



The Universal Service Administrative Company

- Home
- High Cost
- Low Income
- Rural Health Care
- Schools & Libraries

Overview

SL Main Reference Area

Applicants

Obligation to Pay Non-Discount Portion

Service Providers

Applicants are **required** to pay the non-discount portion of the cost of the goods and services to their service provider (s). Service Providers are **required** to bill applicants for the non-discount portion. The Federal Communications Commission stated that requiring applicants to pay their share would ensure efficiency and accountability in the program.

Tools

Requiring schools and libraries to pay a share of the cost should encourage them to avoid unnecessary and wasteful expenditures because they will be unlikely to commit their own funds for purchases they cannot use effectively. A percentage discount also encourages schools and libraries to seek the best pre-discount price and to make informed, knowledgeable choices among their options, thereby building in effective fiscal constraints on the account fund.

Forms

Applicants certify that they have complied with this requirement on FCC Forms 470 and 471. On the Form 470, applicants certify as follows in Item 23:

I recognize that support under this support mechanism is conditional upon the school(s) or library(ies) I represent securing access to all of the resources, including computers, training, software, maintenance, and electrical connections necessary to use the services purchased effectively.

On the Form 471, applicants certify as follows in Item 25:

The eligible schools and libraries listed in Block 4 of this application have secured access to all of the resources, including computers, training, software, maintenance, and electrical connections necessary to make effective use of the services purchased as well as to pay the discounted charges for eligible services.

"Secured access" means that you can show that these funds are, or will be, part of your annual budget; or, if you are obtaining the funds from an outside source, that these funds have been promised to you. If you obtain these funds from an outside source, the funds must not come directly or

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- Apply Online
 - Reference Area
 - Appeals
 - Eligible Services List
 - Changes & Corrections
 - Suspensions & Debarments
 - Waste, Fraud, & Abuse Task Force

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- Site Map
 - Site Tour
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indirectly from your service provider(s).

Some service providers and consultants offer to waive the non-discount portion, or to provide the applicant with a credit or with goods and services equivalent to the non-discount portion. It is a violation of program rules for service providers to waive or credit the applicant's share in any manner. Any special offers to reduce the price must be incorporated into the Form 471 "Total pre-discount amount" so that both the applicant and the Universal Service Fund benefit from such price negotiations. Please see the Free Services Advisory for additional guidance.

On the Service Provider Annual Certification Form (FCC Form 473), service providers certify in item 10 that they have billed the applicant for the applicant's non-discount portion:

The Service Provider Invoice Forms that are submitted by this service provider contain requests for universal service support for services which have been billed to the service provider's customers on behalf of schools, libraries, and consortia of those entities, as deemed eligible for universal service support by the fund administrator.

Some service providers offer to help applicants locate grants to pay for their non-discount portion. Program rules do not restrict applicants from accepting grants from bona fide organizations, nor do they restrict service providers from attempting to help applicants obtain grants from such organizations, so long as the grants or organizations are independent of the service provider. See Free Services Advisory, Example 7.

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Overview

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Applicants

Demonstrating Compliance with Program Rules

Service Providers

The Universal Service Administrative Company conducts audits of beneficiaries under the Schools & Libraries Support Mechanism, as well as beneficiaries under other Universal Service Support Mechanisms. In the Schools and Libraries case, "beneficiaries" can be recipients of service, Form 470 applicants, or Billed Entities; they may assume more than one of these roles during the course of the application process. The following practices have been identified during these beneficiary audits as being important for: (1) successful completion of the application process, (2) compliance with program rules during the period of service delivery and invoicing, and (3) the ability to demonstrate compliance with program rules in a beneficiary audit.

Tools

Forms

The Schools and Libraries Division urges beneficiaries to incorporate these practices in their participation in the Schools and Libraries Support Mechanism.

1. Establish a Technology Plan using staff expertise or an outside technology expert. Update the plan on an ongoing basis. The Plan should include, but not be limited to, the following:

- Clear goals and a realistic strategy for achieving those goals
- A professional development strategy to ensure that staff know how to use these new technologies to improve education or library services
- An assessment of the telecommunication services, hardware, software, and other services that will be needed to improve education or library services
- A detailed budget which supports the Plan and features the acquisition and maintenance of equipment, staff training and other needs addressed in the Plan
- Methods for evaluating the progress of the Plan and for making changes or corrections to the strategy outlined in the original Plan in response to new developments and opportunities, including a description of the approval process for such changes and corrections.

2. Designate a specific individual to be responsible for

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- oversight of the E-rate application process in order to take accountability and responsibility to ensure that it is accurate and that the equipment and services are eligible for funding. Ideally, this person should also be the contact person listed on forms filed with SLD.
3. Maintain a file of the Form 470 and Form 471 applications. This file should include, but not be limited to, the following:
 - A copy of the Form 470 application
 - A copy of the Form 471 application
 - Request For Proposal, if applicable
 - Copies of all bids
 - Documentation on the award process and the rationale for the bid award
 - Copies of all related contracts
 - Copies of all service provider invoices
 - Copy of the board resolution for any contract award
 4. Maintain a log of all communications with SLD. This includes communication between SLD and any contact person who is not the responsible individual. Each entry should include the name of the person who placed the call, the time of the call, the name of the person who responded, and the substance of the communication.
 5. Maintain an updated list or file of the status of all work, in order to monitor both the progress of the project and the expenditure of approved funds related to the project.
 6. Maintain and update detailed asset registers (including make, model, serial number, and location) for all sites to facilitate the tracking of equipment purchased with E-rate funds. In addition, diagrams that clearly show how equipment is actually connected and used should become part of the registers if those diagrams are available.
 7. If the applicant seeks reimbursement via the Form 472, review and approve the form to ensure that the work has been completed, that the service provider's bill has been paid in full, and that the reimbursement amount requested is correct.
 8. Alternatively, if not filing Forms 472 for reimbursement, review the Quarterly Disbursement Report provided by the Schools and Libraries Division to ensure any payments to service providers are consistent with work actually performed and discounts *provided on bills received*.
 9. Maintain a file for each Form 472 (BEAR) submitted to SLD. This file should contain a completed copy of the Form (including the signature of the Service Provider) and all supporting documentation.
 10. Maintain a spreadsheet which tracks either the Form 472 (BEAR) requests for reimbursement or the discounts (in the form of discounts on bills, checks, or

credits) provided by the Service Provider to ensure the committed amount on the FRN(s) has not been exceeded

- 11 Verify — either through an approved internal process or by an independent third party: that all work has been completed and that all equipment is operating properly.

USAC has created a suggested Compliance Documentation Checklist that applicants can use to track their collection of documentation about the process of applying for, using, and invoicing of Schools and Libraries discounts.

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Applicants

- Step 1.** Program Description (PDF Format; 196kb)
- Step 2.** Developing the Technology Plan
- Step 3.** Describing the Services Sought - Form 470
- Step 4.** Bidding Process and Selecting Vendors
- Step 5.** Filing Form 471 - Services Ordered and Certification Form
- Step 6.** SLD Processes Form 471 Applications
- Step 7.** Funding Decisions Sent to Applicants and Vendors
- Step 8.** Services Begin - Filing the Form 486
- Step 9.** Discounts Appear on Bills / BEAR Form 472
- Step 10.** Appeals / Corrections

SL Overview

Applicants ▾

- [Apply Online](#)
- [How to Apply Step-by-Step](#)
- [Discount Matrix](#)

Service Providers ▾

Reference Area

SL Forms

Data Requests

Funding Commitments ▾

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Task Force on the Prevention of Waste, Fraud and Abuse

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El Paso Independent School District
General Fund - Fund Balances
8/31/04

<u>Fund Balances</u>	<u>8/31/03</u>	<u>Cur Year Adj</u>	<u>E-Rate</u>	<u>2/29/04</u>
Reserved for investments in inventory	1,884,858			1,884,858
Reserved for outstanding encumbrances	2,648,279			2,648,279
Designated for construction	16,414,358			16,414,358
Unreserved and undesignated	29,617,493	224,056	(2,005,810)	27,835,739
Total fund balances	50,564,988	224,056	(2,005,810)	48,783,234

Current Year Adjustments

Projected surplus in the 2004 budget	41,237
Adjustment for 9 and 10 month employee benefits	432,900
Adjustment for overcharge of food service utilities	(250,081)
Total	<u>224,056</u>

E-Rate

Designated for E-Rate Year 6	(1,465,000)
Designated for E-Rate Year 7	(540,810)
Total	<u>(2,005,810)</u>

OFFICE OF THE GOVERNOR

FEB 02 2004

CRIMINAL JUSTICE DIVISION

**EL PASO INDEPENDENT SCHOOL DISTRICT
ANNUAL FINANCIAL AND COMPLIANCE REPORT
YEAR ENDED AUGUST 31, 2003
(WITH INDEPENDENT AUDITOR'S REPORTS THEREON)**

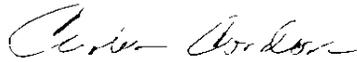
CERTIFICATE OF BOARD

El Paso Independent School District
Name of School District

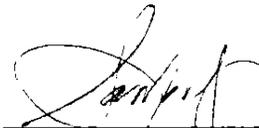
El Paso County
County

071902
Co -Dist Number

We, the undersigned, certify that the attached annual financial and compliance reports of the above named school district were reviewed and ✓ approved _____ disapproved for the year ended August 31, 2003, at a meeting of the board of school trustees of such school district on the 13th day of January 2004.



Signature of Board Secretary



Signature of Board President

If the board of trustees disapproves of the independent auditor's report, the reason(s) for disapproving it is(are) (attach list as necessary)



Finance Unit
Accounting Services

January 7, 2004

Members of the Board of Trustees
El Paso Independent School District
6531 Boeing Drive
El Paso, Texas 79925

Ladies and Gentlemen:

The Annual Financial Report for the El Paso Independent School District (the District) as of and for the fiscal year ended August 31, 2003, is submitted herewith. The responsibility for both the accuracy of the data and the completeness of the presentation, including all disclosures, rests with the management of the District.

Effective September 1, 2001, the District adopted Statement No. 34 of the Governmental Accounting Standards Board. Statement 34 is titled *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This new reporting standard is intended to parallel private sector reporting by consolidating governmental and business activities into a single column for government-wide activities.

This report was prepared by Dunbar, Broaddus, Gibson, LLP with the assistance of the Finance Department, and to the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner to present fairly the financial position and results of operations of the various funds of the District. Readers of this report are encouraged to consider the information presented here in conjunction with additional information presented in management's discussion and analysis found on pages 15 through 22 of this report. All disclosures necessary to enable the reader to gain an understanding of the financial activities for the fiscal year ended August 31, 2003 have been included.

This report is comprised of three major categories:

Introductory Section

This section contains this letter of transmittal that summarizes fiscal information.

Financial Section

This section contains the Independent Auditor's Report, Management's Discussion and Analysis, the Basic Financial Statements, Notes to the Basic Financial Statements and Supplemental Information, which includes financial statements by fund type. The Basic Financial Statements, together with the independent auditors report, Management Discussion and analysis and the Notes to the Financial

Members of the Board of Trustees

January 7, 2004

Page 3

Independent Audit – The accounting firm of Dunbar, Broaddus, Gibson, LLP was appointed by the Board of Trustees to perform the August 31, 2003 fiscal year audit. The Independent auditor's report on the Basic Financial Statements is included in the financial section of this report. The auditors' reports related to the single audit are included in the Single Audit Section.

Acknowledgement – We would like to express our appreciation for to the District's independent auditors Dunbar, Broaddus, Gibson, LLP for the professional manner in which they have accomplished this audit. We would also like to thank Superintendent, Charles Tafoya and the Board of Trustees for their interest and support in planning and conducting the financial operations of the El Paso Independent School District in a responsible and professional manner.

Respectfully submitted,



Martha E. Prekarski
Director, Accounting Services



DUNBAR/BROADUS/GIBSON LLP

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of El Paso Independent School District (District) as of and for the year ended August 31, 2003, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District, as of August 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2003 on our consideration of El Paso Independent School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis and the other required supplementary information on pages 15 through 22 and 65, respectively, are not a required part of the basic financial statements but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

The District implemented GASB Statement #34 last year and, as a result, will be presenting an analysis of comparative balances and the changes therein based upon the GASB requirements. As previously noted, net assets may serve, over time, as an indicator of an organization's financial health. As for the District, assets exceed liabilities by \$105.6 million, although this is down from the 2002 year-end net assets of \$115.9 million. Unrestricted net assets, those assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements, increased from \$34.6 million to \$35.7 million primarily as a result of a significant increase in revenue of the Health Care internal service fund. Operating results of the fund show income of \$9.1 million as the District switched third party administrators, leading to improved rates, and a \$5.35 million (15.7%) decrease in claims over the fiscal year. On the other hand, restricted net assets decreased from \$41.6 million to \$31.4 million as the result of the planned construction spending of the Maintenance Tax Note funds.

Table I
El Paso Independent School District

	Net Assets (in thousands)	
	August 31, 2003	August 31, 2002
Current and other assets	123,814	141,909
Capital assets	251,748	254,460
Total assets	375,562	396,369
Long-term liabilities	227,756	229,953
Other liabilities	42,243	50,477
Total liabilities	269,999	280,430
Net Assets:		
Invested in capital assets net of related debt	38,369	39,657
Restricted	31,446	41,670
Unrestricted	35,748	34,612
Total net assets	105,563	115,939

EL PASO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF NET ASSETS
AUGUST 31, 2003

Data Control Codes	Primary Government Governmental Activities
ASSETS	
1110 Cash and Cash Equivalents	\$ 67,719,145
1120 Current Investments	2,000,000
1220 Property Taxes Receivable (Delinquent)	12,657,493
1230 Allowance for Uncollectible Taxes	(5,302,000)
1240 Due from Other Governments	24,743,993
1250 Accrued Interest	167,484
1290 Other Receivables	1,131,905
1300 Inventories - supplies and materials	1,928,257
1410 Deferred Expenditures/Expenses	775,146
1430 Premium & Discount on Issuance of Bonds	(726,165)
1510 Land	38,770,756
1520 Buildings, net	196,929,998
1530 Furniture and Equipment, net	8,717,017
1550 Leased Property Under Capital Leases, net	216,643
1580 Construction in Progress	7,113,396
1900 Long Term Investments	18,718,421
1000 Total Assets	<u>375,561,488</u>
LIABILITIES	
2110 Accounts Payable	4,485,594
2140 Interest Payable	377,630
2150 Payroll Deductions & Withholdings	2,369,408
2160 Accrued Wages Payable	19,286,819
2180 Due to Other Governments	830,493
2200 Accrued Expenditures or Expenses	13,294,950
2300 Deferred Revenues	1,597,287
Long Term Liabilities	
2501 Due Within One Year	10,530,541
2502 Due in More Than One Year	217,226,112
2000 Total Liabilities	<u>269,998,834</u>
NET ASSETS	
3200 Invested in Capital Assets, Net of Related Debt	38,368,361
3840 Restricted for Food Service	315,916
3850 Restricted for Debt Service	6,948,347
3860 Restricted for Capital Projects	24,181,749
3900 Unrestricted Net Assets	35,748,281
3000 Total Net Assets	<u>\$ 105,562,654</u>

The accompanying notes are an integral part of this statement

EL PASO INDEPENDENT SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED AUGUST 31, 2003

EXHIBIT B-1

Data Control Codes	1	Program Revenues		6
		Expenses	3 Charges for Services	4 Operating Grants and Contributions
GOVERNMENTAL ACTIVITIES:				
11 Instruction	\$ 277,036,092	\$ 3,171,702	\$ 55,425,010	\$ (218,439,380)
12 Instructional Resources & Media Services	11,317,712	38,674	2,042,546	(9,236,492)
13 Curriculum and Staff Development	12,235,240	348,070	6,679,778	(5,207,392)
21 Instructional Leadership	4,906,477	116,024	1,172,690	(3,617,763)
23 School Leadership	26,380,919	77,349	3,230,558	(23,073,012)
31 Guidance, Counseling & Evaluation Services	17,753,622	193,372	3,250,083	(14,310,167)
32 Social Work Services	1,406,172	-	384,654	(1,021,518)
33 Health Services	5,794,199	77,349	1,104,084	(4,612,766)
34 Student (Pupil) Transportation	12,248,793	462,603	1,116,935	(10,669,255)
35 Food Services	24,178,855	4,477,397	18,394,755	(1,306,703)
36 Cocurricular/Extracurricular Activities	7,229,918	390,789	113,028	(6,726,101)
41 General Administration	9,917,063	-	497,368	(9,419,695)
51 Plant Maintenance and Operations	40,514,128	96,638	1,903,659	(38,513,831)
52 Security and Monitoring Services	3,515,553	-	277,440	(3,238,113)
53 Data Processing Services	4,686,914	77,349	144,124	(4,465,441)
61 Community Services	1,186,116	-	869,518	(316,598)
72 Debt Service - Interest on Long Term Debt	9,777,845	-	-	(9,777,845)
73 Debt Service - Bond Issuance Cost & Fees	977,265	-	-	(977,265)
81 Facilities Acquisition and Construction	17,232,008	38,674	1,384,454	(15,808,880)
[TG] Total Governmental Activities	488,294,891	9,565,990	97,990,686	(380,738,215)
[TP] TOTAL PRIMARY GOVERNMENT	\$ 488,294,891	\$ 9,565,990	\$ 97,990,686	(380,738,215)

Data Control Codes	General Revenues	
	Taxes	
MT	Property Taxes, Levied for General Purposes	131,438,552
DT	Property Taxes, Levied for Debt Service	7,168,915
SF	State Aid - Formula Grants	212,581,735
GC	Grants & Contributions not Restricted	15,847,758
IE	Investment Earnings	1,684,827
MI	Miscellaneous Local and Intermediate Revenue	1,640,230
TR	Total General Revenues	370,362,017
CN	Change in Net Assets	(10,376,198)
NB	Net Assets--Beginning	115,938,852
NE	Net Assets--Ending	\$ 105,562,654

The accompanying notes are an integral part of this statement.

EL PASO INDEPENDENT SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
AUGUST 31, 2003

Data Control Codes	10 General Fund	Other Funds	Total Governmental Funds	
ASSETS				
1110	Cash and Cash Equivalents	\$ 50,068,709	\$ 15,486,790	\$ 65,555,499
1120	Investments - Current	2,000,000	-	2,000,000
1220	Property Taxes - Delinquent	11,345,071	1,312,422	12,657,493
1230	Allowance for Uncollectible Taxes (credit)	(4,750,000)	(552,000)	(5,302,000)
1240	Due from Other Governments	19,090,553	5,653,440	24,743,993
1250	Accrued Interest	46,445	17,961	64,406
1260	Due from Other Funds	2,416,937	-	2,416,937
1290	Other Receivables	1,060,180	24,014	1,084,194
1300	Inventories	1,884,858	43,399	1,928,257
1900	Other Assets	-	3,931,573	3,931,573
1000	Total Assets	<u>\$ 83,162,753</u>	<u>\$ 25,917,599</u>	<u>\$ 109,080,352</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
2110	Accounts Payable	\$ 3,516,600	\$ 849,844	\$ 4,366,444
2150	Payroll Deductions and Withholdings Payable	2,369,408	-	2,369,408
2160	Accrued Wages Payable	19,286,819	-	19,286,819
2170	Due to Other Funds	1,322,109	2,416,937	3,739,046
2180	Due to Other Governments	302,694	527,799	830,493
2200	Accrued Expenditures	65,064	-	65,064
2300	Deferred Revenues	5,735,071	2,307,711	8,042,782
2000	Total Liabilities	<u>\$ 32,597,765</u>	<u>\$ 6,102,291</u>	<u>\$ 38,700,056</u>
Fund Balances.				
Reserved For				
3410	Investments in Inventory	\$ 1,884,858	\$ 43,399	\$ 1,928,257
3420	Retirement of Long-Term Debt	-	6,948,347	6,948,347
3440	Outstanding Encumbrances	2,648,279	-	2,648,279
3450	Food Service	-	272,517	272,517
Unreserved Designated For				
3510	Construction	16,414,358	7,767,391	24,181,749
3590	Other Purposes	-	4,783,654	4,783,654
Unreserved and Undesignated				
3600	Reported in the General Fund	29,617,493	-	29,617,493
3000	Total Fund Balances	<u>\$ 50,564,988</u>	<u>\$ 19,815,308</u>	<u>\$ 70,380,296</u>
4000	Total Liabilities and Fund Balances	<u>\$ 83,162,753</u>	<u>\$ 25,917,599</u>	<u>\$ 109,080,352</u>

The accompanying notes are an integral part of this statement

EL PASO INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE
 STATEMENT OF NET ASSETS
 FOR THE YEAR ENDED AUGUST 31, 2003

Total Fund Balances - Governmental Funds	\$	70,380,296
1 The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets. The net effect of this consolidation is to increase net assets.		5,074,356
2 Capital assets used in governmental activities are not financial resources and therefore are not reported in governmental funds. At the beginning of the year, the cost of these assets was \$453,236,062 and the accumulated depreciation was \$198,775,657. In addition, long-term liabilities, including bonds payable, are not due and payable in the current period, and, therefore are not reported as liabilities in the funds. The net effect of including the beginning balances for capital assets (net of depreciation) and long-term debt in the governmental activities is to increase net assets.		24,507,688
3 Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of including the 2003 capital outlays and debt principal payments is to increase net assets.		16,884,079
4 The 2003 depreciation expense increases accumulated depreciation. The net effect of the current year's depreciation is to decrease net assets.		(9,228,754)
5 Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, eliminating interfund transactions, reclassifying the proceeds of bond sales as an increase in bonds payable, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to decrease net assets.		(2,055,011)
19 Net Assets of Governmental Activities	<u>\$</u>	<u>105,562,654</u>

The accompanying notes are an integral part of this statement

EL PASO INDEPENDENT SCHOOL DISTRICT
 RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED AUGUST 31, 2003

Total Net Change in Fund Balances - Governmental Funds	\$ (18,669,283)
The District uses internal service funds to charge the costs of certain activities, such as self-insurance and printing, to appropriate functions in other funds. The net income of internal service funds are reported with governmental activities. The net effect of this consolidation is to increase net assets.	9,182,652
Current year capital outlays and long-term debt principal payments are expenditures in the fund financial statements, but they should be shown as increases in capital assets and reductions in long-term debt in the government-wide financial statements. The net effect of removing the 2003 capital outlays and debt principal payments is to increase net assets.	17,302,736
Depreciation is not recognized as an expense in governmental funds since it does not require the use of current financial resources. The net effect of the current year's depreciation is to decrease net assets	(9,228,754)
Various other reclassifications and eliminations are necessary to convert from the modified accrual basis of accounting to accrual basis of accounting. These include recognizing deferred revenue as revenue, adjusting current year revenue to show the revenue earned from the current year's tax levy, eliminating interfund transactions, reclassifying the proceeds of bond sales, and recognizing the liabilities associated with maturing long-term debt and interest. The net effect of these reclassifications and recognitions is to increase net assets	(8,963,549)
Change in Net Assets of Governmental Activities	\$ (10,376,198)

The accompanying notes are an integral part of this statement