EL PASO INTERNATIONAL AIRPORT

Fiscal Year 2013 Financial Operating Report

CITY OF EL PASO, TEXAS
EL PASO INTERNATIONAL AIRPORT FUND
Years Ended August 31, 2013 and 2012

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Independent Auditor's Report on Financial Statements and Supplementary Information

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

Report on the Financial Statements

We have audited the accompanying financial statements of the El Paso International Airport Fund (Airport), a major enterprise fund of the City of El Paso, Texas (City), which comprise the statements of financial position as of August 31, 2013 and 2012, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Airport as of August 31, 2013 and 2012, and the changes in its financial position and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Change in Accounting Principle

As discussed in *Note 1* to the financial statements, in 2013 the Airport changed its method of accounting for deferred outflows of resources, deferred inflows of resources and bond issuance cost with the adoption of Governmental Accounting Standards Board Statements No. 63 and No. 65. Our opinions are not modified with respect to these matters.

Reporting Entity

As discussed in *Note 1*, the financial statements of the Airport are intended to present the financial position and the changes in financial position and cash flows of only that portion of the business-type activities of the City that is attributable to the transactions of the Airport. They do not purport to, and do not, present fairly the financial position of the City as of August 31, 2013 and 2012, the changes in its financial position, or, where applicable, its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and pension information listed in the table of contents 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Airport's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

BKD, LLP

Dallas, Texas
June 18, 2015

El Paso International Airport Fund
Fiscal Year 2013 and 2012 (Unaudited)

INTRODUCTION

The City of El Paso's Department of Aviation is offering readers of the El Paso International Airport Fund's (Airport) financial statements this overview and analysis of the financial activities of the Airport for the fiscal years ended August 31, 2013 and 2012. This document is designed to:

- *Provide a concise overview of the Airport's financial activity, comparing fiscal year activity for the past two years and identifying specific economic factors contributing to changes.*
- *Help the reader focus on the Airport's financial statements as a whole, describing currently known facts, decisions, or conditions expected to impact the Airport's financial condition and the availability of fund resources for future years.*

Management's Discussion and Analysis (MD&A) should be considered in conjunction with the Airport's financial statements. The information contained in the two sections of the Annual Report complement each other.

The Airport provides domestic air service for West Texas, Southern New Mexico and Northern Mexico, offering approximately 6,400 daily seats for inbound passengers and an equal number for outbound passengers. The Airport also serves as the region's air cargo hub and general aviation center. The Airport is self-supporting, using aircraft landing fees, terminal use fees, concessions, general aviation fees, non-aeronautical revenues and other miscellaneous revenue sources to fund operating expenses. The Airport is not funded through the City of El Paso General Fund. Capital construction projects are funded through revenue bonds, federal grants, Passenger Facility Charges (PFCs) and Airport revenues.

2013 FINANCIAL HIGHLIGHT

- The Airport's total assets exceeded its liabilities at August 31, 2013 by $220.0 million.
- The Airport's unrestricted net asset balance was $10.7 million, or 24.9% of total fiscal year 2013 operating expenses.
- The Airport's restricted net asset balance was $27.8 million.
- The Airport's total net position decreased by $.7 million from that of the prior year.
- The Airport's operating expenses were $6.7 million more than operating revenues for the 2013 fiscal year.
- The Airport's operating revenues, nonoperating revenues and capital contributions totaled $40.0 million for the 2013 fiscal year.
- The Airport's operating expenses, nonoperating expenses and transfers out totaled $45.7 million for the 2013 fiscal year.

OVERVIEW OF THE FINANCIAL STATEMENTS

Our basic financial statements have two components: fund financial statements and notes to the financial statements. This report also contains required supplementary information and other supplementary information presented after the notes to the financial statements.

Fund Financial Statements – Overview

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Fund accounting is based upon compliance with finance-related legal requirements underlying each fund.

Proprietary funds are generally used to account for services that the City of El Paso (City) charges its customers – either outside customers or internal cost centers of the City. Of the two types of proprietary funds that exist (enterprise and internal service), the Airport is considered to be an enterprise fund. Proprietary fund reporting differs from that of governmental fund reporting, where proprietary reporting has the following attributes:

Scope — *Reports the day-to-day operating activities of the Airport for its business-type activities.*

Accounting basis — *Reports activities using the accrual basis of accounting, meaning that all revenues earned and expenses incurred during the period are reflected regardless of when cash is received or paid.*

Type of asset and liability information — *Includes all asset and liability items and balances, including both financial and capital, classified as either short or long-term.*

Fund Financial Statements – Components

The ***Statement of Net Position*** is designed to provide asset and liability information, where the difference between the two is presented as Net Position.

The ***Statement of Revenues, Expenses and Changes in Fund Net Position*** is focused on both the gross and net cost of activities that are supported by the Airport's revenues. This is intended to summarize and simplify the user's analysis of the cost of all Airport services.

Our activities reflect private sector type operations where the fee for services typically covers all or most of the cost of operation, including depreciation.

The ***Statement of Cash Flows*** provides a detail of cash inflows and outflows for the year using the direct method for the operating, noncapital financing, capital and related financing and investing activities of the Airport.

The ***Notes to the Financial Statements*** provide additional information that is essential to a full understanding of the information provided in the Airport's financial statements. The notes immediately follow the financial statements.

Other Information

The ***Required Supplementary Information*** presents information concerning the City's funding of its pension benefits obligation.

Other ***Supplementary Information*** is presented concerning revenues and expenses for intra-departmental units, or cost centers of the Airport.

FUND FINANCIAL ANALYSIS

Analysis of the Airport's Net Position

Net position may serve over time as a useful indicator of the Airport's financial position. As of August 31, 2013, Airport assets exceeded liabilities by $220.0 million, a $.7 million decrease from the previous year. As of August 31, 2012, Airport assets exceeded liabilities by $220.8 million, a $.7 million decrease from the previous year.

The following presents comparative financial information for the current and two preceding fiscal years:

CITY OF EL PASO, TEXAS – EL PASO INTERNATIONAL AIRPORT FUND
CONDENSED BALANCE SHEETS
AUGUST 31, 2013, 2012 AND 2011

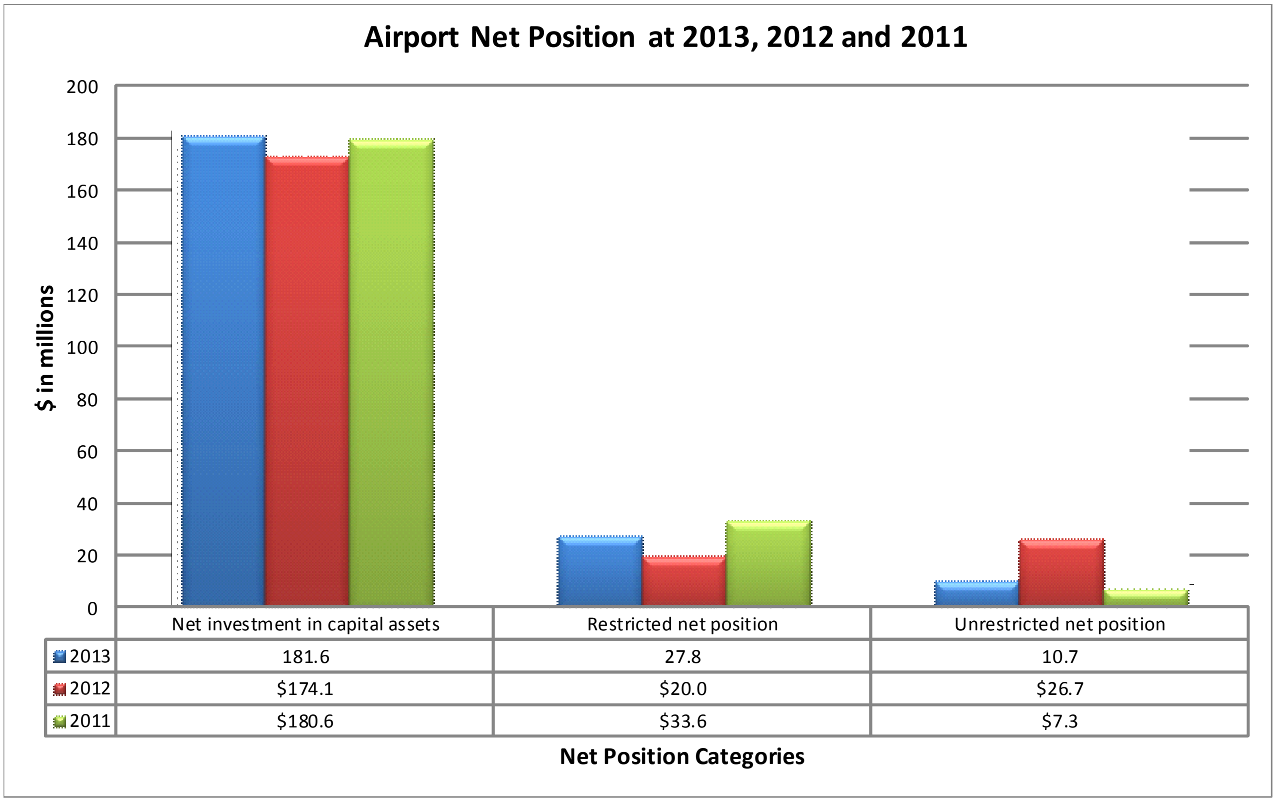
	2013	2012	2011
Assets			
Current and Other Assets	$ 58,137,282	$ 70,928,117	$ 66,867,588
Capital Assets	196,499,097	181,161,713	189,419,332
Total Assets	254,636,379	252,089,830	256,286,920
Liabilities			
Current Liabilities	7,290,028	4,600,705	6,851,704
Long-term obligations – due within one year	2,946,156	2,110,501	3,173,539
Long-term obligations – due in more than one year	24,351,990	24,594,680	24,775,594
Total Liabilities	34,588,174	31,305,886	34,800,837
Net Position			
Invested in capital assets, net of related debt	181,576,519	174,070,654	180,614,584
Restricted	27,759,687	19,986,644	33,578,850
Unrestricted	10,711,999	26,726,646	7,292,649
Total Net Position	**$ 220,048,205**	**$ 220,783,944**	**$ 221,486,083**

The largest portion of the Airport's net position (83%, 79% and 82% in 2013, 2012 and 2011, respectively) reflects its holdings in capital assets such as land, buildings, equipment, improvements and construction in progress, less any debt used to acquire those assets that is still outstanding. The Airport uses these capital assets to provide services and generate revenues; consequently, these assets are not available for future spending. Although the Airport'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 Airport revenues, since the capital assets themselves cannot be used to liquidate these liabilities.

Current and other assets decreased $12.8 million and increased $4.1 million in 2013 and 2012, respectively. Long-term obligations decreased by $.2 million in both fiscal years 2013 and 2012.

Long-term debt obligations, net of unamortized discounts, were $19,809,473 and $20,856,643 as of August 31, 2013 and 2012, respectively, resulting in a decrease of $1,047,169 in 2013 and a decrease of $1,000,799 in 2012.

A portion of the Airport's net position (12.6% in 2013, 9.1% in 2012 and 15.2% in 2011) represents resources that are subject to external restrictions on how they may be used. These restricted net position include reserves for debt service and construction and restrictions externally placed by other funding agencies. The $7.8 million increase in restricted net position occurred primarily in Airport Operations account. These operation funds were used toward payment of approved construction projects.



	Net investment in capital assets	Restricted net position	Unrestricted net position
2013	181.6	27.8	10.7
2012	$174.1	$20.0	$26.7
2011	$180.6	$33.6	$7.3

Unrestricted net position for the Airport totaled $10.7 million at August 31, 2013, decreasing $16 million, or 60% from the previous year. These resources must be used for the direct benefit of the Airport as stipulated under Federal Aviation Administration Grant Assurances and will be used to fund future capital needs of the airport.

Analysis of the Airport's Changes in Net Position

The following table provides a comparative summary of the Airport's operations for the years ended August 31, 2013, 2012 and 2011.

City of El Paso, Texas
El Paso International Airport Fund
Schedule of Changes in Net Position

	2013	2012	2011
Operating Revenues:			
Terminal Building Operations	$ 13,161,786	$ 13,057,465	$ 11,702,869
Parking Lot Operations	6,240,370	5,768,322	5,893,870
New Cargo Complex Operations	1,381,019	1,374,834	1,223,446
Landing Area Operations	4,413,448	4,554,277	5,302,849
Industrial Park Operations	1,377,835	1,315,120	1,409,932
Lone Star Golf Course	-	-	188,119
General and Commercial Aviation Operations	1,733,471	1,644,461	1,470,982
Butterfield Trail Industrial Park Operations	3,225,805	3,181,403	3,123,499
Air Freight Operations	-	-	376,587
Global Reach Retail Development Operations	19,829	667	77,125
Hotel Operations	1,604,271	1,566,479	1,579,775
Cottonwoods Development Operations	1,923,101	1,742,975	1,681,443
International Trade Processing Center	387,769	286,970	259,235
Other Operating Revenues	816,220	1,542,516	405,211
Total Operating Revenues	36,284,924	36,035,489	34,694,942
Operating Expenses:			
Terminal Building and Complex Operations	6,336,050	6,696,291	6,629,948
Parking Lot Operations	1,795,465	1,847,278	1,954,100
New Cargo Complex Operations	372,919	328,741	272,977
Landing Area Operations	4,410,021	4,020,068	4,139,725
Industrial Park Operations	171,879	153,242	215,427
General and Commercial Aviation Operations	344,102	380,633	607,977
Butterfield Trail Industrial Park Operations	358,271	285,142	173,947
Global Reach Retail Development Operations	77,226	43,623	123,335
General and Administrative	10,320,251	10,421,282	9,728,820
Cottonwoods Development Operations	2,994,788	2,752,279	2,892,063
Hotel Operations	90,260	71,870	50,185
International Trade Processing Center	350,315	290,042	241,577
Depreciation	15,362,687	14,856,438	14,581,758
Other Operating Expenses	3,483	116,283	12,786
Total Operating Expenses	42,987,717	42,263,212	41,749,048
Operating Loss	(6,702,793)	(6,227,723)	(7,054,106)
Nonoperating Revenues (Expenses):			
Interest Revenue	(42,885)	185,075	145,858
Interest Expense	(1,076,553)	(1,179,561)	(490,076)
Net Decrease in Fair Value of Investments	-	(4,103)	-
Gain (Loss) on Sale/Disposal of Capital Assets	162,858	9,831	16,027
Passenger Facility Charge	5,465,342	5,535,166	5,846,384
Customer Facility Charge	3,405,024	1,765,621	-
Total Nonoperating Revenues (Expenses)	7,913,786	6,312,029	5,518,193
Loss before Capital Contributions and Transfers	1,210,993	84,306	(1,535,913)
Capital Contributions	164,769	972,555	3,244,337
Other Contributions	-	-	14,320
Transfers Out	(1,572,084)	(1,759,000)	(1,612,408)
Change in Net Position	(196,322)	(702,139)	110,336
Net Position - September 1, as restated	220,244,527	221,486,083	221,375,747
Net Position - August 31	$ 220,048,205	$ 220,783,944	$ 221,486,083

Revenue Variance by Cost Center

Terminal Building Operations increased .80% due to an increase in airline terminal space rentals of $136,135, an increase in car rentals of $20,235 and an increase in advertising revenues of $57,822. There were decreases in airport food and beverage of $57,373, airport giftshop/newstand of $6,671, airport security cost reimbursements and utility cost reimbursements decreased $24,110 and $6,457 respectively.

Parking Lot Operations increased by $472,048 as a result of an increase in the airport parking lot fees and an increase in reimbursed expenses of $27,710.

New Cargo Complex Operations revenue increased .45% due to increases in airport building lease revenue of $62,001. Decreases occurred in aircraft parking fees of $40,218 and airport equipment parking rent of $6,430 respectively.

The 3.09% decrease in the Landing Area Operations cost center can be attributed to a decrease of $38,438 in airline scheduled landing fees and a decrease of $214,868 in cargo schedule landing fees.

Industrial Park Operations increased 4.8% due to increases of $64,508 in ground rentals.

General and Commercial Aviation increased 5.41% as a result of increases in the airport building lease revenue of $92,660 and ground rentals of $47,861.

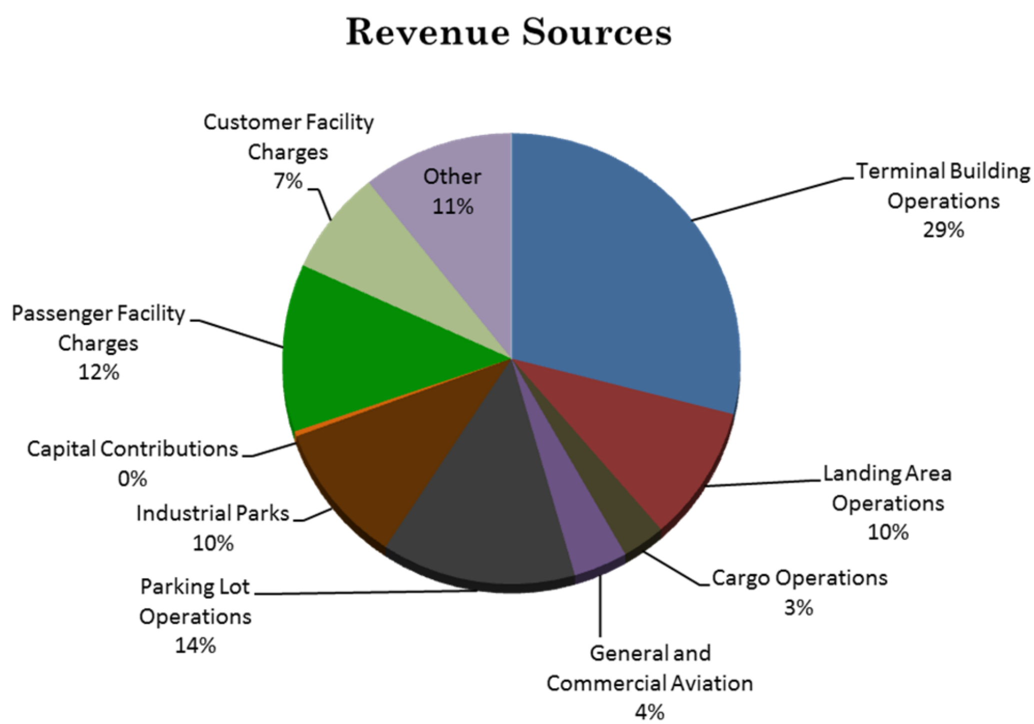
Global Reach Development Operations revenue increased by $19,162 a result of increases in ground rentals.

Cottonwoods Development known as Butterfield Trail Golf Course had revenue increases of 10.3% or $180,126 as a result of increases in food and beverage of $94,773, golf course green fees of $74,598, pro shop sales of $4,320 and driving range fees of $6,435.

International Trade Processing Center had revenue increases of 35.1% primarily driven by increases foreign trade zone permits of $105,070.

Other revenues decreased 47% as a result in decreases to ground rentals of $190,739.

The following graph compares revenue sources:



The "Other" in the graph represents revenues from the seven hotels on airport property, two golf courses, the International Trade Processing Center (ITPC) also known as Foreign Trade Zone 68 (FTZ), easement revenue (from the El Paso Water Utilities in consideration for access to airport land where multiple water well sites are located) and interest income.

Expense Variance by Cost Center

Terminal Operations decreased 5.38% primarily as a result in decreases to non-uniform wages and salaries of $436,247, maintenance supplies $24,847, building facilities maintenance $145,067, furniture and equipment $103,946 and utilities $131,997.

Parking lot Operations decreased 2.8% as a result of decreases in non-uniform wages and salaries of $62,248, decreases in fuel of $5,760 and decreases in office equipment maintenance and repairs of $11,599.

New Cargo Operations increased $44,178 or 13.4% as a result of increases in wages and salaries, a small increase in buildings maintenance contracts, land maintenance supplies and an increase of $11,847 in utilities.

Landing Area Operations increased 9.7% primarily as a result of increases to non-uniform wages and salaries and increases to uniform wages and salaries and related benefits. The increases in wages and salaries were offset by decreases in equipment of $64,483, in utilities of $3,826 and in travel of $2,622.

Industrial Park Operations had a 12.2% increase primarily in wages and salaries, however, this increase was offset by decreases in appraisal services of $3,900, land maintenance supplies $4,600 and landscaping maintenance and repairs of $5,549.

General and Commercial Aviation Operations decreased $36,531 or 9.6% primarily in wages and salaries, appraisal services $7,700, engineering services $7,229 and decreases in utilities of $9,604.

Butterfield Trail Industrial Park Operations increased $73,129 due to increases to wages and salaries and related benefits. Global Reach Development increased $33,603 due to increases in wages and salaries and utilities.

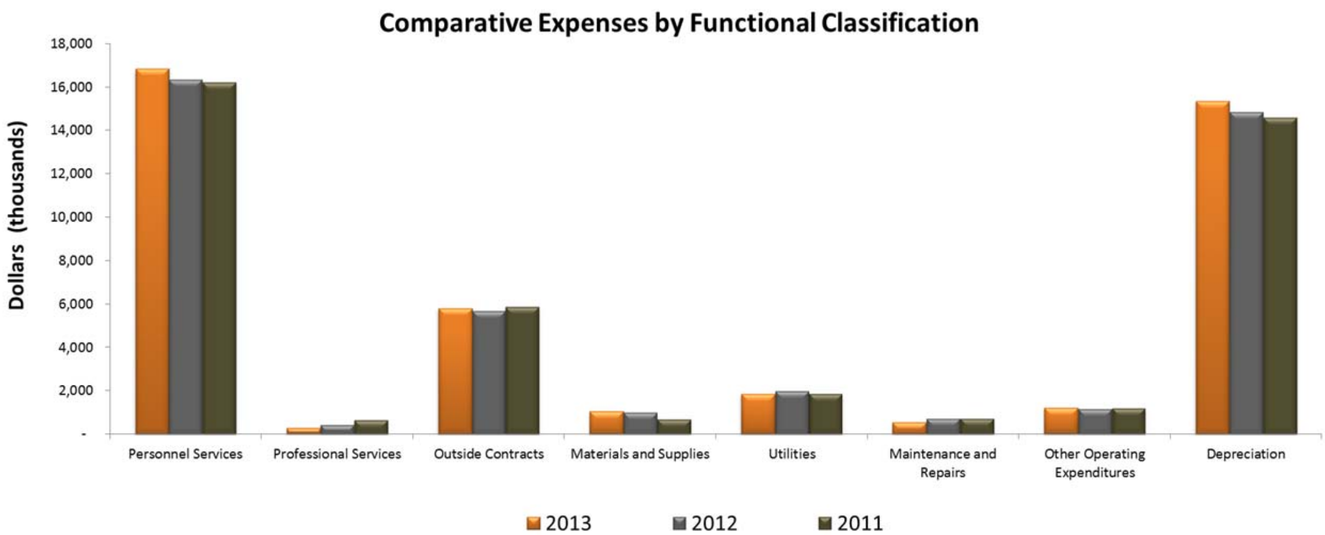
Hotel Operations increased 25.6% due to increases in appraisal services of $2,800, engineering services of $8,284 and publications and subscriptions $2,400.

Expenses in the Butterfield Trail Golf Course (Cottonwoods Development) increased by $242,509 due to increases in operating expenditures and the replacement of part of the golf cart fleet.

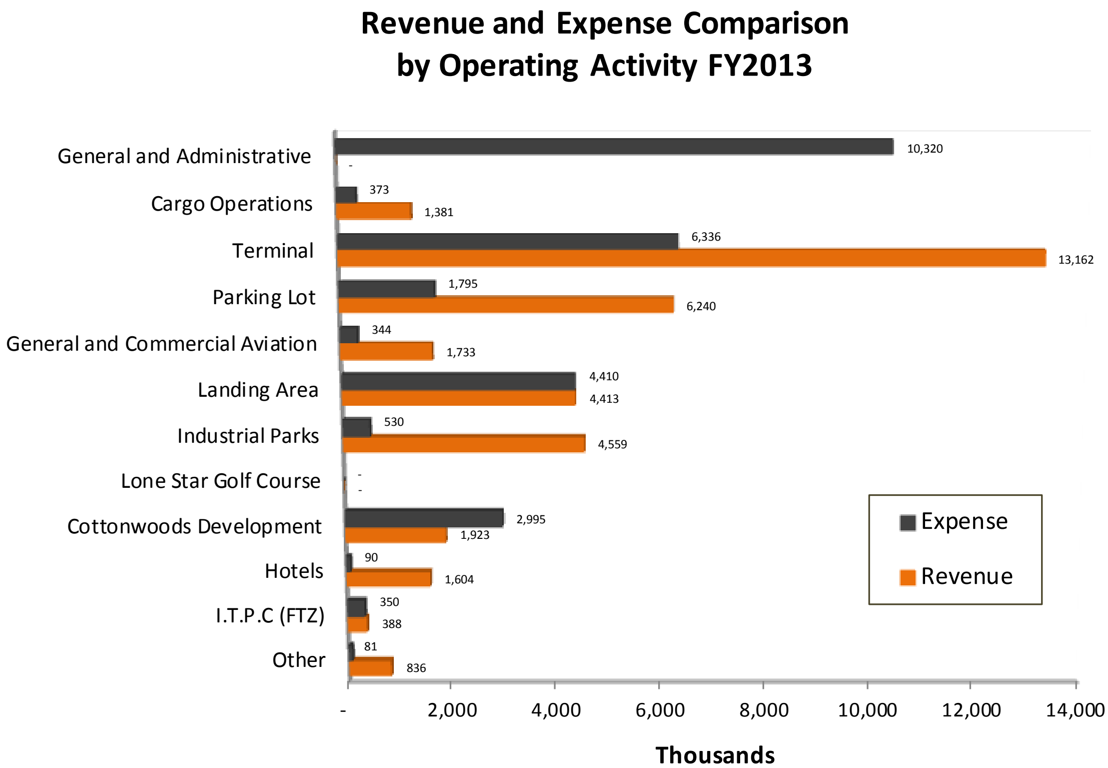
International Trade Processing Expenses increased by $60,273 due to increases in wages and salaries, outside contracts and office supplies.

General and Administrative expenses decreased $101,031 or .97% due to decreases in external legal fees, management consulting services, equipment purchases, supplies, building facility maintenance repairs, and safety gear.

The following chart compares functional expense classifications for 2013, 2012 and 2011.



The following chart compares revenues to expenses by operating activity (cost center) for 2013.



Operating revenues increased $249,435 in 2013 and increased $1,340,547 in 2012.

Operating loss in fiscal year 2013 that amounted to $6.7 million can be attributed to increases in personnel service, professional services, outside contracts and increases in maintenance and repairs.

CAPITAL ASSETS

The Airport's investment in capital assets as of August 31, 2013 and 2012 amounted to $196.5 and $181.2 million, respectively, net of accumulated depreciation. This investment in capital assets includes land, buildings and related improvements, equipment and construction in progress. Additional information on the Airport's capital assets can be found in *Note 4* of this annual report.

Major capital asset events during fiscal year 2013 include the items noted here. (Federally funded projects were matched with Airport funds where related percentages are noted. All other projects were paid for exclusively with Airport funds.)

Runway 8R/26L Extension

This project will extend Runway 8R/26L and relocate the Runway 8R threshold. The extension on the eastern end of the runway will allow for Runway 8R arrival threshold to be relocated by 1,100 feet, alleviating Part 77 surface penetration issues in the area of the terminal ramp and Concourse B gates west of the runway. The design phase of the project began in fiscal year 2010 with project costs totaling $534,000 in fiscal year 2013. The project will be funded by both Passenger Facility Charge and Airport Improvement Program Funds. The total cost of the project is estimated at $13.2 million.

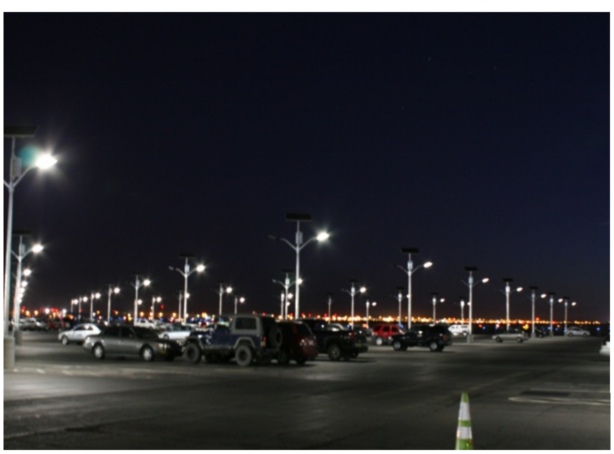
Terminal Renovation and Expansion

The 20,000 square foot expansion of the terminal involves the renovation and expansion of public areas in Concourse A and B. The expansion added new restrooms, concession space and hold rooms. Project costs in fiscal year 2013 totaled $800,757. The total actual cost of the project as of August 31, 2013 was $13.5 million. The project is estimated at $14.3 million, all of which will be funded by the Airport Enterprise Funds.

Cottonwoods/Global Reach Drive Landscaping Improvements

This project consists of landscape improvements for medians and parkways on Global Reach Street from Montana Avenue to George Perry Boulevard and Cottonwoods from Global Reach to the Butterfield Trail Golf Club parking lot. Capital costs totaled $152,348 in fiscal year 2013, which was paid for by Airport Enterprise Funds. Total actual cost of the project as of August 31, 2013 was $2.8 million.

Extension of Long-Term Parking Lot (Solar Lights)



This project involved demolition of two buildings previously occupied by Fixed Based Operators to make way for 2,500 additional long-term parking spaces. The project was substantially completed in fiscal year 2009; however, work continued into fiscal year 2012. The project was estimated at $2.3 million, of which $2.2 million has been expended. The project was funded entirely from the Airport Enterprise Funds.

Reconstruction of Taxiway "L"

The project cost was estimated to be $15.4 million based on the five-year CIP project budget. Total costs incurred were $7.8 million with $6.8 million incurred in fiscal year 2013.

Butterfield Trail Industrial Park Pavement Rehabilitation and Improvement

The project cost was estimated to be $14.4 million based on the five year CIP. Total costs incurred were $9.8 million with $8.9 million incurred in fiscal year 2013.

Rental Car Expansion (Including Demolition of Air Cargo #1)

This project was estimated at $35 million and will provide for a Consolidated Rental Car Facility connected to the Airport's main terminal. A customer facility charge of $3.50 per day/rental car transaction will be used to finance the construction of the facility. Total cost incurred was $1.8 million with $1.7 million incurred in fiscal year 2013.

Central Plant Upgrade

This project was estimated at $5.5 million and will provide for an upgrade of the Airport's central plant as well as replacement of the HVAC systems to allow for cost and energy savings. Costs incurred in fiscal year 2013 were $2.2 million.

Taxiway Radius Geometry

This project was estimated at $5.2 million and will provide for safer aircraft movements throughout the Airport. Costs incurred in fiscal year 2013 were $5.4 million.

Mill and Replace 8L/26R Taxiway "U" & "V" and New Parallel Taxiway

Project was estimated at $15.5 million and will be funded by FAA airport improvement funds and airport funds.

Airport Access Control System

Project was estimated at $1.3 million and will upgrade existing access control system. Total costs incurred were $1.4 million with $480,521 incurred in fiscal year 2013.

DEBT ADMINISTRATION

At the end of fiscal year, the Airport had total bonded debt of $19.8 million, net of the unamortized discount, which is secured solely by fees for services rendered. This debt represents the Airport Revenue Bonds, Series 2011 and Revenue Refunding Bonds, Series 2003.

On June 1, 2011, the City issued $16.3 million in Airport Revenue Bonds, Series 2011. Proceeds from the sale of the bonds will be used to improve, enlarge, extend or repair the Airport, including buildings, landing fields, or other facilities the City considers necessary, desirable or convenient for the efficient operation and maintenance of the Airport.

On September 15, 2003, the City issued $18 million in Airport Revenue Refunding Bonds, Series 2003. Proceeds from the sale of the bonds, along with other funds of the Airport, were used to refund the outstanding Airport Revenue Bonds, Series 1996, in order to lower the overall debt service requirements, fund the Debt Service Reserve Fund Requirement with respect to the bonds and pay the related costs of issuing the bonds. The City provided $12.5 million of PFC restricted funds to facilitate the refunding and lower the overall remaining debt service. These funds were not eligible for other uses.

The insured debt is rated A+ by both Fitch and Standard & Poor's and A2 by Moody's Investors Service. Additional information on the Airport's long-term debt can be found in *Note 11* of this Annual Report.

ECONOMIC CONDITIONS AND OUTLOOK

The financial condition of the Airport is dependent upon the number of passengers using the Airport, the amount of cargo moved through the facility, and the relative health of the aviation industry and community as a whole. In addition to aviation related income, the Airport generates revenue through multiple industrial park leases, hotel leases and numerous other non-aeronautical use contracts. These leases provide stable income streams not directly associated with the aviation industry and provide a diverse revenue stream for the Airport.

Passenger Activity

Passenger levels are dependent upon several factors including the economic conditions of the airline industry, which influence the airlines' willingness and ability to provide service, the local and international economy, which influences the willingness and ability of consumers to purchase air travel, and the cost and associated price elasticity of air travel.

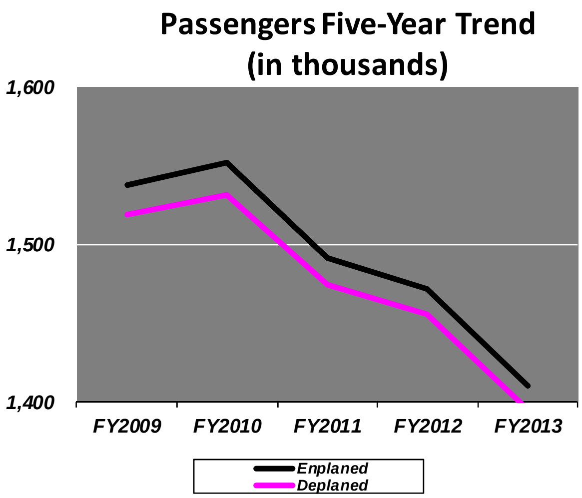
The Airport hosted 2.8 million passengers via five commercial airlines and their subsidiaries during fiscal year 2013. The Airport hosted 2.9 million passengers via six commercial airlines and their subsidiaries through 59 daily domestic departures during fiscal year 2012.

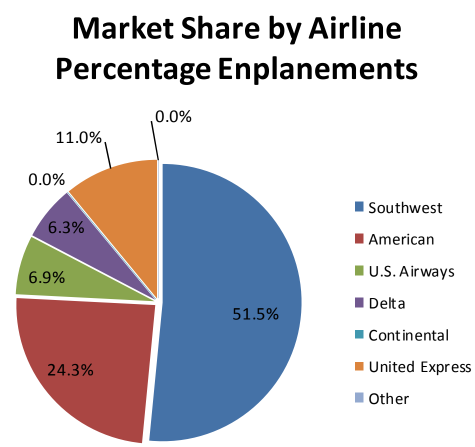
Enplaned and Deplaned Passengers Five-Year Trend

Fiscal Year	Passengers	% Change Over Prior Year
2013	2,804,515	(4.21%)
2012	2,927,772	(1.28%)
2011	2,965,855	(3.77%)
2010	3,082,170	0.85%
2009	3,056,073	(10.09%)

There was a decrease in passenger traffic of -4.21% between fiscal years 2013 and 2012; however, the average annual decline in passenger traffic between fiscal years 2009 and 2013 was (3.7%).

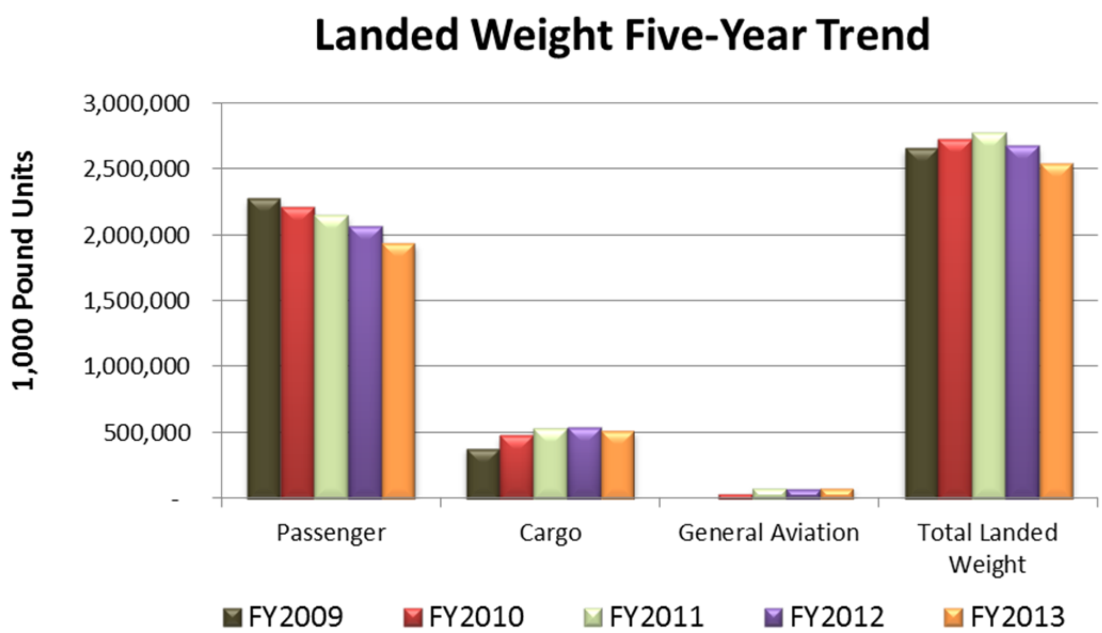
The following charts depict a five-year trend of both enplanements and deplanements and denote the commercial airlines operating at the airport and their respective market share.





Cargo Activity

In addition to serving the area's passenger needs, the Airport is the air cargo hub for the El Paso/Juarez border plex. Although Juarez has an airport providing passenger service to Mexico's major cities, it lacks air cargo facilities. As such, the air cargo facilities of the El Paso International Airport are used to meet the air transportation needs of the region. The graph below depicts the trend in landed weight for both passenger and air cargo traffic, highlighting a decrease in passenger landed weight but an increase in cargo freight. The landed weight in the General Aviation category is shown below. This represents aircraft exceeding 60,000 lbs. serviced by our Fixed Based Operators.



Economic Outlook of the Airline Industry and the Airport Strategy

The national trend of declining airport traffic which began in fiscal year 2008, continued into fiscal year 2013 as a result of the national economy and its impact on consumers' discretionary spending. The airline industry, as a whole, continued to struggle with the impact of high fixed costs and the decrease in demand for travel. Despite the financial pressures faced by the airlines, the Airport attempts to balance its level of exposure to the industry economic shifts by diversifying revenue streams with non-aviation revenue sources.

Airline Industry

The U.S. Aviation industry continued to be affected in fiscal year 2013 by the slowdown in the economy and the resulting decrease in the demand for travel. Many airlines responded by reducing capacity and increased ticket prices.

Airport Strategy

The decline in airport revenue is directly attributable to the decline in passenger traffic. Airport staff responded immediately by closely monitoring revenues and expenses to ensure that cash flows were available for operations and for ongoing capital projects. Part of the evaluation included a close look at the timing of capital projects and focus was placed on cost control for both operations and capital project expenses.

Airline Agreement

The agreement currently in place with the Airlines establishes how the signatory or the participating airlines will be assessed annual rates and charges for their use of Airport facilities. These agreements determine the methodology by which annual rates and charges are calculated for signatory airlines. Landing fees are calculated on a residual basis, which means the airlines are responsible for the net cost of operating the airfield after an application of reductions for certain airfield revenues. The terminal rental rate is calculated on a compensatory basis, representing the airlines' portion of the cost of operating the terminal. Annual rates vary and are based on the City's budget for the subsequent year. Landing fees and terminal rental rates for non-signatory airlines are set by Ordinance and are assessed at 125% of the signatory rates. The new five-year airline agreement became effective on September 1, 2012.

Revenue Diversification

In addition to aeronautical revenue derived from the operation of the airlines, the Airport strategically maintains and continues to expand diverse non-aviation revenue streams. The Airport's leasing activity includes both variable and fixed rate contracts. Variable contracts typically include percent of revenue clauses for hotel, car rental and other similar leasing activities. Fixed rate contracts typically include fixed land and improvement rental rates for property owned and leased by the City's Department of Aviation. Such leasing and concessions activity is significant to the overall revenue streams of the Airport, accounting for 46.8% of non-aeronautical revenue and 29.0% of total operating revenue each year.

Business Climate

The outlook for the region and the International Airport remains optimistic because of major endeavors in process with the City of El Paso and the surrounding region that could translate into increased passenger activity at the Airport.

The transfer of approximately 21,000 troops and as many as 30,000 family members to Fort Bliss resulting from Base Realignment and Closure (BRAC) Act and other various Army and Department of Defense initiatives will represent a significant gain in area military personnel. The influx of personnel should be complete by 2013.

In 2007, the 80th Texas Legislature passed a bill that provided the startup funds for the full four-year El Paso School of Medicine. The Texas Tech University Paul L. Foster School of Medicine welcomed its first class of four-year medical students in August 2009. A recent Texas Tech study showed the school will have a $1.5 billion economic impact to the community and will create more than 500 jobs. El Paso's First Children's Hospital opened on February 14, 2012 on the University Medical Center (formerly Thomason General Hospital) location.

In the coming years, Texas Tech University Health Sciences Center at El Paso will be the catalyst for enhancing first-rate medical care in the region, training more physicians and bringing more equity to the health care status of El Pasoans.

REQUEST FOR INFORMATION

The Airport's Annual Report is designed to provide citizens, customers, investors and creditors with a general overview of the Airport's finances. If you have questions about this report or need any additional information, contact the Airport as follows:

Attn: Director of Aviation
6701 Convair Road
El Paso, Texas 79925-1091
(915) 780-4724

Fund Financial Statements

CITY OF EL PASO, TEXAS
EL PASO INTERNATIONAL AIRPORT FUND
Statements of Net Position
August 31, 2013 and 2012

	2013	2012
ASSETS		
Current Assets		
Cash and cash equivalents	$ 36,357,577	$ 55,026,749
Investments	16,942,476	10,478,418
Trade receivables, net	2,924,308	3,101,309
Interest receivable	26,860	113,639
Due from other government agencies	205,800	82,852
Prepaid items	386,226	376,942
Unamortized bond issue costs	-	539,424
Inventories	1,294,035	1,208,784
Total current assets	58,137,282	70,928,117
Noncurrent Assets		
Capital assets		
Land	1,381,099	1,382,217
Buildings, improvements and equipment, net	177,211,731	175,643,918
Construction in progress	17,906,267	4,135,578
Total noncurrent assets	196,499,097	181,161,713
TOTAL ASSETS	$ 254,636,379	$ 252,089,830
LIABILITIES		
Current Liabilities		
Accounts payable	$ 3,172,187	$ 1,009,565
Accrued payroll	325,504	251,993
Revenue bonds payable	1,097,170	1,045,525
Due to other funds	1,588,342	-
Taxes payable	105,735	54,422
Interest payable on revenue bonds	38,837	40,865
Unearned revenue	1,657,435	1,796,347
Compensated absences	1,848,986	2,110,501
Construction contracts and retainage payable	401,988	401,988
Total current liabilities	10,236,184	6,711,206
Noncurrent Liabilities		
Compensated absences	521,509	595,270
Net pension obligation	1,508,776	1,251,731
Other postemployment benefits	3,609,401	2,936,561
Revenue bonds payable	18,712,304	19,811,118
Total noncurrent liabilities	24,351,990	24,594,680
TOTAL LIABILITIES	34,588,174	31,305,886
NET POSITION		
Net investment in capital assets	181,576,519	174,070,654
Restricted for:		
Debt service	-	546,049
Airport operations	11,521,595	1,746,974
Passenger facility charge	11,086,094	17,693,621
Customer facility charge	5,151,998	-
Unrestricted	10,711,999	26,726,646
TOTAL NET POSITION	220,048,205	220,783,944
TOTAL LIABILITIES AND NET POSITION	$ 254,636,379	$ 252,089,830

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

CITY OF EL PASO, TEXAS
EL PASO INTERNATIONAL AIRPORT FUND
Statements of Revenues, Expenses and Changes in Fund Net Position
Years Ended August 31, 2013 and 2012

	2013	2012
OPERATING REVENUES:		
Charges of rentals and fees	$ 35,753,931	$ 35,607,915
Charges of fares and fees	477,816	321,806
Premium contributions	1,408	-
General revenues	51,769	105,768
TOTAL OPERATING REVENUES	36,284,924	36,035,489
OPERATING EXPENSES:		
Personnel services	16,835,530	16,354,960
Contractual services	28,650	-
Professional services	278,248	437,413
Outside contracts	5,805,058	5,682,087
Fuel and lubricants	305,943	314,093
Minor equipment and furniture	-	49,178
Materials and supplies	1,047,944	992,289
Communications	288,002	252,065
Utilities	1,859,741	1,990,673
Operating leases	39,653	47,050
Travel and entertainment	136,998	135,446
Benefits provided	1,852	-
Maintenance and repairs	556,529	726,134
Other operating expenses	440,883	425,386
Depreciation	15,362,686	14,856,438
TOTAL OPERATING EXPENSES	42,987,717	42,263,212
OPERATING LOSS	(6,702,793)	(6,227,723)
NONOPERATING REVENUES (EXPENSES):		
Interest revenue	(42,885)	180,972
Interest expense	(1,076,553)	(1,179,561)
Gain (loss) on the sale/disposal of equipment	162,858	9,831
Passenger facility charge	5,465,342	5,535,166
Customer facility charge	3,405,024	1,765,621
TOTAL NONOPERATING REVENUES (EXPENSES)	7,913,786	6,312,029
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	1,210,993	84,306
Capital contributions	164,769	972,555
Transfers out	(1,572,084)	(1,759,000)
CHANGE IN NET POSITION	(196,322)	(702,139)
TOTAL NET POSITION, AS PREVIOUSLY REPORTED	220,783,944	221,486,083
CHANGE IN ACCOUNTING PRINCIPLE*	(539,417)	-
TOTAL NET POSITION, BEGINNING OF YEAR, AS RESTATED	220,244,527	221,486,083
TOTAL NET POSITION, END OF YEAR	$ 220,048,205	$ 220,783,944

* Net position as of September 1, 2012 has been restated for the effect of adopting GASB Statement No. 65; see *Note 1* .

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

CITY OF EL PASO, TEXAS
EL PASO INTERNATIONAL AIRPORT FUND
Statements of Cash Flows
Years Ended August 31, 2013 and 2012

	2013	2012
Cash Flows from Operating Activities:		
Receipts from customers	$ 37,962,668	$ 35,245,767
Payments to suppliers	(8,721,413)	(13,412,995)
Payments to employees	(16,167,410)	(15,975,198)
Net Cash Provided by Operating Activities	13,073,845	5,857,574
Cash Flows from Noncapital Financing Activities		
Transfers to other funds	(1,572,084)	3,776,166
Net Cash (Used for) Provided by Noncapital Financing Activities	(1,572,084)	3,776,166
Cash Flows from Capital and Related Financing Activities:		
Interest paid on bonds	(539,157)	(1,060,251)
Principal paid on bonds	(1,047,169)	(1,002,170)
Unamortized bond issue costs	(539,417)	-
Acquisition and construction of capital assets	(30,823,019)	(7,675,832)
Proceeds from sale of capital assets	162,858	9,831
Capital contributions from federal government	164,769	972,555
Proceeds from customer facility charges	3,405,024	-
Proceeds from passenger facility charges	5,465,342	1,765,621
Net Cash Used for Capital and Related Financing Activities	(23,750,769)	(6,990,246)
Cash Flows from Investing Activities:		
Purchase of investments	(6,464,058)	(10,478,418)
Interest on investments	43,894	67,333
Net Cash Used for Investing Activities	(6,420,164)	(10,411,085)
Net Decrease in Cash and Cash Equivalents	(18,669,172)	(7,767,591)
Cash and Cash Equivalents, Beginning of Year	55,026,749	62,794,340
Cash and Cash Equivalents, End of Year	$ 36,357,577	$ 55,026,749

Reconciliation of Operating Loss to Net Cash Provided by Operating Activities:

	2013	2012
Operating Loss	$ (6,702,793)	$ (6,227,723)
Adjustments to Reconcile Operating Loss to Net Cash Provided by Operating Activities:		
Depreciation	15,362,686	14,856,438
(Increase) Decrease in Assets:		
Accounts Receivable	177,001	(837,093)
Inventories	(85,251)	37,290
Other Assets	(9,284)	-
Prepaid Items	-	(13,569)
Increase (Decrease) in Liabilities:		
Accounts Payable	2,075,024	(2,337,531)
Accrued Expenses	73,511	(423,981)
Due to Other Funds	1,588,342	-
Compensated Absences	(335,276)	(79,795)
Net Pension Obligation	257,045	157,967
Other Post Employment Benefits	672,840	725,571
Net Cash Provided by Operating Activities	$ 13,073,845	$ 5,857,574

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

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in conformity with U.S. generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of significant accounting policies of the El Paso International Airport Fund (Airport).

A. Reporting Entity

The Airport opened in September 8, 1928 as a Class A municipal airport, for both day and night flying. The Airport is a fund of the City of El Paso, Texas (City), and its activities and functions are controlled by or dependent upon its governing body, the Mayor and City Council of El Paso, Texas (Mayor and Council). The City, as the primary government entity, reports the activities of the Airport as an enterprise fund in its financial statements. The accompanying financial statements do not purport to present the financial position and changes in financial position of the City, taken as a whole in accordance with GAAP.

B. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The activities of the Airport, including Airport operations and leasing activities on Airport property, are accounted for as an enterprise fund. Under GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* (Statement No. 34), enterprise funds may be used to account for activities that provide services to the general public for a fee and are required for any activity whose principal revenue sources meet any of the following criteria: (1) any activity that has issued debt backed solely by the fees and charges of the activity; (2) if the cost of providing services for an activity, including capital costs such as depreciation or debt service must legally be recovered through fees and charges or (3) pricing policies establish activity fees or charges to recover the cost of providing services, including capital costs. Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

The financial statements of the Airport are presented on the flow of economic resources measurement focus and use the accrual basis of accounting. Revenues are recorded when earned. The Airport's operating revenues are derived from charges to users (*i.e.*, airlines, tenants and others) based upon usage of the Airport's facilities in accordance with rates established either by the Airport or under agreements with signatory airlines. Expenses are recognized when a liability is incurred, regardless of the timing of related cash flows.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net position is displayed in three components: (1) net investment in capital assets; (2) restricted and (3) unrestricted. Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation reduced by the outstanding balance of any bonds, notes, or other borrowings (excluding unspent proceeds) that are attributable to the acquisition, construction or improvements of capital assets. Restricted net position are those with constraints placed on their use by either: (1) externally imposed by creditors (through debt covenants), grantors, or law or regulations of other governments or (2) imposed by law through constitutional provisions or enabling legislation. All net position not classified as invested in capital assets, net of related debt or restricted are reported as unrestricted. Generally, the Airport would first apply restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

GASB Statement Number 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting*, requires that governments' proprietary activities apply all applicable GASB pronouncements as well as the following pronouncements issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements: *Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins*. Governments are given the option whether or not to apply to enterprise funds all FASB Statements and Interpretations issued after November 30, 1989, except for those that conflict with or contradict GASB pronouncements. The Airport has chosen not to implement FASB Statements and Interpretations issued after November 30, 1989.

C. Cash, Cash Equivalents and Investments

Cash balances of the Airport, except for the portion relating to passenger facility charge revenues, are pooled with other City funds cash balances and invested. Earnings from pooled investments are allocated to funds based upon their share of pooled cash. The Airport's equity in the pooled cash and investments, currency on hand, cash held by trustee, and demand deposits with banks is presented as "Cash and Cash Equivalents" and "Investments."

All investments with an original maturity greater than one year from date of purchase are stated at fair value based upon quoted market prices as of year-end. Investments with an original maturity of less than one year are reported at amortized cost. Premiums and discounts on investments are amortized or accreted using the straight-line method, which approximates the interest method, over the terms of the related securities.

For purposes of the statement of cash flows, the Airport considers all highly liquid investments with an original maturity of approximately 90 days or less to be cash equivalents.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Inventories and Prepaid Items

Inventories, consisting of materials, supplies, and fuel held for future consumption, are valued at cost, which is determined by application of the first-in, first-out inventory valuation method. The expense for inventory costs is recognized at the time individual inventory items are consumed.

Prepaid items are goods or services that are paid for in advance and are applicable to future accounting periods. Using the consumption method, prepaid items are recorded as expenses as the goods or services are used.

E. Capital Assets

Capital assets are defined as assets with an initial, individual cost of more than $5,000 and an estimated useful life greater than one year. Capital assets are stated at cost or estimated historical cost if purchased or constructed, and at estimated fair value when acquired by donation. Maintenance and repairs are charged to operations as incurred, and improvements that extend the useful lives of fixed assets are capitalized and depreciated over the remaining useful lives of the related capital asset.

Interest costs incurred during the construction of capital assets are capitalized into the cost of the assets being constructed.

Depreciation of capital assets is calculated using the straight-line method over the following estimated useful lives:

Buildings	5 – 50 years
Improvements other than buildings	5 – 25 years
Vehicular equipment	3 – 10 years
Furniture and office equipment	3 – 10 years
Machinery and shop equipment	3 – 10 years

Improvements other than buildings include runways, roadways and other infrastructure assets. When fixed assets of the Airport are retired from service or otherwise disposed of, a gain or loss on disposal of assets is recorded.

F. Compensated Absences

Leave benefits are accrued as a liability as the benefits are earned by employees, but only to the extent that it is probable the Airport will compensate the employees through paid time off or cash payments conditioned on the employees’ termination or retirement.

Airport employees earn vacation leave, which may either be taken or accumulated (up to a maximum of 400 hours) until paid upon termination or retirement. In accordance with GASB Statement No. 16, *Accounting for Compensated Absences*, an accrual for unused vacation leave is reflected in the accompanying financial statements as compensated absences.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Unearned Revenue

Unearned revenue represents amounts reported in accordance with the City's revenue recognition criteria. In the Airport fund, unearned revenue of $1,657,435 and $1,796,347 relate to a long-term right of way, for the years ended August 31, 2013 and 2012.

H. Transactions Between Funds

During the course of normal operations, the Airport has transactions with other funds of the City. Transactions between funds that represent exchange-like transactions are accounted for as revenues or expenses of the Airport.

Transactions that constitute reimbursements for expenses initially made from one fund and are properly applicable to another fund are recorded as expenses in the reimbursing fund and as reductions of the expense in the fund receiving reimbursement. All other transactions with other funds of the City are reported as "Transfers In" and "Transfers Out" and are included in the change in net position.

I. Use of Estimates

The preparation of financial statements in conformity with GAAP requires that management make certain 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 management's estimates.

J. Due from Other Government Agencies

The Airport had $205,800 and $82,852 due from other government agencies at August 31, 2013 and 2012, respectively. These amounts reflect receivables from the United States Department of Transportation for federally funded security requirements and renovation and improvement projects of Airport facilities and property. The Airport expects to collect the $205,800 during fiscal year 2014.

K. Restricted Net Position

Restricted net position was $27,759,687 and $19,986,644 at August 31, 2013 and 2012, respectively, and are related to funds restricted by the Federal Aviation Administration for future airport improvement, operations, maintenance and debt service and airport operations. Where both restricted and unrestricted assets can be used toward the same expense, the restricted asset will be first applied.

L. Bond Discount Amortization

The discount on the Airport Revenue Bonds are deferred and amortized over the term of the bonds using a method that approximates the effective interest method. Unamortized bond discounts are presented as a reduction of the face amount of bonds payable.

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. Long-term Debt

Interest costs for debt service on general long-term debt are expensed during the reporting period, net of amounts capitalized for construction.

N. Adoption of GASB Statements

Effective September 1, 2009, the Airport adopted GASB Statements No. 51, *Accounting and Financial Reporting for Intangible Assets*, No. 53, *Accounting and Financial Reporting for Derivative Instruments* and No. 58, *Accounting and Financial Reporting for Chapter 9 Bankruptcies*. Implementing these pronouncements did not have a material effect on net position.

Effective September 1, 2012, the Airport has implemented GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*. This statement redefines certain financial elements previously reported as assets and liabilities as deferred outflows and deferred inflows of resources. In addition, the statement changes the method of reporting debt issuance costs. Prior to implementation of GASB Statement No. 65, the Airport reported debt issuance costs, including costs related to bond insurance, as deferred debt expense which was capitalized and amortized over the life of the debt. Deferred debt expense was reported as an asset on the Statement of Net Position. In GASB Statement No. 65, bond issuance costs, excluding bond insurance costs, are to be recognized in the period incurred. Implementation of GASB Statement No. 65 resulted in a restatement of previously reported net position, with net position as of October 1, 2012 decreasing $539,417.

Although the Airport presents comparative year financial statements, implementation will be shown as effective on October 1, 2012 in order to maintain consistency with the City's comprehensive annual financial report (CAFR) as the Airport is for financial reporting purposes, part of the primary government of the City.

NOTE 2. DEPOSITS AND INVESTMENTS

The Airport is subject to the same legal and policy restrictions as the City with respect to its cash deposits and investments.

A. Pooled Cash and Investments

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

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

A. Pooled Cash and Investments (Continued)

The Airport held cash and cash equivalents and investments of $53,300,053 and $55,026,749 at August 31, 2013 and 2012, respectively. Of these amounts, $36,074,036 and $48,254,449 were in City cash pooled accounts and $17,226,017 and $17,250,718 were in non-pooled accounts at August 31, 2013 and 2012, respectively.

B. Deposits

Deposits of the Airport at August 31, 2013 and 2012, consisted of cash held separately with financial institutions of $968,722 and $2,253,794, respectively.

C. Investments

The Airport's investments are included in a pool of investments managed by the City Treasury. As of August 31, 2013 and 2012, investments of the City Treasury are as follows:

August 31, 2013

		Maturity in Years		
Investment Type	**Fair Value**	**Less than 1**	**1-5**	**Rating/Agency**
Government bonds and agencies	$ 58,391,233	$ 43,167,125	$ 15,224,108	AA/S&P
Repurchase agreements	31,050,065	31,050,065	-	AA+/S&P
External investment pools	50,318,227	50,318,227	-	AAm/S&P

August 31, 2012

		Maturity in Years		
Investment Type	**Fair Value**	**Less than 1**	**1-5**	**Rating/Agency**
Government bonds and agencies	$ 53,778,279	$ 16,745,160	$ 37,033,119	AA+/S&P
Repurchase agreements	36,530,216	36,530,216	-	AA+/S&P
External investment pools	101,151,512	101,151,512	-	AAm/S&P

The Airport follows GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools.* This statement requires that governmental entities report investments at fair value and that all investment income, including changes in the fair value of investments, be reported as revenue in the statement of activities. The Airport reports the change in fair value as "Investment Income."

The Airport, through the City, participates in TEXPOOL, LOGIC, Texas Term, TexSTAR and Wells Fargo Government Investment Fund, which are external investment pools. The State Comptroller of Public Accounts maintains oversight responsibility for TEXPOOL. This responsibility includes the ability to influence operations, designation of management and accountability for fiscal matters. LOGIC, Texas Term and TexSTAR are public funds investment pools organized in conformity with the Interlocal Cooperation.

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

C. Investments (Continued)

Act, Chapter 791 of the Texas Government Code and the Public Funds Investment Act, Chapter 2256 of the Texas Government Code and are privately managed. Although TEXPOOL, LOGIC, Texas Term, TexSTAR and Wells Fargo Government are not registered with the SEC as investment companies, they operate in a manner consistent with the SEC's Rule 2(a)7 of the Investment Company Act of 1940. GASB Statement 31 allows 2(a)7-like pools to use amortized cost (which excludes unrealized gains and losses) rather than fair value to report net position to compute share price. The fair value of the City's position in TEXPOOL, LOGIC, Texas Term, TexSTAR and Wells Fargo Government is the same as the value of TEXPOOL, LOGIC, Texas Term, TexSTAR and Wells Fargo Government shares.

D. Credit Risk, Concentration of Credit Risk and Interest Rate Risk

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

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

Custodial Credit Risk (Deposits) – Collateralization is required for deposits in demand deposit accounts, certificates of deposit and repurchase agreements. The collateralization level is 105% of principal and accrued interest. Collateral is held in the City's name by an independent third-party with whom the City has a current custodial agreement and collateral instruments are limited to those instruments authorized by the City's investment policy.

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

Credit Risk – The investment policy authorizes the following securities:

1. Obligations of the United States or its agencies and instrumentalities;
2. Direct obligations of the state of Texas or its agencies and instrumentalities;
3. Collateralized mortgage obligations directly issued by a federal agency or instrumentality of the United States, the underlying security for which is guaranteed by the agency of instrumentality of the United States;
4. Other obligations, the principal of and interest on which are unconditionally guaranteed or insured by the state of Texas or the United States or its agencies and instrumentalities;

NOTE 2. DEPOSITS AND INVESTMENTS (Continued)

D. Credit Risk, Concentration of Credit Risk and Interest Rate Risk (Continued)

5. Obligations of states, agencies, counties or cities rated A or better by a national investment rating firm;
6. Certificates of deposit and share certificates;
7. Repurchase agreements;
8. Mutual funds that invest in securities described above;
9. Investment pools that invest in securities described above.

Concentration of Credit Risk – While the investment policy does not limit the percentage of authorized investment in the portfolio, investment diversification is required.

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

NOTE 3. ACCOUNTS RECEIVABLE

Accounts receivable are reported net of an allowance for doubtful accounts. Balances as of August 31 were:

	2013	2012
Unrestricted:		
Trade	$ 5,222,101	$ 5,256,159
Interest	26,860	113,639
Due from other government agencies	205,800	82,852
Allowance for doubtful accounts	(2,297,793)	(2,154,850)
Receivables, net of allowances	$ 3,156,968	$ 3,297,800

NOTE 4. CAPITAL ASSETS

Changes in capital assets were as follows:

	August 31, 2012	Transfers	Increases	Decreases	August 31, 2013
Capital assets not being depreciated:					
Land	$ 1,382,217	$ -	$ -	$ (1,118)	$ 1,381,099
Art and historical treasures	979,637	-	-	-	979,637
Construction in progress	4,135,578	(15,184,757)	28,955,446	-	17,906,267
Total capital assets not being depreciated	6,497,432	(15,184,757)	28,955,446	(1,118)	20,267,003
Capital assets being depreciated:					
Buildings	134,645,309	1,335,850	-	(2,013,490)	133,967,669
Improvements other than buildings	227,635,208	13,848,907	-	-	241,484,115
Vehicles and major equipment	15,882,718	-	1,745,743	(94,539)	17,533,922
Total capital assets being depreciated	378,163,235	15,184,757	1,745,743	(2,108,029)	392,985,706
Less accumulated depreciation for:					
Buildings	63,239,012	-	4,790,615	(2,013,489)	66,016,138
Improvements other than buildings	127,150,903	-	9,706,648	-	136,857,551
Vehicles and major equipment	13,109,039	-	865,423	(94,539)	13,879,923
Total accumulated depreciation	203,498,954	-	15,362,686	(2,108,028)	216,753,612
Total capital assets, being depreciated, net	174,664,281	15,184,757	(13,616,943)	(1)	176,232,094
	$ 181,161,713	$ -	$ 15,338,503	$ (1,119)	$ 196,499,097

	August 31, 2011	Transfers	Increases	Decreases	August 31, 2012
Capital assets not being depreciated:					
Land	$ 1,382,217	$ -	$ -	$ -	$ 1,382,217
Art and historical treasures	979,637	-	-	-	979,637
Construction in progress	10,684,453	(13,528,041)	6,979,166	-	4,135,578
Total capital assets not being depreciated	13,046,307	(13,528,041)	6,979,166	-	6,497,432
Capital assets being depreciated:					
Buildings	134,426,651	218,658	-	-	134,645,309
Improvements other than buildings	214,858,637	12,766,071	10,500	-	227,635,208
Vehicles and major equipment	15,163,548	543,312	320,672	(144,814)	15,882,718
Total capital assets being depreciated	364,448,836	13,528,041	331,172	(144,814)	378,163,235
Less accumulated depreciation for:					
Buildings	58,459,427	-	4,779,585	-	63,239,012
Improvements other than buildings	117,927,097	-	9,223,806	-	127,150,903
Vehicles and major equipment	12,400,806	-	853,047	(144,814)	13,109,039
Total accumulated depreciation	188,787,330	-	14,856,438	(144,814)	203,498,954
Total capital assets, being depreciated, net	175,661,506	13,528,041	(14,525,266)	-	174,664,281
	$ 188,707,813	$ -	$ (7,546,100)	$ -	$ 181,161,713

Depreciation expense for the years ended August 31, 2013 and 2012, was $15,362,686 and $14,856,438, respectively.

NOTE 4. CAPITAL ASSETS (Continued)

At August 31, 2013 and 2012, respectively, the Airport had $16,405,020 and $2,524,604 in funds committed for significant construction contracts in progress.

Construction in progress, financed with FAA grants and/or Airport funds, consists of runway pavement rehabilitation, industrial park development, terminal renovations and other infrastructure projects. Substantial portions of the capital assets owned by the Airport are leased to third parties through operating leases. The majority of these include certified passenger airline leases, commercial and non-commercial aviation ground leases, industrial site lease, auto rental concession leases, and food and beverage concession leases.

Assets leased to third parties as of August 31 were as follows:

	2013	2012
Terminal building and complex operations	$ 61,719,703	$ 61,719,703
General and commercial aviation operations	13,070,589	13,070,589
Industrial Park operations	1,547,243	1,547,243
Air freight operations	5,117,261	5,117,261
New cargo operations	42,198,732	42,198,732
Parking lot operations	973,062	973,062
Golf course operations	2,859,502	2,859,502
Butterfield Trail Industrial Park operations	6,565,703	6,565,703
Total leased assets	134,051,795	134,051,795
Less accumulated depreciation	(82,978,071)	(75,956,123)
Leased assets, net of accumulated depreciation	$ 51,073,724	$ 58,095,672

These leases are for varying periods and require the payment of minimum annual rentals. Leases with concessionaires also require payment of percentage rents based on sales in excess of stipulated amounts. Rental income in connection with these operating leases and various other monthly rental agreements for the years ended August 31 was as follows:

	2013	2012
Minimum rental income	$ 15,748,510	$ 16,084,143
Contingency rentals	2,361,370	2,503,365
Total rental income	$ 18,109,880	$ 18,587,508

NOTE 4. CAPITAL ASSETS (Continued)

The following is a schedule of future minimum rental income to be received on non-cancelable operating leases as of August 31, 2013:

Year Ending	Amount
2014	$ 12,545,721
2015	10,890,942
2016	10,752,518
2017	10,354,414
2018	8,230,719
2019-2023	32,870,392
2024-2028	20,111,215
2029-2033	14,463,213
2034-2038	6,228,137
2039-2043	3,498,832
2044-2048	2,462,569
2049-2050	786,432
	$ 133,195,104

NOTE 5. RESTRICTED NET POSITION

The Airport has net position meeting the GASB 34 and 46, *Net Assets Restricted by Enabling Legislation, an amendment of GASB Statement No. 34*, requirement of external restriction, whereby such net position is presented as restricted. The Airport is subject to three types of external restrictions, as described below:

1. The Airport has net position that is restricted based upon an agreement with the United States Government entered into in 1950, whereby 1,907 acres of land were donated to the Airport. Any revenues derived from the sale, lease, or other use of this land must be utilized for the development, improvement, operation and maintenance of the Airport. Under this agreement, these assets must be utilized for Airport activity subject to FAA approval.

2. The Aviation and Safety and Capacity Expansion Act of 1990 (Public Law 101-508, Title II, Subtitle B) authorized the local imposition of PFCs and use of PFC revenue on FAA approved projects. On October 4, 1996, the FAA approved a $3.00 PFC collection at the Airport, effective January 1, 1997. The Airport submitted an application to FAA requesting that the collection amount increase from $3.00 to $4.50. The application was approved May 20, 2010, with an effective date of August 1, 2010. Through the most recent application, number 13-06, the total approved amount of net PFC revenue plus interest that the Airport is authorized to collect is $95,911,365 by December 1, 2016, at which date PFC collection authority will expire.

3. The City issued Airport Revenue Bonds, Series 2003 on September 15, 2003. The related Bond Ordinance requires funding of certain debt service and reserve funds limited in use to debt service and other requirements as stipulated within the Ordinance and Official Statement.

NOTE 5. RESTRICTED NET POSITION (Continued)

Changes in restricted net position for the years ending August 31, 2013 and 2012, are summarized below:

	2013	2012
Operating Revenues:		
Charges of rentals and fees	$ 318,825	$ 485,167
Operating Expenses:		
Bond services	(546,049)	(400)
Appraisal services	1,900	(1,900)
Buidling maintenance repair	-	(2,330)
External legal counsel	(62)	(103,511)
Nonoperating Revenues:		
Interest revenue	81,762	180,972
Interest expense	(1,076,553)	(1,179,561)
Gains on disposition	162,858	-
Passenger facility charge	5,465,342	5,535,166
Customer facility charge	3,405,024	1,765,621
Transfer to (from) Unrestricted Net Assets:		
Transfer to debt service	-	362,202
Transfer to (from) legal reserves	119,959	(9,961,544)
Transfer to passenger facility charge	24,226,067	5,010,328
Transfer from passenger facility charge	(36,241,155)	(10,133,296)
Transfer to (from) customer facility charge	5,151,998	(18,647)
Transfer to (from) unrestricted net assets	6,703,127	(5,530,473)
Increase (decrease) in restricted net assets	7,773,043	(13,592,206)
Restricted Net Assets, Beginning	19,986,644	33,578,850
Restricted Net Assets, Ending	$ 27,759,687	$ 19,986,644

NOTE 6. DUE FROM OTHER FUNDS

There were no interfund receivables or payables as of August 31, 2013 and 2012.

NOTE 7. CITY CHARGES AND TRANSFERS

The Airport uses services of other City departments. In some cases, charges for these services are paid by the City and reimbursed by the Airport. In other cases, the payments are made directly by the Airport.

Reimbursements to the City for the years ended August 31, 2013 and 2012, paid as indirect expenses were:

	2013	2012
Indirect cost allocation	$ 1,572,084	$ 1,759,000
Total indirect charges	$ 1,572,084	$ 1,759,000

Reimbursements to the City for services for the years ended August 31 paid as direct expenses were:

	2013	2012
Police services	$ 2,887,101	$ 2,774,758
Airport rescue and fire fighting expenses	3,088,468	2,498,286
Fire medical services	13,121	552,329
Environmental services	106,938	105,183
El Paso Water Utilities	212,361	225,059
City Manager	100,173	83,214
City Attorney	-	277,576
Financial services	-	58,442
Engineering services	436,375	252,957
Economic development	9,267	32,968
Total direct charges	$ 6,853,804	$ 6,860,772

Direct expenses decreased $6,968 thousand in fiscal year 2013 from the prior year. The decrease is attributed to the decrease in current year charges for City Attorney and Economic Development. This decrease was offset by increases in Police Services, and the cost of Engineering Services related to construction projects.

NOTE 8. RISK MANAGEMENT

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

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

NOTE 8. RISK MANAGEMENT (Continued)

Provisions for the various types of risks are presented below:

The Airport maintains a $25,000,000 comprehensive Airport liability insurance policy with a $100,000 annual deductible. The Airport also has in force an excess aviation liability policy with a limit of $75,000,000. Additionally, the Airport has liability and indemnity coverage through contractual agreements with various Airport tenants.

Airport employees are covered by a $2,000,000 liability insurance policy with an aggregate of $5,000,000 and a $100,000 deductible per occurrence.

The Airport participates in the self-insurance plans administered by the City (*i.e.*, employees' health coverage, workers' compensation and unemployment benefits).

Employer contributions towards such benefits are recognized as expenses/expenditures in the General Fund of the City and other applicable funds, including the Airport. The City offers life insurance benefits to eligible employees of the City through policies purchased from independent insurance carriers. The Airport also participates in property insurance coverage of the City.

NOTE 9. PENSION PLAN

The Airport contributes to the City Employee's Pension Fund (CEPF) and the Firemen and Policemen's Pension Funds (FPPF). The FPPF consists of separate divisions for firemen (FPPF-Firemen Division) and policemen (FPPF-Policemen Division). The following disclosures relate to the City's obligations and relationship with CEPF and FPPF.

The CEPF is a single-employer defined benefit pension plan administered by the Fund's Board of Trustees and was established in accordance with authority granted by Chapter 2.64 of the City Code. The CEPF Board of Trustees is comprised of two citizens designated by the Mayor who are not officers or employees of the City, four elected City employees, a retiree and two City district representatives. The CEPF issues stand-alone financial statements, which may be obtained from the fund's administrative office:

City of El Paso Employee's Pension Fund
400 W. San Antonio Ave, Suite B
El Paso, TX 79901

The FPPF was established in accordance with authority granted by Article 6243b of *Vernon's Annotated Texas Statutes* and is not considered a component unit of the City. The FPPF issues stand-alone financial statements, which may be obtained from the fund's administrative office:

El Paso Firemen and Policemen's Pension Fund
201 E. Main
Suite 1616
El Paso, TX 79901

NOTE 9. PENSION PLAN (Continued)

A. Membership

Membership (City-wide) of each plan consisted of the following:

	CEPF		FPPF	
			December 31, 2012	
	August 31		Firemen	Policemen
	2013	2012	Division	Division
Retirees and beneficiaries receiving benefits	2,545	2,407	671	901
Terminated plan members entitled to but not yet receiving benefits	82	81	7	6
Active plan members	4,208	4,125	889	1,065
Total	6,835	6,613	1,567	1,972

B. City Employees' Pension Fund

1. Plan Description

The CEPF covers substantially all full-time employees of the City, except for uniformed firefighters and police officers who are covered under the FPPF. Non-employer contributions are limited to participating employees of the respective entities.

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

Through August 31, 2013, the City is the only contributing employer. The CEPF pays direct administrative costs. The City provides indirect administrative support such as office space, utilities and payroll processing at no charge to the CEPF. The CEPF reimburses the City for various direct costs of processing pension checks, such as postage and supplies.

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

Participation is mandatory for classified employees (except permanent part-time employees). For non-classified employees, participation is mandatory for employees hired after July 1997. Classified employees include all persons who are permanent, full-time employees and are not otherwise excluded from the CEPF. Participants who leave the plan before completion of five years of service receive a refund of their contributions. Participants leaving the plan with more than five years of service may receive a refund of their contributions plus interest at 5.5%, compounded annually.

NOTE 9. PENSION PLAN (Continued)

B. City Employees' Pension Fund (Continued)

1. Plan Description (Continued)

Participants become vested after reaching 40 years of age and 10 years of service. Normal retirement is the earlier of: (i) 55 years of age with 10 years of service or (ii) 30 years of service, regardless of age. Participants who have both completed 10 years of service and attained age 40 may retire, but defer receiving pension payments until they reach normal retirement age. Alternatively, such vested participants may elect an early retirement, which will provide an actuarially reduced pension benefit payment upon termination. Persons retiring and eligible to receive benefits receive monthly pension payments in the amount of 2.5% of average monthly gross earnings received by the employee during the three years immediately prior to retirement or 2.5% of the average monthly base salary and longevity pay received by the employee during the year immediately prior to retirement, or 2.5% of the monthly base salary and longevity pay for the month immediately prior to retirement, whichever is greater, multiplied by the number of completed years of service, plus .2083 of 1% of such average for each additional completed or fractional part of a month of service. A reduced pension benefit is available to surviving spouses and dependents. The plan includes no automatic increase in retirement benefits; however, the Board at its discretion after consideration of a recent actuarial review of the funding status, may provide ad hoc cost of living or other increases in retirement benefits.

2. Basis of Accounting

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

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

NOTE 9. PENSION PLAN (Continued)

B. City Employees' Pension Fund (Continued)

3. Method Used to Value Investments

Investments are stated at fair value in the plan's statements of net position available for benefits. The fair value of marketable investments, including U.S. government securities and corporate bonds and stocks, is determined by the latest bid price or by the closing exchange price at balance sheet dates (fair value). The fair value of investments in bank collective investment funds is determined by the investment funds based on the market values of the underlying securities in the funds. Bank collective investment funds are governed by Section 9.18 of Regulation 9 issued by the Office of Comptroller of the Currency and by other applicable regulations as defined by the Mellon Bank, N.A. Employee Benefit Collective Investment Fund Plan.

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

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

NOTE 9. PENSION PLAN (Continued)

B. City Employees' Pension Fund (Continued)

4. Concentration of Investments

The following table presents the fair value of investments that represent 5% or more of the CEPF's net position available for benefits at August 31, 2013 and 2012. These investments are in bank collective investment funds, which consist of diversified portfolios of investments.

	Shares	Fair Value
August 31, 2013:		
EB MCM Aggregate Bond Index Fund		
Mellon Capital Management Corporation	158,694.917	$ 54,994,655
Winslow Large Capital Growth Fund		
Wilmington Trust Company	1,718,266.974	45,379,431
Franklin Templeton Global Multisector Plus Trust		
Franklin Templeton Investments	3,017,241.379	35,452,586
MCM EB Daily Valued Treasury		
Mellon Capital Management Corportation	28,230.815	35,135,995
UBS Trumbell Property Fund		
UBS Realty Investors	3,856.484	335,787,948
August 31, 2012:		
EB MCM Government Bond Index Fund		
Mellon Capital Management Corporation	146,089.683	66,984,053
Winslow Large Capital Growth Fund		
Wilmington Trust Company	2,022,614.800	45,690,868
MacKay Shields High Yield Active Core Funds		
MacKay Shields LLC	45,424,170.000	45,424,170
Touchstone Emerging Markets Equity Fund		
Wilmington Trust Company	3,297,045.020	38,905,131
MCM EB Daily Valued Treasury		
Mellon Capital Management Corportation	30,989.036	32,180,816
EB Daily Valued Treasury		
Mellon Capital Management Corportation	169,899.699	30,531,281
Shenkman Capital Convertible Bonds		
Shenkman Capital Management, Inc.	31,085,765.000	31,082,765

NOTE 9. PENSION PLAN (Continued)

B. City Employees' Pension Fund (Continued)

5. Contributions

Contribution rates for the CEPF are based upon local statutes and are not actuarially determined. However, each time a new actuarial valuation is performed, contribution requirements are compared to the actuarially determined amount necessary to fund service costs and amortize the unfunded actuarial accrued liability (using entry-age normal cost method) over 30 years. As of the most recent actuarial valuation, the contribution rate was 21.20% of annual covered payroll.

Contributions (City-wide) were made as follows:

	Year Ended August 31		Stated % of Covered Payroll	
	2013	2012	2013	2012
Employer contributions	$ 20,314,439	$ 19,181,091	12.85%	12.25%
Employee contributions	13,513,897	12,607,172	8.35%	8.05%
Total contributions	$ 33,828,336	$ 31,788,263	21.20%	20.30%

The Airport's contribution to the City Employees' Pension Fund was $1,010,026 and $955,175 for the years ended August 31, 2013 and 2012, respectively.

6. Securities Lending

The CEPF enters into securities lending transactions with broker/dealers for which fees were paid to the CEPF. The CEPF Board may legally and contractually authorize the use of CEPF's securities for lending transactions. Parameters are set with CEPF's investment guidelines for securities lending transactions. These guidelines require that all securities lending occur with specified broker/dealers and securities be collateralized using U.S. issuer securities at 102% and non-U.S. issuer securities at 105% of the fair value of the securities. U.S. issuer securities used as collateral are marked to market on a daily basis to ensure that the collateralization of the fair value of investments is always maintained. The CEPF may not pledge or sell the collateral securities except on default of the borrower. Because of this, CEPF administration believes there is minimal credit risk associated with securities lending transactions. There is no loss indemnification provided to CEPF by the investment managers or broker/dealers. There is no cost associated with securities lending.

As of August 31, 2013 and 2012, securities loaned to others, at fair value, consisted of $20,943,954 and $10,921,566, respectively, in corporate stocks.

NOTE 9. PENSION PLAN (Continued)

B. City Employees' Pension Fund (Continued)

7. Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension obligation to CEPF for the current year were as follows:

Annual required contribution	$ 21,075,292
Interest on net pension obligation	98,880
Adjustment to annual required contribution	(73,695)
Annual pension cost	21,100,477
Contributions made	20,502,828
Increase in net pension obligation	597,649
Net pension obligation - 8/31/2012	1,318,396
Net pension obligation - 8/31/2013	$ 1,916,045

The City's annual pension cost, the percentage of annual pension cost contributed to the plan, and the net pension obligation for 2013 is as follows:

Fiscal Year Ended August 31	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation (Asset)
2013	$ 21,100,477	97.2%	$ 1,916,045
2012	19,634,700	99.4%	1,318,396
2011	18,375,476	97.7%	1,208,630

The Airport's share of the net pension obligation at August 31, 2013 and 2012, was $78,863 and $73,427, respectively.

8. Funded Status and Funding Progress

The funded status of the plan as of September 1, 2012, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	$ 788,204,441
Actuarial value of plan assets	581,725,101
Unfunded AAL	206,479,340
Funded ratio (actuarial value of plan assets/AAL)	73.8%
Covered payroll (active plan members)	$ 147,740,362
Unfunded AAL as a percentage of covered payroll	139.8%

NOTE 9. PENSION PLAN (Continued)

B. City Employees' Pension Fund (Continued)

9. Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, will present multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

For the September 1, 2012 actuarial valuation, the entry-age normal cost method was used. The actuarial value of pension benefit assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The actuarial assumptions included a 7.5% investment rate of return (net of administrative expenses), projected salary increases of 4.0% to 5.70%, which includes an inflation rate of 3.5% and no costs of living increases. The remaining amortization period at September 1, 2012, was 21 years using a level percent, open basis, amortization period. There were no factors that significantly affected the identification of trends such as changes in benefits, actuarial methods or assumptions.

C. Firemen and Policemen's Pension Fund

1. Plan Description

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

The FPPF is a defined benefit pension plan covering uniformed firefighters and police officers employed by the City of El Paso. Non-employer contributions are limited to participating employees. The City of El Paso is the only participating employer. The City's contributions to the FPPF are limited to 18% of compensation as provided by the City Charter. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of the legal funding limitations.

NOTE 9. PENSION PLAN (Continued)

C. Firemen and Policemen's Pension Fund (continued)

1. Plan Description (continued)

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

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

Under both divisions, membership is mandatory and effective upon commencement of the probationary period. Participant contributions are not refunded if a participant terminates with less than five years of service and all benefits under the FPPF are terminated. Participant contributions (without interest) are refunded upon request if a participant terminates with five or more years of service but less than 20 years of service. All benefits under the FPPF are terminated if contributions are refunded.

Upon completion of 10 or more years of service, a participant may terminate his service for reasons other than disability or death and receive a pension commencing at age 50 or immediately upon date of termination of service if at least 50 years of age at the time of termination. The pension benefit is equal to 2.75% times final compensation, times the number of years of service, not to exceed 28 years. Normal retirement occurs when employees reach age 45 and have 20 years of service. Retirement benefits are computed based upon 2.75% of the participant's final compensation times the number of years of service, not to exceed 77% of a participant's final compensation. A reduced pension benefit is permitted with 20 years of service and before age 45. The pension benefit is equal to 2.75% times final compensation times the number of years of service, not to exceed 28, multiplied by the appropriate actuarial reduction factor.

Final compensation is based upon the participant's highest wages in any calendar month, within the 12 months preceding retirement, excluding overtime pay. Except for disability pensions, a participant's final rank must have been held for at least six months in order to use the monthly pay at the higher rank. A surviving spouse receives 100% of the retiree's pension subject to certain provisions. A participant may receive disability benefits resulting from a total and permanent disability from an injury in the line of duty or any injury not due to the member's own fault. The disability benefit is equal to 2.75% of final compensation times the number of years of service, not to exceed 28 years, with a minimum benefit of 50% of final compensation. Cost of living adjustments are granted to individuals retiring after March 23, 1980, subject to applicable waiting periods, except for deferred retirees. Participants who are 50 years old and have 20.5 years of service may elect the Back Deferred Retirement Option Program (Back DROP). The Back DROP benefit is a lump sum payment and a reduced monthly benefit. The Back DROP period must be at least six months and not more than 36 months.

NOTE 9. PENSION PLAN (Continued)

C. Firemen and Policemen's Pension Fund (Continued)

2. Basis of Accounting

The FPPF is maintained under the provisions of Article 6243b of *Vernon's Annotated Texas Statutes.* All current FPPF provisions are set forth in a resolution entitled "*El Paso Firemen and Policemen's Pension Fund*" effective October 16, 1996 and amended July 17, 2002, as well as state statute. Benefit provisions, contribution obligations, and funding policy of the FPPF are established and amended in accordance with authority granted by Article 6243b of *Vernon's Annotated Texas Statutes.* The costs of administering the FPPF are paid out of the fund's assets.

The FPPF financial statements are prepared using the accrual basis of accounting. Employer and participant contributions are recognized in the period in which employees provide services to the entity. Benefits and refunds are recognized when paid in accordance with the terms of each plan.

3. Method Used to Value Investments

Investments are reported at fair value. The fair value of investments is determined by the latest bid price or by the closing exchange price at balance sheet dates (market value). Purchases and sales of securities are recorded on a trade-date basis. Interest income is recorded on the accrual basis. Dividends are recorded on the ex-dividend date.

4. Contributions Required and Contributions Made

Funding policies provide for periodic employer and participant contributions as established by the City Charter, the Board of Trustees and a vote of active participants in accordance with Article 6243b of *Vernon's Annotated Texas Statutes*. Actuarial valuations are prepared biennially for the FPPF. The FPPF's actuary has indicated that, under the current contribution rate, the FPPF will never accumulate sufficient assets to cover the Unfunded Actuarial Accrued Liability (UAAL). Based upon the results of the actuarial evaluations, if present contribution requirements are insufficient to accumulate sufficient assets to amortize the unfunded actuarial accrued liability, the FPPF's Board of Trustees, after approval by secret ballot of the rank and file policemen or firemen, could increase participant contributions or decrease participant benefits to maintain the actuarial integrity of the system. The City's contribution is determined by a formula set forth in the City Charter.

5. Securities Lending

The FPPF entered into securities lending transactions with its custodian, the Northern Trust Company (the Lending Agent), under which FPPF owned investments are lent to one or more borrowers for a fee. The Lending Agent is responsible for collecting all required collateral in the form of U.S. dollar cash, securities issued or guaranteed by the United States Government or its agencies or instrumentalities, or irrevocable letters of credit issued by banks independent of the borrowers.

NOTE 9. PENSION PLAN (Continued)

C. Firemen and Policemen's Pension Fund (Continued)

5. Securities Lending (Continued)

Concurrent with the delivery of the FPPF's securities to a borrower, the Lending Agent obtains from the borrower collateral in an amount equal, as of such date, to the required percentage, of the market value of any security loaned, including accrued interest. The agreement states that collateral must have a market value equal to no less than 100% of the market value of the borrowed securities.

At December 31, 2012, $71,284,681 of FPPF owned investments were loaned to others.

6. Annual Pension Cost and Net Pension Obligation

The City's annual pension cost and net pension assets to FPPF for the current year were as follows:

Firemen Division	
Annual required contribution (ARC)	$ 12,946,310
Interest on net pension obligation	(4,126,847)
Adjustment to ARC (7.75%)	3,110,376
Annual pension cost (APC)	11,929,839
Contributions made	10,060,982
Increase in net pension obligation	1,868,857
Net pension obligation - August 31, 2012	(53,249,634)
Net pension obligation - August 31, 2013	$ (51,380,777)
Policemen Division	
Annual required contribution	$ 20,511,268
Interest on net pension obligation	(942,962)
Adjustment to annual required contribution	710,704
Annual pension cost	20,279,010
Contributions made	13,849,373
Increase in net pension obligation	6,429,637
Net pension obligation - August 31, 2012	(12,167,258)
Net pension obligation - August 31, 2013	$ (5,737,621)

The Airport's share of the net pension obligation at August 31, 2013 and 2012, was $1,312,732 and $1,201,939, respectively.

NOTE 9. PENSION PLAN (Continued)

C. Firemen and Policemen's Pension Fund (Continued)

6. Annual Pension Cost and Net Pension Obligation (Continued)

The City's annual pension cost, the percentage of annual pension cost contributed to the plan, and the net pension obligation for 2013 is as follows:

Firemen Division

Fiscal Year Ended August 31	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation (Asset)
2013	$ 11,929,839	84.3%	$ (51,380,777)
2012	11,106,368	89.7%	(53,249,634)
2011	10,691,513	90.1%	(54,286,072)

Policemen Division

Fiscal Year Ended August 31	Annual Pension Cost	Percentage of Annual Pension Cost Contributed	Net Pension Obligation (Asset)
2013	$ 20,279,010	68.3%	$ (5,707,621)
2012	17,904,401	74.9%	(12,167,258)
2011	17,212,841	80.5%	(15,852,566)

7. Funded Status and Funding Progress

Firemen Division:

As of January 1, 2012, the most recent actuarial valuation date, the plan was 79.9% funded. The actuarial accrued liability for benefits was $539,792,447 and the actuarial value of assets was $431,209,946, resulting in an UAAL of $108,582,531. The covered payroll (annual payroll of active employees covered by the plan) was $49,942,127 and the ratio of the UAAL to the covered payroll was 217.4%.

Policemen Division:

As of January 1, 2012, the most recent actuarial valuation date, the plan was 78.2% funded. The actuarial accrued liability for benefits was $800,860,178 and the actuarial value of assets was $626,346,104, resulting in an UAAL of $174,514,074. The covered payroll (annual payroll of active employees covered by the plan) was $66,953,641 and the ratio of the UAAL to the covered payroll was 260.6%.

NOTE 9. PENSION PLAN (Continued)

C. Firemen and Policemen's Pension Fund (Continued)

7. Funded Status and Funding Progress (Continued)

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Actuarially determined amounts are subject to revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

8. Actuarial Methods and Assumptions

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

For the January 1, 2012 actuarial valuation, the entry-age normal cost method was used. The actuarial value of pension benefit assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a five-year period. The actuarial assumptions included a 7.75% investment rate of return (net of administrative expenses), projected salary increases of 4.5% to 10.75%, which includes an inflation rate of 3.5% and a cost of living adjustment of 3%. The remaining amortization period at January 1, 2012, was 30 years using a level percent, open basis, amortization period. Factors that significantly affected the identification of trends were changes in contribution rates for the Policeman Division employees from 11.89% to 13.89% effective July 1, 2007.

NOTE 10. POSTEMPLOYMENT HEALTH CARE BENEFITS

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

Funding Policy: The contribution requirements of plan members are established by City ordinance and may be amended as needed. Retiree coverage is the same as the coverage provided to active City employees. Retirees pay premiums ranging from $105.53 to $1,318.56 per month depending on the coverage elected. The City's adopted budget policy maintains that retirees must pay 45% of the cost of premiums and the City will fund the remaining 55%. Retirees are responsible for the full cost of coverage for their dependents who participate in the plan. Retiree health care benefits are financed on a pay-as-you-go method and are recorded as an expense in the Internal Service Self-Insurance Fund as liabilities are incurred. Of 2,533 retirees eligible, there were 868 retirees covered under this plan at August 31, 2013. Dependent coverage was provided for 390 of the retirees. Total benefits paid by the City for retirees during the fiscal year were $1,920,450. Retirees contributed $1,658,043 or 45% of the total current year cost.

Annual OPEB Cost and Net OPEB Obligation: The City's annual other postemployment benefit (OPEB) 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 No. 45. 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 (or funding excess) over a period not to exceed 30 years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation:

Annual required contribution	$ 18,613,108
Interest on net OPEB obligation	2,459,221
Adjustment to annual required contribution	(3,538,942)
Annual OPEB cost	17,533,387
Total annual employer contribution (pay-as-you-go)	(4,328,596)
Increase in net OPEB obligation	13,204,791
Net OPEB Obligation - September 1, 2012	57,649,359
Net OPEB Obligation - August 31, 2013	$ 70,854,150

The Airport's share of the Net OPEB obligation amounted to $3,609,401 and $2,936,561 for the years ended August 31, 2013 and 2012, respectively.

NOTE 10. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

The components of the ARC calculation reflecting a 30 year amortization period is as follows:

Normal cost	$	6,647,624
Amortization cost		11,965,484
Annual required contribution (ARC)	$	18,613,108

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation as of August 31 is as follows:

Fiscal Year Ended August 31		Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed		Net OPEB Obligation
2013	$	17,533,387	24.7%	$	70,854,150
2012		17,901,191	22.0%		57,649,359
2011		14,573,672	22.9%		43,443,116

Funded Status and Funding Progress: As of September 1, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was $194,917,737, and the actuarial value of assets was $0, resulting in an UAAL of $194,917,737. The covered payroll (annual payroll of active employees covered by the plan) was $264,636,000 and the ratio of the UAAL to the covered payroll was 73.7%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality and the health care cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about 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 (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

NOTE 10. POSTEMPLOYMENT HEALTH CARE BENEFITS (Continued)

In the September 1, 2011 actuarial valuation, the projected unit credit cost method was used. The actuarial assumptions included a 4.5% investment rate of return based on the City's rate of return on investments for 2007, and an annual health care cost trend rate of 8.5% for 2011 and then reduced by decrements of one half percent annually to an ultimate rate of 5% after five years. Both rates included a 4.5% inflation assumption. The UAAL is being amortized as a level dollar of projected payroll on an open basis. The remaining amortization period at August 31, 2011, was 30 years.

NOTE 11. LONG-TERM OBLIGATIONS

A. Airport Revenue Bonds

The Series 2003 revenue bonds are payable solely from the net revenues of the Airport and PFC revenues. However, PFC revenues may only be used for debt service on amounts allocable to projects approved by the FAA.

The interest rates on the bonds range from 3.0% to 4.625%, with final payment due on August 15, 2016. The principal balance at August 31, 2013 and 2012, was $3,745,000 and $4,890,000, respectively. The balance of the discount on the bonds at August 31, 2013 and 2012, was $298,426 and $397,901, respectively.

Under the provisions of the Airport Revenue Bond Ordinance (Series 2003) adopted September 16, 2003, the City's covenants include but are not limited to: (1) the punctual payment of bond principal and interest; (2) the continued ownership, maintenance, and operation of the Airport; (3) the maintenance of insurance for Airport facilities and activities and (4) the proper and complete keeping of accounting records.

In addition, the City further covenants that it will not acquire any properties that could materially affect its financial operations nor will the City construct, operate, or lease any additional airport or similar facilities that would result in a reduction of minimum required net revenues.

On June 1, 2011, the City issued $16,330,000 of Airport Revenue Bonds. These bonds were issued at a premium of $36,463, issuance costs were $716,909 and interest rates are from 3.25% to 5.25%. The bonds were issued to improve Airport infrastructure, and mature August 15, 2033 with bi-annual payments February and August 15th.

NOTE 11. LONG-TERM OBLIGATIONS (Continued)

B. Changes in Long-Term Obligations

Changes in long-term obligations were as follows:

	August 31, 2012	Additions	Reductions	August 31, 2013	Due Within One Year
Revenue bonds	$ 21,220,000	$ -	$ 1,145,000	$ 20,075,000	$ 1,195,000
Unamortized premium	34,544	-	1,644	32,900	1,645
Unamortized discount	(397,901)	-	(99,475)	(298,426)	(99,475)
Total bonds payable	20,856,643	-	1,047,169	19,809,474	1,097,170
Compensated absences	2,705,771	1,775,225	2,110,501	2,370,495	1,848,946
Net pension obligation - CEPF	78,545	1,269,847	1,152,348	196,044	-
Net pension obligation - FPPF	1,173,186	691,578	552,032	1,312,732	-
Other postemployment benefits	2,936,561	672,840	-	3,609,401	-
Long-term liabilities	$ 27,750,706	$ 4,409,490	$ 4,862,050	$ 27,298,146	$ 2,946,116

	August 31, 2011	Additions	Reductions	August 31, 2012	Due Within One Year
Revenue bonds	$ 22,320,000	$ -	$ 1,100,000	$ 21,220,000	$ 1,145,000
Unamortized premium	36,189	-	1,645	34,544	-
Unamortized discount	(497,376)	-	(99,475)	(397,901)	(99,475)
Total bonds payable	21,858,813	-	1,002,170	20,856,643	1,045,525
Compensated absences	2,785,566	2,092,946	2,172,741	2,705,771	2,110,501
Net pension obligation - CEPF	41,847	1,243,552	1,206,854	78,545	-
Net pension obligation - FPPF	1,051,917	837,248	715,979	1,173,186	-
Other postemployment benefits	2,210,990	725,571	-	2,936,561	-
Long-term liabilities	$ 27,949,133	$ 4,899,317	$ 5,097,744	$ 27,750,706	$ 3,156,026

Principal and interest payments on the bonds are as follows:

Year Ending August 31	Principal	Interest	Total
2014	$ 1,195,000	$ 932,088	$ 2,127,088
2015	1,245,000	879,806	2,124,806
2016	1,305,000	823,781	2,128,781
2017	680,000	763,425	1,443,425
2018 – 2022	3,815,000	3,419,250	7,234,250
2023 – 2027	4,670,000	2,562,851	7,232,851
2028 – 2032	5,950,000	1,285,138	7,235,138
2033	1,215,000	63,788	1,278,788
	$ 20,075,000	$ 10,730,127	$ 30,805,127

NOTE 12. COMMITMENTS AND CONTINGENCIES

A. Claims, Litigation and Contingencies

A number of claims against the City are pending with respect to various matters arising in the normal course of the City's operation of the Airport.

Airport management and legal counsel are of the opinion that the settlement of these claims and pending litigation will not have a materially adverse effect on the Airport's financial statements.

B. Commitments

The Airport has continued to expend funds for capital projects subsequent to year-end. The sources of these funds are previously approved capital projects funded from the operating fund and through Federal aid contributions. The amount committed was $401,988 at August 31, 2013 and 2012.

C. Grants

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

NOTE 13. UNEARNED REVENUE

A. Unearned Revenue

In 2008, the Airport entered into a long-term easement agreement for the placement and operation of a gas pipeline with a 40-year term. The Airport accepted $1,025,887 as the net present value of the 40-year revenue stream. The total amount was recorded as unearned revenue and is being recognized over the 40 years of the lease in increments that equate to the net present value of the lease payment for each year. In both fiscal year 2013 and 2012, $14,349 was recognized as earned. The remaining amount will be recognized according to the following schedule:

Year Ending	Amount
2014	$ 14,349
2015	14,349
2016	14,349
2017	17,219
2018	17,219
2019 - 2023	92,981
2024 - 2028	111,577
2029 - 2033	133,892
2034 - 2038	160,671
2039 - 2043	192,805
2044 - 2047	179,951
Total	$ 949,362

The Airport also has unearned revenue of $708,073 that consists of funds received in advance from customers.

Required Supplementary Information

CITY OF EL PASO, TEXAS
Schedules of Funding Progress (Unaudited)
August 31, 2013
(In Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) Entry Age Normal Cost Method (b)	Unfunded (Overfunded) AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a) / c)
Other Postemployment Benefits						
9/1/2011	$ -	$ 194,917	$ 194,917	-	$ 264,636	73.7%
9/1/2010	-	156,186	156,186	-	253,818	61.5%
9/1/2009	-	147,777	147,777	-	234,513	63.0%
City Employees Pension Plan (CEPF) [1]						
9/1/2012	$ 581,725	$ 788,204 [2]	$ 206,479	73.8%	$ 147,740	139.8%
9/1/2010	569,723	709,997	140,274	80.2%	143,107	98.0%
9/1/2008	552,815	631,591	78,776	87.5%	136,508	57.7%
Firemen and Policemen's Pension Fund (FPPF)						
Firemen Division:						
1/1/2012	$ 431,210	$ 539,792	$ 108,582	79.9%	$ 49,942	217.4%
1/1/2010	403,748	493,320	89,572	81.8%	48,173	185.9%
1/1/2008	317,925	431,939	114,014	73.6%	41,165	277.0%
Policemen Division:						
1/1/2012	$ 626,346	$ 800,860	$ 174,514	78.2%	$ 66,954	260.6%
1/1/2010	588,663	715,715	127,052	82.2%	62,538	203.2%
1/1/2008	515,354	613,942 [3]	98,588	83.9%	56,840	173.4%

[1] Funding progress is evaluated by the Fund's enrolled actuary every other year.

[2] Factors that significantly affected the identification of trends were changes in contribution rates for employee and employer contributions from 6.75% to 7.75% and 10.25% to 11.65%, respectively.

[3] Factors that significantly affected the identification of trends were changes in contribution rates for employees from 11.89% to 13.89%.

CITY OF EL PASO, TEXAS
Schedules of Employer Contributions (Unaudited)
August 31, 2013
(In Thousands)

Year Ended	Annual Required Contribution	Percentage Contribution
Other Postemployment Benefits:		
8/31/2013	$ 18,613	23%
8/31/2012	18,613	22%
8/31/2011	14,584	23%
City Employee Pension Fund (CEPF)		
8/31/2013	$ 21,075	97%
8/31/2012	19,605	99%
8/31/2011	17,949	100%
Firemen and Policemen's Pension Fund (FPPF)		
Firemen Division:		
8/31/2013	$ 12,946	78%
8/31/2012	12,144	90%
8/31/2011	11,748	90%
Policemen Division:		
8/31/2013	$ 20,511	68%
8/31/2012	18,222	75%
8/31/2011	17,595	81%

Other Supplementary Information (Unaudited)

CITY OF EL PASO, TEXAS
EL PASO INTERNATIONAL AIRPORT FUND
Schedule of Operating Revenues and Expenses by Cost Center (Unaudited)
Years Ended August 31, 2013 and 2012

	August 31, 2013				
	Operating Revenues	Operating Expenses Before Depreciation	Operating Income (Loss) Before Depreciation	Depreciation Expense	Operating Income (Loss)
General and administrative	$ 521,811	$ 10,320,251	$ (9,798,440)	$ 620,034	$ (10,418,474)
Parking lot operations	6,240,370	1,795,465	4,444,905	225,107	4,219,798
Landing area operations	4,413,448	4,410,021	3,427	5,800,594	(5,797,167)
Terminal building operations	13,161,788	6,336,049	6,825,739	3,734,210	3,091,529
New cargo complex operations	1,381,019	372,919	1,008,100	2,104,483	(1,096,383)
Industrial park operations	1,377,835	171,879	1,205,956	58,839	1,147,117
Lone Star Golf Course	-	-	-	133,248	(133,248)
General and commercial aviation operations	1,733,471	344,102	1,389,369	876,028	513,341
Butterfield Trail Industrial Park operations	3,225,805	358,271	2,867,534	67,398	2,800,136
Global Reach Retail Development operations	19,829	77,226	(57,397)	1,066,203	(1,123,600)
Cottonwoods Development	1,923,101	2,994,788	(1,071,687)	484,172	(1,555,859)
Hotel operations	1,604,271	90,260	1,514,011	-	1,514,011
Science and Technology Park	-	-	-	192,371	(192,371)
International Trade Processing Center	387,769	350,315	37,454	-	37,454
Non-Cost Center Funds (in Aggregate)	294,407	3,484	290,923	-	290,923
Total cost centers (MEMO ONLY)	$ 36,284,924	$ 27,625,030	$ 8,659,894	$ 15,362,687	$ (6,702,793)

	August 31, 2012				
	Operating Revenues	Operating Expenses Before Depreciation	Operating Income (Loss) Before Depreciation	Depreciation Expense	Operating Income (Loss)
General and administrative	$ 1,054,169	$ 10,386,243	$ (9,332,074)	$ 479,676	$ (9,811,750)
Parking lot operations	5,768,322	1,847,278	3,921,044	208,093	3,712,951
Landing area operations	4,554,277	4,020,068	534,209	5,495,123	(4,960,914)
Terminal building operations	13,057,465	6,696,291	6,361,174	3,740,149	2,621,025
New cargo complex operations	1,374,834	328,741	1,046,093	2,098,373	(1,052,280)
Industrial park operations	1,315,120	153,242	1,161,878	58,839	1,103,039
Lone Star Golf Course	-	-	-	133,248	(133,248)
General and commercial aviation operations	1,644,461	380,633	1,263,828	816,047	447,781
Butterfield Trail Industrial Park operations	3,181,403	285,142	2,896,261	67,398	2,828,863
Global Reach Retail Development operations	667	43,623	(42,956)	891,006	(933,962)
Cottonwoods Development	1,742,975	2,752,279	(1,009,304)	676,116	(1,685,420)
Hotel operations	1,566,479	71,870	1,494,609	-	1,494,609
Science and Technology Park	-	17,625	(17,625)	192,370	(209,995)
International Trade Processing Center	286,970	290,042	(3,072)	-	(3,072)
Non-Cost Center Funds (in Aggregate)	488,347	133,697	354,650	-	354,650
Total cost centers (MEMO ONLY)	$ 36,035,489	$ 27,406,774	$ 8,628,715	$ 14,856,438	$ (6,227,723)

EL PASO INTERNATIONAL AIRPORT

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