

**COUNTY OF EL PASO, TEXAS**  
**ANNUAL FINANCIAL AND COMPLIANCE REPORTS**  
**AS OF SEPTEMBER 30, 2008**

**EL PASO COUNTY, TEXAS**

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of The County of El Paso, Texas (County), as of and for the year ended September 30, 2008, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors.

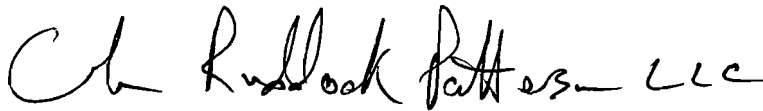
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information of the County and the respective budgetary comparison for the General Fund and the Road and Bridge Special Revenue Fund, as of September 30, 2008, 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 February 16, 2009 on our consideration of The County of El Paso, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 18, is not a required part of the basic financial statements but is supplementary information required by 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 required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, other supplementary information, combining, comparative and individual nonmajor fund financial statements, and statistical section were presented in the County's Comprehensive Annual Financial Report dated February 16, 2009, for purposes of additional analysis, and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of Texas Single Audit Circular, and is also not a required part of the basic financial statements of The County of El Paso, Texas. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects in relation to the basic financial statements taken as a whole.



El Paso, Texas  
February 16, 2009

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## Management's Discussion and Analysis

As management of the County of El Paso (the County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2008. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 through 10 of this report.

**Financial Highlights.** Combined County assets from governmental and business type activities exceeded liabilities at the close of fiscal year 2008 by \$179,120,610, which represents total net assets. Of this amount, \$167,589,571 or 93.56 percent relates to governmental-type activities while \$11,531,039 or 6.44 percent represents business-type activities. Total net assets are comprised of restricted and unrestricted assets and investment in capital assets net of related debt. Investment in capital assets net of related debt totaled \$18,383,693 or 10.26 percent of total net assets. Restricted assets represent funds subject to constraints that are imposed externally by creditors, debt covenants, grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted net assets totaled \$110,135,901 or 61.49 percent of total net assets of which the primary government and business type activities totaled \$109,965,626 or 99.85 percent and \$170,275 or .15 percent, respectively. Unrestricted net assets on the other hand may be used to meet the county's ongoing obligations to citizens and creditors and totaled \$50,601,016 or 28.25 percent of total net assets.

Fiscal year 2008 operations of the County resulted in total net assets increasing by \$2,280,304 or 1.29 percent. This was attributable to an increase of \$2,460,526 or 1.49 percent in the governmental-type net assets and a decrease in business-type net assets totaling \$180,222 or 1.54 percent. Explanation of these changes is depicted hereafter in this management discussion and analysis.

### Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

**Other information.** The combining statements regarding non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 99-200 of this report.

### **Government-Wide Financial Analysis**

As previously noted, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$179,120,610 at the close of fiscal year 2008. By far the largest component of the County's net assets represents restricted assets totaling \$110,135,901 or 61.49 percent. These restricted net assets represent resources that are subject to external restrictions on how they may be used, and are comprised of capital project funds totaling \$86,092,118 or 78.17 percent, special revenue funds totaling \$21,432,389 or 19.46 percent, enterprise funds totaling \$170,275 or .15 percent of restricted net assets. Also included are debt service funds totaling \$2,441,119 or 2.22 percent of total restricted



net assets. The next category relates to unrestricted net assets totaling \$50,601,016 or 28.25 percent of total net assets, which may be used to meet the County's ongoing obligations to citizens and creditors. The last component of the County's net assets represents investment in capital assets (e.g., land, buildings, machinery, and equipment) totaling \$18,383,693 or 10.26 percent of total net assets, which is net of any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Furthermore, as of September 30, 2008, the County's net assets for the governmental activities increased by \$2,460,526 or 1.49 percent and business-type activities declined by \$180,222 or 1.54 percent and netted an overall increase of \$2,280,304 or 1.29 percent. Investments in capital assets net of related debt from governmental and business-type activities declined by \$61,713,432 or 77.05 percent. There was a net increase of \$55,020,713 or 99.83 percent in restricted assets reported, of which \$56,091,233 related to governmental activities and \$1,070,520 related to business-type activities. Unrestricted net assets totaled \$50,601,016 of which \$49,385,866 or 97.60 percent and \$1,215,150 or 2.40 percent related to governmental and business type activities, respectively.

On a global perspective, the County of El Paso's total assets from governmental and business-type activities grew by \$67,061,185 or 20.82 percent. This increase was the culmination of a multitude of changes at the fund level statements, but more so, at the entity-wide level financial statements. Discussion here will focus on selective information to give the reader a basic understanding of changes by evaluating changes in the statement of net assets and the associated changes in revenues and expenditures. Detailed analysis and explanation will be focused on significant changes, which occurred throughout the various levels within these financial statements.

El Paso County, Texas Net Assets						
	Governmental		Business-type		Total	
	Activities		Activities			
	FY2008	FY2007	FY2008	FY2007	FY2008	FY2007
Current and other assets	\$ 206,428,549	\$ 139,363,404	\$ 1,736,154	\$ 1,597,964	\$ 208,164,703	\$ 140,961,368
Capital assets	169,943,890	169,737,309	11,063,223	11,411,954	181,007,113	181,149,263
Total assets	376,372,439	309,100,713	12,799,377	13,009,918	389,171,816	322,110,631
Long-term liabilities outstanding	189,511,523	124,688,762	1,098,000	1,116,000	190,609,523	125,804,762
Other liabilities	19,271,345	19,282,906	170,338	182,657	19,441,683	19,465,563
Total liabilities	208,782,868	143,971,668	1,268,338	1,298,657	210,051,206	145,270,325
Net assets:						
Invested in capital assets, net of related debt	8,238,079	69,626,659	10,145,614	10,470,466	18,383,693	80,097,125
Restricted	109,965,626	53,874,393	170,275	1,240,795	110,135,901	55,115,188
Unrestricted	49,385,866	41,627,993	1,215,150	-	50,601,016	41,627,993
Total net assets	\$ 167,589,571	\$ 165,129,045	\$ 11,531,039	\$ 11,711,261	\$ 179,120,610	\$ 176,840,306

The overall increase in net assets of the County can be better understood when evaluating the changes to net assets, total assets minus total liabilities. Total assets amounted to \$389,171,816, an increase of \$67,061,185 or 20.82 percent. Further analysis reflects that the majority of all assets relate to governmental activities totaling \$376,372,439 or 96.71 percent and business-type activities totaled \$12,799,377 or 3.29 percent. Overall, capital assets (net of related depreciation) totaled \$181,007,113 and decreased by \$142,150 or .08 percent from the prior year and represent

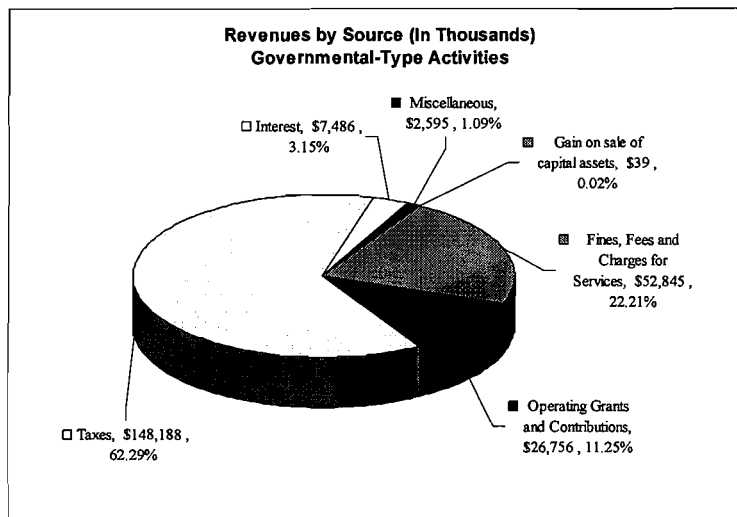
land, buildings, improvements, equipment, furniture, vehicles, roads, bridges and culverts and construction in progress. This decrease is due mainly to the fully depreciated capital assets.

For entity-wide reporting purposes under GASB 34, capital expenditures made at the fund level must be reversed from expenditures at the entity-wide level financial statements and reflected as capital assets net of depreciation. Due to this, you may observe fund level expenditure amounts in excess of what is reported at the entity-wide level or visa versa. The most significant impacts in total assets represent an increase that occurred within cash and cash equivalents totaling \$66,011,601 or 59.12 percent and an increase to receivables (net of allowances for uncollectible) totaling \$1,486,403 or 5.17 percent. The significance of this can be further evaluated by shifting attention away from assets and liabilities and focusing on the changes to the components of total net assets, which is discussed immediately following discussion on total liabilities.

Overall, total entity-wide liabilities were \$210,051,206 and increased by \$64,780,881 or 44.59 percent. Further analysis reflects that the majority of all liabilities relate to governmental activities totaling \$208,782,868 or 99.40 percent and business type activities totaling \$1,268,338 or .60 percent. When compared to fiscal year 2007, liabilities increased in the areas of bonds for a total of \$61,461,843 or 60.88 percent, Other Post Employment Benefits (OPEB) Liability by \$2,890,040 or 100 percent, vouchers payable by \$1,634,820 or 26.99 percent, payroll liabilities by \$1,413,952 or 50 percent, compensated absences by \$1,433,560 or 6.10 percent. Declines included unearned revenue of \$2,994,552 or 66.91 percent, contingent liabilities by \$926,000 or 84.49 percent and retainage payable by \$110,708 or 36.55 percent. For additional information regarding compensated absences and other post employment benefits, please see note 1-K and 3-J, respectively.

County of El Paso, Texas Changes in Net Assets						
	Governmental		Business-type		Total	
	Activities		Activities			
	FY2008	FY2007	FY2008	FY2007	FY2008	FY2007
<b>Revenues:</b>						
<b>Program revenues:</b>						
Charges for services	\$ 52,844,527	\$ 54,250,794	\$ 1,073,712	\$ 1,012,083	\$ 53,918,239	\$ 55,262,877
Operating grants and contributions	26,756,029	24,010,952	-	-	26,756,029	24,010,952
Capital grants and contributions	-	-	-	-	-	-
<b>General revenues:</b>						
Property taxes	108,236,305	102,856,191	-	-	108,236,305	102,856,191
Other taxes	39,951,449	37,304,824	-	-	39,951,449	37,304,824
Other	10,119,966	11,085,263	53,821	72,664	10,173,787	11,157,927
<b>Total revenues</b>	<b>237,908,276</b>	<b>229,508,024</b>	<b>1,127,533</b>	<b>1,084,747</b>	<b>239,035,809</b>	<b>230,592,771</b>
<b>Expenses:</b>						
General government	41,127,055	38,697,378	-	-	41,127,055	38,697,378
Administration of justice	48,887,372	44,631,520	-	-	48,887,372	44,631,520
Public safety	112,598,631	105,708,838	-	-	112,598,631	105,708,838
Health and welfare	11,973,899	11,224,078	-	-	11,973,899	11,224,078
Community services	1,590,454	1,388,954	-	-	1,590,454	1,388,954
Resource development	637,349	444,639	-	-	637,349	444,639
Culture and recreation	7,580,243	6,936,348	-	-	7,580,243	6,936,348
Public works	7,840,138	7,949,688	-	-	7,840,138	7,949,688
Interest on long-term debt	6,381,251	4,998,966	-	-	6,381,251	4,998,966
East Montana water project	-	-	1,312,755	1,271,987	1,312,755	1,271,987
<b>Total expenses</b>	<b>238,616,392</b>	<b>221,980,409</b>	<b>1,312,755</b>	<b>1,271,987</b>	<b>239,929,147</b>	<b>223,252,396</b>
Increase (decrease) in net assets before transfers	(708,116)	7,527,615	(185,222)	(187,240)	(893,338)	7,340,375
Transfers	(5,000)	(40,000)	5,000	40,000	-	-
<b>Increase in net assets</b>	<b>(713,116)</b>	<b>7,487,615</b>	<b>(180,222)</b>	<b>(147,240)</b>	<b>(893,338)</b>	<b>7,340,375</b>
Net assets October 1	165,129,045	157,641,430	11,711,261	11,858,501	176,840,306	169,499,931
Prior period adjustment	3,173,642	-	-	-	3,173,642	-
<b>Net assets September 30</b>	<b>\$ 167,589,571</b>	<b>\$ 165,129,045</b>	<b>\$ 11,531,039</b>	<b>\$ 11,711,261</b>	<b>\$ 179,120,610</b>	<b>\$ 176,840,306</b>

The increase in the County's net assets of \$2,280,304 or 1.29 percent represents the degree to which assets have been capitalized related to ongoing capital projects and the utilization of bond proceeds. Overall revenue increased by \$8,443,038 or 3.66 percent, of which a significant share of \$5,380,114 or 5.23 percent relates to ad valorem property taxes. Other taxes are comprised mainly of sales and use and hotel occupancy taxes, and rose by \$2,646,625 or 7.09 percent mainly due to robust retail sales. Other impacts included operating grants and contributions and grew by \$2,745,077 or 11.43 percent. Other areas saw a decline such as charges for services which decreased overall by \$1,344,638 or 2.43 percent while other revenues declined by \$984,140 or 8.82 percent mainly attributable to continued decline in phone commission revenue.



Expenses increased by a net of \$16,676,751 or 7.47 percent. Expense changes included increases in public safety of \$6,889,793 or 6.52 percent, administration of justice of \$4,255,852 or 9.54 percent, interest on long-term debt of \$1,382,285 or 27.65 percent, general government of \$2,429,677 or 6.28 percent, health and welfare of \$749,821 or 6.68 percent, culture and recreation of \$643,895 or 9.28 percent, community services of \$201,500 or 14.51 percent, resource development of \$192,710 or 43.34 percent and the East Montana Water Project of \$40,768 or 3.21 percent. These increases netted with a decline in public works totaling \$109,550 or 1.38 percent. Further explanation of all the above changes is discussed hereafter.

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

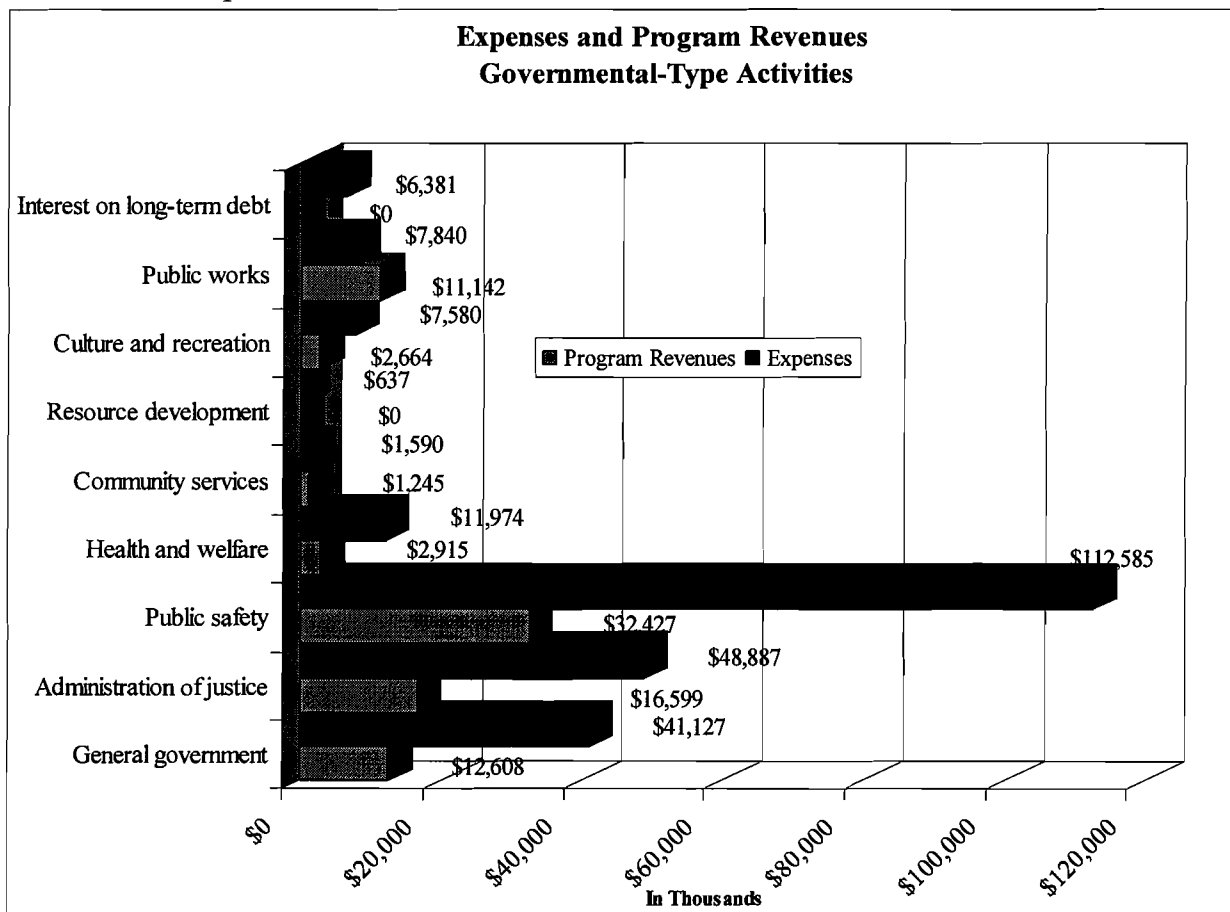
**Governmental activities**

Governmental activities during fiscal year 2008 resulted in an increase in net assets of \$2,460,526 or 1.49 percent whereas business-type activities depicted a decline of \$180,222 or 1.54 percent thereby resulting in a change of \$2,280,304 or 1.29 percent in net assets. Comparative fiscal year 2008 and 2007 data relating to these changes is reflected below.

Property taxes increased by \$5,380,114 or 5.23 percent during the year. This increase is attributable to the addition of new taxable properties and increases in existing taxable property values totaling \$3,317,565,260 or 12.77 percent, mainly due to reappraisal totaling \$2,596,144,903 or 10.00 percent and new properties added totaling \$721,420,357 or 2.78 percent and as a result the Court opted to lower the tax rate from \$0.391390 to \$0.360267.

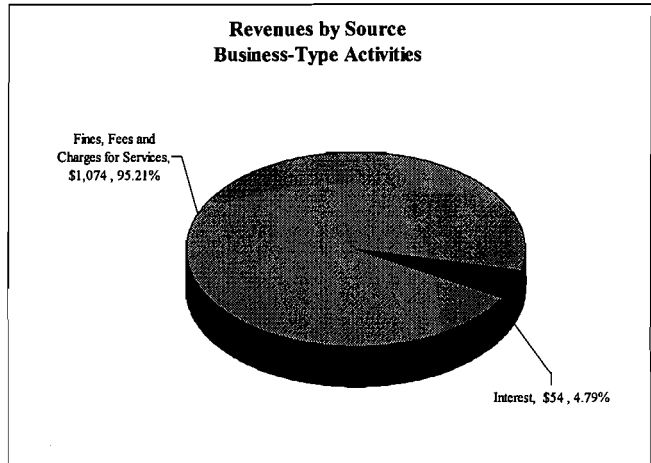
Operating grants and contributions for governmental activities increased by \$2,745,077 or 11.43 percent. Additionally, other taxes increased by \$2,646,625 or 7.09 percent. Increases were offset by declines such as charges for services, which declined by \$1,406,267 or 2.59 percent mainly due to a decline in prisoner housing revenue and county clerk fees. Other revenue also declined by \$965,297 or 8.71 percent, mainly due to declines in inmate phone commissions.

Expenses in governmental activities increased by \$16,635,983 or 7.49 percent and comprised 99.76 percent of the overall entity-wide increase of \$16,676,751. Significant increases were evident in areas including public safety totaling \$6,889,793 or 6.52 percent, administration of justice totaling \$4,255,852 or 9.54 percent, interest on long-term debt totaling \$1,382,285 or 27.65 percent, general government totaling \$2,429,677 or 6.28 percent, health and welfare totaling \$749,821 or 6.68 percent, culture and recreation totaling \$643,895 or 9.28 percent, community services totaling \$201,500 or 14.51 percent and resource development totaling \$192,710 or 43.34 percent. These increases were netted with a decline in public works totaling \$109,550 or 1.38 percent.

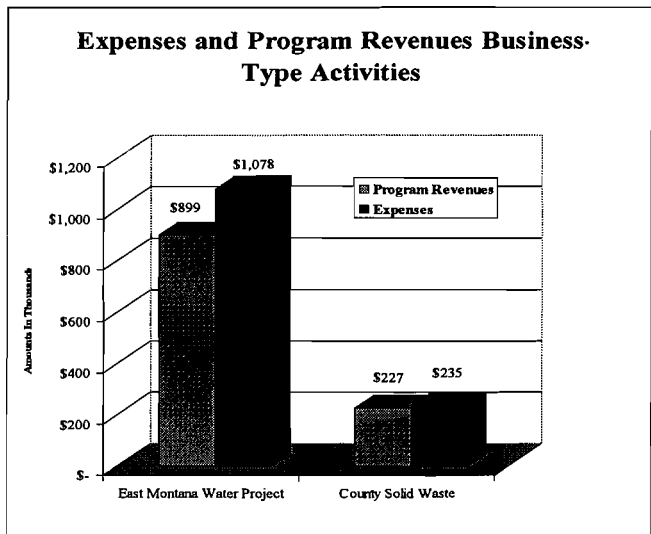


Changes mentioned previously within each of the functions above are the result of a combination of factors both at the fund level and more materially at the entity-wide level as explained in the discussion of the changes in the statement of net assets. More specific information can be found in the fund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

**Business-type activities.** Business-type activities resulted in a decrease in net assets of \$180,222 or 1.54 percent and accounted for (7.86) percent of the total change in the government's net assets. Comparative fiscal year 2008 and 2007 data relating to these changes is reflected on Exhibit 7. Restricted net assets of the Business-Type Activities at the end of the year amounted to \$170,275, a decrease of \$1,070,520 or 86.28 percent. On the other hand, unrestricted assets totaled \$1,215,150.



Overall revenues totaled \$1,127,533 and grew by \$42,786 or 3.94 percent. Charges for services increased by \$61,629 or 6.09 percent due to an increase in program revenue received from the East Montana water system. Other revenues decreased by \$18,843 or 25.93 percent mostly due to lower investment earnings on fewer funds available for investment in business-type activities.



Expenses in this area totaled \$1,312,755 and increased by \$40,768 or 3.21 percent and were related to increased cost of water purchases for the East Montana water project and garbage services for the Far East side of the County.

**Financial Analysis of the Government's Funds**

**Governmental funds**

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

At the end of the fiscal year, the County's governmental funds reported combined ending fund balances of \$167,871,620, an increase of \$64,804,507 or 62.88 percent in comparison with the prior year. Unreserved undesignated fund balance constitutes \$34,630,181 or 20.63 percent of total fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved or designated to indicate that it has already been committed. The majority of this designated balance is attributable to capital project funds totaling \$81,512,484 or 48.56 percent of combined fund balance for planned capital equipment and infrastructure. Also included in the unreserved balance is \$40,187,260 or 23.94 percent designated to balance the fiscal year 2009 operating budget. Designations included \$20,983,026 in the General Fund and

\$19,204,234 in Special Revenue for a variety of specific purposes. Additionally, \$3,394,268 is reserved for future debt service principal and interest payments.

The general fund is the chief operating fund of the County. Fund balance totaled \$43,072,166, and decreased by \$5,548,961 or 11.41 percent. At the end of the current fiscal year, \$20,749,502 was unreserved and undesignated, while \$20,983,026 represents the amount unreserved and designated for subsequent years expenditure in balancing the general fund budget for fiscal year 2009. Overall, the undesignated fund balance of the general fund decreased by \$4,697,291 or 18.46 percent. As a measure of the general fund's liquidity, it may be useful to compare both unreserved undesignated fund balance and total fund balance to total fund expenditures. The Commissioners Court utilized undesignated reserves in balancing the fiscal year 2009 operating budget, which included an expenditure level exceeding the corresponding rate of estimated revenue growth, although the designation decreased by \$940,816 or 4.29 percent from that of the prior fiscal year.

The debt service fund ended the fiscal year with a fund balance of \$3,394,268, all of which is reserved for the payment of debt service. The amount of \$665,759 in this fund balance is attributed to the excess sales tax transfer from the general fund at year end, as state law requires that excess sales tax be used to pay off any outstanding debt.

The special revenue funds in the aggregate have a fund balance of \$35,313,068 and increased by \$6,187,680 or 21.24 percent compared to the previous year. The Road and Bridge Fund ended the year with a fund balance of \$15,862,719, an increase of \$2,527,810 or 18.96 percent and is attributable to a decrease in capital outlays.

The County Capital Projects 2007 fund ended the fiscal year with a fund balance of \$59,293,995 and is attributable to the bond issuance during the fiscal year for a multitude of capital projects including construction and improvements to County facilities.

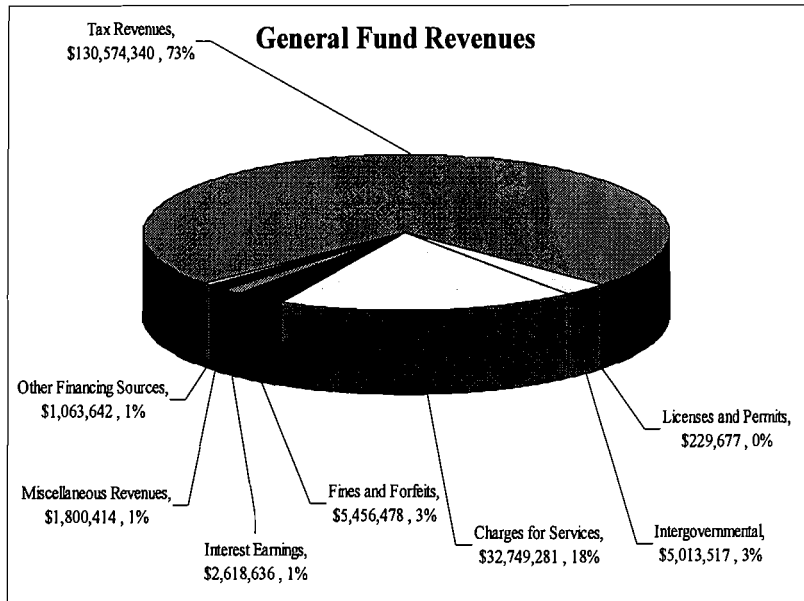
### General Fund Trends

General Fund Revenues	2007 Actuals	2008 Actuals	Amount Increase (Decrease) from FY 2007	Percent Increase (Decrease)	2008 Actual as a % of Total Revenues and Other Financing Sources
Tax Revenues	\$ 122,202,235	\$ 130,574,340	\$ 8,372,105	6.85%	72.74%
Licenses and Permits	\$ 194,080	\$ 229,677	\$ 35,597	18.34%	0.13%
Intergovernmental	\$ 3,767,026	\$ 5,013,517	\$ 1,246,491	33.09%	2.79%
Charges for Services	\$ 32,268,875	\$ 32,749,281	\$ 480,406	1.49%	18.24%
Fines and Forfeits	\$ 5,706,185	\$ 5,456,478	\$ (249,707)	-4.38%	3.04%
Interest Earnings	\$ 3,639,456	\$ 2,618,636	\$ (1,020,820)	-28.05%	1.46%
Miscellaneous Revenues	\$ 2,203,854	\$ 1,800,414	\$ (403,440)	-18.31%	1.00%
Other Financing Sources	\$ 1,221,989	\$ 1,063,642	\$ (158,347)	-12.96%	0.59%
<b>Total revenues and other sources</b>	<b>\$ 171,203,700</b>	<b>\$ 179,505,985</b>	<b>\$ 8,302,285</b>	<b>4.85%</b>	<b>100.00%</b>

A myriad of factors contributed to the general fund's financial position. Factors included actual expenditures and transfers out over revenues and other financing sources of \$5,508,742. Actual revenues totaled \$178,442,343, an increase of \$8,460,632 or 4.98 percent over fiscal year 2007.

On the other hand, other financing sources totaled \$1,063,642, a decrease of \$158,347 or 12.96 percent from fiscal year 2007.

It is noteworthy to mention that various factors and actions by the County during the fiscal year had the effect of minimizing the impact on fund balance and unspent budget balances within the general fund. Significant factors impacting the general fund balance were revenue increases in a variety of areas. Together, revenues and other sources netted a total increase of \$8,302,285 or 4.85 percent. Some of the increases in revenues were briefly discussed previously in the



governmental-type activities revenue discussion. Further analysis of the general fund reflects increases in taxes of \$8,372,105 or 6.85 percent, of which the majority of this increase relates to ad valorem property taxes totaling \$5,935,336 or 6.76 percent and sales and use taxes totaling \$2,322,416 or 7.04 percent. The increase in taxes was attributable in part to continued growth in the property tax base and valuation increases and growth in retail sales.

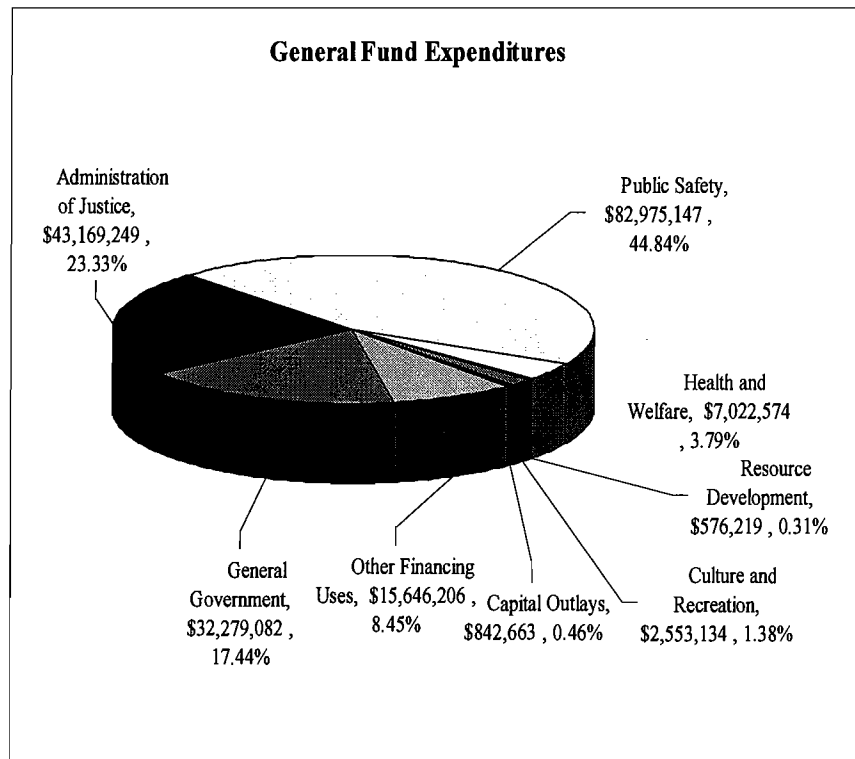
Other areas which experienced growth, included intergovernmental totaling \$1,246,491 or 33.09 percent, charges for services \$480,406 or 1.49 percent, mainly due to growth in county and district clerk fees. Licenses and permits also grew modestly by \$35,597 or 18.34 percent.

These increases were netted by general fund revenue declines in interest earnings of \$1,020,820 or 28.05 percent due to continued action by the Federal Reserve of lowering interest rates. Miscellaneous revenue declined by \$403,440 or 18.31 percent, fines and forfeits declined by \$249,707 or 4.38 percent which is consistent with the overall decline in criminal case volume activity during fiscal year 2008. Other financing sources decreased by \$158,347 or 12.96 percent due mainly to a decline in returned unspent grant match in comparison to 2007.

Comparison of the general fund adopted appropriations reflects growth in fiscal year 2008 of \$11,306,537 or 6.16 percent for a total of \$194,793,702. Actual expenditures and transfers out in fiscal year 2008 grew by \$13,116,054 or 7.63 percent bringing the total of general fund expenditures and transfers to \$185,064,274. Growth in expenditures by category as reflected in the chart below, were the result of a multitude of changes including increases related to the County's salary-step-plan, the sheriff's collective bargaining agreement, new costs to fund mandated services, as well as to keep pace with general inflationary increases.

General Fund Expenditures	2007 Actuals	2008 Actuals	Amount Increase (Decrease) from FY 2007	Percent Increase (Decrease)	2007 Actual as a % of Total Expenditures and Other Financing Uses
<b>Current:</b>					
General Government	\$ 29,888,859	\$ 32,279,082	\$ 2,390,223	8.00%	17.44%
Administration of Justice	\$ 39,075,021	\$ 43,169,249	\$ 4,094,228	10.48%	23.33%
Public Safety	\$ 78,221,079	\$ 82,975,147	\$ 4,754,068	6.08%	44.84%
Health and Welfare	\$ 6,833,607	\$ 7,022,574	\$ 188,967	2.77%	3.79%
Resource Development	\$ 470,660	\$ 576,219	\$ 105,559	22.43%	0.31%
Culture and Recreation	\$ 2,282,462	\$ 2,553,134	\$ 270,672	11.86%	1.38%
Capital Outlays	\$ 363,664	\$ 842,663	\$ 478,999	131.71%	0.46%
Other Financing Uses	\$ 14,812,868	\$ 15,646,206	\$ 833,338	5.63%	8.45%
<b>Total Expenditures (Uses)</b>	<b>\$ 171,948,220</b>	<b>\$ 185,064,274</b>	<b>\$ 13,116,054</b>	<b>7.63%</b>	<b>100.00%</b>

Further analysis reflects increases comprising all categories. Further evaluation reflects increases in public safety totaling \$4,754,068 or 6.08 percent, administration of justice totaling \$4,094,228 or 10.48 percent, general government totaling \$2,390,223 or 8.00 percent, other financing uses totaling \$833,338 or 5.63 percent, capital outlays totaling \$478,999 or 131.71 percent, culture and recreation totaling \$270,672 or 11.86 percent and health and welfare totaling \$188,967 or 2.77 percent.



Additionally, revenues and other sources fell short of expenditures and other uses by \$5,508,742 as reflected on exhibit 4.

### General Fund Budgetary Highlights

The fiscal year 2008 budget of \$193,654,860 did not increase during the fiscal year other than for carryover appropriations totaling \$1,138,842 bringing the original budget total to \$194,793,702. This budget included \$21,923,842 of fund balance reserves to balance the fiscal year 2008



budget gap of appropriations in excess of estimated revenues. The only other changes were for reallocations within expenditure classifications and can be briefly summarized as follows:

- (\$5,909,763) decreases in general government activities.
- \$3,689,624 increases allocated to administration of justice.
- \$2,517,808 increases allocated to public safety.
- (\$105,451) decreases allocated to health and welfare.
- \$235,467 increases allocated to culture and recreation.
- \$16,721 increases in resource development.
- (\$67,556) decreases to capital outlays.
- (\$376,850) decreases to transfers out.

### **General Fund Budgetary Variance Highlights**

Analysis of budget actual trends in Exhibit 5 depicts that actual revenues exceeded estimates by \$7,307,325 in a variety of areas. The most significant variances occurred in taxes comprised of ad valorem and sales taxes and saw a favorable variance of \$2,641,410 and \$3,308,357, respectively and represented \$5,949,767 or 81.42 percent of the overall variance. These two revenue sources comprise approximately 72.30 percent of total revenue. Intergovernmental revenues also outpaced estimates by \$1,862,271 or 25.48 percent of the overall variance. This revenue totaled \$5,013,517 and represents 2.79 percent of total revenue. This was due mainly to an increase in receipt of uncertified reimbursements related to federal initiated case prosecution totaling \$1,391,992. Other favorable variances included charges for services which exceeded estimate by \$544,381 or 7.45 percent of total revenue variances. Favorable variances in this category were mainly due to \$1,529,725 in reimbursement for City prisoner processing and housing, \$869,231 related to reimbursement for criminal alien housing and \$266,300 related to district clerk fees, to name a few. These favorable variances were netted with negative variances such as \$1,780,216 related to federal prisoner housing and \$426,071 for county clerk fees. Charges for services revenue totaled \$32,749,281 and represents 18.24 percent of total revenue. Other financing sources representing transfers-in totaled \$1,063,642 and also saw a positive budget variance of \$467,642 or 6.01 percent due to residual matching funds remaining after close-out of respective grants.

Negative variances were experienced in interest earnings totaling \$881,364 or 11.34 percent of total revenue variances. Interest earnings totaled \$2,618,636 and represented 1.46 percent of total revenue. Miscellaneous revenues declined with a variance of \$347,386 or 4.75 percent of total variances. The most significant source contributing to this unfavorable variance related to a decline in inmate phone commissions. This revenue totaled \$1,800,414 and represents 1.00 percent of total revenues. Fines and forfeits experienced an unfavorable variance of \$36,022 and represented .46 percent of total revenue variances. This revenue totaled \$5,456,478 and represents 3.04 percent of total revenues.

Favorable appropriation variances were also experienced as the Commissioners Court and County departments remained frugal and the Court enforced cost reduction policies such as maintaining a six week hiring freeze when filling staffing table vacancies, no appropriation transfers between categories of personnel, operating and capital without Court approval and encouraging efficiencies in business practices. Overall favorable appropriation variances totaled \$10,395,187, which represents 5.34 percent of the adopted budget with carryover. This variance was comprised of personnel, operating, capital and transfers out totaling \$3,138,710, \$7,020,335,

(\$60,382) and \$256,305, respectively. The most significant favorable variance was in the area of general government totaling \$6,378,037 or 61.59 percent of overall appropriation variances. The majority of this variance related to contingencies that did not materialize and personnel and operating appropriations and was made possible due to the County's policy of not fully funding departmental salaries until the third quarter of each fiscal year, which factors in savings related to attrition, cost of living and merit increases. In regard to operating appropriations, this favorable impact was due to frugal use of operating contingency funds under the control of the Commissioners Court which were not utilized for unforeseen operating needs. Appropriations for transfers-out relate to leveraging county matching funds to secure state and federal grant funding which saw a favorable variance of \$256,305.

## Capital Asset and Debt Administration

### Capital assets

El Paso County, Texas						
Summary of Capital Assets (Net of Depreciation)						
Categories	Governmental Activities		Business-type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Land	\$ 14,758,837	\$ 13,855,762			\$ 14,758,837	\$ 13,855,762
Buildings	110,775,326	115,306,383			110,775,326	115,306,383
Improvements	6,865,083	6,345,028			6,865,083	6,345,028
Equipment	5,472,591	5,446,572	\$ 11,063,223	\$ 11,411,995	16,535,814	16,858,567
Furniture and Fixtures	199,426	192,648			199,426	192,648
Infrastructure	1,452,242	1,533,199			1,452,242	1,533,199
Vehicles	5,374,028	4,159,329			5,374,028	4,159,329
Roads	15,836,870	15,453,161			15,836,870	15,453,161
Bridges and culverts	1,785,828	1,885,394			1,785,828	1,885,394
Leased equipment	205,203	308,329			205,203	308,329
Construction in progress	7,218,456	5,251,504			7,218,456	5,251,504
Total assets	\$ 169,943,890	\$ 169,737,309	\$11,063,223	\$11,411,995	\$181,007,113	\$181,149,304

The County's capital assets for governmental and business type activities as of September 30, 2008 amounted to \$181,007,113 net of accumulated depreciation. This investment in capital assets includes land, buildings, improvements, equipment, vehicles, roads and bridges. The total change in the County's capital assets for the current fiscal year was a net decline of \$142,191 or .08 percent, comprised of \$206,581 or .12 percent in governmental activities and (\$348,772) or 3.06 percent in the business-type activities.

Major capital asset activity occurring in fiscal year 2008 included road construction, purchases of land, buildings, and equipment. The most significant increases were attributable to the addition of county roads and construction in progress from expenditure of bonds issued in prior years. Another activity of significance includes the Fabens Port of Entry in Far East El Paso whereby the County is working with State, Federal and Mexican officials for the construction of a new international port of entry between the United States and Mexico. Additional information on the County's capital assets can be found in note 3-C and Exhibit G1- G3.

### Long-term debt

At the end of the current fiscal year, the County had total bonded debt outstanding of \$163,088,000 as reflected below. Of this amount, \$161,990,000 comprises debt backed by the full faith and credit of the government. The remainder of the County's debt represents revenue bonds secured solely by specified revenue sources. During the current fiscal year the County's total debt increased by \$51,962,000 or 46.76 percent due to issuance of new debt.

<b>El Paso County's Outstanding Debt</b>						
<b>Type of Debt</b>	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Totals</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
General obligation bonds	\$61,510,000	\$39,365,000			\$61,510,000	\$39,365,000
Certificates of obligation bonds	100,480,000	70,645,000			100,480,000	70,645,000
Revenue bonds			\$1,098,000	\$1,116,000	1,098,000	1,116,000
<b>Total</b>	<b>\$161,990,000</b>	<b>\$110,010,000</b>	<b>\$1,098,000</b>	<b>\$1,116,000</b>	<b>\$163,088,000</b>	<b>\$111,126,000</b>

In fiscal year 2008, the Commissioners Court issued new debt to refinance some of its existing debt, taking advantage of favorable interest rates. At that time, both Moody's Investors Service and Standards & Poors reaffirmed bond ratings for a stable outlook in El Paso County with ratings of A1 and AA-, respectively. Both firms also reaffirmed these ratings on the County's outstanding general obligation debt. These ratings reflect the County's diverse and moderately growing economic base, well managed financial operations with emphasis on long-range financial goals of maintaining ample reserves, sound financial position and a manageable debt position.

This optimistic outlook is based on the actions exhibited by the Commissioners Court in generating additional revenues and establishing expenditure controls in fiscal year 2008 and continued stabilization for fiscal year 2009. Assuming the local economy remains stable and rebounds, this outlook is based on the premise that trends in revenue enhancements will continue to outpace the growth in expenditures in the next two fiscal years, which should propel the County's revenues and expenses into relative alignment for the future. Furthermore, future gains of budgetary alignment will be dependent upon the actions of the Commissioners Court, statutory mandates imposed by the State and the impact of economic conditions in the El Paso region. More detailed information on the County's indebtedness may be found in note 3-F.

### **Economic Factors and Next Year's Budgets and Rates**

- According to the Texas Workforce Commission's October 2008 issue of Texas Labor Market Review, the statewide unemployment rate was 6.0 percent in September. When compared to the same time last year, this was 1.70 percent higher.
- Over the past fiscal year, between September 2007 and September 2008, El Paso added 6,000 jobs overall. Further analysis reflects that 7,300 job gains resulted which netted with 1,300 employment losses. Some of the various job gains occurred in construction, 600, transportation, 400, financial activities, 300, and the service sectors 3,700 and government, 2,300. The major decline occurred in the total manufacturing sector which lost 900 jobs. Other job reductions were experienced in trade and information service sectors, which both lost 200 jobs. These sectors combined only comprise 24.92 percent of El Paso's employment market. The reduction continued in the manufacturing sector and remains to be attributable to apparel manufacturers shifting a portion of operations from El Paso to Mexico and Asia in order to reduce manufacturing costs. This is consistent with the nationwide trend of cost cutting within the apparel manufacturing sector.
- El Paso's cultural and business ties as a border region with Mexico drive its economy. The renewed attraction of El Paso County as a favorable business environment, coupled with continued moderately low interest rates, continues to stimulate local construction activity. The El Paso labor market will gain an estimated 53,000 new jobs from the expansion of Ft. Bliss between 2006 and 2013. Indirect and induced impacts will create nearly one additional job in El Paso for each one generated at Ft. Bliss.

- Assessed property values have averaged 10.09 percent growth over the past 5 years.
- In fiscal years 2005 and 2006, the tax rate grew and remained at \$0.432259 in a continued effort to align revenues with expenditure trends. For fiscal year 2007 and 2008, the tax rates fell to \$0.391390 and \$0.342437 respectively as a result of increased property valuations and the addition of new property to the tax base.
- The overall fund balance of the general fund trended down in fiscal years 2002 and 2003, by approximately \$8.5 and \$10 million or 16.20, and 22.82 percent, respectively and once again in fiscal year 2008 by a little over \$5 million or 10.33 percent as depicted on the graph on the next page.
- For the fifth consecutive year, sales and use tax revenues have grown, 5.05 percent in 2004, 4.27 percent in 2005, 12.32 percent in 2006, 6 percent in 2007 and in fiscal year 2008 the County experienced a 7.42 percent increase.
- Inflationary trends in the region have trended favorably compared to the state and national levels.
- The trend of general fund expenditure growth outpacing growth in revenues has been and continues to be of central focus of the Commissioners Court.

All of these factors were considered in preparing the County's budget for the 2009 fiscal year.

Focus of the County remains on conservative fiscal management while addressing public service needs and State mandates. As of September 30, 2007, the Federal Funds rate was 4.50 percent and the Discount rate was 5.25 percent and as of September 2008 the rates had declined to 2.0 and 2.25 percent respectively. Interest for the twelve months ended September 2008 was \$8,289,743 when compared to \$7,470,264 the prior fiscal year, an increase of \$819,479 or 10.97 percent due mainly to increased funds available for investment.

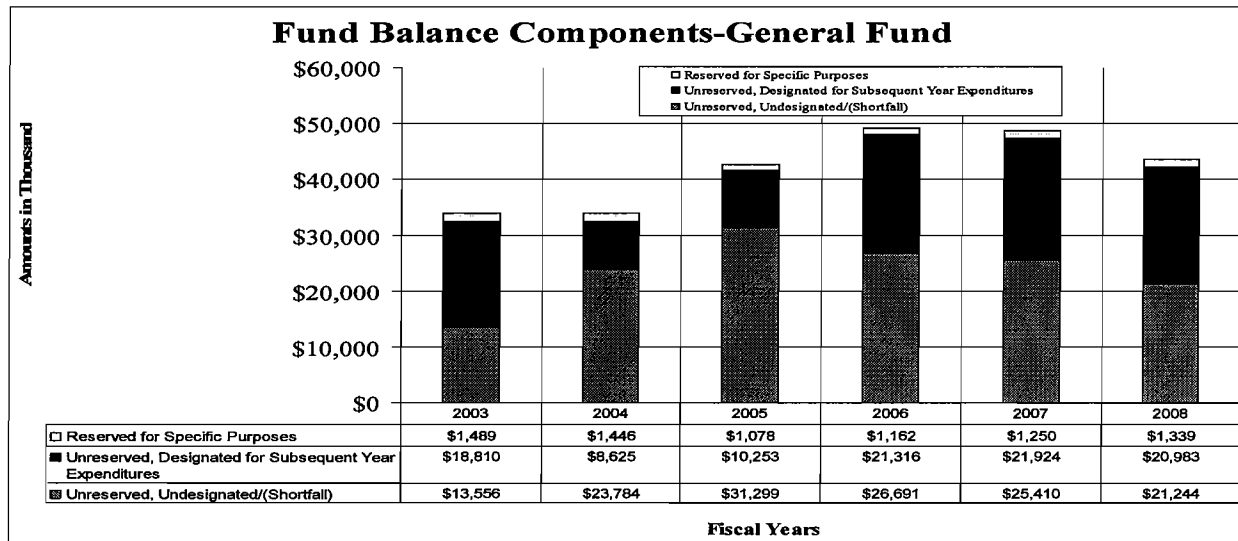
Unquestionably, the County faces continued challenges associated with meeting the steadily increasing demands for additional services and infrastructures for its rapidly growing population. The Commissioners Court members will continue to evaluate and analyze ways to streamline the County's operations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

For the future, it is anticipated that in fiscal year 2009, the Court will continue to face funding challenges. Some of these challenges will include identification of new sources or increases to revenues, additional costs for mandates such as new courts and possible shifting of financial funding responsibilities from the State to the County. Other challenges include public health and welfare, public safety and culture and recreation in response to community needs. Healthcare benefit costs for County employees and retirees are of major concern due to the trend of increasing cost of health care. Continuation of contractual collective bargaining salary adjustments for the sheriff's department and continued adherence to the County's salary-step-plan will remain of concern. Further challenges facing the court in the future are the increasing space needs, inflation and various other funding mandates placed upon the County as it continues to grow.

At its discretion, the Court will probably continue to utilize some amount of fund balance, which is healthy in the sense that it keeps the County from building up excessive reserves and reduces a future burden on taxpayers. Based on the amount of fund balance utilized in the fiscal year 2008 budget and in light of past patterns of declining general fund balance reserves in fiscal years 2002 and 2003, the Court must continue its focus on fiscal and budgetary restraint in fiscal years 2009 and beyond, if additional revenue sources are not identified.

County government will continually strive to maintain steady increases in revenue while costs are on the rise. In terms of the overall financial condition, the County's present position is reflective of continued significant accomplishments by the County of El Paso and the Commissioners Court is to be commended for such an attainment.

Although it is healthy to utilize fund balance to balance a subsequent fiscal year budget, caution



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

The 2009 budget adopted by the County totaled \$274,802,440, a net decrease of \$18,141,464 or 7.07 percent in comparison to the final fiscal year 2008 adopted amended budget. Additional information regarding the 2009 budget can be obtained from the County's official 2009 published budget presentation package on the County's web page at <http://www.epcounty.com/auditor/publications/default.htm>.

This financial report is designed to provide a general overview of the County's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Office of the El Paso County Auditor, 500 East San Antonio Street, Room 406, El Paso, Texas, 79901-2407.

**County of El Paso, Texas**  
**Statement of Net Assets**  
**September 30, 2008**

	<b>Primary Government</b>			<b>Component Unit</b>
	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>	<b>Hospital District</b>
<b>ASSETS</b>				
Cash and cash equivalents	\$176,280,316	\$1,382,285	\$177,662,601	\$66,570,000
Investments				94,971,000
Receivables (net of allowance for uncollectible)	30,138,308	87,492	30,225,800	19,330,000
Inventories	9,925		9,925	5,034,000
Prepaid				5,669,000
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents		266,377	266,377	
Other assets				236,582,000
Capital Assets (net of accumulated depreciation):				
Land	14,758,837		14,758,837	6,998,000
Buildings	110,775,326		110,775,326	54,599,000
Improvements	6,865,083		6,865,083	
Equipment	5,472,591	11,054,531	16,527,122	
Furniture and fixtures	199,426		199,426	31,659,000
Infrastructure	1,452,242		1,452,242	
Vehicles	5,374,028	8,692	5,382,720	
Roads	15,836,870		15,836,870	
Bridges and culverts	1,785,828		1,785,828	
Leased equipment	205,203		205,203	
Construction in progress	7,218,456		7,218,456	34,832,000
Total assets	<u>376,372,439</u>	<u>12,799,377</u>	<u>389,171,816</u>	<u>556,244,000</u>
<b>LIABILITIES</b>				
Vouchers payable	7,624,796	67,695	7,692,491	50,207,000
Retainage payable	192,225		192,225	
Claims payable	585,252		585,252	
Payroll liabilities	4,239,170	2,475	4,241,645	
Due to others	100,694	85,450	186,144	
Due to other units	161,785		161,785	
Due to other governments	2,685,845	7,847	2,693,692	
Unearned revenue	1,480,983		1,480,983	
Accrued interest payable	953,149	6,871	960,020	
Claims and judgments	1,247,446		1,247,446	
Noncurrent liabilities:				
Due within one year				
Bonds	6,935,000	18,000	6,953,000	4,987,000
Deferred bond premiums, discounts, and	(499,263)		(499,263)	
Capital leases	79,769		79,769	
Self-insured obligations				1,693,000
Compensated Absences	8,003,289		8,003,289	
Due in more than one year				
Bonds	155,055,000	1,080,000	156,135,000	268,236,000
Deferred bond premiums, discounts, and	(165,425)		(165,425)	
Capital leases	130,730		130,730	
Self-insured obligations				1,024,000
Contingent liabilities	170,000		170,000	
Compensated Absences	16,912,383		16,912,383	
OPEB liability	2,890,040		2,890,040	
Total liabilities	<u>208,782,868</u>	<u>1,268,338</u>	<u>210,051,206</u>	<u>326,147,000</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	8,238,079	10,145,614	18,383,693	75,873,000
Restricted for:				
Capital Projects	86,092,118		86,092,118	
Special Revenue:				
Grants	4,280,370		4,280,370	
Road and bridge	11,642,542		11,642,542	
Other Special Revenue Funds	5,509,477		5,509,477	
Debt service	2,441,119	24,871	2,465,990	4,987,000
Enterprise fund:				
East Montana Water Project		143,519	143,519	
County Solid Waste		1,885	1,885	
Hospital district:				7,784,000
Unrestricted	49,385,866	1,215,150	50,601,016	141,453,000
Total net assets	<u>\$167,589,571</u>	<u>\$11,531,039</u>	<u>\$179,120,610</u>	<u>\$230,097,000</u>

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

**County of El Paso, Texas**  
**Statement of Activities**  
**For the Year Ended September 30, 2008**

Functions/Programs	Program Revenues			Net (expense) Revenue and Changes in Net Assets			Component Unit Hospital District
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	
<b>Primary government:</b>							
Governmental Activities:							
General government	\$41,127,055	\$11,071,948	\$1,536,100	(\$28,519,007)		(\$28,519,007)	
Administration of justice	48,887,372	9,033,699	7,565,096	(32,288,577)		(32,288,577)	
Public safety	112,598,631	20,613,099	11,814,221	(80,171,311)		(80,171,311)	
Health and welfare	11,973,899	53,510	2,861,742	(9,058,647)		(9,058,647)	
Community services	1,590,454		1,245,276	(345,178)		(345,178)	
Resource development	637,349			(637,349)		(637,349)	
Culture and recreation	7,580,243	2,641,645	22,250	(4,916,348)		(4,916,348)	
Public works	7,840,138	9,430,626	1,711,344	3,301,832		3,301,832	
Interest on long-term debt	6,381,251			(6,381,251)		(6,381,251)	
Total governmental activities	<u>238,616,392</u>	<u>52,844,527</u>	<u>26,756,029</u>	<u>(159,015,836)</u>		<u>(159,015,836)</u>	
Business-type activities:							
East Montana water project	1,078,019	846,234			(\$231,785)	(231,785)	
County Solid Waste	234,736	227,478			(7,258)	(7,258)	
Total business-type activities	<u>1,312,755</u>	<u>1,073,712</u>			<u>(239,043)</u>	<u>(239,043)</u>	
Total primary government	<u>\$239,929,147</u>	<u>\$53,918,239</u>	<u>\$26,756,029</u>	<u>(\$159,015,836)</u>	<u>(\$239,043)</u>	<u>(\$159,254,879)</u>	
<b>Component units:</b>							
Hospital district	<u>\$315,779,000</u>	<u>\$184,421,000</u>	<u>\$90,452,000</u>				<u>(\$40,906,000)</u>
Total component units	<u>\$315,779,000</u>	<u>\$184,421,000</u>	<u>\$90,452,000</u>				<u>(40,906,000)</u>
General revenues:							
Taxes:							
Property				\$108,236,305		\$108,236,305	\$54,801,000
Hotel/Motel				3,090,291		3,090,291	
Sales				35,308,357		35,308,357	
Bingo				78,225		78,225	
Mixed beverage				1,474,576		1,474,576	
Interest				7,486,019	\$53,821	7,539,840	5,948,000
Miscellaneous				2,595,009		2,595,009	1,121,000
Gain on sale of capital assets				38,938		38,938	
Transfers				(5,000)	5,000		(2,124,000)
Total general revenues and transfers				<u>158,302,720</u>	<u>58,821</u>	<u>158,361,541</u>	<u>59,746,000</u>
Change in net assets				(713,116)	(180,222)	(893,338)	18,840,000
Net assets - beginning				165,129,045	11,711,261	176,840,306	211,257,000
Prior period adjustment				3,173,642		3,173,642	
Net assets - ending				<u>\$167,589,571</u>	<u>\$11,531,039</u>	<u>\$179,120,610</u>	<u>\$230,097,000</u>

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

County of El Paso, Texas  
Balance Sheet  
Governmental Funds  
September 30, 2008

	General	Special Revenue Road and Bridge	County Capital Projects 2007	Other Governmental Funds	Total Governmental Funds
<b>Assets</b>					
Cash and cash equivalents	\$40,641,520	\$16,232,973	\$59,998,162	\$50,058,125	\$166,930,780
Investments					
Receivables (net of allowances for uncollectible):					
Taxes	12,465,426				12,465,426
Accounts	7,546,041	177,812		5,906,653	13,630,506
Due from other funds				3,610,760	3,610,760
Inventory of supplies	9,925				9,925
Total assets	<u>\$60,662,912</u>	<u>\$16,410,785</u>	<u>\$59,998,162</u>	<u>\$59,575,538</u>	<u>\$196,647,397</u>
<b>Liabilities and fund balances</b>					
<b>Liabilities:</b>					
Vouchers payable	\$2,820,428	\$448,029	\$704,167	\$3,844,397	\$7,817,021
Claims payable	-				
Payroll liability	3,565,841	88,637		582,597	4,237,075
Due to others	5,313	11,400		72,958	89,671
Due to other funds	665,759			2,945,001	3,610,760
Due to other units	161,785				161,785
Due to other governments	1,661,939			1,023,906	2,685,845
Deferred revenue	8,709,681			1,463,939	10,173,620
Total liabilities	<u>17,590,746</u>	<u>548,066</u>	<u>704,167</u>	<u>9,932,798</u>	<u>28,775,777</u>
<b>Fund Balances:</b>					
<b>Reserved for:</b>					
Encumbrances	1,228,498	1,538,503	2,935,075	2,334,211	8,036,287
Travel advances, imprest and change funds	101,215				101,215
Inventory	9,925				9,925
Debt service				3,394,268	3,394,268
<b>Unreserved, reported in:</b>					
<b>General fund:</b>					
Designated for subsequent year's expenditures	20,983,026				20,983,026
Undesignated	20,749,502				20,749,502
<b>Special revenue funds:</b>					
Designated for subsequent year's expenditures		10,104,039		9,100,195	19,204,234
Undesignated		4,220,177		9,660,502	13,880,679
<b>Capital project funds:</b>					
Designated for subsequent year's expenditures			56,358,920	25,153,564	81,512,484
Total fund balances	<u>43,072,166</u>	<u>15,862,719</u>	<u>59,293,995</u>	<u>49,642,740</u>	<u>167,871,620</u>
Total liabilities and fund balances	<u>\$60,662,912</u>	<u>\$16,410,785</u>	<u>\$59,998,162</u>	<u>\$59,575,538</u>	<u>\$196,647,397</u>

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



**El Paso County, Texas**  
**Reconciliation of the Governmental Funds Balance Sheet**  
**to the Statement of Net Assets**  
**September 30, 2008**

Total fund balances for governmental funds \$167,871,620

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

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

Land	14,758,837	
Buildings, net of accumulated depreciation	110,775,326	
Improvements, net of accumulated depreciation	6,865,083	
Equipment, net of accumulated depreciation	5,472,591	
Furniture and fixtures, net of accumulated depreciation	199,426	
Infrastructure, net of accumulated depreciation	1,452,242	
Vehicles, net of accumulated depreciation	5,374,028	
Roads, net of accumulated depreciation	15,836,870	
Bridges and culverts, net of accumulated depreciation	1,785,828	
Leased equipment, net of accumulated depreciation	205,203	
Construction in progress	7,218,456	
Total capital assets		169,943,890

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

Deferred revenue property taxes		8,692,637
Receivable for court costs, net of allowance for uncollectible accounts		4,040,281
Compensated Absences		(24,915,672)
OPEB liability		(2,890,040)
Internal service fund is used to charge the health care costs for county employees, dependants, and retirees.		8,753,261

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

Accrued interest on bonds	(953,149)	
General long-term debt	(161,990,000)	
Capital leases	(210,499)	
Contingent liabilities	(170,000)	
Claims and judgments	(1,247,446)	
Deferred bond issuance costs	664,688	
Other liabilities		
Total long-term liabilities		(163,906,406)

Total net assets of governmental activities \$167,589,571

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

**County of El Paso, Texas**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended September 30, 2008**

	General	Special Revenue Road and Bridge	County Capital Projects 2007	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$130,574,340			\$17,159,012	\$147,733,352
Licenses and permits	229,677				229,677
Intergovernmental revenues	5,013,517	33,872		21,708,639	26,756,028
Charges for services	32,749,281	9,430,626		4,664,804	46,844,711
Fines and Forfeitures	5,456,478			101,616	5,558,094
Interest	2,618,636	601,218	\$1,802,397	2,105,761	7,128,012
Miscellaneous	1,800,414	29,610		764,985	2,595,009
Total Revenues	<u>178,442,343</u>	<u>10,095,326</u>	<u>1,802,397</u>	<u>46,504,817</u>	<u>236,844,883</u>
<b>EXPENDITURES</b>					
Current:					
General Government	32,279,082	1,279,206		2,418,269	35,976,557
Administration of justice	43,169,249			4,874,963	48,044,212
Public safety	82,975,147			23,427,201	106,402,348
Health and welfare	7,022,574			4,662,416	11,684,990
Community services				1,107,208	1,107,208
Resource development	576,219			694	576,913
Culture and recreation	2,553,134			3,908,029	6,461,163
Public works		5,252,067		1,288,156	6,540,223
Debt Service:					
Principal				8,650,000	8,650,000
Interest				5,999,695	5,999,695
Bond issuance costs				1,857,432	1,857,432
Capital outlays	842,663	1,036,243	3,424,966	8,267,875	13,571,747
Total expenditures	<u>169,418,068</u>	<u>7,567,516</u>	<u>3,424,966</u>	<u>66,461,938</u>	<u>246,872,488</u>
Excess (deficiency) of revenues over (under) expenditures	<u>9,024,275</u>	<u>2,527,810</u>	<u>(1,622,569)</u>	<u>(19,957,121)</u>	<u>(10,027,605)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	1,063,642			18,287,170	19,350,812
Transfers out	(15,646,206)			(3,709,606)	(19,355,812)
Premium (discount) on bonds issued			1,081,564	1,811,361	2,892,925
Proceeds of bonds sold			59,835,000	9,940,010	69,775,010
Refunding bonds issued				48,550,000	48,550,000
Payment to refunded bond escrow agent				(49,602,731)	(49,602,731)
Capital leases	49,547				49,547
Sale of capital assets				38,938	38,938
Total other financing sources and uses	<u>(14,533,017)</u>		<u>60,916,564</u>	<u>25,315,142</u>	<u>71,698,689</u>
Net change in fund balances	<u>(5,508,742)</u>	<u>2,527,810</u>	<u>59,293,995</u>	<u>5,358,021</u>	<u>61,671,084</u>
Fund balances - beginning	<u>48,621,127</u>	<u>13,334,909</u>		<u>41,111,077</u>	<u>103,067,113</u>
Prior year adjustment				3,173,642	3,173,642
Net change in reserve for inventories	(40,219)				(40,219)
Fund balances - ending	<u>\$43,072,166</u>	<u>\$15,862,719</u>	<u>\$59,293,995</u>	<u>\$49,642,740</u>	<u>\$167,871,620</u>

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

County of El Paso, Texas
Reconciliation of the Statement of Revenues,
Expenditures, and Changes in Fund Balances of Governmental Funds
To the Statement of Activities
For the Year Ended September 30, 2008

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

Net change in fund balances - total governmental funds \$61,671,084

Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered an other source of financing, but in the statement of net assets, the lease obligation is reported as a liability. (49,547)

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

Table with 2 columns: Description and Amount. Rows include Debt issued (Bonds issued, Refunding bonds issued, Premium on bonds issued), Repayments (To escrow agent, Bond issuance costs, Principal payments), and Net adjustment. Total net adjustment is (61,479,843).

Court cost receivables, net of allowance for uncollectible amounts 173,830

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

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

Table with 2 columns: Description and Amount. Rows include Deferred revenue property taxes, Additional contingent liabilities, Additional Compensated Absences, Additional Other Post Employment Benefits, Depreciation expense, and The net effect of various transactions involving capital assets (i.e., sales and retirements) is to increase net assets. Sub-rows for Additions, Retirements, and Accumulated depreciation related to retirements. Total net effect is (2,662,569).

Internal service fund is used to charge the health care costs for county employees, dependants, and retirees. 1,633,929

Change in net assets of governmental activities (\$713,116)

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

**County of El Paso, Texas**  
**Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual**  
**General Fund**  
**For the Year Ended September 30, 2008**

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes:				
Property	\$91,071,772	\$91,071,772	\$93,713,182	\$2,641,410
Sales	32,000,000	32,000,000	35,308,357	3,308,357
Bingo	65,000	65,000	78,225	13,225
Mixed beverage	1,300,000	1,300,000	1,474,576	174,576
Licenses and permits	201,800	201,800	229,677	27,877
Intergovernmental	3,151,246	3,151,246	5,013,517	1,862,271
Charges for services	32,204,900	32,204,900	32,749,281	544,381
Fines and forfeitures	5,492,500	5,492,500	5,456,478	(36,022)
Interest	3,500,000	3,500,000	2,618,636	(881,364)
Miscellaneous	2,147,800	2,147,800	1,800,414	(347,386)
Total revenues	<u>171,135,018</u>	<u>171,135,018</u>	<u>178,442,343</u>	<u>7,307,325</u>
<b>EXPENDITURES</b>				
Current:				
General government				
Personnel	27,620,880	22,199,743	21,343,573	856,170
Operating	16,986,221	16,497,595	10,975,728	5,521,867
Total general Government	<u>44,607,101</u>	<u>38,697,338</u>	<u>32,319,301</u>	<u>6,378,037</u>
Administration of justice				
Personnel	34,788,306	37,996,577	37,428,008	568,569
Operating	5,525,379	6,006,732	5,741,241	265,491
Total Administration of justice	<u>40,313,685</u>	<u>44,003,309</u>	<u>43,169,249</u>	<u>834,060</u>
Public safety				
Personnel	68,186,348	69,825,092	68,380,027	1,445,065
Operating	14,376,499	15,255,563	14,595,120	660,443
Total Public safety	<u>82,562,847</u>	<u>85,080,655</u>	<u>82,975,147</u>	<u>2,105,508</u>
Health and welfare				
Personnel	1,354,571	1,390,641	1,358,862	31,779
Operating	6,091,569	5,950,048	5,663,712	286,336
Total Health and welfare	<u>7,446,140</u>	<u>7,340,689</u>	<u>7,022,574</u>	<u>318,115</u>
Resource development				
Personnel	657,527	673,899	511,810	162,089
Operating	98,185	98,534	64,409	34,125
Total Resource development	<u>755,712</u>	<u>772,433</u>	<u>576,219</u>	<u>196,214</u>
Culture and recreation				
Personnel	1,446,640	1,501,636	1,426,598	75,038
Operating	1,198,138	1,378,609	1,126,536	252,073
Total Culture and recreation	<u>2,644,778</u>	<u>2,880,245</u>	<u>2,553,134</u>	<u>327,111</u>
Capital outlays	849,837	782,281	842,663	(60,382)
Total expenditures	<u>179,180,100</u>	<u>179,556,950</u>	<u>169,458,287</u>	<u>10,098,663</u>
Excess of revenues over expenditures	<u>(8,045,082)</u>	<u>(8,421,932)</u>	<u>8,984,056</u>	<u>17,405,988</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	596,000	596,000	1,063,642	467,642
Transfers out	(15,613,602)	(15,236,752)	(14,980,447)	256,305
Capital leases			49,547	49,547
Total other financing sources and uses	<u>(15,017,602)</u>	<u>(14,640,752)</u>	<u>(13,867,258)</u>	<u>773,494</u>
Net change in fund balances	<u>(23,062,684)</u>	<u>(23,062,684)</u>	<u>(4,883,202)</u>	<u>18,179,482</u>
Fund balances - beginning	57,816,017	57,816,017	57,816,017	
Fund balances - ending	<u>\$34,753,333</u>	<u>\$34,753,333</u>	<u>\$52,932,815</u>	<u>\$18,179,482</u>

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

**County of El Paso, Texas**  
**Statement of Revenues, Expenditures, and**  
**Changes in Fund Balances - Budget and Actual**  
**Road and Bridge Special Revenue Fund**  
**For the Year Ended September 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Intergovernmental	\$34,000	\$34,000	\$33,872	(\$128)
Charges for services	9,163,000	9,163,000	9,430,626	267,626
Interest	600,000	600,000	601,218	1,218
Miscellaneous	10,000	10,000	29,610	19,610
Total revenues	9,807,000	9,807,000	10,095,326	288,326
<b>EXPENDITURES</b>				
<b>General Government</b>				
Personnel	991,727	991,727	842,935	148,792
Operating	751,006	526,006	436,271	89,735
Total general government	1,742,733	1,517,733	1,279,206	238,527
<b>Public Works</b>				
Personnel	2,887,313	2,887,313	2,494,870	392,443
Operating	12,585,431	12,785,431	2,757,197	10,028,234
Total public works	15,472,744	15,672,744	5,252,067	10,420,677
Capital Outlays	2,552,085	2,577,085	1,036,243	1,540,842
Total expenditures	19,767,562	19,767,562	7,567,516	12,200,046
Excess (deficiency) of revenues over (under) expenditures	(9,960,562)	(9,960,562)	2,527,810	12,488,372
Net Change in Fund Balance	(9,960,562)	(9,960,562)	2,527,810	12,488,372
Fund balances - beginning	13,334,909	13,334,909	13,334,909	
Fund balances - ending	\$3,374,347	\$3,374,347	\$15,862,719	\$12,488,372

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

County of El Paso, Texas  
Statement of Net Assets  
Proprietary Funds  
September 30, 2008

	Business-type Activities-Enterprise Funds					Governmental Activities - Internal Service Fund
	East Montana Water Project (Current Year)	East Montana Water Project (Prior Year)	County Solid Waste (Current Year)	County Solid Waste (Prior Year)	Total Current Year	
<b>ASSETS</b>						
Current assets:						
Cash and cash equivalents	\$1,379,491	\$1,224,231	\$2,794	\$21,805	\$1,382,285	\$9,349,536
Accounts receivable	68,453	74,898	19,039	18,467	87,492	2,095
Customer deposits	85,450	83,400			85,450	
East Montana 1997A interest and sinking fund	40,045	38,045			40,045	
East Montana 2000A interest and sinking fund	5,540	5,018			5,540	
Total current assets	<u>1,578,979</u>	<u>1,425,592</u>	<u>21,833</u>	<u>40,272</u>	<u>1,600,812</u>	<u>9,351,631</u>
Noncurrent assets:						
Restricted cash, cash equivalents, and investments:						
East Montana 1997B construction fund	36,470	36,470			36,470	
East Montana Reserve fund	98,872	95,630			98,872	
Total restricted assets:	<u>135,342</u>	<u>132,100</u>			<u>135,342</u>	
Capital assets:						
Equipment, water system	13,134,237	13,134,237			13,134,237	
Vehicles	16,979	16,979			16,979	
Less accumulated depreciation	(2,087,993)	(1,739,262)			(2,087,993)	
Total capital assets, net of accumulated depreciation	<u>11,063,223</u>	<u>11,411,954</u>			<u>11,063,223</u>	
Total noncurrent assets	<u>11,198,565</u>	<u>11,544,054</u>			<u>11,198,565</u>	
Total assets	<u>12,777,544</u>	<u>12,969,646</u>	<u>21,833</u>	<u>40,272</u>	<u>12,799,377</u>	<u>9,351,631</u>
<b>LIABILITIES</b>						
Current liabilities:						
Vouchers payable	47,747	48,417	19,948	36,338	67,695	
Customer deposits payable	85,450	83,400			85,450	
Claims payable						585,252
Payroll Liability	2,475				2,475	2,095
Due to others						11,023
Due to other governments	7,847	7,516			7,847	
Current liabilities payable from restricted assets:						
East Montana Water Project 1997A payable	10,000	10,000			10,000	
East Montana Water Project 2000A payable	8,000	8,000			8,000	
Accrued interest payable	6,871	6,986			6,871	
Total current liabilities	<u>168,390</u>	<u>164,319</u>	<u>19,948</u>	<u>36,338</u>	<u>188,338</u>	<u>598,370</u>
Noncurrent liabilities:						
East Montana Water Project 1997A payable	940,000	950,000			940,000	
East Montana Water Project 2000A payable	140,000	148,000			140,000	
Total noncurrent liabilities	<u>1,080,000</u>	<u>1,098,000</u>			<u>1,080,000</u>	
Total liabilities	<u>1,248,390</u>	<u>1,262,319</u>	<u>19,948</u>	<u>36,338</u>	<u>1,268,338</u>	<u>598,370</u>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	10,145,614	10,470,466			10,145,614	
Restricted for:						
Debt	24,871	24,986			24,871	
East Montana Water Project	143,519	139,333			143,519	
County Solid Waste			1,885	3,934	1,885	
Unrestricted:						
East Montana Water Project	1,215,150	1,072,542			1,215,150	
Internal Service fund						8,753,261
Total net assets	<u>\$11,529,154</u>	<u>\$11,707,327</u>	<u>\$1,885</u>	<u>\$3,934</u>	<u>\$11,531,039</u>	<u>\$8,753,261</u>

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

County of El Paso, Texas  
Statement of Revenues, Expenses, and  
Changes in Fund Net Assets  
Proprietary Funds  
For the Year Ended September 30, 2008

	Business-type Activities-Enterprise Funds					Governmental Activities - Internal Service Fund
	East Montana Water Project (Current Year)	East Montana Water Project (Prior Year)	County Solid Waste (Current Year)	County Solid Waste (Prior Year)	Total Current Year	
<b>OPERATING REVENUES</b>						
Charges for services	\$846,234	\$805,117	\$227,478	\$206,966	\$1,073,712	
Employee premiums						\$4,231,854
Employer premiums						8,608,245
Other agencies						38,216
Retiree premiums						782,481
Cobra						36,026
Stop loss reimbursements						1,142,689
Other						76,580
Total operating revenues	<u>846,234</u>	<u>805,117</u>	<u>227,478</u>	<u>206,966</u>	<u>1,073,712</u>	<u>14,916,091</u>
<b>OPERATING EXPENSES</b>						
Personnel expenses	94,375	88,098			94,375	
Operating expenses	88,931	107,498			88,931	
Depreciation	348,731	358,825			348,731	
Public utilities	250,643	213,734			250,643	
Professional services	239,570	226,299	234,736	220,894	474,306	
Claims						12,044,387
Administrative						1,595,782
Total operating expenses	<u>1,022,250</u>	<u>994,454</u>	<u>234,736</u>	<u>220,894</u>	<u>1,256,986</u>	<u>13,640,169</u>
Operating income (loss)	<u>(176,016)</u>	<u>(189,337)</u>	<u>(7,258)</u>	<u>(13,928)</u>	<u>(183,274)</u>	<u>1,275,922</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Interest revenue	53,612	72,664	209		53,821	358,007
Interest expense	(55,769)	(56,639)			(55,769)	
Total nonoperating revenues (expenses)	<u>(2,157)</u>	<u>16,025</u>	<u>209</u>		<u>(1,948)</u>	<u>358,007</u>
Income before contributions and transfers	<u>(178,173)</u>	<u>(173,312)</u>	<u>(7,049)</u>	<u>(13,928)</u>	<u>(185,222)</u>	<u>1,633,929</u>
Transfers from other funds					5,000	
Change in Net Assets	<u>(178,173)</u>	<u>(173,312)</u>	<u>(2,049)</u>	<u>26,072</u>	<u>(180,222)</u>	<u>1,633,929</u>
Total net assets, beginning	<u>11,707,327</u>	<u>11,880,639</u>	<u>3,934</u>	<u>(22,138)</u>	<u>11,711,261</u>	<u>7,119,332</u>
Total net assets, ending	<u>\$11,529,154</u>	<u>\$11,707,327</u>	<u>\$1,885</u>	<u>\$3,934</u>	<u>\$11,531,039</u>	<u>\$8,753,261</u>

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

**County of El Paso, Texas**  
**Statement of Cash Flows**  
**Proprietary Funds**  
**For the Year Ended September 30, 2008**

	<b>Business-type Activities-Enterprise Funds</b>					<b>Governmental Activities - Internal Service Fund</b>
	<b>East Montana Water Project (Current Year)</b>	<b>East Montana Water Project (Prior Year)</b>	<b>County Solid Waste (Current Year)</b>	<b>County Solid Waste (Prior Year)</b>	<b>Total Current Year</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers	\$855,060	\$796,659	\$226,906	\$203,848	\$1,081,966	
Payments for personnel expenses	(91,900)	(88,098)			(91,900)	
Payments for operating expenses	(89,601)	(103,167)	(16,390)	18,823	(105,991)	
Payments for utilities	(250,643)	(213,734)			(250,643)	
Payments for professional services	(239,570)	(226,299)	(234,736)	(220,894)	(474,306)	
Receipts from employee premiums						\$4,237,645
Receipts from employer premiums						8,608,255
Receipts from other agencies premiums						38,216
Receipts from retiree premiums						782,481
Receipts from cobra premiums						36,026
Receipts from stop loss reimbursements						1,142,689
Receipts from miscellaneous services						76,580
Payments for claims						(11,906,654)
Payments for administrative expenses						(1,595,782)
Net cash provided (used) by operating activities	<u>183,346</u>	<u>165,361</u>	<u>(24,220)</u>	<u>1,777</u>	<u>159,126</u>	<u>1,419,456</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfers from other funds			5,000	40,000	5,000	
Net cash provided (used) by noncapital financing activities			<u>5,000</u>	<u>40,000</u>	<u>5,000</u>	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Interest paid	(55,884)	(56,746)			(55,884)	
Principal repayments	(18,000)	(17,000)			(18,000)	
Net cash provided (used) by capital and related financing activities	<u>(73,884)</u>	<u>(73,746)</u>			<u>(73,884)</u>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Receipt of interest	53,612	72,664	209		53,821	358,007
Net cash provided (used) by investing activities	<u>53,612</u>	<u>72,664</u>	<u>209</u>		<u>53,821</u>	<u>358,007</u>
Net increase in cash and cash equivalents	163,074	164,279	(19,011)	41,777	144,063	1,777,463
Cash and cash equivalents, beginning of year	1,482,794	1,318,515	21,805	(19,972)	1,504,599	7,572,073
Cash and cash equivalents, end of year	<u>\$1,645,868</u>	<u>\$1,482,794</u>	<u>\$2,794</u>	<u>\$21,805</u>	<u>\$1,648,662</u>	<u>\$9,349,536</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>						
Operating income (loss)	(\$176,016)	(\$189,337)	(\$7,258)	(\$13,928)	(\$183,274)	\$1,275,922
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	348,731	358,825			348,731	
(Increase) decrease in accounts receivable	6,445	(12,165)	(572)	(3,118)	5,873	5,801
Increase (decrease) in customer deposits	2,050	3,300			2,050	
Increase (decrease) in vouchers payable	(670)	4,331	(16,390)	18,823	(17,060)	
Increase (decrease) in claims liability						137,733
Increase (decrease) in payroll liability	2,475				2,475	
Increase (decrease) in due to other governments	331	407			331	
Total adjustments	<u>359,362</u>	<u>354,698</u>	<u>(16,962)</u>	<u>15,705</u>	<u>342,400</u>	<u>143,534</u>
Net Cash Provided (Used) by Operating Activities	<u>\$183,346</u>	<u>\$165,361</u>	<u>(\$24,220)</u>	<u>\$1,777</u>	<u>\$159,126</u>	<u>\$1,419,456</u>

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



**County of El Paso, Texas**  
**Statement of Fiduciary Assets and Liabilities**  
**Fiduciary Funds**  
**September 30, 2008**

	<b>Agency Funds</b>
<b>Assets</b>	
Cash and cash equivalents	\$22,551,408
Accounts receivable	62,020
Restricted-funds held in trust cash equivalents	13,193,188
<b>Total Assets</b>	<b>\$35,806,616</b>
<b>Liabilities</b>	
Vouchers payable	\$67,140
Payroll liabilities	2,213,916
Due to others	23,929,663
Due to other governmental agencies	9,595,897
<b>Total Liabilities</b>	<b>\$35,806,616</b>
<b>Net Assets</b>	

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

**COUNTY OF EL PASO, TEXAS**  
**Notes to the Financial Statements**  
**September 30, 2008**

**Note 1. Summary of Significant Accounting Policies**

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

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

**A. Reporting Entity**

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

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

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

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

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

R. E. Thomason General Hospital  
4815 Alameda Avenue  
El Paso, Texas 79905  
(915) 521-7610

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

### **B. Government-wide and fund financial statements**

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

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

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

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

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

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

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

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

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

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

The County reports the following major governmental funds:

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

The Road and Bridge Special Revenue fund is used to account for funds dedicated for the purpose of constructing and maintaining county roads and bridges. The principle financial resources for this fund are the Auto License Registration Fees and the Auto Sales Tax.

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

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

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

The County reports the following non-major governmental funds:

*Special Revenue Funds* account for resources that are legally restricted for specific purposes.

*Debt Service Funds* account for the resources accumulated for subsequent payment made for principal and interest on long-term obligation debt of the County.

*Capital Projects Funds* account for the resources used to construct major capital assets of the County.

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

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

The County additionally reports the following fund types:

*Internal Service Funds* account for the health benefits provided to County employees, retirees and dependents. The workers' compensation benefits and the supplemental dental, optical and legal benefits provided to Sheriff's officers are also accounted in the Internal Service Funds. Contributions to the funds are made as charges to the departments for covered employees along with contributions from employees and retirees.

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

*County Payroll Fund* is used as a clearing account for the bi-weekly employee payroll.

*IRS Section 125 Fund* is used to account for the employees' contributions to a cafeteria plan under the provisions of the *Internal Revenue Code Section 125*.

*County Employees' Retirement Fund* is used as a clearing account for the County and employees' contributions to the Texas County and District Retirement System.

*Social Security Fund* is used as a clearing account for the F.I.T. and F.I.C.A. withholdings.

*Child Support Fund* is used as a clearing account for County employees' deductions for court ordered child support payments.

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

*County Attorney Bad Check Trust Fund* is used to account for the collections and disbursement of insufficient fund checks.

*High Intensity Drug Trafficking and Narcotics Detection Apprehension Funds* are used to account for the seizures related to drug cases pending disposition by the Courts.

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

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

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

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

*Criminal Enterprise Services Imprest Fund* is used to account for the seizure of funds by the Criminal Enterprise Unit and held for disposition to the defendant or forfeited to the County.

*ONDCP-Regional Intel Services Imprest Fund* is used for the HIDTA initiatives through the federal asset sharing of forfeitures.

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

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

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

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

### **D. Budgets**

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

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

**D. Budgets (Continued)**

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

The County had four special revenue funds that were not included in the adopted budget. Those funds included the DWI Drug Court Fund, District Attorney Federal Asset Sharing Fund, Court Initiated Guardianship Fund, and Juvenile Probation Donations Fund. The Court Initiated Guardianship and the Juvenile Probation were established in mid-year to account for revenues that were not certifiable at the beginning of the budget year.

The adopted budget for fiscal year 2008 totaled \$256,660,976. Throughout the year, the Commissioners Court amended the budget for an aggregate increase total of \$148,993,239. These increases represented statutorily provided increases for additional funding by granting agencies and intergovernmental agreements bringing the overall budget total to \$405,654,215. The appropriation changes included revisions as follows:

County of El Paso, Texas  
Schedule of Amended Funding Amounts  
For the period ending September 30, 2008

Date of Amendment	General Fund	Special Revenue Fund	Enterprise Fund	Debt Service Fund	Capital Projects Fund	Grants	Total Funding Amounts
October 8, 2007	\$193,654,860	\$43,542,555	\$1,001,851	\$15,907,750	\$1,606,160	\$947,800	\$256,660,976
October 22, 2007		775,000				2,882,989	3,657,989
October 29, 2007						300,000	300,000
November 5, 2007						581,935	581,935
November 19, 2007						989,914	989,914
November 26, 2007						132,601	132,601
December 3, 2007						(17,000)	(17,000)
December 10, 2007		230,000				742,950	972,950
December 17, 2007				51,111,267	70,856,565	-	121,967,832
January 7, 2008						137,000	137,000
January 28, 2008						(854,242)	(854,242)
February 4, 2008				(508,150)		66,057	(442,093)
March 10, 2008						9,290	9,290
March 24, 2008						510,000	510,000
April 1, 2008		13,023				206,823	219,846
April 21, 2008					(1,856,454)	180,000	(1,676,454)
April 28, 2008		15,138				438,554	453,692
May 5, 2008						3,380,385	3,380,385
May 12, 2008						74,211	74,211
May 19, 2008						553,021	553,021
June 2, 2008						1,387,290	1,387,290
June 3, 2008		35,000					35,000
June 9, 2008		254,869					254,869
June 16, 2008						21,888	21,888
June 23, 2008						108,266	108,266
June 24, 2008		25,000					25,000
June 30, 2008						39,608	39,608
July 14, 2008						74,211	74,211
July 21, 2008		26,067				12,800	38,867

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

**D. Budgets (Continued)**

Date of Amendment	General Fund	Special Revenue Fund	Enterprise Fund	Debt Service Fund	Capital Projects Fund	Grants	Total Funding Amounts
August 4, 2008						286,072	286,072
August 11, 2008						650	650
August 18, 2008		15,958				(8,435)	7,523
August 25, 2008						6,782,912	6,782,912
September 8, 2008						4,851,114	4,851,114
September 15, 2008						3,243,823	3,243,823
September 22, 2008						868,269	868,269
September 29, 2008						12,000	12,000
September 30, 2008		5,000					5,000
Subtotal	\$193,654,860	\$44,702,610	\$1,236,851	\$66,510,867	\$70,606,271	\$28,942,756	\$405,654,215
Carry over							
Re-appropriation	1,138,842	1,567,742	3,154		23,502,021		26,211,759
Totals	\$194,793,702	\$46,270,352	\$1,240,005	\$66,510,867	\$94,108,292	\$28,942,756	\$431,865,974

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

	<u>General Fund</u>
Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual	\$52,932,815
Revenues: Non-Budgeted	
Expenditures: Non-budgeted	<u>(40,219)</u>
Revenues over (under) Expenditures	40,219
Other financing sources (uses): Non-budgeted	<u>(665,759)</u>
Excess (deficiency) of revenues and Other financing sources over (under) Expenditures and other financing uses	(625,540)
Change in reserve for inventory	(40,219)
Prior years differences	<u>(9,194,890)</u>
Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$43,072,166</u>

The non-budgeted expenditures in the general fund represent a change in the reserve for inventory of (\$40,219), which represents the amount of inventory consumed during the year. The non-budgeted other financing uses represent an inter-fund transfer for excess sales tax from the general fund to the debt service fund. These adjustments were necessary due to timing.



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

### **E. Excess of Expenditures Over Appropriations**

The Tax Office Discretionary and County Attorney Bad Check Special Revenue Funds had deficit appropriations of \$592 and \$226,577, respectively, due to payroll and operating expenditure accruals. These budget shortfalls were covered by available fund balance within the individual special revenue funds.

### **F. Deposits and Investments**

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

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

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

Governmental Accounting Standards Board Statement Number 31 "*Accounting and Financial Reporting for Certain Investments and for External Investment Pools*" became effective for fiscal years beginning after June 15, 1997. Statement No. 31 requires governmental entities, including external investment pools, to report investments at fair value, except for money market investments and participating interest-earning investment contracts that have a remaining maturity at time of purchase of one year or less, which may be reported at amortized cost unless the fair value of these investments has been significantly impaired. Money market investments are short-term, highly liquid debt instruments including commercial paper, banker's acceptances, and United States Treasury and agency obligations.

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

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

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

### **F. Deposits and Investments (Continued)**

#### TexPool and TexPool Prime

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

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

TexPool and TexPool Prime operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool and TexPool Prime use amortized cost, which approximates fair value to report the carrying value of investments pursuant to GASB Statement No. 31. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

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

#### MBIA Texas Class

Texas Class is administered by MBIA Inc., the pool was established in 1996 pursuant to §2256.017 of the Public Funds Investment Act, Texas Government Code for the purpose of enabling Texas governmental to pool their available funds for investment. Investments are valued at amortized cost, which approximates market value, consistent with the provisions of a 2a-7 pool as defined by GASB Statement 31. Any shortfall is covered up to amounts recoverable under a letter of credit. The letter of credit, established for the benefit of the pool is with JP Morgan Chase. Net investment income, adjusted for net realized gains or losses, is declared and distributed to participants daily. MBIA limits its investments in any issuer to the top two ratings issued by national recognized statistical organizations.

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

### **G. Receivables and Payables**

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

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

All trade and property tax receivables are shown net of an allowance for uncollectable accounts. Property taxes are levied October 1<sup>st</sup> and become delinquent on February 1<sup>st</sup>, at which time penalties and interest are assessed. The allowance for uncollectable property taxes is set at one percent of the outstanding delinquent taxes at September 30, 2008.

### **H. Inventories and prepaid items**

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

### **I. Restricted Assets**

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

### **J. Capital Assets**

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

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

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

**J. Capital Assets (continued)**

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

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

All infrastructure capital assets of the County are reported retroactively, except for roads, which are reported prospectively.

Capital assets for the enterprise fund are depreciated using the 120 percent declining balance over 40 years in accordance with the bond covenant. Capital assets under construction are not depreciated until construction is completed.

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

<u>Assets</u>	<u>Years</u>
Building	30
Moveable & Fixed Equipment	3-10
Furniture	10
Roads	20
Vehicles	5
Heavy Vehicles	7-10
Improvements	20
Bridges	35

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

<u>Assets</u>	<u>Years</u>
Building & Improvements	8-40
Moveable & Fixed Equipment	3-15

**K. Compensated Absences**

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

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

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

### **K. Compensated Absences (Continued)**

Vacation leave may be accumulated up to a maximum of two times the annual vacation benefit (20, 30 or 40 days depending on the number of years of service). Employees lose, without pay, unused vacation leave, which exceeds this limit. Regular part-time employees accumulate vacation leave at half the rate of regular full-time employees. On September 30, 2008, the County's total liability for vested vacation leave totaled \$10,019,669.

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

A liability in the amount of \$14,896,003 has been established for the accumulated vested sick leave benefits of the El Paso County Sheriff's deputies and detention officers. This is in accordance with the provisions of the contract agreement between the County and the El Paso County Sheriff's Association, whereby the County shall buy back any unused sick leave at the end of an officer's career. An officer will be paid at the rate of one day's pay for one day's sick leave up to 90 days and thereafter at the rate of one day's pay for every three days of sick leave.

Vested vacation and sick leave benefits are not expected to be liquidated with expendable and available financial resources and therefore, are reported as long term liabilities in the government wide statements. The accrued accumulated vested benefits for the current year are \$24,915,672 of which \$8,003,289 is reported as due within one year. The general fund or the appropriate special revenue fund is used to liquidate any liabilities for compensated absences.

### **L. Long-term Obligations**

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

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

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

### **M. Fund Equity**

Reserves represent those portions of fund equity not available for appropriation or expenditure or are legally restricted by outside parties for a specific purpose. Designated fund balances result from management's official action committing the use of financial resources.

### **N. Comparative Data/reclassifications**

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

### **O. Use of Estimates**

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

## **Note 2. Legal Compliance - Budgets**

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

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

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

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

## Note 2. Legal Compliance – Budgets (Continued)

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

## Note 3. Detailed notes on all funds

### A. Deposits and Investments

At year-end, the carrying amount of the County's deposits was \$213,673,574 consisting of cash and cash equivalents. Of this amount, \$3,612,839 represents funds held in trust from the County Clerk's Probate Account, \$9,580,349 represents funds held in the District Clerk's Trust Account and \$266,377 represents restricted assets for business-type activities. The bank balance of \$131,094,363 was covered by \$250,000 federal depository insurance with the remaining bank balance fully collateralized with securities held in the County's name in a joint custody account with the County's Depository bank at Frost National Bank.

The carrying amount of the deposits for the Hospital District, the discretely presented component unit, was \$298,350,000, consisting of cash and cash equivalents. The bank balance was covered by \$250,000 federal deposit insurance and the remaining bank balance collateralized with securities held in the hospital's name by the depository bank's trust department.

As of September 30, 2008 the County had the following investments.

<b>Investment Type</b>	<b>Fair Value</b>	<b>Weighted Average Maturity (Years)</b>
TexPool investment pool	\$47,335,643	0.22
TexPool Prime investment pool	10,269,964	0.18
MBIA Texas Class investment pool	<u>15,460,450</u>	0.08
Total	<u>\$73,066,057</u>	0.18

As of September 30, 2008 the District had the following investments.

<b>Investment Type</b>	<b>Fair Value</b>	<b>Weighted Average Maturity (Years)</b>
Certificates of deposit	\$700,000	0.65
Commercial paper	29,690,000	0.13
U.S. Treasuries	1,044,000	0.62
U.S. Agencies	<u>64,237,000</u>	0.65
Total	<u>\$95,671,000</u>	0.49

*Interest rate risk.* In accordance with the County's investment policy, the County has established interest rate risk policies that limit the maximum maturity of any one security to 5 years or less.

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

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

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

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

*Concentration of credit risk.* To limit the concentration of credit risk, the County has an established policy, whereby the maximum aggregate for all investments in obligations of U. S. Agencies and Instrumentalities shall not exceed 75 percent. The County is not exposed to foreign currency risk since the County prohibits investment in any foreign investments.

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

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

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

**B. Receivables**

Receivables as of September 30, 2008 for the general, major special revenue and enterprise funds and non-major governmental, internal service, and fiduciary funds in aggregate, including applicable allowances for uncollectable accounts, are as follows:

	<u>General</u>	<u>Special Revenue Fund</u>	<u>Enterprise Funds</u>	<u>Non-major and other Funds</u>	<u>Total</u>
Receivables:					
Taxes	\$12,591,339				\$12,591,339
Accounts	7,546,041	\$177,812	\$87,492	\$5,906,653	13,717,998
Less: allowance for uncollectable	<u>(125,913)</u>				<u>(125,913)</u>
Net total receivables	<u>\$20,011,467</u>	<u>\$177,812</u>	<u>\$87,492</u>	<u>\$5,906,653</u>	<u>\$26,183,424</u>



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

**B. Receivables (Continued)**

Accounts and property taxes receivables are reported net of unrealizable amounts. The taxes receivable account represents uncollected tax levies of the past twenty years on real property and the last four years on personal property in accordance with State statute. The allowance for estimated uncollectable taxes is one percent of the total delinquent taxes receivable, including penalties and interest, as of September 30, 2008. Of the taxes receivable, including penalties and interest, the County defers approximately 70 percent until collection of those revenues.

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

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

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (general fund)	\$8,692,636	
Court costs and fines (general fund)	17,045	
Draw-downs prior to meeting eligibility requirements (grants)		<u>1,463,938</u>
Total deferred /unearned revenue for governmental funds	<u>\$8,709,681</u>	<u>\$1,463,939</u>

**C. Capital assets**

Capital assets activity for the year ended September 30, 2008 was as follows:

**Primary Government**

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$13,855,762	\$903,075		\$14,758,837
Construction in progress	<u>5,251,504</u>	<u>2,837,582</u>	<u>(\$870,630)</u>	<u>7,218,456</u>
Total capital assets, not being depreciated	<u>19,107,266</u>	<u>3,740,657</u>	<u>(\$870,630)</u>	<u>21,977,293</u>

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

**C. Capital assets (Continued)**

**Primary Government (continued)**

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<b>Capital assets, being depreciated:</b>				
Bridges and culverts	3,570,308			3,570,308
Buildings	208,634,434	2,636,983	(679,844)	210,591,573
Equipment	23,097,662	2,294,434	(605,860)	24,786,236
Furniture and fixtures	875,774	69,535	(124,305)	821,004
Improvements	9,538,022	1,021,775		10,559,797
Infrastructure	1,619,136			1,619,136
Leased equipment	529,998	73,869	(287,208)	316,659
Roads	23,428,255	1,634,456		25,062,711
Vehicles	<u>12,513,021</u>	<u>2,427,400</u>	<u>(671,760)</u>	<u>14,268,661</u>
Total capital assets, being depreciated	<u>283,806,610</u>	<u>10,158,452</u>	<u>(2,368,977)</u>	<u>291,596,085</u>
<b>Less accumulated depreciation for:</b>				
Bridges and culverts	(1,684,914)	(99,566)		(1,784,480)
Buildings	(93,328,051)	(6,956,450)	468,254	(99,816,247)
Equipment	(17,651,090)	(2,205,641)	543,086	(19,313,645)
Furniture and fixtures	(683,126)	(49,624)	111,172	(621,578)
Improvements	(3,192,994)	(501,720)		(3,694,714)
Infrastructure	(85,937)	(80,957)		(166,894)
Leased equipment	(221,669)	(86,740)	196,953	(111,456)
Roads	(7,975,094)	(1,250,747)		(9,225,841)
Vehicles	<u>(8,353,692)</u>	<u>(1,125,297)</u>	<u>584,356</u>	<u>(8,894,633)</u>
Total accumulated depreciation	<u>(133,176,567)</u>	<u>(12,356,742)</u>	<u>1,903,821</u>	<u>(143,629,488)</u>
Total capital assets, being depreciated, net	<u>150,630,043</u>	<u>(2,198,290)</u>	<u>(465,156)</u>	<u>147,966,597</u>
Governmental activities capital assets, net	<u>\$169,737,309</u>	<u>\$1,542,367</u>	<u>(\$1,335,786)</u>	<u>\$169,943,890</u>
<b>Business-type activities:</b>				
<b>Capital assets, being depreciated:</b>				
Vehicles	\$16,979			\$16,979
Water system	<u>13,134,237</u>			<u>13,134,237</u>
Total capital assets, being depreciated	<u>13,151,216</u>			<u>13,151,216</u>
<b>Less accumulated depreciation for:</b>				
Vehicles	(5,862)	(\$2,425)		(8,287)
Water system	<u>(1,733,400)</u>	<u>(346,306)</u>		<u>(2,079,706)</u>
Total accumulated depreciation	<u>(1,739,262)</u>	<u>(348,731)</u>		<u>(2,087,993)</u>
Total capital assets, being depreciated, net	<u>11,411,954</u>	<u>(348,731)</u>		<u>11,063,223</u>
Business-type activities capital assets, net	<u>\$11,411,954</u>	<u>(\$348,731)</u>		<u>\$11,063,223</u>

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

**C. Capital assets (Continued)**

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

<b>Governmental activities:</b>	
General Government	\$3,939,603
Administration of justice	210,666
Public safety	4,567,754
Health and welfare	220,895
Community service	67,212
Resource Development	31,999
Culture and recreation	1,225,141
Public works	<u>2,093,472</u>
Total depreciation expense governmental activities	<u>\$12,356,742</u>
<b>Business-type activities:</b>	
Vehicles	\$2,425
Water system	<u>346,306</u>
Total depreciation expense Business-type activities	<u>\$348,731</u>

**Construction Commitments**

The government has several active construction projects as of September 30, 2008. The projects include the construction of Colonia Road Paving, Fabens Port of Entry, MDR Building Renovations, Safe Routes to School Projects, and Ysleta Annex. The County's year-end commitments are as follows:

Construction commitments		
Project	Spent-to-date	Remaining Commitment
Colonia Road Paving	\$38,077	\$393,223
Fabens Port of Entry	4,863,696	4,858,930
MDR Building Renovation	540,758	1,094,163
Safe Routes to School	206,109	5,000
Ysleta Annex	<u>1,569,816</u>	<u>2,681,435</u>
Total	<u>\$7,218,456</u>	<u>\$9,032,751</u>

**Component unit**

Capital asset activity for the District for the year ended September 30, 2008, was as follows:

	Beginning Balance	Increases	Transfer Disposals/ Retirements	Ending Balances
<b>Capital assets, not being depreciated:</b>				
Land	\$6,998,000			\$6,998,000
Construction in progress	<u>12,604,000</u>	<u>\$29,738,000</u>	<u>(\$7,510,000)</u>	<u>34,832,000</u>
Total capital assets, not being depreciated	<u>19,602,000</u>	<u>29,738,000</u>	<u>(7,510,000)</u>	<u>41,830,000</u>

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

**C. Capital assets (Continued)**

**Component unit (Continued)**

<b>Capital assets, being depreciated:</b>				
Buildings and improvements	112,622,000	5,323,000		117,945,000
Movable and fixed equipment	<u>126,218,000</u>	<u>11,013,000</u>	<u>(397,000)</u>	<u>136,834,000</u>
Total capital assets, being depreciated	<u>238,840,000</u>	<u>16,336,000</u>	<u>(397,000)</u>	<u>254,779,000</u>
<b>Less accumulated depreciation for:</b>				
Buildings, improvements and equipment	<u>(153,803,000)</u>	<u>(15,065,000)</u>	<u>347,000</u>	<u>(168,521,000)</u>
Total accumulated depreciation	<u>(153,803,000)</u>	<u>(15,065,000)</u>	<u>347,000</u>	<u>(168,521,000)</u>
Total capital assets, being depreciated, net	<u>85,037,000</u>	<u>1,271,000</u>	<u>(50,000)</u>	<u>86,258,000</u>
District capital assets, net	<u>\$104,639,000</u>	<u>\$31,009,000</u>	<u>(\$7,560,000)</u>	<u>\$128,088,000</u>

Construction in progress for the Component Unit at September 30, 2008 primarily represents design development of the Master Plan Implementation, Infrastructure Improvement Projects, Children’s Hospital, Northeast Clinic and the Electronic Medical Health Record system.

**D. Interfund receivables, payables, and transfers**

The composition of Interfund balances as of September 30, 2008, is as follows:

	<u>Due From</u>	<u>Due To</u>
<u>General Fund</u>		<u>\$665,759</u>
<u>Special Revenue</u>		
34 <sup>th</sup> Judicial District Prosecution Initiative		\$103,516
65 <sup>th</sup> District Expanded Family Drug Court		51,832
243 <sup>rd</sup> District Family Drug Court		39,987
409 <sup>th</sup> District Drug Court		19,302
Access and Visitation		14,566
Border Crime Initiative		365,487
Bosque Bonito and San Elizario		338,756
Byrne Justice Assistance Grant		34,261
Bullet Proof Vest Partnership		1,961
Colonia Road Projects		175,056
Colonia Self-Help Center		227,269
Constable Step		21,003
DA Anti-gang		7,821
DIMS Project		55,680
Domestic Violence Unit		31,079
DWI Court		26,147
Emergency Food and Shelter		2,134
Homeland Security		71,783
Juvenile Accountability Incentive		10,893
Labor Day Incentive Project		4,000
ONDCP Multiple Initiatives		640,177
Organized Crime Drug Enforcement Task Force		5,291
Ponderosa Western Village		101,609
Project Border Star		488,657
Regional Coordination Transportation Plan		8,184
Regional Public Transportation Plan		6,120
Rural Transit Assistance Program		2,175
Sheriff’s Crime Victim Services		9,029
Sheriff Step		10,789
Sheriff’s Training Academy		15,310

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

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

	<u>Due From</u>	<u>Due To</u>
TJPC Title IV-E Enhanced Billing	\$2,945,001	
Van Pool Program		32,752
Vehicle Registration Abuse Program		19,382
Victim Coordinator and Liaison		2,177
Victim Service Liaison		816
Subtotal	<u>2,945,001</u>	<u>2,945,001</u>
<u>Debt Service</u>		
General Obligation Refunding Bonds, Series 1998	<u>665,759</u>	
Grand Total	<u>\$3,610,760</u>	<u>\$3,610,760</u>

The following are the transfers in and out as of September 30, 2008:

	<u>Transfers Out</u> <u>Actual</u>	<u>Transfers In</u> <u>Actual</u>
<u>General Fund</u>		
Access - Match	\$6,760	
Child Protective Services - Match	476,888	
Court Reporter Service Fund		\$185,000
District Attorney DIMS Project – Match	328,598	
Domestic Violence Unit – Match	95,560	
Excess Sales Tax	665,759	
General & Administrative	12,788,968	617,642
Nutrition – Match	947,800	
Rural Transit	190,000	
Security		261,000
Vehicle Registration	25,789	
Victim Services Liaison	11,008	
Victim Witness Services	<u>109,076</u>	
Subtotal	<u>15,646,206</u>	<u>1,063,642</u>
<u>Special Revenue</u>		
Coliseum Tourist Promotion	744,735	
County Tourist Promotion		744,735
Court Reporter Service Fund	185,000	
Courthouse Security	261,000	
Drug Enforcement Match	755,000	
Juvenile Case Manager		35,120
Juvenile Probation Special Revenue	22,271	10,836,317
Sports Park		<u>300,000</u>
Subtotal	<u>1,968,006</u>	<u>11,916,172</u>
<u>Special Revenue - Grants</u>		
65 <sup>th</sup> District Family Drug Court Enhance Program	12,043	72,511
2243 <sup>rd</sup> Discretionary Drug Court Program		14,167
409 <sup>th</sup> District Drug Court	79	6,760
Access and Visitation	2,565	555,065
Border Children's Mental Health Collaborative		476,888
Child Protective Services	130,562	328,598
DIMS Project	1,942	95,560
Domestic Violence Unit	732	755,000
Drug Enforcement		
El Paso County Individual Development Account	245,760	8,104
Juvenile Accountability Incentive		947,800
Nutrition	254,433	190,000
Rural Transit Assistance		25,789
Vehicle Registration Abuse		17,000
Victim Coordinator and Liaison		11,008
Victim Services Liaison	1,382	

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

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

	Transfers Out <u>Actual</u>	Transfers In <u>Actual</u>
Victim Witness Services	189	109,076
Subtotal	<u>649,687</u>	<u>3,613,326</u>
<b>Capital Projects</b>		
Ascarate Sprinkler System	16,036	
Juvenile Administration Building		21,860
Park Improvements	79,405	
County Capital Improvements 2001		<u>1,073,581</u>
Subtotal	<u>95,441</u>	<u>1,095,441</u>
<b>Debt Service</b>		
Certificates of Obligation 1997	6,379	
Certificates of Obligation 1998	28,557	
G. O. Refunding Bonds, Series 1998		356,271
G. O. Refunding Bonds, Series 2001	961,536	
G. O. Refunding Bonds, Series 2002		309,488
G. O. Refunding Bonds, Series 2007		<u>996,472</u>
Subtotal	<u>996,472</u>	<u>1,662,231</u>
<b>Enterprise Fund</b>		
Solid Waste Disposal		5,000
Subtotal		<u>5,000</u>
Grand total	<u>\$19,355,812</u>	<u>\$19,355,812</u>

**E. Leases**

Operating Leases

The County has various lease commitments for office space, equipment and data processing software. These leases are considered to be operating leases, which are renewable on an annual basis. Lease expenditures for the year ending September 30, 2008 amounted to \$1,010,583.

Capital Leases

The County leases equipment through capital leasing arrangements in the governmental fund types. Payments during fiscal year ended September 30, 2008, amounted to \$104,229. The County has entered into lease agreements as lessee for financing the acquisition of copiers for various County departments totaling \$49,547. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Machinery and equipment	\$316,659
Less: accumulated depreciation	<u>111,456</u>
Total	<u>\$205,203</u>

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

#### E. Leases (Continued)

The future minimum lease payments and the net present value of these minimum lease payments as of September 30, 2008 are as follows:

	<u>Year ending September 30</u>	<u>Governmental Activities</u>
	2009	\$79,769
	2010	79,498
	2011	68,800
	2012	<u>6,177</u>
Total minimum lease payments		234,244
Less: Interest		<u>23,745</u>
Present value of future Minimum lease payments		<u>\$210,499</u>

#### F. Long-term Debt

##### General and certificates of obligation bonds

The County issues general and certificate of obligation bonds as well as revenue bonds to provide the resources for the acquisition and construction of capital assets. These bonds have been issued for both governmental and business-type activities. The beginning balance of the general and certificate of obligation bonds issued in prior years was \$100,010,000. During the year the County issued and refunded bonds resulting in an ending general and certificate of obligation bond balance of \$161,990,000. The beginning balance of the revenue bonds is \$1,116,000.

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

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

<u>Purpose</u>	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount</u>
General Obligation Refunding, Series 1998	3.75 – 5.50%	1998	2013	\$6,570,000
Certificates of Obligation, Series 2001	4.00 – 5.50%	2001	2022	21,190,000
General Obligation Refunding, Series 2001	4.00 – 5.00%	2001	2012	970,000
Certificates of Obligation, Series 2002	3.00 – 5.25%	2002	2022	9,515,000
General Obligation Refunding, Series 2002	3.50 – 4.00%	2002	2012	1,330,000
General Obligation Refunding, Series 2002A	3.00 – 4.50%	2002	2012	4,090,000
Certificates of Obligation, Series 2007	4.00 – 5.00%	2002	2032	59,835,000
General Obligation Refunding, Series 2007	4.00 – 5.00%	2002	2022	48,550,000
Taxable Certificates of Obligation, Series 2007	4.65 – 6.23%	2002	2032	<u>9,940,000</u>
				<u>\$161,990,000</u>

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

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

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

Year Ending September 30	Governmental Activities		Total
	Principal	Interest	
2009	\$6,935,000	\$7,625,178	\$14,560,178
2010	7,040,000	7,321,183	14,361,183
2011	5,765,000	7,043,447	12,808,447
2012	6,175,000	6,789,282	12,964,282
2013	6,235,000	6,520,334	12,755,334
2014-2018	38,810,000	27,618,263	66,428,263
2019-2023	39,105,000	17,781,129	56,886,129
2024-2028	25,875,000	10,137,183	36,012,183
2029-2032	26,050,000	2,759,776	28,809,776
	<u>\$161,990,000</u>	<u>\$93,595,775</u>	<u>\$255,585,775</u>

As of September 30, 2008, the County had two defeasance escrow accounts; the first account had a defeasance escrow amount of \$55,523 at fair value related to the August 17, 2004 partial advance refunding of the County of El Paso, Texas General Obligation Refunding Bonds, Series 2001. The second account had a defeasance escrow amount of \$27,794,016 at fair value related to the November 1, 2007 advance refunding of the Certificates of Obligation bonds series 2001 and 2002 by the El Paso County, Texas General Obligation Refunding Bonds, Series 2007. Total combined defeased bonds outstanding at September 30, 20008 totaled \$25,725,000.

#### Revenue Bonds

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

Purpose	Interest Rates	Issue Date	Maturity Date	Amount
East Montana Water Project \$1,050,000 Waterworks System Revenue Bonds, Series 1997-A	4.87%	1997	2037	\$950,000
\$195,000 Waterworks System Revenue Bonds, Series 2000	4.95 – 6.10%	2000	2021	<u>148,000</u>
Total				<u>\$1,098,000</u>

Revenue bond debt service requirements to maturity are as follows:

Year Ending September 30	Principal	Interest	Total
2009	\$18,000	\$54,965	\$72,965
2010	28,000	54,045	82,045
2011	29,000	52,634	81,634
2012	29,000	51,160	80,160
2013	30,000	49,681	79,681
2014-2018	159,000	224,354	383,354
2019-2023	185,000	178,181	363,181
2024-2029	170,000	136,014	306,014
2030-2035	220,000	89,702	309,702
2036-2037	230,000	28,763	258,763
	<u>\$1,098,000</u>	<u>\$919,499</u>	<u>\$2,017,499</u>



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

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

##### Current Year

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

##### Prior Years

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

On July 2, 2004 the County current refunded a portion of the County of El Paso, Texas Limited Tax and Surplus Revenue Certificates of Obligation Bonds, Series 1994. These bonds were refunded after the County sold land that had been purchased with proceeds of these bonds. The sale was considered a change in use event that required the defeasance of the bonds in order to comply with Internal Revenue Service regulations.

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

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

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

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

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

On June 3, 1998, the County issued \$26,395,000 in Limited Tax General Obligation Refunding Bonds, Series 1998 to advance refund a portion of Certificates of Obligation, Series 1990, 1992-A, 1994 and Limited Tax General Obligation Jail Bonds, Series 1993-A. The County received net proceeds of \$25,005,000, after payment of \$307,505 in underwriting fees, insurance, other issuance costs and receipt of \$225,594.42 of accrued interest, which was used for the August 15, 1998 interest payment. The bond proceeds plus an additional \$21,615.56, \$75,878.29, \$61,533.33, and \$413,870.83 of 1990, 1992-A, 1994 and 1993-A Series Sinking Fund monies, respectively, were used to purchase U.S. Government securities and open market securities. These securities were deposited in an irrevocable trust with an escrow agent to provide for current and future debt service payments on 1990, 1992-A, 1994 and 1993-A Series bonds. The County refunded these bonds in order to reduce total debt service payments over the next 15 years by \$1,196,654 and obtain an economic gain of \$847,296.

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

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

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2008, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds	\$29,365,000	\$48,550,000	(\$16,405,000)	\$61,510,000	\$4,950,000
Certificates of obligation bonds	70,645,000	69,775,000	(39,940,000)	100,480,000	1,985,000
Bond Premium	425,741	2,892,925	(146,127)	3,172,539	146,127
Loss on refunding		(1,907,731)	381,546	(1,526,185)	381,546
Less deferred amounts:					
For issuance discounts	(164,531)	(1,857,432)	106,252	(1,915,711)	106,252
On refunding	(425,741)		30,410	(395,331)	30,410
Total bonds payable	99,845,469	117,452,762	(55,972,919)	161,325,312	7,599,335
Capital leases	265,181	49,547	(104,229)	210,499	79,769
Claims and judgments	1,639,040	1,247,446	(1,639,040)	1,247,446	1,247,446
Contingent liabilities	1,096,000	170,000	(1,096,000)	170,000	
Compensated absences	23,482,112	24,915,672	(23,482,112)	24,915,672	8,003,289
OPEB Liability		2,890,040		2,890,040	
Governmental activity					
Long-term liabilities	<u>\$126,327,802</u>	<u>\$146,725,467</u>	<u>(\$82,294,300)</u>	<u>\$190,758,969</u>	<u>\$16,929,839</u>
<b>Business-type activities:</b>					
Bonds payable:					
Revenue Bonds	<u>\$1,116,000</u>		(\$18,000)	<u>\$1,098,000</u>	<u>\$18,000</u>
Total bonds payable	1,116,000		(18,000)	1,098,000	18,000
Business-type activity					
Long-term liabilities	<u>\$1,116,000</u>		<u>(\$18,000)</u>	<u>\$1,098,000</u>	<u>\$18,000</u>

No-commitment debt

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

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

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Long-term debt</b>					
Bonds payable	\$155,537,000	\$120,100,000	(\$4,630,000)	\$271,007,000	\$4,755,000
Note payable and capital lease					
Obligations	<u>603,000</u>		<u>(478,000)</u>	<u>125,000</u>	<u>125,000</u>
	156,140,000	120,100,000	(5,108,000)	271,132,000	4,880,000
Bond premium and discount	2,621,000	(401,000)	(129,000)	2,091,000	107,000
Total long-term debt	<u>\$158,761,000</u>	<u>\$119,699,000</u>	<u>(\$5,237,000)</u>	<u>\$273,223,000</u>	<u>\$4,987,000</u>

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

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

On July 1, 1998, the District issued General Obligation Refunding Bonds, Series 1998, as Premium Capital Appreciation Bonds and Current Interest Bonds. The proceeds from this issue were used to refund all of the District's General Obligation Refunding Bonds, Series 1988A, in order to lower the overall annual debt service requirements of the District.

The Premium Capital Appreciation Bonds, Series 1998, are not subject to redemption prior to maturity. The Current Interest Bonds, Series 1998, at the option of the District, provide for early redemption in whole or in part on August 15, 2008, or any date thereafter, at the par value thereof plus accrued interest to the date of redemption.

The Order which authorized the issuance of the Series 1998 bonds declare that the District must levy a continuing direct tax on taxable property within the District, for each year that these bonds are outstanding. Tax revenue, levied within the limits prescribed by law must be sufficient, with allowances made for delinquencies and collection costs, to pay the debt service requirements of the Series 1998 refunding bonds. Tax revenues must also provide for the payment of maintenance and operating expenses after payment of principal and interest on the Series 1998 bonds and pay any subsequent subordinate lien revenue bonds of the District which may be issued with priority over maintenance and operating expenses.

On August 2002, the District issued Series 2002 Public Property Finance Contractual Obligations. Proceeds from the sale of the Contractual Obligations were used to purchase certain capital assets and to pay for related cost of issuance. These Contractual Obligations constitute direct obligations of the District, payable from the levy and collection of an ad valorem tax levied for the benefit of the District and any revenues or funds available to the District for its public purpose.

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

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

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

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

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

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

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

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

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending September 30			
2009	\$4,987,000	\$13,218,000	\$18,205,000
2010	4,786,000	12,994,000	17,780,000
2011	4,913,000	12,778,000	17,691,000
2012	5,051,000	12,552,000	17,603,000
2013	5,176,000	12,317,000	17,493,000
2014-2018	29,346,000	58,117,000	87,463,000
2019-2023	36,841,000	50,620,000	87,461,000
2024-2028	46,816,000	40,639,000	87,455,000
2029-2033	59,601,000	27,859,000	87,460,000
2034-2038	<u>75,706,000</u>	<u>11,498,000</u>	<u>87,204,000</u>
	<u>\$273,223,000</u>	<u>\$252,592,000</u>	<u>\$525,815,000</u>

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

**G. Contingent Liabilities**

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

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the County's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government. Presently, an amount of \$170,000 for probable losses has been accrued as a contingency and is reported at the government-wide financial statements.

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

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

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

#### **H. Deferred Compensation**

The County offers its employees a deferred compensation plan that permits them to defer a portion of their current salary until future years. Any contributions made to the deferred compensation plan, in compliance with Section 457 of the Internal Revenue Code, are not available to employees until termination of employment, retirement, death or an unforeseen emergency. Contributions to the plan are administered by Nationwide Retirement Solutions, ING Life Insurance and Annuity Company and AIG VALIC, as third party administrators. In accordance with the provisions of the IRC Section 457(g), the plan assets are in custodial accounts for the exclusive benefit of the plan participants and beneficiaries. The County provides neither administrative services nor investment advice to the plans. Therefore, in accordance with GASB 32, no fiduciary relationship exists between the County and the deferred compensation pension plans. At September 30, 2008 the plan assets were valued at \$15,754,811.

#### **I. Employee Retirement Plan**

##### **Plan Description**

The County provides retirement, disability, and death benefits for all of its full-time employees and part-time employees working at least 900 hours a year through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple- employer public employee retirement system consisting of 574 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

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

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

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

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

#### **Funding Policy**

The County has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The County contributed using the actuarially determined rate of 11.61% for the months of the accounting year in 2007, and 10.93% for the months of the accounting year in 2008.

The contribution rate payable by the employee members for calendar year 2008 is the rate of 7% as adopted by the governing body of the County. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

#### **Annual Pension Cost**

For the County's accounting year ending September 30, 2008, the annual pension cost for the TCDRS plan for its employees was \$14,793,929, and the actual contributions were \$14,793,929. The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2005 and December 31, 2006, the basis for determining the contribution rates for calendar years 2007 and 2008. The December 31, 2007 actuarial valuation is the most recent valuation. The actuarial value of the plan's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a ten-year period.

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

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

**Actuarial Valuation Information**

Actuarial valuation date	12/31/05	12/31/06	12/31/07
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of payroll, open	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period in years	20	15	15
Asset valuation method	Long-term appreciation with adjustment	SAF: 10-yr smoothed value ESF: Fund value	SAF: 10-yr smoothed value ESF: fund value
Actuarial Assumptions:			
Investment return <sup>1</sup>	8.0%	8.0%	8.0%
Projected salary increases <sup>1</sup>	5.3%	5.3%	5.3%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

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

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/05	\$11,550,356	100%	0
09/30/06	13,869,110	100%	0
09/30/07	14,793,929	100%	0

**Schedule of Funding Progress for the Retirement Plan  
for the Employees of the County of El Paso  
(Required Supplementary Information-Unaudited)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll <sup>2</sup> (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/05	\$244,104,650	\$287,280,036	\$43,175,386	84.97%	\$109,916,013	39.28%
12/31/06	280,515,588	313,958,836	33,443,248	89.35%	114,589,623	29.19%
12/31/07	312,902,891	348,995,303	36,092,412	89.66%	125,613,371	28.73%

**Retirement Plan - Component Unit**

**Plan Description**

The Hospital District (the District) provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 574 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

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

<sup>2</sup> The annual covered payroll is based on actuarial valuations.



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

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

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

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

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

#### **Funding Policy**

The District has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The District contributed using the actuarially determined rate of 5.78% for the months of the accounting year in 2007, and 5.63% for the months of the accounting year in 2008.

The contribution rate payable by the employee members for calendar year 2008 is the rate of 5% as adopted by the governing body of the District. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

#### **Annual Pension Cost**

For the District's accounting year ending September 30, 2008, the annual pension cost for the TCDRS plan for its employees was \$4,700,000 and the actual contributions were \$4,700,000. The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the GASB Statement No. 27 parameters based on the actuarial valuations as of December 31, 2005 and December 31, 2006, the basis for determining the contribution rates for calendar years 2007 and 2008. The December 31, 2007 actuarial valuation is the most recent valuation. The actuarial value of the assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a ten-year period.

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

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

<b>Actuarial Valuation Information</b>			
Actuarial valuation date	12/31/05	12/31/06	12/31/07
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of payroll, open	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period in years	20	15	15
Asset valuation method	Long-term appreciation with adjustment	SAF: 10-yr smoothed value ESF: fund value	SAF: 10-yr smoothed value ESF: fund value
<b>Actuarial Assumptions:</b>			
Investment return <sup>1</sup>	8.0%	8.0%	8.0%
Projected salary increases <sup>1</sup>	5.3%	5.3%	5.3%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

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

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/06	\$3,805,000	100%	0
09/30/07	4,302,000	100%	0
09/30/08	4,656,000	100%	0

#### Schedule of Funding Progress for the Retirement Plan for the Employees of the Hospital District (Required Supplementary Information-Unaudited) (Amounts in Thousands)

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll <sup>2</sup> (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/05	\$101,613,026	\$119,619,033	\$18,006,007	84.95%	\$70,055,395	25.70%
12/31/06	116,753,968	131,945,626	15,191,658	88.49%	73,055,225	20.79%
12/31/07	130,259,735	145,380,005	15,120,270	89.60%	79,517,656	19.02%

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

<sup>2</sup> The annual covered payroll is based on actuarial valuations.

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

#### J. Other Post-employment Health Care Benefits

*Plan Description.* The County provides post-retirement medical and prescription drug benefits for retirees as they reach normal retirement age. Dependent family members are included in the plan, if at the time of the employee's retirement they were covered by the County's health plan. As of September 30, 2008 there were 2,200 active employees and 136 retirees and their dependents receiving the benefits. The plan is self-funded and the County has purchased stop loss insurance. The plan provides for separate rate schedules for active employees and retirees. The County offers a Core and a Buy-up medical plan for both active and retirees. Retirees in the Core and Buy-up plans are expected to pay approximately 43.8 percent and 48.9 percent, respectively, of the total cost for insurance coverage. For fiscal year ended September 30, 2008, retirees currently receiving benefits contributed \$367,874 and the County contributed \$414,607 toward the cost of health insurance premiums. Total benefits paid to retirees and their dependents during the fiscal year ended September 30, 2008 was \$774,113.

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

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

Normal cost	\$2,254,886
Amortization of unfunded actuarial accrued liability (UAAL) over 30 years	<u>1,462,757</u>
Annual required contribution (ARC)	3,717,643
Contributions for year ended September 30, 2008	<u>(827,603)</u>
Increase in net OPEB obligation	2,890,040
Net OPEB obligation – Beginning of year	
Net OPEB obligation – End of year	<u>\$2,890,040</u>
Percentage of Annual OPEB Cost paid	22.3%

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

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

The County's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2008 is as follows:

Fiscal Year <u>Ended</u> 9/30/08	Annual OPEB Cost \$3,717,643	Percentage of Annual OPEB Cost Contributed 22.3%	Net OPEB Obligation \$2,890,040
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*Funded Status and Funding Progress.* As of September 30, 2008, the most recent actuarial valuation date, the funded status of the plan was as follows:

Actuarial Accrued Liability (AAL)	
Active employees	\$59,114,218
Retired employees	<u>5,503,413</u>
Unfunded actuarial accrued liability	\$64,617,631
Funded ratio	0%
Covered payroll	\$133,176,710
Unfunded actuarial accrued liability as a Percentage of covered payroll	48.5%

***Schedule of Funding Progress***  
***(REQUIRED SUPPLEMENTARY INFORMATION)***

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c) u	UAAL as a Percentage of Covered Payroll ((b-a)/c) u
09/30/08	\$0	\$64,617,631	\$64,617,631	0	\$133,176,710	48.5%

***Actuarial Methods and Assumptions***

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

The County had an actuarial study done as of August 1, 2008. The actuarial valuation method utilized was the projected unit credit cost method. The allocation of the total liability into past and future service cost was based upon a straight years of service ratio. The retirement age used assumes a weighted average expected retirement age based on termination rate assumptions. The actuarial assumptions utilized a four percent discount rate and an annual healthcare cost trend rate of ten percent initially, reduced to an ultimate rate of five percent after 10 years. The accrued liability was assumed to be amortized over a 30-year period for the fiscal year ending September 30, 2008.

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

#### **K. Property Taxes**

##### **Levy and Collection**

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

##### **Tax Rate**

The County's total 2008 tax rate was \$0.391390 per \$100 of assessed valuation, of which \$0.332230 was allocated for maintenance and operations, and \$0.059160 was allocated to the debt service funds. State law permits the County to levy property taxes up to \$0.80 per \$100 of assessed valuation for the general fund and up to \$0.15 per \$100 assessed valuation for the road and bridge fund.

##### **Legislation Affecting Property Tax Policies and Procedures**

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

The property tax code:

- (1) requires that all taxing entities assess taxable property at 100% of appraised value;
- (2) includes procedures for valuation of certain eligible farm, ranch and timberlands on a "production capacity" basis which was mandated by a 1978 amendment to the State constitution;
- (3) requires that the value of real property within the appraisal district be reviewed at least once every three years; and
- (4) requires a taxing entity, other than a school or water district, to calculate two tax rates—the effective tax rate and the rollback tax rate; and
- (5) requires giving public notice and conducting a public hearing before adopting a tax rate that will exceed the rollback or the effective tax rate, whichever is lower.

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

**L. Federal and State Grants**

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

**M. Risk Management**

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

The County retains the risk of loss relating to workers compensation and unemployment liability. Contributions to cover any claims for unemployment are made to a third party administrator with the liability funded on a pay-as-you-go basis. Contribution adjustments are made throughout the year in order to maintain the reserves necessary to meet future claims determined on historical trends. Claims for workers compensation are processed through a third party administrator and also funded on a pay-as-you-go-basis. The estimated potential claims, which are reported in the accompanying financial statements, totaled \$1,247,446. Changes in the balances of claims liabilities during the past year are as follows:

	Year Ended <u>September 30, 2008</u>	Year Ended <u>September 30, 2007</u>
Unpaid claims, beginning of fiscal year	\$1,639,040	\$1,243,981
Incurred claims (including incurred but not reported)	2,279,351	2,643,299
Claim payments	<u>(2,670,945)</u>	<u>(2,248,240)</u>
Unpaid claims, end of fiscal year	<u>\$1,247,446</u>	<u>\$1,639,040</u>

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

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

#### **M. Risk Management (Continued)**

For the fiscal year 2008, the County purchased stop loss insurance to cover individual health claims that exceed \$225,000 and aggregate losses in excess \$14,767,822. During fiscal year 2008, seven claims were filed with the stop loss insurance carrier. No claims in excess of the aggregate insurance coverage occurred during the year. Also at year-end, the County had outstanding health claims in the amount of \$584,199, which will be liquidated within sixty days.

#### **N. Encumbrances Outstanding**

Encumbrances outstanding at year-end were reported as reservation of fund balance since they do not constitute expenditures or liabilities because the commitments will be honored in the subsequent year. As of September 30, 2008 encumbrances amounted to \$8,036,287, of which \$1,228,498 related to the general fund, \$2,228,155 to the special revenue fund and \$4,579,634 to the capital projects fund.

#### **O. Payroll Receivable/Payable**

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

#### **P. Federal Commodities**

For the fiscal year ended September 30, 2008 the County received federal commodities approximating \$6,963 for the Juvenile Probation Department.

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

Prior period adjustments were made in the Special Revenue Grants for \$292,646 and \$2,880,996 totaling \$3,173,642. These adjustments are for TJPC Secure Post-Adjudication and TJPC Title IV-E Enhanced Billing, respectively. The funds were previously classified as agency funds and have been reclassified as grants.

#### **R. Related Party Transactions**

The County entered into a rental lease agreement for office space to be used for one of the County's Departments. The contract was for a nine-month period beginning in January 2008. The property is owned by the Judge, Justice of the Peace Precinct No. 4, which is also the County Department that occupies the office space. The contract terms calls for monthly payments of \$2,600, which represents the market value for similar office space in the area.

## **SUPPLEMENTARY INFORMATION**



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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of The County of El Paso, Texas, as of and for the year ended September 30, 2008, which collectively comprise The County of El Paso, Texas' basic financial statements and have issued our report thereon dated February 16, 2009. We did not audit the financial statements of the discretely presented component unit which statements reflect total assets of \$556,244,000 as of the respective balance sheet date and total revenues of \$334,619,000 for the year then ended. Those financial statements were audited by other auditors whose report expressing an unqualified opinion has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the discretely presented component unit is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the State of Texas Single Audit Circular. The financial statements of the discretely presented component unit were audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the County of El Paso, Texas' ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the County of El Paso, Texas' financial statements that is more than inconsequential will not be prevented or detected by the County of El Paso, Texas' internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the County of El Paso, Texas' internal control.

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of The County of El Paso, Texas, in a separate letter dated February 16, 2009.

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

A handwritten signature in black ink that reads "Cole R. Woodcock Patterson LLC". The signature is written in a cursive, flowing style.

El Paso, Texas  
February 16, 2009

REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR  
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN  
ACCORDANCE WITH OMB CIRCULAR A-133  
AND THE STATE OF TEXAS SINGLE AUDIT CIRCULAR

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

Compliance

We have audited the compliance of The County of El Paso, Texas, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2008. The County of El Paso, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of The County of El Paso, Texas' management. Our responsibility is to express an opinion on The County of El Paso, Texas' compliance based on our audit.

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

As described in item 08-1, in the accompanying schedule of findings and questioned costs, The County of El Paso, Texas, did not comply with requirements regarding eligibility that are applicable to its Federal Emergency Management Assistance Program (CFDA 83.523). Compliance with such requirement is necessary, in our opinion, for The County of El Paso, Texas, to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, The County of El Paso, Texas, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal and state programs for the year ended September 30, 2008.

## Internal Control Over Compliance

The management of The County of El Paso, Texas, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered The County of El Paso, Texas' internal control over compliance with the requirements that could have a direct and material effect on a major federal or state program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of The County of El Paso, Texas' internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified a deficiency in internal control over compliance that we consider to be a significant deficiency.

A *control deficiency* in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal or state program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal or state program that is more than inconsequential will not be prevented or detected by the entity's internal control. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 08-1 to be a significant deficiency.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type compliance requirement of a federal or state program will not be prevented or detected by the entity's internal control. Of the significant deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs, we do not consider any to be a material weakness.

The County of El Paso, Texas' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit The County of El Paso, Texas' response and, accordingly, we express no opinion on it.

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

A handwritten signature in black ink, appearing to read "Charles R. Lubbock" followed by some initials or a flourish.

El Paso, Texas  
February 16, 2009

**COUNTY OF EL PASO, TEXAS**

**SCHEDULE OF FINDINGS & QUESTIONED COSTS**

FOR THE YEAR ENDED SEPTEMBER 30, 2008

Schedule Reference Number	PROGRAM	DESCRIPTION
<b><u>SUMMARY OF AUDITOR'S RESULTS</u></b>		
<b><u>FINANCIAL STATEMENTS</u></b>		
	<b>Type of Auditor's Report Issued:</b>	Unqualified
	<b>Internal control over financial reporting:</b>	
	<b>Material weaknesses identified?</b>	No
	<b>Significant deficiency identified that are not considered to be material weaknesses?</b>	None
	<b>Noncompliance material to the financial statements:</b>	No material noncompliance was noted.
<b><u>FEDERAL AWARDS</u></b>		
	<b>Internal control over financial reporting:</b>	
	<b>Material weaknesses identified?</b>	No
	<b>Significant deficiency identified that are not considered to be material weaknesses?</b>	Yes
	<b>Type of auditor's report issued on compliance for major programs:</b>	Qualified
	<b>Any audit findings disclosed that are required to be reported in accordance with Section .510(a) of Circular A-133 or the State of Texas Single Audit Circular?</b>	Yes - Federal Programs No - State Programs

**COUNTY OF EL PASO, TEXAS**

**SCHEDULE OF FINDINGS & QUESTIONED COSTS**

FOR THE YEAR ENDED SEPTEMBER 30, 2008

<b>Schedule Reference Number</b>	<b>PROGRAM</b>	<b>DESCRIPTION</b>
	<b>Major Federal Programs:</b>	Southwest Border Prosecution Initiative (CFDA 16.000), Van Pool Program and ITS Integration Project (CFDA 20.205), Rural Transit Assistance Program (CFDA 20.509), Emergency Food and Shelter Program Phase 26 (CFDA 83.523), Help America Vote Act (CFDA 90.401), Border Children's Mental Health Collaborative (CFDA 93.104), Foster Care - Title IV-E (CFDA 93.658), Office of National Drug Control Policy (No CFDA).
	<b>Pass-through Entity - Federal:</b>	Bureau of Justice Assistance (BJA), Texas Department of Transportation, United Way of America, Federal Emergency Management Agency, Texas Office of the Secretary of State, Substance Abuse and Mental Health Services Administration, Texas Juvenile Probation Commission.
	<b>Major State Programs:</b>	Border Colonia Access Program, Texas Task Force on Indigent Defense Formula Grant, Texas Juvenile Probation Commission State Grants, Border Security Enhancement Operations and Local Border Security Program, Statutory Court Judges Reimbursement.
	<b>Pass-through Entity - State:</b>	Texas Department of Transportation, Texas Task Force on Indigent Defense, Texas Juvenile Probation Commission, Texas Department of Public Safety- Division of Emergency Management, Texas District Courts-Comptroller Judiciary
	<b>Dollar Threshold Considered Between Type A and Type B Federal and State Programs:</b>	\$573,900 - Federal Programs \$300,000 - State Programs

**COUNTY OF EL PASO, TEXAS**

**SCHEDULE OF FINDINGS & QUESTIONED COSTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

<b>Schedule Reference Number</b>	<b>PROGRAM</b>	<b>DESCRIPTION</b>
	<b>Auditee qualified as low-risk auditee?</b>	No - Federal Programs No - State Programs

**COUNTY OF EL PASO, TEXAS**

**SCHEDULE OF FINDINGS & QUESTIONED COSTS**

FOR THE YEAR ENDED SEPTEMBER 30, 2008

<b>Schedule Reference Number</b>	<b>PROGRAM</b>	<b>DESCRIPTION</b>
<b><u>FINANCIAL STATEMENT FINDINGS</u></b>		
<b>There were no current year findings.</b>		
<b><u>FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS</u></b>		
<b>08-1</b>	<b>Emergency Food and Shelter Program (EFSP) Phase 26 CFDA 83.523</b>	<b>Eligibility</b>
	<b>Criteria:</b>	The EFSP is a needs based restricted federal grant for which only individuals with specific shelter needs may qualify. The grant requires that the County obtain a thorough understanding of eligibility guidelines and maintain records which clearly document recipient eligibility of such funds.
	<b>Condition Found:</b>	In reviewing the recipient tenant files we noted that many files related to individuals who had applied for financial assistance several years previous, but not for assistance under this grant. Additionally, the documentation in these tenant files appeared to have been altered to satisfy the time period, and the related recipient checks were deposited into the same bank account.
	<b>Questioned Cost / Basis</b>	\$8,125
	<b>Instances / Universe</b>	Twenty instances out of forty total transactions audited for the grant.
	<b>Effect:</b>	It appears the manager of the County's Food and Shelter program may have misappropriated Federal funds.



**COUNTY OF EL PASO, TEXAS**

**SCHEDULE OF FINDINGS & QUESTIONED COSTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

<b>Schedule Reference Number</b>	<b>PROGRAM</b>	<b>DESCRIPTION</b>
	<b>Cause</b>	The program manager and related staff did not follow specific grant guidelines, or County policy, and misused Federal funds.
	<b>Recommendation</b>	County staff should develop procedures to ensure all eligible tenant files are reviewed periodically, and specific tenant information be verified for validity purposes to comply with Federal eligibility granting requirements.
	<b>Management Response</b>	See Corrective Action Plan

**COUNTY OF EL PASO, TEXAS**

**SCHEDULE OF STATUS OF PRIOR FINDINGS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2008**

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

**There were no prior year findings.**

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

<b>07-1 Buffer Zone Protection Program (BZPP) - Equipment</b>	<b>No longer exists.</b>
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COUNTY OF EL PASO, TEXAS

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED SEPTEMBER 30, 2008

Schedule Reference Number	PROGRAM	CORRECTIVE ACTION PLAN
08-1	<b>Emergency Food and Shelter Program (EFSP) Phase 26 CFDA 83.523</b>	<b>Eligibility</b>
	<b>Corrective Action:</b>	General Assistance Office Corrective Action Plan-
		<ol style="list-style-type: none"><li>1. The department director voluntarily separated the previous program manager from County employment.</li><li>2. The department director and new program manager initiated a re-write of program policies adopted in 1996.</li><li>3. Program policies and procedures are complementary to EFSP requirements.</li><li>4. Procedures to support eligibility policies require an active, current application and all supporting documents in the file.</li><li>5. Applications are completed in pen, signed and dated.</li><li>6. Program staff provides a clear narrative that identifies how client meets eligibility for assistance.</li><li>7. Program staff with program staff and manager initialing change must explain any changes to an application.</li><li>8. Program manager reviews application and narrative for consistency, clarity, and compliance with eligibility standards prior to request for payment.</li><li>9. Program staff verifies landlord information through Central Appraisal District (CAD) website.</li><li>10. Policies clearly define program manager authority with the department director responsible for review of decisions above that authority.</li><li>11. Program manager pulls random files quarterly for quality assurance sample.</li></ol>

COUNTY OF EL PASO, TEXAS

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED SEPTEMBER 30, 2008

<b>Schedule Reference Number</b>	<b>PROGRAM</b>	<b>CORRECTIVE ACTION PLAN</b>
		<p>County Auditor's Office Corrective Action Plan-</p> <p>The County Auditor's Office began enforcing its policy of not allowing checks to be picked up but rather mailing directly to the recipients of rental assistance or to the landlords.</p> <p>The County Auditor's Office is closely monitoring all requests for assistance and requesting the department to provide the client file for further review for anything that appears questionable.</p> <p>The County Auditor's Office initiated a procedure of verifying the name and address with Central Appraisal Office records in order to confirm the validity of the information provided on the voucher request for rental or mortgage assistance before a payment is issued.</p> <p>The internal audit division of the Auditor's Office is periodically performing reviews of the client files on a sample basis to ensure that all supporting documentation is maintained and is within the guidelines established by the granting agency and the program director.</p> <p><b>Responsible Party:</b> Rosemary Niell, Director of Family and Community Services Edward A. Dion, County Auditor</p> <p><b>Anticipated Completion Date:</b> October 24, 2008</p>

County of El Paso  
Schedule of Expenditures of Federal and State Awards  
Year Ended September 30, 2008

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2007-2008	State Expenditures 2007-2008
<b>Federal Expenditures</b>				
<b>U. S. Social Security Administration</b>				
Social Security Incentive Payment	96.000		\$29,400	
<b>Total U.S. Social Security Administration</b>			\$29,400	\$0
<b>U.S. Election Assistance Commission</b>				
Passed-Through State Department of:				
<b>*Texas Office of the Secretary of State</b>				
General HAVA Compliance	90.401	78546	\$481,961	\$25,366
<b>Total U.S. Election Assistance Commission</b>			\$481,961	\$25,366
<b>U.S. Department of Health and Human Services</b>				
<b>Substance Abuse and Mental Health Services Administration</b>				
65th District Expanded Family Drug Court Program	93.243	5 H79 TI17438-02	27,111	
65th District Expanded Family Drug Court Program	93.243	5 H79 TI17438-03	407,063	
Border Children's Mental Health Collaborative	93.104	5 U79 SM54478-04	0	
Border Children's Mental Health Collaborative	93.104	5 U79 SM54478-05	357,245	
Border Children's Mental Health Collaborative	93.104	5 U79 SM54478-06	0	
<b>Administration for Children and Families</b>				
El Paso County Individual Development Account	93.602	90EI0168	2,841	
<b>Adminiistration on Aging</b>				
National Hispanic Council On Aging	93.048	90AM2906/01	312	
National Hispanic Council On Aging	93.048	90AM2906/02	11,520	
Passed-Through State Department of:				
<b>*Texas Department of Human Services:</b>				
Social Services Block Grant-Home Delivered Meals	93.667	UCN 10N1493	0	
Social Services Block Grant-Home Delivered Meals	93.667	UCN 10N1493	987	
Social Services Block Grant-Home Delivered Meals	93.667	UCN 10N1493	848,429	
<b>*Texas Department of Protective and Regulatory Services</b>				
Promoting Safe and Stable Families -Child Protective	93.556	2003103381	44,649	
Promoting Safe and Stable Families -Child Protective	93.556	23380077	171,862	
Promoting Safe and Stable Families -Child Protective	93.556	23380077	10,655	
<b>*Texas Department on Aging:</b>				
Title III C1 -Congregate Meals 07	93.053	000173100	101,064	
Title III C2 - Homebound Meals 07	93.053	0010040302	14,247	
Title III C1 -Congregate Meals 08	93.053	000173100	357,932	
Title III C2 - Homebound Meals 08	93.053	0010040302	208,362	
<b>*Texas Attorney General:</b>				
Child Support Enforcement	93.563	AG TITLE IV -D	1,118,169	
Child Support Probation Cases	93.563	04-C0065	263,716	
OAG Cases Redirected	93.563	00-08002	165	
State Case Registry Services	93.563	07-C0037	39,267	
Access and Visitation Grant	93.597	07-C0206	0	
Access and Visitation Grant	93.597	07-C0206	64,548	
Access and Visitation Grant	93.597	09-C0005	2,677	
<b>Total U.S. Department of Health and Human Services</b>			\$4,052,821	\$0

County of El Paso  
Schedule of Expenditures of Federal and State Awards  
Year Ended September 30, 2008

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2007-2008	State Expenditures 2007-2008
<b>U. S. Department of Agriculture</b>				
Congregate Meals FY 07	10.550	000173100	\$10,993	
Congregate Meals FY 08	10.550	000173100	\$280,665	
Passed-Through State Department of:				
<b>*Texas Department of Human Services:</b>				
National School Lunch Program	10.555	TX-071215	118,122	
<b>*TDHS - Commodities Distribution</b>				
El Paso County Juvenile Probation	10.550	071-050-A4	6,963	
<b>Total U.S. Department of Agriculture</b>			\$416,743	\$0
<b>U. S. Department of Housing and Urban Development</b>				
Passed through State Department of:				
<b>*Office of Rural Community Affairs (ORCA)</b>				
Colonia Self Help Center	14.228	725003	\$595,827	
Ponderosa Western Village	14.228	725289	125,477	
Bosque Bonito I & II	14.228	725145	482,983	
<b>*Texas Department of Housing and Community Affairs</b>				
Home Deed Conversion	14.239	1000569	107,384	
<b>*Passed through-City of El Paso</b>				
Homebound Meals FY 07	14.218	32311/MTAY	5,623	
Homebound Meals FY 08	14.218	32311/MTAY	72,131	
<b>Total U.S. Department of Housing and Urban Development</b>			\$1,389,425	\$0
<b>U.S. Department of the Interior</b>				
<b>National Park Services</b>				
National Park Services Groundwork USA	15.921	H4520030006	\$22,250	
<b>Total U. S. Department of Interior</b>			\$22,250	\$0
<b>U. S. Department of Justice</b>				
<b>Bureau of Justice Assistance</b>				
State Criminal Alien Assistance Program (SCAPP)	16.606	2007-f-3835-TX-AP	\$517,251	
Southwest Border Proecution Inittative	16.000		1,391,992	
Bullet Proof Vest Partnership	16.607		26	
Bullet Proof Vest Partnership	16.607		1,935	
<b>Office of Justice Programs</b>				
Single Jurisdiction Enhancement Drug Court	16.585	2004-DC-BX-0002	777	
Edward Byne Memorial Justice Assistant Grant	16.738	2005-DJ-BX-0289	38,787	
Edward Byne Memorial Justice Assistant Grant	16.738	2006-DJ-BX-0121	80,729	
Edward Byne Memorial Justice Assistant Grant	16.738	2007-DJ-BX-1207	59,688	
Organized Crime Drug Enforcement Task Force	16.000	SW-TXW-433	7,190	
Organized Crime Drug Enforcement Task Force	16.000	SW-TXW-435	4,445	
Organized Crime Drug Enforcement Task Force	16.000	SW-TXW-0432H	846	
Lone Star Fugitive Task Force (MOU) US Marshals	USMS		84	
Passed-Through State Department of:				
<b>*Office of the Attorney General</b>				
Sheriff's Crime Victim's Liaison	16.576	08-01662	27,786	
DA Victim Information Notification Everyday	16.576	805366	30,108	
Project Safe Neighborhoods	16.609	05-00117	9,950	
Victim Coordinator and Liaison	16.576	08-01332	20,369	
Anti-Gang Initiative	16.576	2006-PG-BX-0010	44,787	

County of El Paso  
Schedule of Expenditures of Federal and State Awards  
Year Ended September 30, 2008

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2007-2008	State Expenditures 2007-2008
<b><u>*Office of the Governor - Criminal Justice Division</u></b>				
DWI Court	16.738	DJ-06-A10-18692-01	43,442	
DWI Court	16.738	DJ-07-A10-18692-02	36,012	
Border Crime Initiative	16.738	DJ-05-A10-19860-01	1,387,045	
Juvenile Accountability Incentive Block Grant	16.523	JB-06-J20-13358-09	27,519	
Juvenile Accountability Incentive Block Grant	16.523	JB-07-J20-13358-10	7,867	
409th Juvenile Drug Court	16.523	JB-03-J20-18028-02	0	
409th Juvenile Drug Court	16.523	JB-03-J20-18028-03	91,476	
243th Drug Court Program	16.523	DJ-07-A10-16921-04	(2,792)	
243th Drug Court Program	16.523	DJ-07-A10-16921-05	124,133	
243th Drug Court Program	16.523	DJ-07-A10-16921-06	7,178	
Victim Witness Services	16.575	VA-00-V30-13625-08	0	
Victim Witness Services	16.575	VA-06-V30-13625-09	29,221	
Victim Witness Services	16.575	VA-00-V30-13625-10	14,286	
Criminal Enterprise Unit	16.738	DJ-06-A10-18224-02	250	
Victim Services Liaison	16.575	VA-06-V30-15713-06	0	
Victim Services Liaison	16.575	VA-06-V30-15713-07	26,177	
Domestic Violence Unit	16.588	WF-05-V30-13437-09	0	
Domestic Violence Unit	16.588	WF-05-V30-13437-10	88,921	
Domestic Violence Unit	16.588	WF-05-V30-13437-10	0	
<b><u>*Texas Border Sheriff's Coaliton</u></b>				
Operation Linebacker	16.738	0762(07)	213,063	
Operation Linebacker	16.738	0762-2006-DD-BX-0504	369,938	
<b><u>*Texas Department of Transportation</u></b>				
Operation Wrangler	16.738	BSOC-IO-WR-144	(169)	
<b>Total U. S. Department of Justice</b>			\$4,700,317	\$0
<b>U. S. Department of Transportation</b>				
<b>Federal Transit Administration</b>				
Passed-Through State Department of:				
<b><u>*Texas Department of Transportation</u></b>				
Rural Transit Assistance Program	20.509	51824F7018	246,835	
Rural Transit Assistance Program	20.509	51724F7243	123,901	
Rural Transit Assistance Program	20.509	51924F7018	0	
Rural Transit Assistance Program	20.509	51824F7097	61,325	
Rural Transit Assistance Program	20.509	51824F7258	0	
Van Pool	20.205	CJ#0924-06-286	98,268	
ITS Integration Project	20.205	CSJ#0924-06-289	391,952	
HD Alternative Fuel Project	20.205	CSJ#0914-06-288	21,625	
Regional Public Transportation Plan	20.515	51-7XXF7009	54,010	
Regional Public Transportation Plan	20.515	51-9XXF7009	4,169	
Passed-Through State Department of:				
<b><u>Texas Department of Transportation</u></b>				
<b><u>Midland-Odessa UTD</u></b>				
Regional Public Transportation Plan	20.515	51-7XXF7009	8,185	
<b>Total U.S. Department of Transportation</b>			\$1,010,270	\$0

County of El Paso  
Schedule of Expenditures of Federal and State Awards  
Year Ended September 30, 2008

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2007-2008	State Expenditures 2007-2008
<b>United Way of America - Federal</b>				
<b>Emergency Management Agency</b>				
Emergency Food and Shelter	83.523	21-8036-00LRO-014	\$135,038	
<b>Total United Way of America</b>			<b>\$135,038</b>	<b>\$0</b>
<b>U.S. Department of Homeland Security</b>				
Passed - Through State Department of:				
<b>*Texas Engineering Extension Service (TEEX)</b>				
Homeland Security	97.073	2006-GE-T6-0068	\$82,666	
Homeland Security	97.074	2006-GE-T6-0068	59,315	
<b>Total United U.S. Department of Homeland Security</b>			<b>\$141,981</b>	<b>\$0</b>
<b>Border Environmental Cooperation Commission</b>				
Water Facility Plan Schuman-Brother Rd	66.000	TAA07-024	\$47,231	
<b>Total Border Environmental Cooperation Commission</b>			<b>\$47,231</b>	<b>\$0</b>
<b>OTHER FEDERAL FINANCIAL ASSISTANCE</b>				
<b>Executive Office of the President</b>				
<b>Office of National Drug Control Policy (ONDCP)</b>				
34th Judicial Dist. Prosecution Initiative	N/A	I5PSWP563	\$767	
34th Judicial Dist. Prosecution Initiative	N/A	I6PSWP563	10,957	
34th Judicial Dist. Prosecution Initiative	N/A	I7PSWP563	385,554	
34th Judicial Dist. Prosecution Initiative	N/A	I8PSWP563	141,934	
CPOI-Southwest Border HIDTA	N/A	I3PSWP999	1,284,795	
Multiple Initiatives	N/A	I4PSWP555	23,064	
Multiple Initiatives	N/A	I5PSWP555	88,265	
Multiple Initiatives	N/A	I6PSWP555	243,434	
Multiple Initiatives	N/A	I7PSWP555	2,450,282	
Multiple Initiatives	N/A	I8PSWP555	564,396	
Southwest Border HIDTA Management Multiple Init.	N/A	I3PSBP576	0	
Southwest Border HIDTA Management Multiple Init.	N/A	I4PSBP576	0	
Southwest Border HIDTA Management Multiple Init.	N/A	I5PSBP576	0	
Southwest Border HIDTA Management Multiple Init.	N/A	I6PSBP576	0	
<b>Total Other Federal Financial Assistance</b>			<b>\$5,193,448</b>	<b>\$0</b>
<b>State Expenditures</b>				
<b>Office of the Governor - Criminal Justice Division</b>				
<b>*Rio Grande Council of Governemnts</b>				
Sheriff's Training Academy	N/A	SF-06-A10-14285-09		\$197,850
<b>Total Office of the Governor-Criminal Justice Division</b>			<b>\$0</b>	<b>\$197,850</b>
<b>Texas Department of Housing and Community Affairs</b>				
Texas Bootstrap Loan Program	N/A	857602		\$127,622
<b>Total Texas Department of Housing and Community Affairs</b>			<b>\$0</b>	<b>\$127,622</b>
<b>Texas Department of Transportation</b>				
Vehicle Registration Abuse Program	N/A	SA-T03-10076-08		\$60,914
Vehicle Registration Abuse Program	N/A	SA-T03-10076-09		4,456
Border Colonia Access Program	N/A	245BCF5001		414,818
Sheriff's STEP - Impaired Driving Mobilization	N/A	588XXF5031		44,763
Constable 6 STEP - Impaired Driving Mobilization	N/A	588XXF5032		44,500
Labor Day Impaired Driving Mobilization Project	N/A	588EGF5277		4,000
<b>Total Texas Department of Transportation</b>			<b>\$0</b>	<b>\$573,451</b>



County of El Paso  
Schedule of Expenditures of Federal and State Awards  
Year Ended September 30, 2008

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2007-2008	State Expenditures 2007-2008
<b>Texas Comptroller of Public Accounts</b>				
Tobacco Compliance Grant Sheriff FY 2008	N/A			\$19,408
Tobacco Compliance Grant Sheriff FY 2009	N/A			1,641
Tobacco Compliance Grant Constable 6 FY 2008	N/A			19,375
Tobacco Compliance Grant Constable 3 FY 2009	N/A			1,334
Tobacco Compliance Grant Constable 6 FY 2009	N/A			1,480
Elections Chapter 19	N/A			66,244
Lateral Road Fund Distribution	N/A			33,872
Sheriff Continuing Education	N/A			63,721
<b>Total Texas Comptroller of Public Accounts</b>			<b>\$0</b>	<b>\$207,075</b>
<b>Texas Task Force on Indigent Defense</b>				
Public Defender Mental Health Unit	N/A	212-56-D05		\$38,445
El Paso County Formula Grant	N/A	212-07-071		608,729
<b>Total Texas Task Force on Indigent Defense</b>			<b>\$0</b>	<b>\$647,174</b>
<b>Texas Commission on Environmental Quality</b>				
<b>*Rio Grande Council of Governemnts</b>				
Solid Waste Community Clean Up and Awareness	N/A	08-08-G03		\$11,076
<b>Total Texas Commission on Environmental Quality</b>			<b>\$0</b>	<b>\$11,076</b>
<b>Texas Juvenile Probation Commission</b>				
TJPC Juvenile Board State Aid	N/A	TJPC-A-2007-071		\$4,350
TJPC Juvenile Board State Aid	N/A	TJPC-A-2008-071		341,206
TJPC Juvenile Board State Aid	N/A	TJPC-A-2009-071		42,190
TJPC Progressive Sanctions	N/A	TJPC-F-2008-071		423,229
TJPC Progressive Sanctions	N/A	TJPC-F-2009-071		60,952
TJPC Progressive Sanctions	N/A	TJPC-G-2008-071		113,860
TJPC Progressive Sanctions	N/A	TJPC-G-2009-071		9,015
TJPC Special Needs Diversionary	N/A	TJPC-M-2008-071		33,581
TJPC Special Needs Diversionary	N/A	TJPC-M-2009-071		20,189
TJPC Progressive Sanctions	N/A	TJPC-O-2008-071		121,690
TJPC Progressive Sanctions	N/A	TJPC-O-2009-071		19,128
TJPC Juvenile Justice Alt. Education	N/A	TJPC-P-2007-071		93,852
TJPC Intensive Community Based Pilot	N/A	TJPC-U-2008-071		43,735
TJPC Secure Operating	N/A	TJPC-V- -071		210,354
TJPC Intensive Community Based Program	N/A	TJPC-X-2008-071		285,474
TJPC Community Corrections	N/A	TJPC-Y-2008-071		901,378
TJPC Community Corrections	N/A	TJPC-Y-2009-071		81,595
TJPC Salary Adjustment	N/A	TJPC-Z-2008-071		290,594
TJPC Salary Adjustment	N/A	TJPC-Z-2009-071		19,714
Juvenile Services	N/A	TJPC		426
Title IV-E	93.658	TJPC-E- -071		0
<b>Total Texas Juvenile Probation Commission</b>			<b>\$1,509,152</b>	<b>\$3,116,512</b>
<b>Texas Department of Public Safety</b>				
<b>* Division of Emergency Management</b>				
Border Security Enhancement Operations	N/A	BSOC-OP-BS-063		\$168,861
Local Border Security Program	N/A	LBSP-08-EL PASO		\$515,817
<b>Total Texas Department of Public Safety</b>			<b>\$0</b>	<b>\$684,678</b>

County of El Paso  
Schedule of Expenditures of Federal and State Awards  
Year Ended September 30, 2008

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2007-2008	State Expenditures 2007-2008
<b>Texas District Courts-Comptroller Judiciary</b>				
Reimbursement of State Witness	N/A			\$63,776
DA Apportionment Salaries	N/A			34,667
Prosecutor Longevity	N/A			162,486
Reimbursement of Statutory Court Judges	N/A			756,250
Jury Reimbursement	N/A			213,758
Reimbursement of Statutory Probate Court Judges	N/A			80,000
<b>Total Texas District Courts-Comptroller Judiciary</b>			<b>\$0</b>	<b>\$1,310,937</b>
<b>Texas Department of Criminal Justice</b>				
Reimbursement of Offender Transportation	N/A			\$46,540
<b>Total Texas Department of Criminal Justice</b>			<b>\$0</b>	<b>\$46,540</b>
<b>Texas Education Agency</b>				
Juvenile Alternative Education	N/A	77590071		\$28,554
<b>Total Texas Education Agency</b>			<b>\$0</b>	<b>\$28,554</b>
<b>Texas Department of Health and Human Services Commissions</b>				
District Attorney Food Stamp Fraud	N/A			\$37,800
<b>Total Texas Department of Health and Human Services Commissions</b>			<b>\$0</b>	<b>\$37,800</b>
			<b>\$19,130,037</b>	<b>\$7,014,635</b>
<b>Federal Funds Expended</b>			<b>\$19,130,037</b>	
<b>State Funds Expended</b>			<b>\$7,014,635</b>	
<b>Total Funds Expended</b>			<b>\$26,144,672</b>	
Note:				
Special Revenues-Grants Exhibit B-30 Total Expenditures			\$24,768,115	
Plus Funds received through General Fund			\$5,211,499	
Plus Funds received through Special Revenues			\$441,389	
Less Non-Federal or State Funding Sources			\$4,276,331	
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>			<b>\$26,144,672</b>	

## COUNTY OF EL PASO, TEXAS

### NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2008

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#### **1. GENERAL**

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal and state financial assistance programs of the County of El Paso, Texas for the year ended September 30, 2008. The County's reporting entity is defined in Note 1 to the County's general purpose financial statements. Federal and state financial assistance passed through other governmental agencies is included in the Schedule of Expenditures of Federal Awards.

#### **2. BASIS OF ACCOUNTING**

The accompanying Schedule of Expenditures of Federal Awards is presented using the modified accrual basis of accounting which is the same basis as the County's general purpose financial statements.

#### **3. SINGLE AUDIT MAJOR PROGRAM DETERMINATION**

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

Type A programs, for the County, are programs that have expenditures equal to or greater than \$573,900 or three percent of total Federal awards expended and \$300,000 of total State awards expended. Federal and State programs not labeled Type A are labeled Type B programs.

Type B programs, for the County, have expenditures of \$100,000 or three-tenths of one percent of total Federal or State awards expended.

#### **4. OTHER FEDERAL FINANCIAL ASSISTANCE**

El Paso County insures all employees in aggregate with employee dishonesty insurance of \$1,000,000 with a \$25,000 deductible at a cost of \$3,048 per year. Elected Officials are insured at various limits from \$1,500 to \$500,000 depending on their position at a tiered cost plan of \$178 to \$5,950 for four years per official. El Paso County does not have any loans or loan guarantees as of September 30, 2008.