported as Assets and Liabilities*, which establishes accounting and financial reporting standards that reclassify certain items previously reported as assets and liabilities to deferred outflows of resources or deferred inflows of resources and recognize certain items that were previously reported as assets and liabilities as expenses and revenues. The Hospital District implemented in 2013, the County has not yet implemented this pronouncement.

## **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.

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 \$231,502,704 consisting of cash and cash equivalents. Of this amount, \$2,169,221 represents custodial funds from the County Clerk's Probate Account, \$7,210,228 represents funds held in the District Clerk's Custodial Account and \$261,440 represents restricted assets for business-type activities. The bank balance of \$180,381,531 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 \$220,586,000, 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.

### Note 3. Detailed notes on all funds (Continued)

#### A. Deposits and Investments (Continued)

As of September 30, 2013 the County had the following investments.

<b>Investment Type</b>	<b>Fair Value</b>	<b>Weighted Average Maturity (Years)</b>
TexPool investment pool	\$35,224,940	0.14
TexPool Prime investment pool	<u>8,439,456</u>	0.33
Total	<u>\$43,664,396</u>	0.18

As of September 30, 2013 the District had the following investments.

<b>Unrestricted Investment Type</b>	<b>Fair Value</b>	<b>Weighted Average Maturity (Years)</b>
U.S. Agencies	<u>\$ 959,555</u>	2.88
Total	<u>\$ 959,555</u>	2.88
<b>Restricted Investment Type</b>	<b>Fair Value</b>	<b>Weighted Average Maturity (Years)</b>
Repurchase Agreements	\$148,081,199	2.58
Certificates of deposit	<u>700,000</u>	0.66
Total	<u>\$ 148,781,199</u>	2.57

*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.

**Note 3. Detailed notes on all funds (Continued)**

**A. Deposits and Investments (Continued)**

<u>El Paso County</u> <u>Investment at September 30, 2013</u>	<u>Standard &amp;</u> <u>Poor's Rating</u>
Local Government Investment Pools	AAAm

<u>Component Unit</u> <u>Investment at September 30, 2013</u>	<u>Standard &amp;</u> <u>Poor's Rating</u>
Federal Home Loan Bank	AA+
Local Government Investment Pools	AAAm

*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.

**Note 3. Detailed notes on all funds (Continued)**

**B. Receivables**

Receivables as of September 30, 2013 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>Major Special Revenue-Grants Funds</u>	<u>Other Non-major Funds</u>	<u>Total</u>
Receivables:				
Taxes	\$17,680,408			\$17,680,408
Accounts	6,745,494	\$6,999,535	\$248,002	13,993,031
Notes		883,391		883,391
Less: allowance for uncollectable	<u>(176,804)</u>			<u>(176,804)</u>
Net total receivables	<u>\$24,249,098</u>	<u>\$7,882,926</u>	<u>\$248,002</u>	<u>\$32,380,026</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, 2013. 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.

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)	\$16,357,133	
Cell Phone Tower Commissions (general fund)		\$35,551
Court costs and fines (general fund)	32,730	
Draw-downs prior to meeting eligibility requirements (grants)		<u>134,625</u>
Total deferred /unearned revenue for governmental funds	<u>\$16,389,863</u>	<u>\$170,176</u>



**Note 3. Detailed notes on all funds (Continued)**

**C. Capital assets**

Capital assets activity for the year ended September 30, 2013 was as follows:

**Primary Government**

	<u>Beginning Balance</u>	<u>Prior Period Adjustments</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>					
<b>Capital assets, not being depreciated:</b>					
Land	\$16,825,806	(\$120,000)	\$819,083		\$17,524,889
Easements	110,000				110,000
Information Technology System in progress	7,771,920		2,637,356		10,409,276
Construction in progress	<u>39,033,074</u>	<u>(149,395)</u>	<u>19,055,130</u>	<u>(\$7,143,973)</u>	<u>50,794,836</u>
Total capital assets, not being depreciated	<u>63,740,800</u>	<u>(269,395)</u>	<u>22,511,569</u>	<u>(7,143,973)</u>	<u>78,839,001</u>

**Capital assets, being depreciated:**

	<u>Beginning Balance</u>	<u>Prior Period Adjustments</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Bridges and culverts	3,570,308				3,570,308
Buildings	230,495,172		7,547,904	(54,476)	237,988,600
Equipment	27,385,323		1,640,110	(140,826)	28,884,607
Furniture and fixtures	954,373		296,766	(47,002)	1,204,137
Improvements	12,856,788		930,586		13,787,374
Infrastructure	4,378,793		1,284,208		5,663,001
Leased equipment	427,989		337,083	(366,143)	398,929
Roads	40,598,386		914,085		41,512,471
Vehicles	<u>17,020,305</u>		<u>3,819,694</u>	<u>(680,471)</u>	<u>20,159,528</u>
Total capital assets, being depreciated	<u>337,687,437</u>		<u>16,770,436</u>	<u>(1,288,918)</u>	<u>353,168,955</u>

	<u>Beginning Balance</u>	<u>Prior Period Adjustments</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Less accumulated depreciation for:</b>					
Bridges and culverts	(2,165,747)	(10)	(94,867)		(2,260,624)
Buildings	(132,156,755)	4,284,871	(7,643,973)		(135,515,857)
Equipment	(22,640,196)	511,306	(1,289,645)	58,263	(23,360,272)
Furniture and fixtures	(771,194)	8,327	(54,088)		(816,955)
Improvements	(6,357,995)	588,968	(558,616)		(6,327,643)
Infrastructure	(578,127)	29,751	(191,363)		(739,739)
Leased equipment	(119,921)	(6,894)	(152,332)	98,666	(180,481)
Roads	(22,509,174)	7,656,065	(1,825,568)		(16,678,677)
Vehicles	<u>(12,526,790)</u>	<u>(23,499)</u>	<u>(1,225,624)</u>	<u>669,325</u>	<u>(13,106,588)</u>
Total accumulated depreciation	<u>(199,825,899)</u>	<u>13,048,885</u>	<u>(13,036,076)</u>	<u>826,254</u>	<u>(198,986,836)</u>

Total capital assets, being depreciated, net 137,861,538 13,048,885 3,734,360 (462,664) 154,182,119

Governmental activities capital assets, net \$201,602,338 \$12,779,490 \$26,245,929 (\$7,606,637) \$233,021,120

	<u>Beginning Balance</u>	<u>Prior Period Adjustments</u>	<u>Increases</u>	<u>Ending Decreases</u>	<u>Balance</u>
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**Business-type activities:**

**Capital assets, not being depreciated:**

Construction in Progress	<u>613,010</u>				<u>613,010</u>
<b>Total capital assets, not being depreciated</b>	<u>\$613,010</u>				<u>\$613,010</u>

**Note 3. Detailed notes on all funds (Continued)**

**C. Capital assets (Continued)**

**Capital assets, being depreciated:**

Vehicles	16,979				16,979
Water System	<u>13,141,013</u>				<u>13,141,013</u>
Total capital assets, being depreciated	<u>13,157,992</u>				<u>13,157,992</u>

**Business-type activities (continued):**

**Less accumulated depreciation for:**

Vehicles	(16,979)				(16,979)
Water system	<u>(3,388,335)</u>		<u>(328,963)</u>		<u>(3,717,298)</u>
Total accumulated depreciation	<u>(3,405,314)</u>		<u>(328,963)</u>		<u>(3,734,277)</u>

Total capital assets, being depreciated, net	<u>9,752,678</u>		<u>(328,963)</u>		<u>9,423,715</u>
Business-type activities capital assets, net	<u>\$10,365,688</u>		<u>(\$328,963)</u>		<u>\$10,036,725</u>

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

**Governmental activities:**

General Government	\$3,392,382
Administration of justice	102,567
Public safety	5,098,533
Health and welfare	143,274
Community service	82,406
Resource Development	1,271
Culture and recreation	1,473,607
Public works	<u>2,742,036</u>
Total depreciation expense governmental activities	<u>\$13,036,076</u>

**Business-type activities:**

Water system	<u>328,963</u>
Total depreciation expense Business-type activities	<u>\$328,963</u>

During the current fiscal year there was a change in accounting estimate for depreciation expense. Prior Period adjustments are due to errors in calculating depreciation by the accounting system.

**Construction and Technology Computer Systems Commitments**

The County has several active projects as of September 30, 2013. The projects include, among others, the Tornillo-Guadalupe Port of Entry, Northwest Annex, Eastside Annex, Sportspark Complex Renovations, New Jail Annex Unit, Roof Replacement at Jail Annex and Sheriff's Headquarters, Aguilera Highway, Tornillo Guadalupe Major Arterial Roadway, Disaster Recovery Data Center, Judicial Administration Software, P25 Communication System, Sheriff's Criminal Justice Information System, and the Mayfair/Nuway Water Project.

**Note 3. Detailed notes on all funds (Continued)**

**C. Capital assets (Continued)**

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

<u>Project</u>	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
<b>Governmental Activities</b>		
Tornillo Guadalupe Port of Entry	\$28,990,653	\$24,328,998
Northwest Annex	402,531	4,152,674
Eastside Annex	77,156	4,172,844
Sportspark Complex Renovations	6,715,947	2,989,574
New Jail Annex Unit	4,853,333	41,791,667
Roof Replacement at Jail Annex	323,545	1,285,317
Roof Replacement at Sheriff's Headquarters	683,812	585,482
Aguilera Highway	281,244	1,654,377
Tornillo Guadalupe Major Arterial Roadway	7,442,625	195,644
Disaster Recovery Data Center	5,198,814	362,130
Judicial Administration Software	4,504,691	1,269,219
P25 Communication System	594,350	9,441,207
Sheriff's Criminal Justice Information System	111,420	688,580
Mayfair-Nuway Water Project	<u>1,023,991</u>	<u>366,688</u>
Total	<u>\$61,204,112</u>	<u>\$93,284,401</u>
<b>Business Type Activities</b>		
Nuway – Mayfair Water Project	<u>\$613,010</u>	
Total	<u>\$613,010</u>	

**Component unit**

Capital asset activity for the District for the year ended September 30, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfer Disposals/ Retirements</u>	<u>Ending Balances</u>
<b>Capital assets, not being depreciated:</b>				
Land	\$10,326,000		\$4,000	\$10,330,000
Construction in progress	<u>527,000</u>	<u>10,000,000</u>	<u>(5,236,000)</u>	<u>5,291,000</u>
Total capital assets, not being depreciated	<u>10,853,000</u>	<u>10,000,000</u>	<u>(5,232,000)</u>	<u>15,621,000</u>
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	409,981,000	352,000	2,151,000	412,484,000
Movable and fixed equipment	<u>219,699,000</u>	<u>3,649,000</u>	<u>3,451,000</u>	<u>226,799,000</u>
Total capital assets, being depreciated	<u>629,680,000</u>	<u>4,001,000</u>	<u>5,602,000</u>	<u>639,283,000</u>
<b>Less accumulated depreciation for:</b>				
Buildings, improvements and equipment	<u>(236,068,000)</u>	<u>(32,015,000)</u>	<u>90,000</u>	<u>(267,993,000)</u>
Total accumulated depreciation	<u>(236,068,000)</u>	<u>(32,015,000)</u>	<u>90,000</u>	<u>(267,993,000)</u>
Total capital assets, being depreciated, net	<u>393,612,000</u>	<u>(28,014,000)</u>	<u>5,692,000</u>	<u>371,290,000</u>
District capital assets, net	<u>\$404,465,000</u>	<u>(\$18,014,000)</u>	<u>\$460,000</u>	<u>\$386,911,000</u>

**Note 3. Detailed notes on all funds (Continued)**

**C. Capital assets (Continued)**

The Medical Center issued its 2013 revenue bonds to fund approximately \$150 million of capital improvements, including outpatient medical clinics, renovate existing hospital inpatient floors and purchase equipment for the main campus. These projects will occur throughout 2014 and 2015. Construction in progress at September 30, 2013 primarily represents capitalized interest from this debt issuance and various other surgical equipment and information technology capital items.

**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, 2013, is as follows:

	<u>Due From</u>	<u>Due To</u>
<b><u>General Fund</u></b>	\$1,218,763	
<b><u>Major Special Revenue-Grants</u></b>		
34 <sup>th</sup> Judicial District Prosecution Initiative		\$41,397
65 <sup>th</sup> District Family Drug Court		389
384 <sup>th</sup> District Drug Court		29,011
409 <sup>th</sup> District Drug Court		22,055
409 <sup>th</sup> District Drug Court EPISD	3,256	
Access and Visitation		4,130
BCMHC Juvenile Drug Court Mentoring		41,495
BCMHC Non-Traditional Services	6,412	
Border Crime Initiative	\$80,886	\$365,618
Bulletproof Vest Partnership		3,020
Byrne Justice Assistance Grant		136,345
Child Protective Services	78,598	
Colonia Revolucion Water Project		86,270
Colonia Road Projects		18,139
Colonia Self-Help Center		90,309
Constable Click or Ticket		2,987
Constable Step		16,951
DA Border Prosecution		112,435
DAG Reporting		650
DIMS Project		16,707
Domestic Violence Unit		14,727
DWI Court Program		31,674
El Paso/NM Transit System		64,640
Energy Efficiency and Conservation (ARRA)	66,417	
Emergency Solution Grant Program		39,461
Explorer Post Task Force	1,456	
Family and Youth Activities	766	
Geothermal Project (ARRA)		415,315
Homeland Security	60	
Homeless & Housing Service		43,346
HIDTA Program Income	1,037,601	
Juvenile Accountability Incentive		18,480
Juvenile Board State Aid	92,853	
Mental Health Support Services – Adult Probation		3,425
Nutrition Meals		88,048
ONDCP Multiple Initiatives		525,243
Operation Stonegarden		50,507

**Note 3. Detailed notes on all funds (Continued)**

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

	<u>Due From</u>	<u>Due To</u>
Organized Crime Drug Enforcement Task Force		76,061
Project Border Star		87,416
Protective Order Court		9,522
Public Defender Problem Solving Attorney		8,164
Regional Public Transportation Plan		49,067
Rural Transit Assistance		230,790
Rural Bus Auction Proceeds	8,129	
Schuman Estates Water Project		6,472
Second Chance Act Family		28,158
Secure Border Trade		709,550
Sheriff's Crime History Reporting		2,354
Sheriff's Crime Victim Services		2,408
Sheriff's Step		31,402
Sheriff's Training Academy		34,434
Sheriff's Training Academy VAWA		9,995
Texas Juvenile Justice Department	40,244	
TJPC Secure Post-Adjudication	14,484	
TJPC Title IV-E Enhanced Billing	1,036,101	
Texas Tobacco Enforcement	4,725	
Texas Capital Project	169,406	
Van Pool Program		160,827
Veterans Court		92,018
Victim of Crime		16,732
Victim Witness Services		<u>22,013</u>
<b>Subtotal</b>	<u>2,641,394</u>	<u>3,860,157</u>
<b>Grand Total</b>	<u>\$3,860,157</u>	<u>\$3,860,157</u>

The following are the transfers in and out as of September 30, 2013:

	<u>Transfers Out</u>	<u>Transfers In</u>
	<u>Actual</u>	<u>Actual</u>
<b><u>General Fund</u></b>		
Access and visitation – Match	6,169	
Child Protective Services - Match	674,425	
Court Reporter		356,878
DIMS Project – Match	389,820	
Domestic Violence Unit – Match	112,052	
Emergency Solutions Match	70,000	
Excess Grant Match		965,623
General & Administrative	3,738,200	\$203,000
Justice Court Manager		119,138
Juvenile Probation	19,868	
Nutrition – Match	250,000	
Public Defender Problem Solving Match	15,070	
Protective Order – Match	79,572	
Victim Witness Services	<u>65,446</u>	
<b>Subtotal</b>	<u>5,420,622</u>	<u>1,644,639</u>
<b><u>Major Special Revenue-Grants</u></b>		
409 <sup>th</sup> District Drug Court		11,898
Access and Visitation		6,169
BCMHC Interception Project	12,500	
Border Children's Mental Health Collaborative	668,031	
Child Protective Services	70,246	674,425
DIMS Project		389,820
Domestic Violence Unit	8,576	112,052
Emergency Food and Shelter		70,000
Juvenile Accountability Incentive		7,970
Nutrition		250,000
Protective Order Court		79,572
Public Defender Problem Solving Attorney		15,070
Rural Transit Assistance	203,413	

**Note 3. Detailed notes on all funds (Continued)**

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

	Transfers Out <u>Actual</u>	Transfers In <u>Actual</u>
Victims of Crime Act		4,884
Victim Witness Services	2,857	65,446
<b>Subtotal</b>	<u>965,623</u>	<u>1,687,306</u>
<b><u>Special Revenue</u></b>		
County Tourist Promotion		704,641
Coliseum Tourist Promotion	704,641	
Courthouse Security	203,000	
Court Reporter Service Fund	356,878	
District Attorney Apportionment		22,500
District Attorney Special Account	22,500	
Juvenile Case Manager	119,138	
<b>Subtotal</b>	<u>1,406,157</u>	<u>727,141</u>
<b><u>Capital Projects</u></b>		
County Capital Improvements 2001		3,630,003
County Capital Improvements 2004	3	
<b>Subtotal</b>	<u>3</u>	<u>3,630,003</u>
<b><u>Debt Service</u></b>		
G.O. Refunding 2001	7,384	
G.O. Refunding 2002	2,337	
G.O. Refunding 2002A	20,494	
Certificates of Obligation 2002	30,807	
G.O. Refunding 2011		164,338
<b>Subtotal</b>	<u>61,022</u>	<u>164,338</u>
<b>Total Non Major</b>	<u>1,467,179</u>	<u>4,521,479</u>
<b>Grand total</b>	<u>\$7,853,427</u>	<u>\$7,853,427</u>

**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, 2013 amounted to \$871,432.

Capital Leases

The County leases equipment through capital leasing arrangements in the governmental fund types. Payments during fiscal year ended September 30, 2013, amounted to \$131,638. 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:

Asset:	<u>Governmental Activities</u>
Machinery and equipment	\$398,929
Less: accumulated depreciation	<u>180,481</u>
<b>Total</b>	<u>\$218,448</u>

### Note 3. Detailed notes on all funds (Continued)

#### E. Leases (Continued)

The future minimum lease payments and the net present value of these minimum lease payments as of September 30, 2013 are as follows:

	<u>Year ending September 30</u>	<u>Governmental Activities</u>
	2014	\$107,514
	2015	92,520
	2016	21,816
	2017	<u>1,148</u>
Total minimum lease payments		222,998
Less: Interest		<u>25,125</u>
Present value of future Minimum lease payments		<u>\$197,873</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 \$226,015,000. The ending balance of the revenue bonds is \$1,132,000.

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

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	58,350,000
General Obligation Refunding, Series 2007	4.00 – 5.00%	2007	2022	43,650,000
Taxable Certificates of Obligation, Series 2007	4.65 – 6.23%	2007	2032	9,140,000
General Obligation Refunding, Series 2011	2.125 – 5.25%	2011	2022	8,415,000
Certificates of Obligation, Series 2012	2.00 – 5.00%	2012	2032	<u>96,520,000</u>
				<u>\$226,015,000</u>

**Note 3. Detailed notes on all funds (Continued)**

**F. Long-term Debt (continued)**

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

Year Ending September 30	Governmental Activities		Total
	Principal	Interest	
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	11,000,000	8,841,500	19,841,500
2019-2023	58,220,000	36,060,962	94,280,962
2024-2028	57,445,000	22,120,433	79,565,433
2029-2032	<u>57,570,000</u>	<u>6,011,276</u>	<u>63,581,276</u>
	<u>\$226,015,000</u>	<u>\$113,173,687</u>	<u>\$339,188,687</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 15<sup>th</sup>. Interest is payable semi-annually on February and August 15<sup>th</sup>. Revenue bonds outstanding are as follows:

Purpose	Interest Rates	Issue Date	Maturity Date	Amount
East Montana Water Project				
\$1,050,000 Waterworks System Revenue Bonds, Series 1997-A	4.87%	1997	2037	\$860,000
\$272,000 Mayfair/Nuway Water System Revenue Bonds, Series 2012	2.25%	2012	2052	<u>272,000</u>
Total				<u>\$1,132,000</u>

Revenue bond debt service requirements to maturity are as follows:

Year Ending September 30	Principal	Interest	Total
2014	\$20,000	\$48,045	\$68,045
2015	24,000	47,025	71,025
2016	25,000	45,949	70,949
2017	25,000	44,861	69,861
2018	25,000	43,774	68,774
2019-2023	165,000	199,632	364,632
2024-2028	200,000	159,977	359,977
2029-2033	253,000	110,188	363,188
2034-2038	267,000	45,312	312,312
2039-2043	41,000	12,139	53,139
2044-2048	47,000	7,211	54,211
2049-2052	<u>40,000</u>	<u>1,800</u>	<u>41,800</u>
	<u>\$1,132,000</u>	<u>\$765,913</u>	<u>\$1,897,913</u>



### **Note 3. Detailed notes on all funds (Continued)**

#### **F. Long-term Debt (Continued)**

##### Prior Years

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.

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.

**Note 3. Detailed notes on all funds (Continued)**

**F. Long-term Debt (Continued)**

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2013, was as follows:

	<u>Beginning Balance</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>						
Bonds payable:						
General obligation bonds	\$57,340,000			(\$5,275,000)	\$52,065,000	\$6,085,000
Certificates of obligation bonds	177,230,000			(3,280,000)	173,950,000	3,610,000
Bond Premium	14,424,908			(763,130)	13,661,778	
Less deferred amounts:						
For issuance discounts	(2,327,099)			150,561	(2,176,538)	
On refunding	<u>(287,296)</u>			<u>28,730</u>	<u>(258,566)</u>	
Total bonds payable	246,380,513			(9,138,839)	237,241,674	9,695,000
Capital leases	278,171		51,340	(131,638)	197,873	107,514
Claims and judgments	631,693	\$1,003,802	2,435,538	(1,875,976)	2,195,057	2,195,057
Contingent liabilities	1,590,000		1,957,000	(1,590,000)	1,957,000	382,000
Compensated absences	30,696,570		31,759,844	(30,696,570)	31,759,843	10,562,436
OPEB Liability	<u>22,914,433</u>		<u>5,733,995</u>		<u>28,648,428</u>	
Governmental activity						
Long-term liabilities	<u>\$302,491,380</u>	<u>\$1,003,802</u>	<u>\$41,937,717</u>	<u>(\$43,433,023)</u>	<u>\$301,999,876</u>	<u>\$22,942,007</u>
	<u>Beginning Balance</u>	<u>Adjustments</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Business-type activities:</b>						
Bonds payable:						
Revenue Bonds	<u>\$1,266,000</u>			<u>(\$134,000)</u>	<u>\$1,132,000</u>	<u>\$20,000</u>
Total bonds payable	1,266,000			(134,000)	1,132,000	20,000
Business-type activity						
Long-term liabilities	<u>\$1,266,000</u>			<u>(\$134,000)</u>	<u>\$1,132,000</u>	<u>\$20,000</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. The prior period adjustment is due to an error in the ending balance reported last year for the claims liability.

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	\$251,250,000	244,690,000	(\$121,010,000)	\$374,930,000	\$5,230,000
Bond premium and discount	<u>2,275,000</u>	<u>35,241,000</u>	<u>(2,609,000)</u>	<u>34,907,000</u>	<u>1,495,000</u>
Total long-term debt	<u>\$253,525,000</u>	<u>\$279,931,000</u>	<u>(\$123,619,000)</u>	<u>\$409,837,000</u>	<u>\$6,725,000</u>

### **Note 3. Detailed notes on all funds (Continued)**

#### **F. Long-term Debt (Continued)**

In May 2013, the Medical Center issued \$134.3 million in Series 2013 Combination Tax and Revenue Certificates of Obligation. Proceeds of the bond funds, approximating \$150 million, finance the renovation and improvements of the Hospital Annex, construct and equip new clinics in the East, Northeast, Central and West areas of the county including an emergency facility in the Northeast, renovate existing hospital inpatient floors and the acquisition of certain medical equipment and machinery for the main hospital campus. Interest rates for the Series 2013 bonds range from 3% to 5%.

Also, in May 2013, the Medical Center refunded \$115.9 million of the \$120 million Series 2005 Combination Tax and Revenue Bonds with \$110.4 million of Series 2013 General Obligation Refunding Bonds. Interest rates on the 2013 refunding bonds range from 3% to 5%. The maturity schedule of the Series 2013 refunding bonds was consistently maintained with the Series 2005 bonds. As a result of the refunding, the Medical Center decreased its total debt service requirements by \$13.3 million (\$9.1 million present value) and incurred an accounting loss of approximately \$10.6 million. The accounting loss on the debt refunding is being amortized into interest expense using a straight-line method over the term of the debt issuance, which matures in 2035. The balance of the deferred loss on the debt refunding is \$10.4 million at September 30, 2013 and is included as a deferred outflow of resources in the accompanying balance sheets. The Series 2013 Combination Tax and Revenue Bonds, at the option of the Medical Center, provide for early redemption on bonds having stated maturities on and after August 15, 2024, in whole or in part, on August 15, 2023, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

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 with a state interest rate ranging from 4.00% to 4.25%.

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.

**Note 3. Detailed notes on all funds (Continued)**

**F. Long-term Debt (Continued)**

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

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.

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.

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			
2014	\$5,230,000	\$19,663,000	\$24,893,000
2015	6,210,000	17,855,000	24,065,000
2016	6,485,000	17,580,000	24,065,000
2017	6,755,000	17,311,000	24,066,000
2018	7,050,000	17,013,000	24,063,000
2019-2023	40,465,000	79,859,000	120,324,000
2024-2028	51,355,000	68,976,000	120,331,000
2029-2033	65,130,000	55,192,000	120,322,000
2034-2038	82,055,000	38,268,000	120,323,000
2039-2043	<u>104,195,000</u>	<u>16,137,000</u>	<u>120,332,000</u>
	<u>\$374,930,000</u>	<u>\$347,854,000</u>	<u>\$722,784,000</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 no-commitment debt since the County is not obligated in any way to pay any part of the principal or interest.

**G. Contingent Liabilities**

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

### **Note 3. Detailed notes on all funds (Continued)**

#### **G. Contingent Liabilities (continued)**

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 \$1,957,000 for probable losses has been accrued as a contingency and is reported at the government-wide financial statements. Of this amount \$382,000 is reported due within one year and \$1,575,000 due in more than one year.

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, 2013 the plan assets were valued at \$24,221,496.

#### **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 641 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.

### **Note 3. Detailed notes on all funds (Continued)**

#### **I. Employee Retirement Plan (Continued)**

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.

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 13.85% for the months of the accounting year in 2012, and 14.64% for the months of the accounting year in 2013.

The contribution rate payable by the employee members for calendar year 2013 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, 2013, the annual pension cost for the TCDRS plan for its employees was \$22,161,213, and the actual contributions were \$22,161,213. 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, 2010 and December 31, 2011, the basis for determining the contribution rates for calendar years 2012 and 2013. The December 31, 2012 actuarial valuation is the most recent valuation. The actuarial assumptions at December 31, 2012 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	12/31/10	12/31/11	12/31/12
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 <sup>1</sup>	8.0%	8.0%	8.0%
Projected salary increases <sup>1</sup>	5.4%	5.4%	5.4%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

**Trend Information**

**for the Retirement Plan for the Employees of the County of El Paso**

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/11	\$18,092,030	100%	0
09/30/12	20,771,949	100%	0
09/30/13	22,161,213	100%	0

**Funded Status**

The funded status of the plan as of December 31, 2012, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$553,943,863
Actuarial value of plan assets	<u>447,729,174</u>
Unfunded AAL (UAAL)	\$106,860,309
Funded ratio	80.83%
Annual Covered payroll (actuarial) <sup>2</sup>	\$148,599,633
UAAL as percentage of covered payroll	71.48%

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.

<sup>1</sup> Includes inflation at the stated rate.

<sup>2</sup> 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 641 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 6.13% for the months of the accounting year in 2012, and 6.26% for the months of the accounting year in 2013.

The contribution rate payable by the employee members for calendar year 2013 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, 2013, the annual pension cost for the TCDRS plan for its employees was \$7,300,000 and the actual contributions were \$7,300,000. 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. 50 parameters based on the actuarial valuations as of December 31, 2011 and December 31, 2012, the basis for determining the contribution rates for calendar years 2012 and 2013. The December 31, 2012 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.

<b>Actuarial Valuation Information</b>			
Actuarial valuation date	12/31/10	12/31/11	12/31/12
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 <sup>1</sup>	8.0%	8.0%	8.0%
Projected salary increases <sup>1</sup>	5.4%	5.4%	5.4%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

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

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/11	\$6,302,000	100%	0
09/30/12	6,696,000	100%	0
09/30/13	7,260,000	100%	0

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll <sup>2</sup> (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/12	\$198,144,000	\$233,485,000	\$35,341,000	84.9%	\$110,527,000	32.0%

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.

<sup>1</sup> Includes inflation at the stated rate.

<sup>2</sup> 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, 2013 there were 2898 active employees and 126 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, 2013, retirees currently receiving benefits contributed \$911,222 and the County contributed \$623,867 toward the cost of health insurance premiums. Total benefits paid on behalf of retirees and their dependents during the fiscal year ended September 30, 2013 was \$1,506,762.

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)	\$6,593,680
Interest on Net OPEB Obligation	1,031,149
Adjustment to annual required contribution	<u>(955,349)</u>
Annual OPEB cost	6,669,480
Contributions for year ended September 30, 2013	<u>(935,485)</u>
Increase in net OPEB obligation	5,733,995
Net OPEB obligation – Beginning of year	<u>22,914,433</u>
Net OPEB obligation – End of year	<u>\$28,648,428</u>
Percentage of Annual OPEB Cost paid	14.0%

**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 2013 and the preceding years is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
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
9/30/13	\$6,669,480	14.0%	\$28,648,428

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	\$153,264,921
Unfunded actuarial accrued liability as a Percentage of covered payroll	39.0%

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 2013 was \$0.408870 per \$100 of assessed valuation, of which \$0.357256 was allocated for maintenance and operations, and \$0.051614 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 \$2,195,057. 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:

	<u>Year Ended</u> <u>September 30, 2013</u>	<u>Year Ended</u> <u>September 30, 2012</u>
Unpaid claims, beginning of fiscal year	\$631,693	\$1,234,978
Incurring claims (including incurred but not reported)	3,439,340	1,922,578
Claim payments	<u>(1,875,976)</u>	<u>(2,525,863)</u>
Unpaid claims, end of fiscal year	<u>\$2,195,057</u>	<u>\$631,693</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.

For the fiscal year 2013, the County purchased stop loss insurance to cover individual health claims that exceed \$225,000. During the fiscal year, fourteen claims were filed with the stop loss insurance carrier. Also at year-end, the County had outstanding health claims in the amount of \$878,857, which will be liquidated within sixty days.

### **Note 3. Detailed notes on all funds (Continued)**

#### **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, 2013, encumbrances amounted to \$10,268,311, of which \$867,437 relates to the general fund, \$1,136,624 to the major capital projects 2007, \$4,949,760 to the major capital projects 2012, \$1,315,733 to the special revenue fund and \$1,998,757 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, 2013, the County received federal commodities in the amount of \$4,153 for the Juvenile Probation Department.

#### **Q. Prior Period Adjustments**

Prior period adjustments totaling \$1,271,080 were made to include (\$12,016) in the General Fund, (\$7,535) in the Special Revenue, and \$1,016,236 in the Special Revenue-Grants, \$149,395 in Capital Projects 2007, \$5,000 in Capital Projects 2012, and \$120,000 in Capital Projects Improvements. These adjustments relate to funds from fiscal year 2012 that for the most part had not been recognized in that period.

#### **R. 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 2007 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 2013, total expenditures of \$1,913,614 had been incurred. This joint venture was made in an effort to improve the infrastructure of the rural communities within the County.

#### **S. Related Party Transactions**

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

**Note 3. Detailed notes on all funds (Continued)**

**T. Subsequent Events**

On November 5, 2013 the County issued “El Paso County, Water System Revenue Bonds, Series – 2013 Colonia Revolucion”. These bonds were issued as part of an ongoing enterprise, reported in the Enterprise Fund, to provide clean and safe drinking water to the citizens of El Paso County living in the unincorporated areas outside of the City of El Paso. These particular bonds provide funding for the purpose of providing water hookups to the residents of the Colonia Revolucion area. The repayment of these bonds is through the rate fees charged to all rate payers in the county water system enterprise.

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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 <sup>1</sup> (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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	509,020,453	95,206,492	81.30%	141,744,782	67.17%
12/31/12	447,729,174	553,943,863	106,214,689	80.83%	148,599,633	71.48%

(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%
12/31/11	0	59,808,706	59,808,706	0%	152,329,012	39.26%
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 <sup>1</sup> (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
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%
12/31/12	198,144,411	233,484,764	35,340,353	84.86%	110,527,525	31.97%

<sup>1</sup> The annual covered payroll is based on actuarial valuations.

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**FEDERAL AND STATE AWARD SECTION**

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* and the State of Texas *Uniform Grant Management Standards*, issued by the Comptroller General of the United States, 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, 2013, which collectively comprise the County of El Paso, Texas' basic financial statements and have issued our report thereon dated April 23, 2014. Our report includes a reference to other auditors. 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

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

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

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

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of El Paso, Texas' financial statements are free 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 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* and which are described in the accompanying schedule of findings and questioned costs as finding 13-1.

We noted certain matters that we reported to management of the County of El Paso, Texas, in a separate letter dated April 10, 2014.

#### County of El Paso, Texas' Response to Finding

The County of El Paso, Texas' response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The County of El Paso, Texas' response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

#### Purpose of this Report

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



El Paso, Texas  
April 23, 2014

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR  
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133  
AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR

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

**Report on Compliance for Each Major Federal and State Program**

We have audited the County of El Paso, Texas' compliance with the types of compliance requirements described in the *OMB 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, 2013. The County of El Paso, Texas' major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

The County of El Paso, Texas' basic financial statements include the operations of the discretely presented component unit, which received \$697,332 in federal awards and \$1,380,683 in state awards, which are not included in the schedule during the year ended September 30, 2013. 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.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the County of El Paso, Texas' major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 on compliance for each major federal and state program. However, our audit does not provide a legal determination of the County of El Paso, Texas' compliance.

### **Opinion on Each Major Federal and State Program**

In our opinion, 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 types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2013.

### **Report on Internal Control Over Compliance**

Management of the County of El Paso, Texas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the County of El Paso, Texas' internal control over compliance with the types of requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with 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 second 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB A-133 and the State of Texas Single Audit Circular. Accordingly, this report is not suitable for any other purposes.

*Ch Ruddock Patton LLC*

El Paso, Texas  
April 23, 2014



COUNTY OF EL PASO, TEXAS

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

<b>Schedule Reference Number</b>	<b>PROGRAM</b>	<b>DESCRIPTION</b>
<b><u>SUMMARY OF AUDITOR'S RESULTS</u></b>		
<b><u>FINANCIAL STATEMENTS</u></b>		
<b>Type of Auditor's Report Issued:</b>		Unmodified
<b>Internal control over financial reporting:</b>		
<b>Material weaknesses identified?</b>		None
<b>Significant deficiencies identified that are not considered to be material weaknesses?</b>		Yes, see finding 13-1.
<b>Noncompliance material to the financial statements:</b>		No material noncompliance noted.
<b><u>FEDERAL AND STATE AWARDS</u></b>		
<b>Internal control over major programs:</b>		
<b>Material weaknesses identified?</b>		None
<b>Significant deficiencies identified that are not considered to be material weaknesses?</b>		Federal - None reported. State - None reported.
<b>Type of auditor's report issued on compliance for major programs:</b>		Unmodified
<b>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?</b>		Federal Programs - None State Programs - None

(Continued)

**COUNTY OF EL PASO, TEXAS**

**SCHEDULE OF FINDINGS & QUESTIONED COSTS**

FOR THE YEAR ENDED SEPTEMBER 30, 2013

Schedule Reference Number	PROGRAM	DESCRIPTION
	<b>Major Federal Programs:</b>	<p><b><u>Formula Grants for Other than Urbanized Areas (Nonurbanized Area Formula Program):</u></b> CFDA 20.509: Rural Transit Assistance Program;</p> <p><b><u>Renewable Energy Research and Development (Recovery Act Funded):</u></b> CFDA 81.087: Geothermal Project ARRA;</p> <p><b><u>Help America Vote Act:</u></b> CFDA 90.401: General HAVA Compliance;</p> <p><b><u>Aging Cluster:</u></b> CFDA 93.045: Title III C1 - Congregate Meals, Title III C2 - Homebound Meals, and Participant Assessment, and CFDA 93.053: Congregate Meals;</p> <p><b><u>Office of National Drug Control Policy (ONDCP) - High Intensity Drug Trafficking Areas Program:</u></b> CFDA 95.001: 34<sup>th</sup> Judicial District Prosecution Initiative and Multiple Initiatives.</p>
	<b>Major State Programs:</b>	<p><b><u>Homeless and Housing Services Program:</u></b> 13-1039-250; and</p> <p><b><u>Texas Juvenile Justice Department:</u></b> TJJD-A-2013-071, TJJD-A-2014-071, TJJD-C-2012-071, TJJD-C-2013-071, TJJD-C-2014-071, TJJD-M-2013-071, TJJD-M-2014-071, TJJD-N-2014-071, TJJD-P-2012-071, TJJD-P-2013-071, TJJD-S-2012-071, TJJD-S-2013-071, and TJJD-S-2014-071.</p>
	<b>Dollar Threshold Considered Between Type A and Type B Federal and State Programs:</b>	<p>\$639,456 - Federal Programs \$300,000 - State Programs</p>
	<b>Auditee qualified as low-risk auditee?</b>	<p>Yes - Federal Programs Yes - State Programs</p>

(Continued)

COUNTY OF EL PASO, TEXAS

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

Schedule Reference Number	PROGRAM	DESCRIPTION
<b><u>FINANCIAL STATEMENT FINDING</u></b>		
13-1	<b>Procurement</b>	
	<b>Criteria:</b>	Goods and services must be procured according to Texas law. When the expenditures for a category is expected to exceed \$50,000, under the <i>County Purchasing Act</i> , the good or service, unless exempt, must be competitively procured unless the good or service will be obtained through cooperative purchasing under <i>Chapter 791 of the Texas Government Code</i> or is declared as sole source.
	<b>Condition Found:</b>	The County did not procure tire purchases in accordance with the <i>County Purchasing Act</i> . Instead, the County made informal solicitations by requesting a minimum of three (3) informal quotes. The County has since begun preparing a formal solicitation for tires.
	<b>Effect:</b>	The County of El Paso is in violation of state procurement law which its purpose, according to the Texas Supreme Court, is to “stimulate competition, prevent favoritism and secure the best work and materials at the lowest practicable price for the best interest of the taxpayers and property owners.”
	<b>Cause:</b>	The County’s compensating control was ineffective and the respective buyer followed instructions from the Public Works Director to forgo formal solicitation; although the respective buyer should have known that the Public Works Director did not possess the authority to make such a decision.

(Continued)

COUNTY OF EL PASO, TEXAS

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2013

Schedule Reference Number	PROGRAM	DESCRIPTION
	<b>Recommendation:</b>	In order to ensure compliance, the respective County personnel should review the <i>County Purchasing Act</i> and <i>Texas Government Code</i> and complete the appropriate formal procurement solicitation or utilize an interlocal agreement/cooperative for tires. In addition, we recommend, that while the County is in its long transition to the <i>Tyler Munis</i> accounting system, that they periodically review a vendor listing categorized by year-to-date purchases of \$50,000 or an amount slightly lower. Part of the transition to <i>Tyler Munis</i> will be to clean up the commodity codes and utilize the National Institute of Government Purchases (NIGP) commodity index. Eventually, expected in 2015 or 2016, the County should be able to return to performing a review categorized by commodity instead of by vendor.
	<b>Management Response:</b>	See Corrective Action Plan.

**FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

There were no current year findings.

**COUNTY OF EL PASO, TEXAS**

**SCHEDULE OF STATUS OF PRIOR FINDINGS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2013**

<b>Scheduled Reference Number</b>	<b>PROGRAM</b>	<b>STATUS OF PRIOR YEAR'S FINDINGS/NONCOMPLIANCE</b>
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**FINANCIAL STATEMENT FINDINGS**

There were no prior year findings.

**FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS**

There were no prior year findings.

**COUNTY OF EL PASO, TEXAS**

**CORRECTIVE ACTION PLAN**

FOR THE YEAR ENDED SEPTEMBER 30, 2013

<b>Schedule Reference Number</b>	<b>PROGRAM</b>	<b>CORRECTIVE ACTION PLAN</b>
<b>13-1</b>	<b>Procurement</b>	
	<b>Corrective Action Plan:</b>	<p>The County Purchasing staff has been made aware that they must follow procurement law as provided in the Local Government Code Chapter 262. Furthermore, we are informing departments that Purchasing is required to follow the provisions of the Purchasing Act and they have no decision-making abilities whether to bid items or not.</p> <p>Until the Tyler Munis software is installed, we will monitor the commodities on a monthly basis by running a report showing the “to date” amounts expended by commodity. Any commodity that is nearing the \$50,000 threshold we will begin conducting a formal bid. We are currently preparing a formal solicitation to bid an annual tire purchase contract.</p>
	<b>Responsible Party:</b>	Kennie Downing, Purchasing Agent and Jose Lopez, Jr., Assistant Purchasing Agent
	<b>Anticipated Completion Date:</b>	May 31, 2014

**County of El Paso**  
**Schedule of Expenditures of Federal and State Awards**  
**Year Ended September 30, 2013**

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2012-2013	State Expenditures 2012-2013
<b>Federal Expenditures</b>				
<b>U. S. Department of Agriculture</b>				
<b>Rural Development</b>				
# Schuman Water Project	10.760	49-071-0763-03-10	\$ 25,366	
Mayfair/Nuway Project	10.760	RD Grant	\$ 396,371	
Colonia Revolucion Water Project	10.760	RD Grant	\$ 19,770	
<b>Total for CFDA 10.760</b>			<b>\$ 441,507</b>	<b>\$ -</b>
<b>*Texas Department of Health and Human Services</b>				
National School Lunch Program	10.555	TX-071215	\$ 152,228	
<b>*TDHS - Commodities Distribution</b>				
El Paso County Juvenile Probation (non-cash)	10.565	071-050-A4	\$ 4,153	
<b>Total U.S. Department of Agriculture</b>			<b>\$ 597,888</b>	<b>\$ -</b>
<b>U. S. Department of Housing and Urban Development</b>				
<b>*Office of Rural Affairs within the Texas Department of Agriculture</b>				
Colonia Self Help Center	14.228	710013	\$ 27,228	
<b>*Texas Department of Housing and Community Affairs</b>				
Emergency Solutions Grant Program	14.231	42110001502	\$ 88,520	
<b>Community Development Block Grants</b>				
<b>*City of El Paso</b>				
Homebound Meals	14.218	12-1039-175	\$ 47,770	
Lower Dyer Neighbor Revitalization Strategy Area TVP	14.218	2012-0494	\$ 5,252	
Emergency Solutions Grant Program	14.218	2012-0464	\$ 159,380	
Emergency Solutions Grant Program	14.218	2012-0474	\$ 49,159	
<b>Total for CFDA 14.218</b>			<b>\$ 261,561</b>	
<b>Total U.S. Department of Housing and Urban Development</b>			<b>\$ 377,309</b>	<b>\$ -</b>
<b>U. S. Department of Justice</b>				
<b>Bureau of Justice Assistance</b>				
State Criminal Alien Assistance Program (SCAAP)	16.606	2013-AP-BX-0547	\$ 304,249	
Bullet Proof Vest Partnership	16.607	2009-BO-BX-09046765	\$ 4,667	
Southwest Border Prosecution Initiative	16.755	SWTX0596H0731	\$ 5,646	
<b>Office of Community Oriented Policing Services(COPS)</b>				
Community Policing - COPS in Schools	16.710	2011-CK-WX-0055	\$ 17,261	
Community Policing - Technology Grants	16.710	2010-CK-WX-0252	\$ 97,947	
<b>Total for CFDA 16.710</b>			<b>\$ 115,208</b>	<b>\$ -</b>
<b>Asset Forfeiture Money Laundering Section</b>				
El Paso County Metro Criminal Enterprise Unit	16.000	TX07100PO	\$ 151,758	
HIDTA Asset Forfeitures	16.000	TX0712000	\$ 98,952	
El Paso County Sheriff's Office	16.000	TX0710000	\$ 499,499	

**County of El Paso**  
**Schedule of Expenditures of Federal and State Awards**  
**Year Ended September 30, 2013**

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2012-2013	State Expenditures 2012-2013
<b>Office of Justice Programs</b>				
Organized Crime Drug Enforcement Task Force	16.000	SW-TXW-0538H	\$ 2,184	
Organized Crime Drug Enforcement Task Force	16.000	SW-TXW-0548H	\$ 3,158	
Organized Crime Drug Enforcement Task Force	16.000	SW-TXW-0566H	\$ 5,953	
Organized Crime Drug Enforcement Task Force	16.000	SW-TXW-0568H	\$ 2,460	
Organized Crime Drug Enforcement Task Force	16.000	SW-TXW-0571H	\$ 540,649	
Organized Crime Drug Enforcement Task Force	16.000	SW-TXW-0572H	\$ 4,150	
Organized Crime Drug Enforcement Task Force	16.000	SW-TXW-0592H	\$ 4,088	
Organized Crime Drug Enforcement Task Force	16.000	SW-TXW-0596H	\$ 7,399	
Organized Crime Drug Enforcement Task Force	16.000	SW-TXW-0610H	\$ 2,892	
Organized Crime Drug Enforcement Task Force	16.000	SW-TXW-0611H	\$ 4,980	
Organized Crime Drug Enforcement Task Force	16.000	SW-TXW-0614H	\$ 4,947	
Organized Crime Drug Enforcement Task Force	16.000	SW-TXW-0617H	\$ 3,247	
Organized Crime Drug Enforcement Task Force	16.000	SW-TXW-0618H	\$ 6,947	
Organized Crime Drug Enforcement Task Force	16.000	SW-TXW-0624H	\$ 2,940	
Organized Crime Drug Enforcement Task Force	16.000	SW-TXW-0626H	\$ 4,698	
Organized Crime Drug Enforcement Task Force	16.000	SW-TXW-0634H	\$ 3,676	
Organized Crime Drug Enforcement Task Force	16.000	SW-TXW-0636H	\$ 4,831	
<b>Total for CFDA 16.000</b>			<b>\$ 1,359,408</b>	
El Paso Juvenile Drug Court Mentoring Project	16.726	2010-DC-BX-0201	\$ 113,618	
& Edward Byrne Memorial Justice Assistant Grant	16.738	2005-DJ-BX-0289	\$ 5,893	
& Edward Byrne Memorial Justice Assistant Grant	16.738	2010-DJ-BX-1416	\$ 44,919	
& Edward Byrne Memorial Justice Assistant Grant	16.738	2011-DJ-BX-3043	\$ 55,362	
& Edward Byrne Memorial Justice Assistant Grant	16.738	2011-DJ-BX-0311	\$ 176,711	
<b>Total for CFDA 16.738</b>			<b>\$ 282,885</b>	
Justice and Mental Health Collaboration Program	16.745	2010-MO-BX-0057	\$ 62,045	
Second Chance Act Prisoner Reentry Initiative	16.812	2011-RN-BX-0011	\$ 179,060	
<b>*City of El Paso</b>				
& Edward Byrne Memorial Justice Assistant Grant ARRA	16.804	2009-SB-B9-3086	\$ 50,949	
<b>*Office of the Governor - Criminal Justice Division</b>				
Juvenile Accountability Incentive Block Grant	16.523	JB-10-J20-13358-14	\$ 51,186	
Juvenile Accountability Incentive Block Grant	16.523	JB-10-J20-13358-15	\$ 9,108	
409th Juvenile Drug Court	16.523	JB-09-J20-18028-08	\$ 66,550	
409th Juvenile Drug Court	16.523	JB-09-J20-18028-08	\$ 1,649	
<b>Total for CFDA 16.523</b>			<b>\$ 128,493</b>	
Victim Witness Services	16.575	VA-11-V30-13625-14	\$ 63,277	
Victim Witness Services	16.575	VA-11-V30-13625-15	\$ 4,652	
Victim of Crimes Act	16.575	VA-11-V30-23931-02	\$ 16,143	
Victim of Crimes Act	16.575	VA-12-V30-23931-03	\$ 39,671	
Victim of Crimes Act	16.575	VA-13-V30-23931-04	\$ 4,014	
<b>Total for CFDA 16.575</b>			<b>\$ 127,757</b>	
Domestic Violence Unit	16.588	WF-09-V30-13437-15	\$ 109,240	
Domestic Violence Unit	16.588	WF-09-V30-13437-15	\$ 7,774	
Protective Order Court	16.588	WF-12-V30-24316-03	\$ 135,622	
Protective Order Court	16.588	WF-13-V30-24316-04	\$ 5,533	
<b>Total for CFDA 16.588</b>			<b>\$ 258,169</b>	



**County of El Paso**  
**Schedule of Expenditures of Federal and State Awards**  
**Year Ended September 30, 2013**

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2012-2013	State Expenditures 2012-2013
& DWI Court	16.738	DJ-10-A10-18692-06	\$ 121,105	
& Border Crime Initiative	16.738	DJ-11-A10-19860-06	\$ 1,491,889	
& 384th Drug Court Program	16.738	DJ-11-A10-16921-10	\$ 108,016	
& El Paso County Vertrans Court	16.738	DJ-11-A10-25831-01	\$ 147,645	
<b>Total for CFDA 16.738</b>			\$ 1,868,655	
<b>Total U. S. Department of Justice</b>			<b>\$ 4,860,809</b>	<b>\$ -</b>
<b>U. S. Department of Transportation</b>				
<b>Federal Transit Administration</b>				
<b>*Texas Department of Transportation</b>				
Van Pool	20.205	CSJ#0924-03-366	\$ 262,513	
Van Pool	20.205	CSJ#0924-06-376	\$ 207,109	
Secure Border Trade Demo Project	20.205	CSJ#0914-06-292	\$ 771,510	
<b>Total for CFDA 20.205</b>			\$ 1,241,132	
Rural Transit Assistance Program	20.509	51024F7192	\$ 106,141	
Rural Transit Assistance Program	20.509	51124F7215	\$ 338,810	
Rural Transit Assistance Program	20.509	51024F7192	\$ 337,469	
Rural Transit Assistance Program	20.509	51324F7186	\$ 4,644	
<b>Total for CFDA 20.509</b>			\$ 787,064	
Dialysis Transportation Study	20.515	51224F7131	\$ 62,998	
Regional Public Transportation Plan	20.515	51324F7076	\$ 83,998	
Regional Public Transportation Plan	20.515	51424F7075	\$ 3,141	
<b>Total for CFDA 20.515</b>			\$ 150,137	
El Paso County, Texas and Eastern New Mexico	20.516	51124F7110	\$ 290,880	
El Paso County, Texas and Eastern New Mexico	20.516	51124F7215	\$ 96,960	
<b>Total for CFDA 20.516</b>			\$ 387,840	
<b>National Highway Traffic Safety Administration</b>				
<b>*Texas Department of Transportation</b>				
@ STEP-Impaired Driving Mobilization Project 2012	20.600	IDM-00003	\$ (198)	
STEP-Impaired Driving Mobilization Project 2013	20.600	1DM-00014	\$ 45,663	
STEP-Impaired Driving Mobilization Project 2013	20.600	S-1YG-0031	\$ 43,731	
STEP-Impaired Driving Mobilization Project 2013	20.600	S-1YG-0082	\$ 28,418	
Click it or Ticket	20.600	13 El Paso CO-CIOT-0006	\$ 7,713	
Click it or Ticket	20.600	13 El Paso CO-CIOT-0011	\$ 2,987	
<b>Total for CFDA 20.600</b>			\$ 128,314	
<b>Total U.S. Department of Transportation</b>			<b>\$ 2,694,487</b>	<b>\$ -</b>
<b>U.S. Department of Energy</b>				
Geothermal Project ARRA	81.087	DE-EE0002827	\$ 2,115,206	
<b>Total U.S. Department of Energy</b>			<b>\$ 2,115,206</b>	<b>\$ -</b>
<b>U.S. Election Assistance Commission</b>				
<b>*Texas Office of the Secretary of State</b>				
General HAVA Compliance	90.401	78546	\$ 547,250	\$ 60,805
<b>Total U.S. Election Assistance Commission</b>			<b>\$ 547,250</b>	<b>\$ 60,805</b>

County of El Paso  
Schedule of Expenditures of Federal and State Awards  
Year Ended September 30, 2013

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2012-2013	State Expenditures 2012-2013
<b>U.S. Department of Health and Human Services</b>				
<b><u>*Texas Department of Health and Human Services</u></b>				
Social Services Block Grant-Home Delivered Meals	93.667	000173100	\$ 902,345	
<b><u>*Texas Department of Family and Protective Services</u></b>				
Promoting Safe and Stable Families -Child Protective	93.658	23940331	\$ 160,605	
<b><u>*Texas Juvenile Probation Commission</u></b>				
#Title IV-E	93.658	TJPC-E- -071	\$ 48,663	
<b><u>*Texas Department of Aging and Disability Services</u></b>				
**Title III C1 -Congregate Meals	93.045	2012-0444	\$ 518,549	
**Title III C2 - Homebound Meals	93.045	001004302	\$ 163,101	
**Participant Assessment	93.045	001004302	\$ 3,733	
<b>Total for CFDA 93.045</b>			\$ 685,383	
<b>Administration on Aging</b>				
National Hispanic Council on Aging	93.048	90AM2906/02	\$ 228	
<b><u>*Rio Grande Council of Governments</u></b>				
**Congregate Meals	93.053	539-08-0218-00001	\$ 247,962	
<b><u>*Texas Attorney General</u></b>				
Child Support Enforcement	93.563	AG TITLE IV -D	\$ 604,839	
Child Support Probation Cases	93.563	10-C0024	\$ 85,562	
OAG Cases Redirected	93.563	00-08002	\$ 10	
State Case Registry Services	93.563	13-C0028	\$ 31,531	
Integrated Child Support System	93.563	13-C0016	\$ 40,500	
<b>Total for CFDA 93.563</b>			\$ 762,442	
Access and Visitation Grant	93.597	11-C0110	\$ 55,006	
Access and Visitation Grant	93.597	13-C0107	\$ 1,995	
<b>Total for CFDA 93.597</b>			\$ 57,001	
<b>Total U.S. Department of Health and Human Services</b>			\$ 2,864,629	\$ -
<b>Executive Office of the President</b>				
<b>Office of National Drug Control Policy (ONDCP)</b>				
34th Judicial Dist. Prosecution Initiative	95.001	G11SW0003A	\$ 6,217	
34th Judicial Dist. Prosecution Initiative	95.001	G12SW0003A	\$ 459,624	
34th Judicial Dist. Prosecution Initiative	95.001	G13SW0003A	\$ 122,259	
Multiple Initiatives	95.001	G10SW0001A	\$ 18,791	
Multiple Initiatives	95.001	G11SW0001A	\$ 502,727	
Multiple Initiatives	95.001	G12SW0001A	\$ 2,723,913	
Multiple Initiatives	95.001	G13SW0001B	\$ 141,260	
<b>Total Executive Office of the President</b>			\$ 3,974,791	\$ -
<b>U. S. Social Security Administration</b>				
Social Security Incentive Payment	96.008	20100901	\$ 58,400	
<b>Total U.S. Social Security Administration</b>			\$ 58,400	\$ -
<b>U.S. Department of Homeland Security</b>				
Emergency Food and Shelter National Board Program	97.024	803600-014 Phase 30	\$ 103,335	

**County of El Paso**  
**Schedule of Expenditures of Federal and State Awards**  
**Year Ended September 30, 2013**

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2012-2013	State Expenditures 2012-2013
<b>*Texas Department of Public Safety</b>				
% Operation Stonegarden	97.067	2010-SS-T0-0008	\$ 300,850	
% Operation Stonegarden	97.067	2011-SS-T0-0019	\$ 2,358,356	
<b>Total for CFDA 97.067</b>			\$ 2,659,206	
% Homeland Security	97.073	2010-SS-T9-0008	\$ 320,197	
% Homeland Security	97.073	EMW-2011-SS-0019	\$ 95,945	
% Homeland Security	97.073	EMW-2012-SS-00018-SO1	\$ 45,757	
<b>Total for CFDA 97.073</b>			\$ 461,899	
<b>Total U.S. Department of Homeland Security</b>			\$ 3,224,440	\$ -
<b><u>State Expenditures</u></b>				
<b>Office of the Governor - Criminal Justice Division</b>				
District Attorney's Border Prosecution	N/A	CH-12-A10-22837-02	\$	148,240
District Attorney's Border Prosecution	N/A	CH-13-A10-22837-03	\$	206,827
District Attorney's Border Prosecution	N/A	SF-14-A10-22837-04	\$	28,771
! 384th Drug Court Program	N/A	SF-12-A10-16921-09	\$	(403)
384th Drug Court Program	N/A	SF-14-A10-16921-11	\$	11,180
! 65th Family Drug Court Program	N/A	DC-11-A10-23858-01	\$	(11)
65th Family Drug Court Program	N/A	DC-11-A10-23858-02	\$	50
65th Family Drug Court Program	N/A	DC-11-A10-23858-03	\$	88,094
Criminal History Updates	N/A	SF-12-A10-26127-01	\$	5,937
DWI Court	N/A	SF-14-A10-18692-07	\$	9,781
Project Hope	N/A	SF-13-J20-25765-01	\$	90,245
Teen Intervention	N/A	SF-13-J20-25820-01	\$	52,587
El Paso County Veterans Court	N/A	SF-14-A10-25831-02	\$	6,255
Sheriff's Criminal Reporting	N/A	SF-13-A10-27341-01	\$	57,875
<b>*Rio Grande Council of Governments</b>				
Sheriff's Training Academy	N/A	SF-06-A10-14285-13	\$	178,117
<b>Total Office of the Governor-Criminal Justice Division</b>			\$ -	\$ 883,545
<b>Texas Department of Agriculture</b>				
Home-Delivered Meal Grant Program	N/A	HDM-13-1155	\$	86,320
<b>Total Texas Department of Agriculture</b>			\$ -	\$ 86,320
<b>Office of the Attorney General</b>				
Sheriff's Crime Victim's Liaison	N/A	13-33038	\$	39,566
Sheriff's Crime Victim's Liaison	N/A	14-42565	\$	2,690
<b>Total Office of the Attorney General</b>			\$ -	\$ 42,256
<b>Texas Department of Transportation</b>				
Border Colonia Access Program	N/A	248BCF5003	\$	749,668
<b>Total Texas Department of Transportation</b>			\$ -	\$ 749,668
<b>Texas Comptroller of Public Accounts</b>				
Elections Chapter 19	N/A	TX Election CD Chapter 19	\$	38,243
Lateral Road Fund Distribution	N/A	94F0001072	\$	31,799
<b>Total Texas Comptroller of Public Accounts</b>			\$ -	\$ 70,042

**County of El Paso**  
**Schedule of Expenditures of Federal and State Awards**  
**Year Ended September 30, 2013**

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2012-2013	State Expenditures 2012-2013
<b>Texas Department of Housing and Community Affairs</b>				
<b>*City of El Paso</b>				
Homeless and Housing Services Program	N/A	13-1039-250		\$ 209,427
<b>Texas Department of Housing and Community Affairs</b>			<b>\$ -</b>	<b>\$ 209,427</b>
<b>Texas Department of State Health Services</b>				
<b>Texas School Safety Center at Tx State University-San Marcos</b>				
Tobacco Enforcement Program FY 2012	N/A	El Paso County Sheriff		\$ 5,512
Tobacco Enforcement Program FY 2013	N/A	El Paso County Sheriff		\$ 52,800
<b>Texas Department of State Health Services</b>			<b>\$ -</b>	<b>\$ 58,312</b>
<b>Texas Task Force on Indigent Defense</b>				
Public Defender Indigent Defense	N/A	212-12-071		\$ 737,851
Public Defender Problem Solving Attorney	N/A	212-13-D06		\$ 41,549
<b>Total Texas Task Force on Indigent Defense</b>			<b>\$ -</b>	<b>\$ 779,400</b>
<b>Texas Juvenile Justice Department</b>				
TJJD Juvenile Board State Aid	N/A	TJJD-A-2013-071		\$ 3,001,387
TJJD Juvenile Board State Aid	N/A	TJJD-A-2014-071		\$ 225,716
^ TJJD Commitment Reduction Program	N/A	TJJD-C-2012-071		\$ (2,241)
TJJD Commitment Reduction Program	N/A	TJJD-C-2013-071		\$ 444,154
TJJD Commitment Reduction Program	N/A	TJJD-C-2014-071		\$ 53,605
TJJD Special Needs Diversionary	N/A	TJJD-M-2013-071		\$ 50,359
TJJD Special Needs Diversionary	N/A	TJJD-M-2014-071		\$ 11,011
TJJD Mental Health Services	N/A	TJJD-N-2014-071		\$ 25,048
TJJD Juvenile Justice Alt. Education	N/A	TJJD-P-2012-071		\$ 115,286
TJJD Juvenile Justice Alt. Education	N/A	TJJD-P-2013-071		\$ 42,136
> TJJD Family Preservation	N/A	TJJD-S-2012-071		\$ (11,763)
TJJD Family Preservation	N/A	TJJD-S-2013-071		\$ 119,085
TJJD Family Preservation	N/A	TJJD-S-2014-071		\$ 2,250
<b>Total Texas Juvenile Justice Department</b>			<b>\$ -</b>	<b>\$ 4,076,033</b>
<b>Texas Department of Public Safety</b>				
<b>* Division of Emergency Management</b>				
Local Border Security Program	N/A	LBSP-110001		\$ 126,420
Local Border Security Program	N/A	LBSP-12(El Paso)		\$ 244,640
Local Border Security Program	N/A	LBSP-13(El Paso)		\$ 204,490
<b>Total Texas Department of Public Safety</b>			<b>\$ -</b>	<b>\$ 575,550</b>
<b>Texas District Courts-Comptroller Judiciary</b>				
Reimbursement of State Witness	N/A	TX CD Cram Proc 35.27/104.003		\$ 57,810
DA Apportionment Salaries	N/A	Gov CD Chpt 46.004		\$ 22,600
<b>Total Texas District Courts-Comptroller Judiciary</b>			<b>\$ -</b>	<b>\$ 80,410</b>
<b>Texas Department of Criminal Justice</b>				
Reimbursement of Offender Transportation	N/A	Gov CD Chpt 499.125		\$ 62,075
<b>Total Texas Department of Criminal Justice</b>			<b>\$ -</b>	<b>\$ 62,075</b>
<b>Texas Department of Health and Human Services Commissions</b>				
District Attorney Food stamp Fraud	N/A	OIG 042010A		\$ 4,527
<b>Total Texas Department of Health and Human Services Commissions</b>			<b>\$ -</b>	<b>\$ 4,527</b>
<b>TOTAL FEDERAL AND STATE FINANCIAL ASSISTANCE</b>			<b>\$ 21,315,209</b>	<b>\$ 7,738,370</b>

County of El Paso  
Schedule of Expenditures of Federal and State Awards  
Year Ended September 30, 2013

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2012-2013	State Expenditures 2012-2013
<b>Federal Funds Expended</b>			\$ 21,315,209	
<b>State Funds Expended</b>			\$ 7,738,370	
<b>Total Funds Expended</b>			<u>\$ 29,053,579</u>	
Note:				
Special Revenues-Grants Exhibit 4 Total Expenditures			\$ 29,326,352	
Plus Funds received through General Fund			\$ 2,140,701	
Plus Funds received through Special Revenues			\$ 596,668	
Less Federal and State funds Received but not expended			\$ (1,076,567)	
Less Non-Federal or State Funding Sources			<u>\$ (1,933,575)</u>	
<b>TOTAL FEDERAL AND STATE FINANCIAL ASSISTANCE</b>			<u>\$ 29,053,579</u>	
Revenues				
Special Revenues-Grants Exhibit 4 Total Revenues			\$ 29,016,807	
Plus Revenues through General Fund			\$ 2,140,701	
Plus Juvenile Probation Commodities			\$ 4,153	
Plus Revenues through Special Revenues			\$ 596,668	
Less Federal and State funds Received but not expended			\$ (1,076,567)	
Less Non-Federal or State Funding Sources			<u>\$ (1,628,183)</u>	
Adjusted Balance			<u>\$ 29,053,579</u>	
			\$ -	

\* Federal or State Funds Passed-Through Another Agency

\*\* Clustered per the June 2013 Compliance Supplement

& Clustered per the June 2013 Compliance Supplement

% Clustered per the June 2012 Compliance Supplement

# Prior Period Adjustment on the General Fund Statements.

@ STEP-Impaired Driving Mobilization Project 2012 Contract Number IDM-00003 was overstated Fiscal Year 2012 expenditures.

! 384th Drug Court Program Contract Number SF-12-A10-16921-09 and 65th Family Drug Court Program Contract Number DC-11-A10-23858-01 reimbursement of overpayment by Office of the Governor, Criminal Justice Division.

^ TJJD Commitment Reduction Program Contract Number TJJD-C-2012-071 reimbursement for overpayment by Blair Foundation that was returned to Texas Juvnile Justice Department.

> TJJD Family Preservation Contract Number TJJD-S-2012-071 expenditures were overreported by \$11,763 and funds were returned to Texas Juvnile Justice Department.

## COUNTY OF EL PASO, TEXAS

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED SEPTEMBER 30, 2013

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#### 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, 2013. 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.

#### 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 \$697,332 in federal awards and \$1,380,683 in state awards, which are not included in the schedule during the year ended September 30, 2013 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.