

**COUNTY OF EL PASO, TEXAS**  
**ANNUAL FINANCIAL AND COMPLIANCE REPORTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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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 primary government financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of El Paso, Texas (County), as of and for the year ended September 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, which statements reflect total assets of \$588,532,000 as of the respective balance sheet date and total revenues of \$412,084,000 for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information of the County as of September 30, 2011, 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 March 21, 2012 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents on pages 3 through 18, and 71, respectively, to be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the 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 financial statements. The supplementary information as listed in the table of contents and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.



El Paso, Texas  
March 21, 2012

## 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, 2011. 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 2011 by \$145,864,335, which represents total net assets. Of this amount, \$134,889,003 or 92.48 percent relates to governmental-type activities while \$10,975,332 or 7.52 percent represents business-type activities. Total net assets are comprised of restricted and unrestricted assets and investment in capital assets net of related debt. Investment in capital assets net of related debt totaled \$95,157,905 or 65.24 percent of total net assets. Restricted assets represent funds subject to constraints that are imposed externally by creditors, debt covenants, grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets totaled \$32,487,070 or 22.27 percent of total net assets of which the primary government and business type activities totaled \$31,952,874 or 98.36 percent and \$534,196 or 1.64 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 \$18,219,360 or 12.49 percent of total net assets.

The County's fiscal year 2011 operations resulted in total net assets increasing by \$2,436,347 or 1.70 percent. This was attributable to an increase of \$2,634,070 or 1.99 percent in the governmental-type net assets and a decrease in business-type net assets totaling \$197,723 or 1.77 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 Hospital District, known as University Medical Center (UMC), a discretely presented component unit. The District is included in this CAFR because the El Paso County Commissioners Court, the County's governing body, has the legal duty to exercise financial accountability over it by appointing its board members, approving its budget and setting its tax rate as discussed in the letter of transmittal. Copies of any of the District's separately issued financial reports can be obtained directly from the District. The government-wide financial statements can be found on exhibits 1 and 2 of this report.

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

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

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

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

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

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

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

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

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

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

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

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

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

As previously noted, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$145,864,335 at the close of fiscal year 2011. By far the largest component of the County's net assets represents investment in capital assets (e.g., land, buildings, machinery, and equipment) totaling \$95,157,905 or 65.24 percent of total net assets, which is net of any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The second largest component is restricted assets and represents resources that are subject to external restrictions on how they may



be used. These assets are comprised of capital project funds totaling \$832,451 or 2.56 percent, special purpose funds totaling \$29,193,637 or 89.86 percent, enterprise funds totaling \$498,801 or 1.54 percent of restricted assets. Also included are debt service funds totaling \$1,962,181 or 6.04 percent of total restricted net assets. The next category relates to unrestricted net assets totaling \$18,219,360 or 12.49 percent of total net assets, which may be used to meet the County's ongoing obligations to citizens and creditors.

Furthermore, as of September 30, 2011, the County's net assets for the governmental activities increased by \$2,634,070 or 1.99 percent and business-type activities declined by \$197,723 or 1.77 percent for a net overall increase of \$2,436,347 or 1.70 percent from the previous fiscal year. Investments in capital assets net of related debt from governmental and business-type activities decreased by \$335,418 or .35 percent. There was a net decline of \$4,836,978 or 12.96 percent in restricted assets reported, composed of a decrease of \$5,106,859 related to governmental activities and an increase of \$269,881 related to business-type activities. Unrestricted net assets totaled \$18,219,360 and were up by \$7,608,743 or 71.71 percent, all related to governmental activities.

On a global perspective, the County of El Paso's total assets from governmental and business-type activities increased by \$10,588,180 or 2.97 percent. This increase was the culmination of a multitude of changes at the fund level, but more so, at the entity-wide level. Discussion here will focus on selective information to give the reader a basic understanding of changes by evaluating changes in the statement of net assets and the associated changes in revenues and expenses. Detailed analysis and explanation will be focused on significant changes, which occurred throughout the various levels within these financial statements.

El Paso County, Texas Net Assets						
	Governmental		Business-type		Total	
	Activities		Activities			
	FY2011	FY2010	FY2011	FY2010	FY2011	FY2010
Current and other assets	\$ 172,395,195	\$ 171,065,765	\$ 2,299,965	\$ 2,027,420	\$ 174,695,160	\$ 173,093,185
Capital assets	182,576,206	173,362,768	10,225,215	10,452,448	192,801,421	183,815,216
Total assets	354,971,401	344,428,533	12,525,180	12,479,868	367,496,581	356,908,401
Long-term liabilities outstanding	191,644,222	189,773,544	1,023,000	1,052,000	192,667,222	190,825,544
Other liabilities	28,438,176	22,400,056	526,848	254,813	28,965,024	22,654,869
Total liabilities	220,082,398	212,173,600	1,549,848	1,306,813	221,632,246	213,480,413
Net assets:						
Invested in capital assets, net of related debt	85,936,209	86,028,798	9,221,696	9,464,525	95,157,905	95,493,323
Restricted	31,952,874	37,059,733	534,196	264,315	32,487,070	37,324,048
Unrestricted	16,999,920	9,166,402	1,219,440	1,444,215	18,219,360	10,610,617
Total net assets	\$ 134,889,003	\$ 132,254,933	\$ 10,975,332	\$ 11,173,055	\$ 145,864,335	\$ 143,427,988

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 \$367,496,581 an increase of \$10,588,180 or 2.97 percent, while liabilities totaled \$221,632,246, an increase of \$8,151,833 or 3.82 percent. Further analysis reflects that the majority of all assets relate to governmental activities totaling \$354,971,401 and represents 96.59 percent of the total assets. Overall, capital assets (net of related depreciation) totaled \$192,801,421 and increased by \$8,986,205 or 4.89 percent from the prior year, mainly due to County facilities being constructed. Capital assets are comprised for the most part of land, roads, buildings and construction in progress.

For entity-wide reporting purposes under GASB 34, capital expenditures made at the fund level must be reversed from expenses at the entity-wide level financial statements and reflected as capital assets net of depreciation. For this reason, you may observe fund level expenditure amounts in excess of what is reported at the entity-wide level or vice versa. Total assets increased by 2.97 percent and the most significant impact to total assets represent an increase in receivables of \$6,857,023 or 22.79 percent due to higher property taxes still outstanding along with higher billings to the granting agencies still pending reimbursement. Capital assets increased by \$8,986,205 attributed mostly to increases in construction and renovation of county facilities. These increases were offset by a decrease in cash and cash equivalents of \$5,415,370 as a result of lower funds available for investment along with lower interest rates. The significance of this can be further evaluated by shifting attention away from assets and liabilities and focusing on the changes to the component of total net assets, which is discussed immediately following discussion on total liabilities.

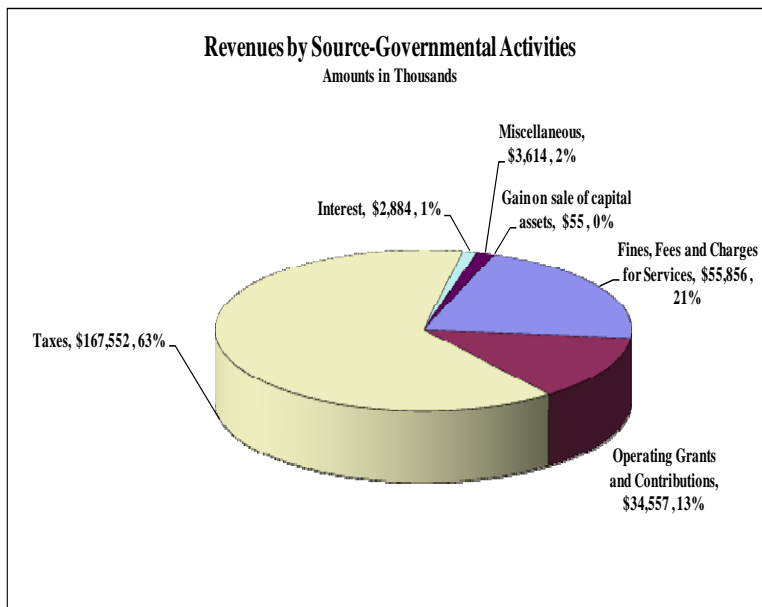
Overall, total entity-wide liabilities were \$221,632,246 and increased by \$8,151,833 or 3.82 percent. Further analysis reflects that the majority of liabilities relate to governmental activities totaling \$220,082,398 or 99.30 percent and business type activities totaling \$1,549,848 or .70 percent. Compared to fiscal year 2010, liabilities increased in the areas of vouchers payable by \$2,923,638 or 32.63 percent, payroll liabilities by \$898,476 or 16.54 percent, compensated absences by \$2,287,982 or 8.40 percent, and contingent liabilities by \$142,561 or 8.02 percent. Other Post Employment Benefits (OPEB) increased by \$4,944,860 or 39.74 percent due to the County's continuing policy of funding retiree health benefits on a pay-as-you-go basis. Bonds payable decreased by a net of \$5,421,929 or 3.64. 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			
	FY2011	FY2010	FY2011	FY2010	FY2011	FY2010
Revenues:						
Program revenues:						
Charges for services	\$ 55,855,660	\$ 51,958,485	\$ 1,212,009	\$ 1,141,518	\$ 57,067,669	\$ 53,100,003
Operating grants and contributions	34,554,689	28,082,976	157,689	-	34,712,378	28,082,976
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	123,986,002	114,442,824			123,986,002	114,442,824
Other taxes	43,566,341	40,343,103			43,566,341	40,343,103
Other	6,555,421	8,139,329	16,287	18,836	6,571,708	8,158,165
Total revenues	264,518,113	242,966,717	1,385,985	1,160,354	265,904,098	244,127,071
Expenses:						
General government	38,027,384	44,977,190			38,027,384	44,977,190
Administration of justice	54,180,432	52,434,046			54,180,432	52,434,046
Public safety	128,759,893	122,685,935			128,759,893	122,685,935
Health and welfare	12,509,241	11,195,959			12,509,241	11,195,959
Community services	1,877,955	1,434,063			1,877,955	1,434,063
Resource development	1,576,294	757,317			1,576,294	757,317
Culture and recreation	8,261,639	9,116,410			8,261,639	9,116,410
Public works	9,660,880	13,199,004			9,660,880	13,199,004
Interest on long-term debt	7,011,366	7,286,191			7,011,366	7,286,191
Enterprise fund			1,595,892	1,352,146	1,595,892	1,352,146
Total expenses	261,865,084	263,086,115	1,595,892	1,352,146	263,460,976	264,438,261
Increase (decrease) in net assets before transfers	2,653,029	(20,119,398)	(209,907)	(191,792)	2,443,122	(20,311,190)
Transfers	(12,184)	(20,000)	12,184	20,000	-	-
Increase in net assets	2,640,845	(20,139,398)	(197,723)	(171,792)	2,443,122	(20,311,190)
Net assets October 1	132,254,933	153,793,701	11,173,055	11,344,847	143,427,988	165,138,548
Prior period adjustment	(6,775)	(1,399,370)	-	-	(6,775)	(1,399,370)
Net assets September 30	\$ 134,889,003	\$ 132,254,933	\$ 10,975,332	\$ 11,173,055	\$ 145,864,335	\$ 143,427,988

The increase in the County’s net assets of \$2,436,347 or 1.70 percent represents the degree to which revenues have outpaced expenses. Overall, revenue increased by \$21,777,027 or 8.92 percent of which a significant share of \$9,543,178 represents property taxes, \$6,629,402 relates to operating grants and contributions and \$3,967,666 is charges for services. These increases were offset by other areas which experienced a decline such as interest which decreased by \$1,057,433 or 26.70 percent while other revenues declined by \$529,024 or 12.60 percent.

Expenses decreased by \$977,285 or .37 percent. Expense changes included increases of \$6,073,958 or 4.95 percent in public safety, \$1,746,386 or 3.33 percent in administration of justice, and \$1,313,282 or 11.73 percent in health and welfare. These increases netted with declines in public works of \$3,538,124 or 26.81 percent and general government of \$6,949,806 or 15.45 percent. Interest on long-term debt also decreased by \$274,825 or 3.77 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 the result of a combination of financial impacts, such as depreciation expense, compensated absences, other post employment benefits (OPEB), allocation of profit/loss of the internal service funds back to departments and the conversion of capital outlays which are reflected at the entity-wide level as expenses by function.



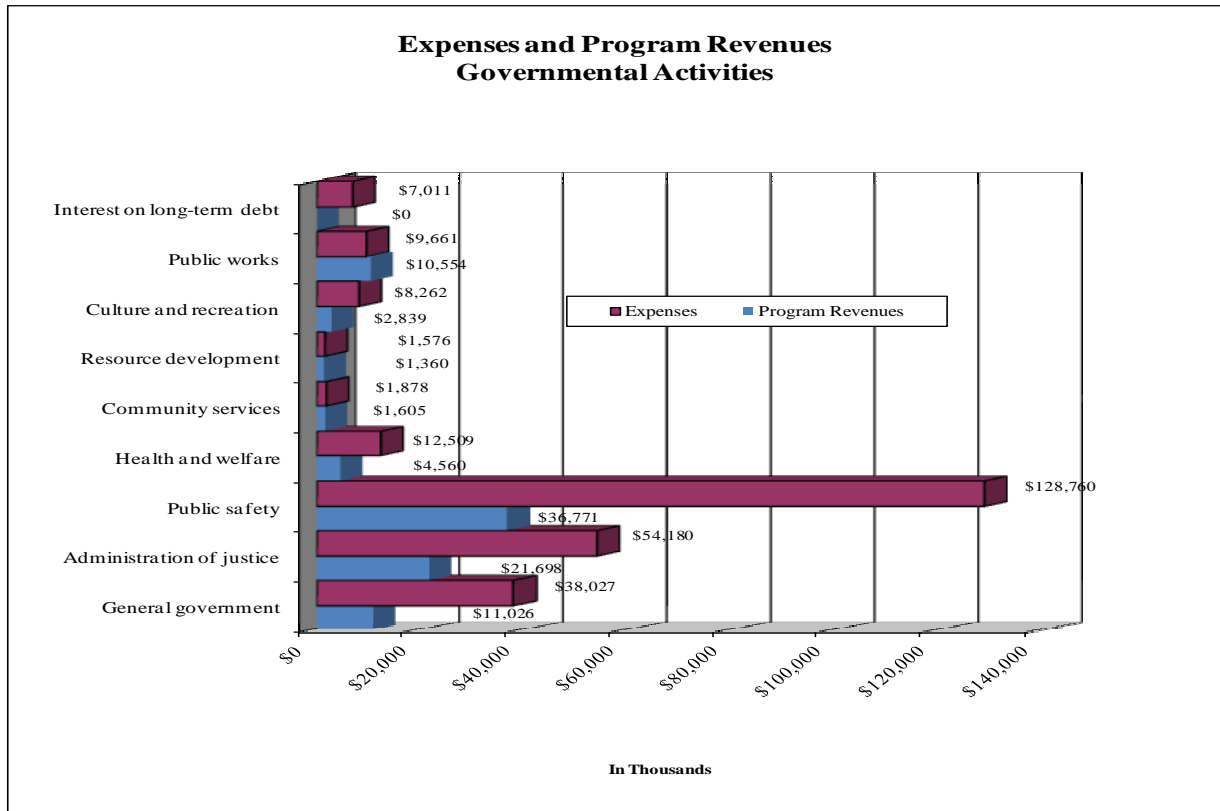
### Governmental Activities

Governmental activities during fiscal year 2011 resulted in an increase in net assets of \$2,634,070 which represents 108.12 percent of the total increase for the primary government. Comparative fiscal year 2011 and 2010 data relating to these changes is discussed below.

Total revenues in the governmental activities increased by \$21,551,396 or 8.87 percent over the previous year. Charges for services increased by \$3,897,175 or 7.50 percent attributable to the increased efforts of collection of past due court costs. Property taxes increased by \$9,543,178 or 8.34 percent. This increase is attributable to increases in existing taxable property values and increases in new improvements, as well as a higher tax rate. Commissioners Court opted to raise the tax rate in fiscal year 2011 to \$0.363403 from \$0.338258 per \$100 of assessed valuation. Other taxes, comprised of sales and uses and hotel taxes, increased by \$3,195,183 or 8.31 percent.

Revenue increases were offset by declines in other revenue such as interest earnings and miscellaneous revenue which decreased by \$1,631,633 or 20.06 percent due for the most part to declines in interest rates.

Expenses in governmental activities decreased by \$1,221,031 or .46 percent and comprise 125.0 percent of the overall entity-wide decrease of \$977,285. Several functions experienced increases in expenses. Significant increases were evident in public safety totaling \$6,073,958 or 4.95 percent due in part to the collective bargaining agreement; administration of justice for a total of \$1,746,386 or 3.33 percent; and, health and welfare for a total of \$1,313,282 or 11.73 percent. Decreases were experienced in public works totaling \$3,538,124 or 26.81 percent and general government totaling \$6,949,806 or 15.45 percent.

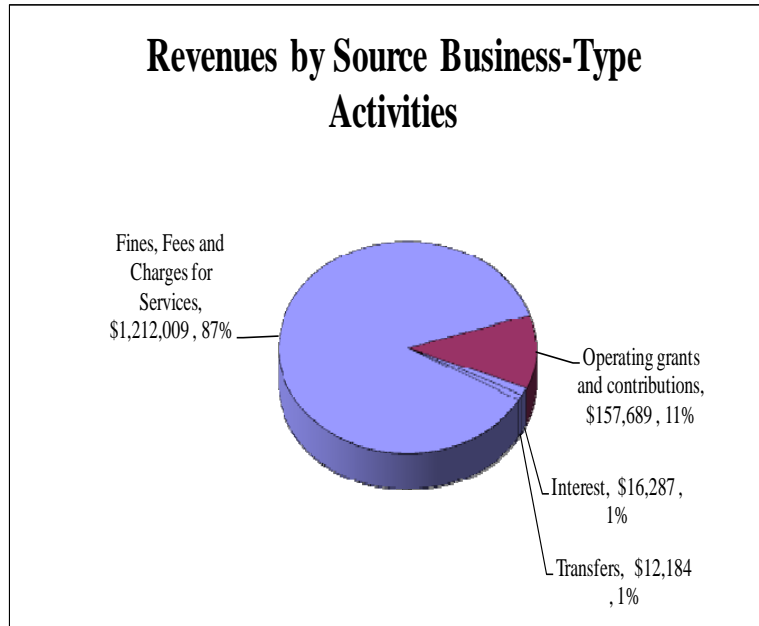


Changes mentioned previously within each of the functions above are the result of a combination of factors both at the fund level and more materially at the entity-wide level as explained in the discussion of the changes in the statement of net assets. More specific information can be found in the fund 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 \$197,723 or 1.77 percent and accounted for .79 percent of the total change in the primary government's net assets. Comparative fiscal year 2011 and 2010 data relating to these changes is reflected on Exhibit 7.

Overall revenues grew by \$225,631 or 19.45 percent for a total of \$1,385,985. Charges for services increased by \$70,491 or 6.18 percent due to an increase in user fees received from the East Montana water system and solid waste programs. Operating grants and contributions increased by \$157,689 due to a new water system being built to serve another Colonia in West El Paso County. Interest earnings and transfers decreased by \$2,549 and \$7,816, respectively.

Expenses in this area totaled \$1,595,892 and increased by \$243,746 or 18.03 percent and were related to increased cost of water purchases and solid waste services for the Colonias in the County.



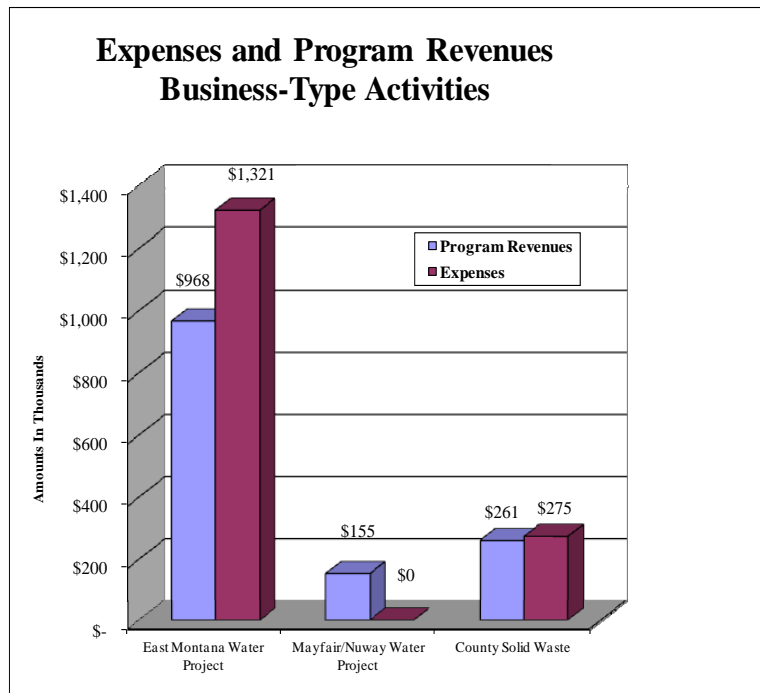
## Financial Analysis of the Government's Funds

### 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, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the fiscal year, the County's governmental funds reported combined ending fund balances of \$125,568,461 a decrease of \$5,950,287 or 4.52 percent in comparison with the prior year.

Unassigned fund balance constitutes \$35,058,435 or 26.66 percent of total fund balance, which is available for spending at the government's discretion. The remainder of fund balance is nonspendable, restricted, committed or assigned to indicate that it has already been earmarked. The majority of the restricted amount is attributable to capital projects, debt service, grants, and



special revenue funds whose restrictions are stipulated by bond covenants, external resource providers or enabling legislation. The committed amount represents the Commissioners Court's formal action to use the funds for capital improvements within the County. The assigned amount is attributable to funds set aside to cover outstanding encumbrances at year end and an amount to balance the 2012 fiscal year's budget.

The general fund is the chief operating fund of the County. Fund balance totaled \$46,592,537, and increased by \$13,999,130 or 42.95 percent. At the end of the fiscal year, \$35,058,435 was unassigned while \$10,919,909 represents the amount assigned to balance the general fund budget for fiscal year 2012. The unassigned fund balance of the general fund increased by \$8,294,168 or 30.99 percent. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The Commissioners Court utilized unassigned reserves in balancing the fiscal year 2012 operating budget, which included an expenditure level exceeding the corresponding rate of estimated revenue growth, and therefore, increased the designation by \$5,999,651 or 121.94 percent from that of the prior fiscal year.

Grant funds ended the fiscal year with a fund balance of \$2,786,045, a decrease of \$188,720 or 6.34 percent. This decrease is mainly attributed to less funding from the federal and state level for such programs as Title IV-E geared toward juveniles.

The Capital Projects 2007 reported as a major fund ended the fiscal year with a fund balance of \$33,604,408 and decreased by \$12,817,972 or 27.61 percent. The non-major capital projects had a fund balance of \$13,402,468 and decreased by \$6,818,684 or 33.72 percent and is attributable to the bond proceeds from a prior fiscal year expended for the intended capital projects for which the debt was issued.

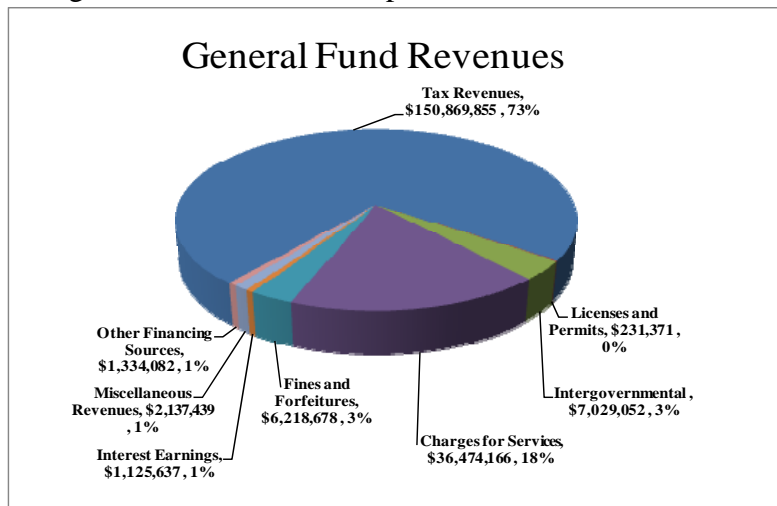
The debt service fund ended the fiscal year with a fund balance of \$2,775,411, all of which is restricted for the payment of debt service.

The special revenue funds in the aggregate ended the year with a fund balance of \$26,407,592, a decrease of \$1,400,315 or 5.04 percent compared to the previous year. This decrease is mainly due to the Road and Bridge fund receiving less allocation from the auto sales tax that is now being split between general fund and the road and bridge fund pursuant to a change in the statute by the State Legislature. The Road and Bridge Fund ended the year with a fund balance of \$12,105,193, a decrease of \$285,672 or 2.31 percent.

### General Fund Trends

					2011 Actual as a % of Total Revenues and Other Financing Sources
General Fund Revenues	2011 Actuals	2010 Actuals	Amount Increase (Decrease) from FY 2010	Percent Increase (Decrease)	
Tax Revenues	\$ 150,869,855	\$ 135,687,883	\$ 15,181,972	11.19%	73.44%
Licenses and Permits	231,371	266,313	(34,942)	-13.12%	0.11%
Intergovernmental	7,029,052	4,638,202	2,390,850	51.55%	3.42%
Charges for Services	36,474,166	31,470,380	5,003,786	15.90%	17.76%
Fines and Forfeits	6,218,678	4,481,117	1,737,561	38.78%	3.03%
Interest Earnings	1,125,637	1,258,459	(132,822)	-10.55%	0.55%
Miscellaneous Revenues	2,137,439	2,073,810	63,629	3.07%	1.04%
Other Financing Sources	1,334,082	6,323,455	(4,989,373)	-78.90%	0.65%
<b>Total revenues and other sources</b>	<b>\$ 205,420,280</b>	<b>\$ 186,199,619</b>	<b>\$ 19,220,661</b>	<b>10.32%</b>	<b>100.00%</b>

A myriad of factors contributed to the general fund's financial position. Factors included actual revenues and transfers-in over expenditures and transfers-out in the amount of \$14,184,072. Actual revenues totaled \$204,086,198, an increase of \$24,210,034 or 13.46 percent over fiscal year 2010 partly due to higher property taxes. Sales and uses taxes experienced an increase of \$3,169,226. Charges for services saw an increase of \$5,003,786 or 15.90 percent.



It is noteworthy to mention that various factors and actions by the County during the fiscal year had the effect of enhancing the fund balance and unspent budgeted amounts within the general fund. This included reducing staff and enforcing the hiring freeze unless justification was made to the Hiring Freeze Committee. Factors impacting the general fund balance were revenue increases in several areas. Some of the increases in revenues were briefly discussed previously in the governmental-type activities revenue discussion.

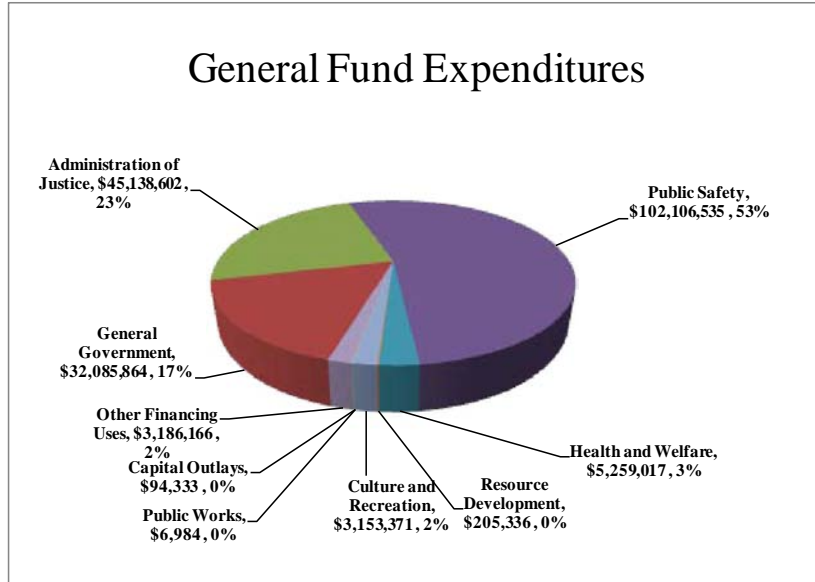
Further analysis of the general fund reflects that these increases were netted by revenue declines in interest earnings of \$132,822 and in other financing sources of \$4,989,373 or 78.90 percent, due to a one time transfer last year of \$5,000,000 from the Road and Bridge Fund.

Comparison of the general fund adopted appropriations reflects a decline in fiscal year 2011 of \$2,987,214 or 1.48 percent for a total of \$199,233,987. Actual expenditures and transfers-out in fiscal year 2011 increased by \$5,267,589 or 2.83 percent bringing the total of general fund expenditures and transfers to \$191,236,208.

Declines in expenditures by category as reflected in the chart below, were mainly as the result of a hiring freeze. The increase in public safety is mainly attributed to the automatic step increases in the Sheriff's Department for law enforcement in accordance with the CLEAT contract.

General Fund Expenditures	2011 Actuals	2010 Actuals	Amount Increase (Decrease) from FY 2010	Percent Increase (Decrease)	2011 Actual as a % of Total Expenditures and Other Financing Uses
<b>Current:</b>					
General Government	\$ 32,085,864	\$ 33,117,900	\$ (1,032,036)	-3.12%	16.78%
Administration of Justice	45,138,602	45,367,759	(229,157)	-0.51%	23.60%
Public Safety	102,106,535	96,067,196	6,039,339	6.29%	53.39%
Health and Welfare	5,259,017	5,095,471	163,546	3.21%	2.75%
Resource Development	205,336	241,166	(35,830)	-14.86%	0.11%
Culture and Recreation	3,153,371	2,642,251	511,120	19.34%	1.65%
Public Works	6,984		6,984	100.00%	0.00%
Capital Outlays	94,333	155,816	(61,483)	-39.46%	0.05%
Other Financing Uses	3,186,166	3,281,060	(94,894)	-2.89%	1.67%
<b>Total Expenditures (Uses)</b>	<b>\$ 191,236,208</b>	<b>\$ 185,968,619</b>	<b>\$ 5,267,589</b>	<b>2.83%</b>	<b>100.00%</b>

Further analysis reflects decreases affecting several categories, such as general government by \$1,032,036 or 3.12 percent, administration of justice by \$229,157 or .51 percent, resource development by \$35,830 or 14.86 percent. Capital outlays declined by \$61,483 or 39.46 percent as a result of the Commissioners Court's attempt at reducing cost wherever possible. Health and welfare and culture and recreation increased by \$163,546 and \$511,120, respectively. Other financing uses declined by \$94,894 or 2.89 percent.



### General Fund Budgetary Highlights

The fiscal year 2011 adopted budget of \$199,233,987 did not increase during the fiscal year other than for carryover appropriations totaling \$1,203,485 bringing the original budget total to \$200,437,472. This budget included \$4,920,258 of fund balance reserves to balance the fiscal year 2011 budget gap of appropriations in excess of estimated revenues. The only changes were for reallocations within expenditure classifications and between classifications as approved by the Court.

### General Fund Budgetary Variance Highlights

Analysis of budget actual trends in Exhibit 5 depicts that actual revenues were \$10,575,469 more than estimates and occurred in all areas except in ad valorem property taxes and licenses and permits. Significant positive variances were in sales and use taxes of \$3,995,715 or 11.55 percent, fines and forfeits of \$719,678 or 13.09 percent, charges for services of \$2,550,816 or 7.52 percent and intergovernmental \$2,796,382 or 66.07 percent. Actual property taxes were \$55,570 less than estimates and comprise approximately 45.97 percent of total revenue received. Other financing sources representing transfers-in had a positive variance \$531,082 due to residual matching funds remaining after close-out of respective grants.

Favorable appropriation variances were experienced in all functions of the County's general fund as the Commissioners Court and County departments remained frugal and the Court enforced cost reduction policies such as maintaining a hiring freeze on filling staffing vacancies, no appropriation transfers between categories of personnel, operating and capital without sufficient justification for approval by the Court and encouraging efficiencies in business practices. Overall favorable appropriation variances totaled \$10,323,345 which represents 5.15 percent of the adopted budget with carryover. The most significant favorable variance was in the area of general government totaling \$6,212,533 or 60.18 percent of overall appropriation variances. The majority of this variance related to appropriations for contingencies that did not materialize and



unspent personnel appropriations made possible due to the County's hiring freeze policy. In regard to operating appropriations, the favorable variance was mainly due to frugal use of operating contingency funds under the control of the Commissioners Court. Appropriations for transfers-out relate to leveraging county matching funds to secure state and federal grant funding.

## Capital Asset and Debt Administration

### Capital assets

El Paso County, Texas						
Summary of Capital Assets (Net of Depreciation)						
Categories	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
Land	\$ 16,322,295	\$ 15,325,520			\$ 16,322,295	\$ 15,325,520
Easements	100,000	40,000			100,000	40,000
Buildings	100,892,756	107,514,124			100,892,756	107,514,124
Improvements	6,797,975	6,817,198			6,797,975	6,817,198
Equipment	4,520,398	5,016,907	\$ 10,068,215	\$ 10,390,694	14,588,613	15,407,601
Furniture and Fixtures	166,255	210,916			166,255	210,916
Infrastructure	1,500,621	1,505,361			1,500,621	1,505,361
Vehicles	5,313,600	5,459,173	1,416	3,841	5,315,016	5,463,014
Roads	17,345,027	17,489,865			17,345,027	17,489,865
Bridges and culverts	1,499,431	1,594,301			1,499,431	1,594,301
Leased equipment	191,146	304,502			191,146	304,502
Construction in progress	27,926,702	12,084,901	155,584	57,913	28,082,286	12,142,814
Total assets	\$ 182,576,206	\$ 173,362,768	\$ 10,225,215	\$ 10,452,448	\$ 192,801,421	\$ 183,815,216

The County's capital assets for governmental and business type activities as of September 30, 2011 amounted to \$192,801,421 net of accumulated depreciation. This investment in capital assets includes land, easements, buildings, improvements, equipment, vehicles, roads and bridges. The total change in the County's capital assets for the current fiscal year was a net increase of \$8,986,205 or 4.89 percent, comprised of an increase of \$9,213,438 or 5.31 percent in governmental activities and a decrease of \$227,233 or 2.17 percent in the business-type activities.

Major capital asset activity occurring in fiscal year 2011 included the acquisition of land and some easements in support of the on-going activity in the Guadalupe Tornillo Port of Entry in Far East El Paso. The County is working with the State and Federal governments and Mexican officials for the construction of a new international port of entry between the United States and Mexico. As part of the County's contribution to the new port of entry, the County purchased land for this purpose and turned around and donated the land to the federal government. Additional information on the County's capital assets can be found in note 3-C and Exhibit G1-G3.

## Long-term Debt

El Paso County's Outstanding Debt						
Type of Debt	Governmental Activities		Business-type Activities		Totals	
	2011	2010	2011	2010	2011	2010
General obligation bonds	\$ 48,855,000	\$ 51,640,000			\$ 48,855,000	\$ 51,640,000
Certificates of obligation bonds	93,395,000	96,375,000			93,395,000	96,375,000
Revenue bonds			1,023,000	1,052,000	1,023,000	1,052,000
Total	\$ 142,250,000	\$ 148,015,000	\$ 1,023,000	\$ 1,052,000	\$ 143,273,000	\$ 149,067,000

At the end of the fiscal year, the County had total bonded debt outstanding of \$143,273,000 as reflected above. Of this amount, \$142,250,000 comprises debt backed by the full faith and credit of the government. The remainder of the County's debt represents revenue bonds secured solely by specified revenue sources. During the current fiscal year the County's total debt decreased by \$5,794,000 or 3.89 percent due to the pay down on principal.

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 Aa3 and AA-, respectively. The last rating was done in fiscal year 2010 by Fitch Ratings and affirmed a rating of AA on the County's outstanding general obligation and certificates of 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, and a manageable debt position.

This optimistic outlook is based on the actions exhibited by the Commissioners Court in establishing expenditure controls in fiscal years 2009, 2010 and 2011, along with continued efforts of stabilization for fiscal year 2012. Assuming the local economy stabilizes and rebounds, this outlook is based on the premise that trends in revenue enhancements will outpace the growth in expenditures over the next few fiscal years, which should propel the County's revenues and expenditures into relative alignment for the future. Furthermore, future gains of budgetary alignment will be dependent upon the actions of the Commissioners Court, statutory mandates imposed by the State and the impact of economic conditions in the El Paso region. More detailed information on the County's indebtedness may be found in note 3-F.

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

- According to the Texas Workforce Commission's October 2011 issue of Texas Labor Market Review, the statewide unemployment rate was 8.4 percent in September. Compared to the same time last year, this was 6.3 percent higher. El Paso's unemployment rate increased from 9.7 percent to 10.6 percent in 2011.
- Over the past fiscal year, between September 2010 and September 2011, El Paso gained 3,300 jobs overall. Further analysis reflects that 6,000 job gains were netted with 2,700 employment losses. The various job gains occurred in construction 800, transportation 300, trade 1,200, financial activities 300, and the services sector 3,400. The losses were in manufacturing (200), information (300) and government (2,200). The services sector

comprises 38.3 percent of El Paso's employment market, while the government sector makes up 23.8 percent of the employment market. The reductions in the manufacturing sector may be attributable to apparel manufacturers shifting a portion of operations from El Paso to Mexico and Asia in order to reduce manufacturing costs. This is consistent with the nationwide trend of cost cutting within the apparel manufacturing sector.

- El Paso's cultural and business ties as a border region with Mexico drive its economy. The renewed attraction of El Paso County as a favorable business environment, coupled with continued moderately low interest rates, continues to stimulate local construction activity. The El Paso labor market will gain an estimated 64,000 new jobs from the expansion of Ft. Bliss between 2008 and 2013. Indirect and induced impacts will create nearly one additional job in El Paso for each one generated at Ft. Bliss.
- Assessed property values have averaged approximately 8.6 percent growth over the past 5 years.
- For fiscal year 2009 the tax rate was set at \$0.342437 and lowered to \$0.338258 per \$100 of assessed valuation in 2010 as a result of increased property valuations and the addition of new property to the tax base. The tax rate was increased to \$0.363403 in fiscal year 2011 in a continued effort to align revenues with expenditure trends.
- The overall fund balance of the general fund trended down from fiscal year 2008 to fiscal year 2009, by approximately \$10.7 million or 24.89 percent, and increased slightly by \$243 thousand from fiscal year 2009 to 2010. Overall fund balance increased significantly from 2010 to 2011 by approximately \$14.0 million or 42.9 percent.
- Sales and use tax revenues fell in 2009 after five years of consecutive growth, but reflected positive growth in 2010 and again in 2011. On a positive note, inflationary trends in the region have trended favorably compared to the state and national levels.
- The Commissioners Court will continue its focus of containing general fund expenditure growth while enhancing revenue growth in order to keep up with inflation.

All of these factors were considered in preparing the County's budget for the 2012 fiscal year.

The focus of the County remains on conservative fiscal management while addressing public service needs and State mandates. As of September 30, 2011, the Federal Funds rate was between 0 and .25 percent. The Discount rate was .75 percent as of September 2011. Interest for the twelve months ended September 2011 was \$2,900,239 down \$1,059,6633 or 26.76 percent when compared to \$3,959,872 the prior fiscal year, due mainly to lower interest rates from the depository bank.

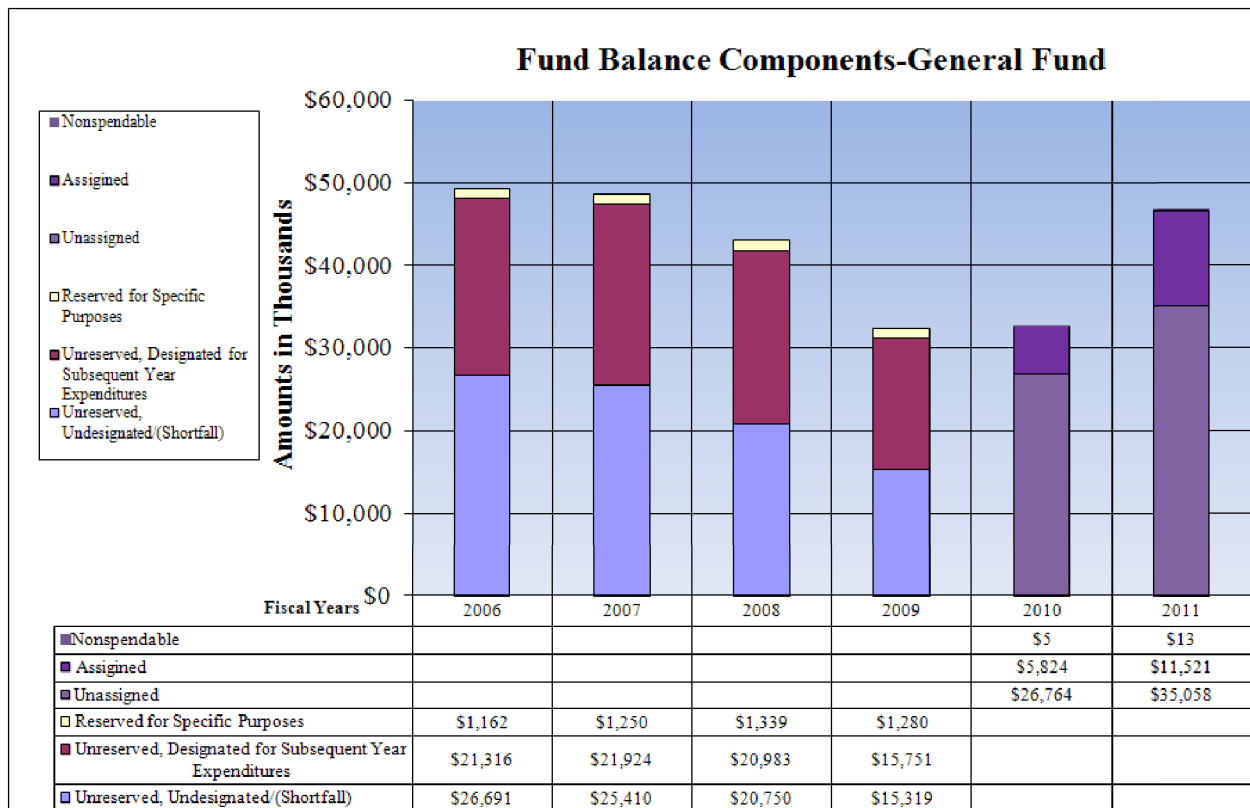
Unquestionably, the County faces continued challenges associated with meeting the steadily increasing demands for additional services and infrastructures for its rapidly growing population. The Commissioners Court members will continue to evaluate and analyze ways to streamline the County's operations 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 2012, the Court will continue to face funding challenges. Some of these challenges will include identification of new sources or increases to revenues through aggressive collection efforts of amounts due to the County and possible shifting of financial funding responsibilities from the State to the County. Other challenges include public health and welfare, public safety and culture and recreation in response to

community needs. Healthcare benefit costs for County employees and retirees due to the trend of increasing health care costs and continuation of contractual collective bargaining salary adjustments for the sheriff's department remain major concerns. Further challenges facing the court in the future are the increasing space needs, inflation and various other funding mandates placed upon the County as it continues to grow.

At its discretion, the Court will continue to utilize some amount of fund balance, which is healthy in the sense that it keeps the County from building up excessive reserves and reduces a future burden on taxpayers. Based on the amount of fund balance utilized in the fiscal year 2012 budget compared to the amount used in fiscal year 2011, the Court must continue to focus on fiscal and budgetary restraint in fiscal years 2012 and beyond, if additional revenue sources are not identified.

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



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

The fiscal year 2012 budget adopted by the County totaled \$262,247,887, a net increase of \$15,139,681 or 6.12 percent in comparison to the fiscal year 2011 adopted budget. Additional information regarding the 2012 budget can be obtained from the County's official 2012 published budget presentation package on the County's web page as reflected below.

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

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

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

## **BASIC FINANCIAL STATEMENTS**

**County of El Paso, Texas**  
**Statement of Net Assets**  
**September 30, 2011**

	<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	\$135,695,625	\$1,612,090	\$137,307,715	\$110,520,000
Investments				16,008,000
Receivables (net of allowance for uncollectible)	36,686,771	263,766	36,950,537	20,707,000
Inventories	12,799		12,799	5,840,000
Prepaid				8,975,000
Due from other funds		155,584	155,584	
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents		268,525	268,525	
Other assets				39,767,000
Capital Assets (net of accumulated depreciation):				
Land	16,322,295		16,322,295	10,128,000
Easements	100,000		100,000	
Buildings	100,892,756		100,892,756	85,714,000
Improvements	6,797,975		6,797,975	
Equipment	4,520,398	10,068,215	14,588,613	
Furniture and fixtures	166,255		166,255	45,528,000
Infrastructure	1,500,621		1,500,621	
Vehicles	5,313,600	1,416	5,315,016	
Roads	17,345,027		17,345,027	
Bridges and culverts	1,499,431		1,499,431	
Leased equipment	191,146		191,146	
Construction in progress	27,926,702	155,584	28,082,286	245,345,000
Total assets	<u>354,971,401</u>	<u>12,525,180</u>	<u>367,496,581</u>	<u>588,532,000</u>
<b>LIABILITIES</b>				
Vouchers payable	11,624,299	260,606	11,884,905	75,370,000
Retainage payable	525,534		525,534	
Claims payable	898,396		898,396	
Payroll liabilities	6,329,348	1,249	6,330,597	
Due to others	2,347,081	93,400	2,440,481	
Due to other funds		155,584	155,584	
Due to other units	580,956		580,956	
Due to other governments	1,831,225	9,614	1,840,839	
Unearned revenue	2,217,734		2,217,734	
Accrued interest payable	848,625	6,395	855,020	
Claims and judgments	1,234,978		1,234,978	
Noncurrent liabilities:				
Due within one year				
Bonds	6,175,000	29,000	6,204,000	5,006,000
Capital leases	67,016		67,016	
Self-insured obligations				1,992,000
Contingent liabilities	820,000		820,000	
Compensated Absences	9,907,348		9,907,348	
Due in more than one year				
Bonds(net of related costs)	136,526,525	994,000	137,520,525	253,524,000
Capital leases	45,881		45,881	
Self-insured obligations				1,093,000
Contingent liabilities	1,100,000		1,100,000	
Compensated absences	19,615,376		19,615,376	
OPEB liability	17,387,076		17,387,076	
Other long term liabilities				821,000
Total liabilities	<u>220,082,398</u>	<u>1,549,848</u>	<u>221,632,246</u>	<u>337,806,000</u>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	85,936,209	9,221,696	95,157,905	139,129,000
Restricted for:				
Capital Projects	832,451		832,451	
Grants	2,786,045		2,786,045	
Legislative	26,407,592		26,407,592	
Debt service	1,926,786	35,395	1,962,181	5,006,000
Enterprise fund:		498,801	498,801	
Health care				23,889,000
Unrestricted	16,999,920	1,219,440	18,219,360	82,702,000
Total net assets	<u>\$134,889,003</u>	<u>\$10,975,332</u>	<u>\$145,864,335</u>	<u>\$250,726,000</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, 2011

Functions/Programs	Program Revenues			Net (expense) Revenue and Changes in Net Assets		
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Primary Government		Component Unit Hospital District
				Governmental Activities	Business-type Activities	
<b>Primary government:</b>						
Governmental Activities:						
General government	\$38,027,384	\$10,002,971	\$1,022,830	(\$27,001,583)		(\$27,001,583)
Administration of justice	54,180,432	11,142,760	10,555,306	(32,482,366)		(32,482,366)
Public safety	128,759,893	22,489,200	14,279,150	(91,991,543)		(91,991,543)
Health and welfare	12,509,241	136,209	4,423,748	(7,949,284)		(7,949,284)
Community services	1,877,955		1,605,003	(272,952)		(272,952)
Resource development	1,576,294		1,359,626	(216,668)		(216,668)
Culture and recreation	8,261,639	2,839,129		(5,422,510)		(5,422,510)
Public works	9,660,880	9,245,391	1,309,026	893,537		893,537
Interest on long-term debt	7,011,366			(7,011,366)		(7,011,366)
Total governmental activities	<u>261,865,084</u>	<u>55,855,660</u>	<u>34,554,689</u>	<u>(171,454,735)</u>		<u>(171,454,735)</u>
Business-type activities:						
East Montana water project	1,320,580	950,353	2,105	(\$368,122)		(368,122)
Mayfair/Nuway Water Project	-		155,584	\$155,584		155,584
County Solid Waste	275,312	261,656		(13,656)		(13,656)
Total business-type activities	<u>1,595,892</u>	<u>1,212,009</u>	<u>157,689</u>	<u>(226,194)</u>		<u>(226,194)</u>
Total primary government	<u>\$263,460,976</u>	<u>\$57,067,669</u>	<u>\$34,712,378</u>	<u>(\$171,454,735)</u>	<u>(\$226,194)</u>	<u>(\$171,680,929)</u>
<b>Component units:</b>						
Hospital district	\$370,157,000	\$205,107,000	\$137,784,000			(\$27,266,000)
Total component units	<u>\$370,157,000</u>	<u>\$205,107,000</u>	<u>\$137,784,000</u>			<u>(27,266,000)</u>
General revenues:						
Taxes:						
Property				\$123,986,002		\$123,986,002
Hotel/Motel				3,064,525		3,064,525
Sales				38,595,715		38,595,715
Bingo				56,406		56,406
Mixed beverage				1,849,695		1,849,695
Interest				2,886,152	\$16,287	2,902,439
Miscellaneous				3,613,904		3,613,904
Gain on sale of capital assets				55,365		55,365
Transfers				(12,184)	12,184	
Total general revenues and transfers				<u>174,095,580</u>	<u>28,471</u>	<u>174,124,051</u>
Change in net assets				2,640,845	(197,723)	2,443,122
Net assets - beginning				132,254,933	11,173,055	143,427,988
Prior period adjustment				(6,775)		(6,775)
Net assets - ending				<u>\$134,889,003</u>	<u>\$10,975,332</u>	<u>\$145,864,335</u>
						<u>\$250,726,000</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, 2011**

	<u>General</u>	<u>Special Revenue Grants</u>	<u>County Capital Projects 2007</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>Assets</b>					
Cash and cash equivalents	\$50,392,756	\$679,388	\$37,171,005	\$44,106,406	\$132,349,555
Receivables (net of allowances for uncollectible):					
Taxes	14,986,585				14,986,585
Accounts	8,918,685	8,416,594		237,462	17,572,741
Inventory of supplies	12,799				12,799
Total assets	<u>\$74,310,825</u>	<u>\$9,095,982</u>	<u>\$37,171,005</u>	<u>\$44,343,868</u>	<u>\$164,921,680</u>
<b>Liabilities and fund balances</b>					
Liabilities:					
Vouchers payable	\$3,524,565	3,612,182	\$3,044,247	\$1,443,305	\$11,624,299
Retainage Payable		3,184	522,350		525,534
Payroll liability	5,610,202	502,556		214,495	6,327,253
Due to others	2,243,260			92,798	2,336,058
Due to other units	580,956				580,956
Due to other governments	1,823,426			7,799	1,831,225
Deferred revenue	13,935,879	2,192,015			16,127,894
Total liabilities	<u>27,718,288</u>	<u>6,309,937</u>	<u>3,566,597</u>	<u>1,758,397</u>	<u>39,353,219</u>
Fund Balances:					
Nonspendable:					
Inventory	12,799				12,799
Restricted:					
Temporary budgetary stabilization				13,880,231	13,880,231
Building construction/renovation			3,365,187	440,288	3,805,475
Bridge construction			11,731,233	198,177	11,929,410
General assistance				5,024,712	5,024,712
Parks			1,248,371	9,433,794	10,682,165
Public safety				653,179	653,179
Records management				369,306	369,306
Road construction/maintenance				1,551,872	1,551,872
Software/IT improvements			1,117,666		1,117,666
Water/sewer construction			1,110,015	515,719	1,625,734
Debt service				2,775,411	2,775,411
Other purposes		2,786,045	1,593,466	4,531,539	8,911,050
Committed:					
Other purposes				1,357,820	1,357,820
Assigned:					
Imprest and change funds	129,110				129,110
Temporary budgetary stabilization	10,919,909				10,919,909
Other purposes	472,284		13,438,470	1,853,423	15,764,177
Unassigned:					
Total fund balances	<u>46,592,537</u>	<u>2,786,045</u>	<u>33,604,408</u>	<u>42,585,471</u>	<u>125,568,461</u>
Total liabilities and fund balances	<u>\$74,310,825</u>	<u>\$9,095,982</u>	<u>\$37,171,005</u>	<u>\$44,343,868</u>	<u>\$164,921,680</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, 2011**

Total fund balances for governmental funds		\$125,568,461
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.		
Land	16,322,295	
Easements	100,000	
Buildings, net of accumulated depreciation	100,892,756	
Improvements, net of accumulated depreciation	6,797,975	
Equipment, net of accumulated depreciation	4,520,398	
Furniture and fixtures, net of accumulated depreciation	166,255	
Infrastructure, net of accumulated depreciation	1,500,621	
Vehicles, net of accumulated depreciation	5,313,600	
Roads, net of accumulated depreciation	17,345,027	
Bridges and culverts, net of accumulated depreciation	1,499,431	
Leased equipment, net of accumulated depreciation	191,146	
Construction in progress	27,926,702	
Total capital assets	182,576,206	182,576,206
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Deferred revenue property taxes		13,910,160
Receivable for court costs, net of allowance for uncollectible accounts		4,127,445
Compensated Absences		(29,522,724)
OPEB liability		(17,387,076)
Internal service fund is used to charge the health care costs for county employees, dependants, and retirees.		2,434,556
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	(848,625)	
General long-term debt	(142,250,000)	
Capital leases	(112,897)	
Contingent liabilities	(1,920,000)	
Claims and judgments	(1,234,978)	
Deferred bond issuance costs	(451,525)	
Other liabilities	(146,818,025)	
Total long-term liabilities	(146,818,025)	(146,818,025)
Total net assets of governmental activities		\$134,889,003

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, 2011**

	General	Special Revenue Grants	County Capital Projects 2007	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes	\$150,869,855			\$15,906,931	\$166,776,786
Licenses and permits	231,371				231,371
Intergovernmental revenues	7,029,052	\$26,609,237		916,400	34,554,689
Charges for services	36,474,166			11,345,444	47,819,610
Fines and Forfeitures	6,218,678			1,285,418	7,504,096
Interest	1,125,637	73,153	\$861,420	760,924	2,821,134
Miscellaneous	2,137,439	1,274,453	714	201,298	3,613,904
Total Revenues	<u>204,086,198</u>	<u>27,956,843</u>	<u>862,134</u>	<u>30,416,415</u>	<u>263,321,590</u>
<b>EXPENDITURES</b>					
Current:					
General Government	32,085,864	56,737		2,627,710	34,770,311
Administration of justice	45,138,602	4,696,699		1,242,529	51,077,830
Public safety	102,106,535	14,899,677		2,429,381	119,435,593
Health and welfare	5,259,017	5,413,974		129,321	10,802,312
Community services		1,736,369			1,736,369
Resource development	205,336	1,304,106			1,509,442
Culture and recreation	3,153,371	747		3,686,588	6,840,706
Public works	6,984	787,274		6,344,644	7,138,902
Debt Service:					
Principal				5,765,000	5,765,000
Interest				7,043,172	7,043,172
Capital outlays	94,333	1,156,876	17,900,285	4,008,358	23,159,852
Total expenditures	<u>188,050,042</u>	<u>30,052,459</u>	<u>17,900,285</u>	<u>33,276,703</u>	<u>269,279,489</u>
Excess (deficiency) of revenues over (under) expenditures	<u>16,036,156</u>	<u>(2,095,616)</u>	<u>(17,038,151)</u>	<u>(2,860,288)</u>	<u>(5,957,899)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers in	1,334,082	2,172,716		2,264,589	5,771,387
Transfers out	(3,186,166)	(415,193)		(2,182,212)	(5,783,571)
Sale of capital assets				55,365	55,365
Total other financing sources and uses	<u>(1,852,084)</u>	<u>1,757,523</u>		<u>137,742</u>	<u>43,181</u>
Net change in fund balances	14,184,072	(338,093)	(17,038,151)	(2,722,546)	(5,914,718)
Fund balances - beginning	<u>32,593,407</u>	<u>2,974,765</u>	<u>46,422,380</u>	<u>49,528,196</u>	<u>131,518,748</u>
Prior year adjustment	(156,148)	149,373	4,220,179	(4,220,179)	(6,775)
Net change in reserve for inventories	(28,794)				(28,794)
Fund balances - ending	<u>\$46,592,537</u>	<u>\$2,786,045</u>	<u>\$33,604,408</u>	<u>\$42,585,471</u>	<u>\$125,568,461</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, 2011**

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

Net change in fund balances - total governmental funds (\$5,914,718)

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.

Repayments		
Bond issuance costs		(372,071)
Principal payments		5,765,000
Net adjustment		5,392,929

Court cost receivables, net of allowance for uncollectible amounts 300,583

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

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

Deferred revenue property taxes		775,557
Additional contingent liabilities		(142,561)
Additional Compensated Absences		(2,287,982)
Additional Other Post Employment Benefits		(4,944,860)
Depreciation expense		(16,101,080)
The net effect of various transactions involving capital assets (i.e., sales and retirements) is to increase net assets		
Additions	28,411,165	
Retirements	(4,256,200)	
Accumulated depreciation related to retirements	1,159,553	25,314,518
Unpaid claims workers comp		284,853
Change in purchasing inventory		(28,794)
Expenses related to capital lease payments and retirements		111,796
Accrued interest on bonds		31,806
		3,013,253

Internal service fund is used to charge the health care costs for county employees, dependants, and retirees. (151,202)

Change in net assets of governmental activities \$2,640,845

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, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Taxes:				
Property	\$110,423,609	\$110,423,609	\$110,368,039	(\$55,570)
Sales	34,600,000	34,600,000	38,595,715	3,995,715
Bingo	56,000	56,000	56,406	406
Mixed beverage	1,700,000	1,700,000	1,849,695	149,695
Licenses and permits	258,000	258,000	231,371	(26,629)
Intergovernmental	4,232,670	4,232,670	7,029,052	2,796,382
Charges for services	33,923,350	33,923,350	36,474,166	2,550,816
Fines and forfeitures	5,499,000	5,499,000	6,218,678	719,678
Interest	890,000	890,000	1,125,637	235,637
Miscellaneous	1,928,100	1,928,100	2,137,439	209,339
Total revenues	<u>193,510,729</u>	<u>193,510,729</u>	<u>204,086,198</u>	<u>10,575,469</u>
<b>EXPENDITURES</b>				
Current:				
General government				
Personnel	27,445,520	26,040,716	22,848,307	3,192,409
Operating	13,157,775	12,286,475	9,266,351	3,020,124
Total general Government	<u>40,603,295</u>	<u>38,327,191</u>	<u>32,114,658</u>	<u>6,212,533</u>
Administration of justice				
Personnel	40,868,753	41,737,916	40,280,658	1,457,258
Operating	4,654,902	5,008,933	4,857,944	150,989
Total Administration of justice	<u>45,523,655</u>	<u>46,746,849</u>	<u>45,138,602</u>	<u>1,608,247</u>
Public safety				
Personnel	83,256,701	84,881,127	84,787,434	93,693
Operating	17,201,487	18,122,342	17,319,101	803,241
Total Public safety	<u>100,458,188</u>	<u>103,003,469</u>	<u>102,106,535</u>	<u>896,934</u>
Health and welfare				
Personnel	1,770,760	2,256,249	1,581,343	674,906
Operating	3,200,441	3,977,628	3,677,674	299,954
Total Health and welfare	<u>4,971,201</u>	<u>6,233,877</u>	<u>5,259,017</u>	<u>974,860</u>
Resource development				
Personnel	267,353	295,589	200,267	95,322
Operating	19,152	19,152	5,069	14,083
Total Resource development	<u>286,505</u>	<u>314,741</u>	<u>205,336</u>	<u>109,405</u>
Culture and recreation				
Personnel	1,736,818	1,767,140	1,661,427	105,713
Operating	1,696,239	1,766,764	1,491,944	274,820
Total Culture and recreation	<u>3,433,057</u>	<u>3,533,904</u>	<u>3,153,371</u>	<u>380,533</u>
Public works				
Operating	13,300	13,300	6,984	6,316
Total Public works	<u>13,300</u>	<u>13,300</u>	<u>6,984</u>	<u>6,316</u>
Capital outlays	331,290	228,850	94,333	134,517
Total expenditures	<u>195,620,491</u>	<u>198,402,181</u>	<u>188,078,836</u>	<u>10,323,345</u>
Excess of revenues over expenditures	<u>(2,109,762)</u>	<u>(4,891,452)</u>	<u>16,007,362</u>	<u>20,898,814</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	803,000	803,000	1,334,082	531,082
Transfers out	(4,816,981)	(2,035,291)	(2,035,294)	(3)
Capital leases				
Total other financing sources and uses	<u>(4,013,981)</u>	<u>(1,232,291)</u>	<u>(701,212)</u>	<u>531,079</u>
Net change in fund balances	<u>(6,123,743)</u>	<u>(6,123,743)</u>	<u>15,306,150</u>	<u>21,429,893</u>
Fund balances - beginning	43,612,166	43,612,166	43,612,166	
Prior period adjustment			(156,148)	(156,148)
Fund balances - ending	<u>\$37,488,423</u>	<u>\$37,488,423</u>	<u>\$58,762,168</u>	<u>\$21,273,745</u>

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

**County of El Paso, Texas**  
**Special Revenue Fund - Grant Funds**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actuals**  
**For the Year Ended September 30, 2011**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues:</b>				
Intergovernmental	\$35,389,511	\$64,601,962	\$26,609,237	(\$37,992,725)
Interest	119,550	119,550	73,153	(46,397)
Miscellaneous	249,311	840,629	1,274,453	433,824
<b>Total revenues</b>	<u>35,758,372</u>	<u>65,562,141</u>	<u>27,956,843</u>	<u>(37,605,298)</u>
<b>Expenditures:</b>				
<b>General government:</b>				
Personnel	50,925	110,820	54,504	56,316
Operating	20,500	12,383	2,233	10,150
<b>Total general government</b>	<u>71,425</u>	<u>123,203</u>	<u>56,737</u>	<u>66,466</u>
<b>Administration of justice:</b>				
Personnel	1,849,691	3,925,821	2,097,945	1,827,876
Operating	1,414,752	3,892,447	2,598,754	1,293,693
<b>Total administration of justice</b>	<u>3,264,443</u>	<u>7,818,268</u>	<u>4,696,699</u>	<u>3,121,569</u>
<b>Public safety:</b>				
Personnel	8,562,628	21,070,170	10,407,975	10,662,195
Operating	7,266,809	13,303,526	4,491,702	8,811,824
<b>Total public safety</b>	<u>15,829,437</u>	<u>34,373,696</u>	<u>14,899,677</u>	<u>19,474,019</u>
<b>Health and welfare:</b>				
Personnel	1,452,935	2,819,849	1,135,743	1,684,106
Operating	2,410,761	6,142,628	4,278,231	1,864,397
<b>Total health and welfare</b>	<u>3,863,696</u>	<u>8,962,477</u>	<u>5,413,974</u>	<u>3,548,503</u>
<b>Resource development:</b>				
Personnel		30,000	778	29,222
Operating	5,767,493	5,729,309	1,303,328	4,425,981
<b>Total resource development</b>	<u>5,767,493</u>	<u>5,759,309</u>	<u>1,304,106</u>	<u>4,455,203</u>
<b>Community services:</b>				
Personnel	193,538	603,701	167,819	435,882
Operating	12,534,260	13,792,922	1,568,550	12,224,372
<b>Total community services</b>	<u>12,727,798</u>	<u>14,396,623</u>	<u>1,736,369</u>	<u>12,660,254</u>
<b>Culture and recreation:</b>				
Operating	966	966	747	219
<b>Total culture and recreation</b>	<u>966</u>	<u>966</u>	<u>747</u>	<u>219</u>
<b>Public works:</b>				
Personnel	267,238	264,988	206,707	58,281
Operating	2,908,224	2,910,474	580,567	2,329,907
<b>Total public works</b>	<u>3,175,462</u>	<u>3,175,462</u>	<u>787,274</u>	<u>2,388,188</u>
<b>Capital outlays</b>	<u>9,196,642</u>	<u>13,063,513</u>	<u>1,156,876</u>	<u>11,906,637</u>
<b>Total expenditures</b>	<u>53,897,362</u>	<u>87,673,517</u>	<u>30,052,459</u>	<u>57,621,058</u>
Excess (deficiency) of revenues over (under) expenditures	(18,138,990)	(22,111,376)	(2,095,616)	20,015,760
<b>Other financing sources (uses):</b>				
Transfers in	2,609,863	4,744,588	2,172,716	(2,571,872)
Transfers out	(129,394)	(129,394)	(415,193)	(285,799)
<b>Total other financing sources (uses)</b>	<u>2,480,469</u>	<u>4,615,194</u>	<u>1,757,523</u>	<u>(2,857,671)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(15,658,521)	(17,496,182)	(338,093)	17,158,089
<b>Fund balance - beginning</b>	<u>2,974,765</u>	<u>2,974,765</u>	<u>2,974,765</u>	
<b>Prior period adjustments</b>			149,373	149,373
<b>Fund balance - ending</b>	<u>(\$12,683,756)</u>	<u>(\$14,521,417)</u>	<u>\$2,786,045</u>	<u>\$17,307,462</u>

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, 2011

	Business-type Activities-Enterprise Funds						Governmental Activities - Internal Service Fund	
	East Montana Water Project (Current Year)	East Montana Water Project (Prior Year)	Mayfair/Nuway Water Project (Current Year)	Mayfair/Nuway Water Project (Prior Year)	County Solid Waste (Current Year)	County Solid Waste (Prior Year)		Total Current Year
<b>ASSETS</b>								
Current assets:								
Cash and cash equivalents	\$1,611,336	\$1,643,214			\$754	\$4,832	\$1,612,090	\$3,346,070
Accounts receivable	84,282	87,015	155,584		23,900	20,712	263,766	
Due from other funds	155,584						155,584	
Restricted cash and cash equivalents								
Customer deposits	93,400	91,500					93,400	
East Montana 1997A interest and sinking fund	29,457	35,507					29,457	
East Montana 2000A interest and sinking fund	8,473	7,776					8,473	
Total current assets	<u>1,982,532</u>	<u>1,865,012</u>	<u>155,584</u>	<u>57,913</u>	<u>24,654</u>	<u>25,544</u>	<u>2,162,770</u>	<u>3,346,070</u>
Noncurrent assets:								
Restricted cash, cash equivalents, and investments:								
East Montana 1997B construction fund	36,470	36,470					36,470	
East Montana Reserve fund	100,725	100,394					100,725	
Total restricted assets:	<u>137,195</u>	<u>136,864</u>					<u>137,195</u>	
Capital assets:								
Equipment, water system	13,134,237	13,134,237					13,134,237	
Vehicles	16,979	16,979					16,979	
Construction in Progress			155,584	57,913			155,584	
Less accumulated depreciation	(3,081,585)	(2,756,681)					(3,081,585)	
Total capital assets, net of accumulated depreciation	<u>10,069,631</u>	<u>10,394,535</u>	<u>155,584</u>	<u>57,913</u>			<u>10,225,215</u>	
Total noncurrent assets	<u>10,206,826</u>	<u>10,531,399</u>	<u>155,584</u>	<u>57,913</u>			<u>10,362,410</u>	
Total assets	<u>12,189,358</u>	<u>12,396,411</u>	<u>311,168</u>	<u>57,913</u>	<u>24,654</u>	<u>25,544</u>	<u>12,525,180</u>	<u>3,346,070</u>
<b>LIABILITIES</b>								
Current liabilities:								
Vouchers payable	237,453	66,618		57,913	23,153	22,021	260,606	-
Customer deposits payable	93,400	91,500					93,400	
Claims payable								898,396
Payroll Liability	1,249	1,108					1,249	2,095
Due to others								11,023
Due to other funds			155,584				155,584	
Due to other governments	9,614	9,074					9,614	
Current liabilities payable from restricted assets:								
East Montana Water Project 1997A payable	20,000	20,000					20,000	
East Montana Water Project 2000A payable	9,000	8,000					9,000	
Accrued interest payable	6,395	6,579					6,395	
Total current liabilities	<u>377,111</u>	<u>202,879</u>	<u>155,584</u>	<u>57,913</u>	<u>23,153</u>	<u>22,021</u>	<u>555,848</u>	<u>911,514</u>
Noncurrent liabilities:								
East Montana Water Project 1997A payable	880,000	900,000					880,000	
East Montana Water Project 2000A payable	114,000	124,000					114,000	
Total noncurrent liabilities	<u>994,000</u>	<u>1,024,000</u>					<u>994,000</u>	
Total liabilities	<u>1,371,111</u>	<u>1,226,879</u>	<u>155,584</u>	<u>57,913</u>	<u>23,153</u>	<u>22,021</u>	<u>1,549,848</u>	<u>911,514</u>
<b>NET ASSETS</b>								
Invested in capital assets, net of related debt	9,221,696	9,522,438					9,221,696	
Restricted for:								
Debt	35,395	34,579					35,395	
East Montana Water Project	341,716	168,300					341,716	
County Solid Waste					1,501	3,523	1,501	
Mayfair/ Nuway Water			155,584				155,584	
Unrestricted:								
East Montana Water Project	1,219,440	1,444,215					1,219,440	
Internal Service fund								2,434,556
Total net assets	<u>\$10,818,247</u>	<u>\$11,169,532</u>	<u>\$155,584</u>	<u>\$57,913</u>	<u>\$1,501</u>	<u>\$3,523</u>	<u>\$10,975,332</u>	<u>\$2,434,556</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, 2011

	Business-type Activities-Enterprise Funds						Governmental Activities - Internal Service Fund	
	East Montana Water Project (Current Year)	East Montana Water Project (Prior Year)	Mayfair/Nuway Water Project (Current Year)	Mayfair/Nuway Water Project (Prior Year)	County Solid Waste (Current Year)	County Solid Waste (Prior Year)		Total Current Year
<b>OPERATING REVENUES</b>								
Charges for services	\$950,353	\$897,647			\$261,656	\$243,871	\$1,212,009	
Employee premiums								\$5,518,423
Employer premiums								9,876,395
Retiree premiums								1,455,089
Cobra								56,430
Stop loss reimbursements								494,842
Other								98,570
Total operating revenues	<u>950,353</u>	<u>897,647</u>			<u>261,656</u>	<u>243,871</u>	<u>1,212,009</u>	<u>17,499,749</u>
<b>OPERATING EXPENSES</b>								
Personnel expenses	30,532	30,002					30,532	
Operating expenses	280,571	94,996					280,571	
Depreciation	324,904	329,631					324,904	
Public utilities	364,737	328,575					364,737	
Professional services	267,386	254,647			275,312	260,427	542,698	
Claims								15,733,167
Administrative								1,982,802
Total operating expenses	<u>1,268,130</u>	<u>1,037,851</u>			<u>275,312</u>	<u>260,427</u>	<u>1,543,442</u>	<u>17,715,969</u>
Operating income (loss)	<u>(317,777)</u>	<u>(140,204)</u>			<u>(13,656)</u>	<u>(16,556)</u>	<u>(331,433)</u>	<u>(216,220)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>								
Interest revenue	16,153	18,782			134	54	16,287	65,927
Interest expense	(52,450)	(53,868)					(52,450)	
Total nonoperating revenues (expenses)	<u>(36,297)</u>	<u>(35,086)</u>			<u>134</u>	<u>54</u>	<u>(36,163)</u>	<u>65,927</u>
Income before contributions and transfers	(354,074)	(175,290)			(13,522)	(16,502)	(367,596)	(150,293)
Capital grants	2,105		155,584				157,689	
Transfers from other funds	684				11,500	20,000	12,184	
Change in Net Assets	(351,285)	(175,290)	155,584		(2,022)	3,498	(197,723)	(150,293)
Total net assets, beginning	11,169,532	11,344,822			3,523	25	11,173,055	2,585,758
Prior period adjustment								(909)
Total net assets, ending	<u>\$10,818,247</u>	<u>\$11,169,532</u>	<u>\$155,584</u>		<u>\$1,501</u>	<u>\$3,523</u>	<u>\$10,975,332</u>	<u>\$2,434,556</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, 2011

	Business-type Activities-Enterprise Funds						Governmental Activities - Internal Service Fund	
	East Montana Water Project (Current Year)	East Montana Water Project (Prior Year)	Mayfair/Nuway Water Project (Current Year)	Mayfair/Nuway Water Project (Prior Year)	County Solid Waste (Current Year)	County Solid Waste (Prior Year)		Total Current Year
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>								
Receipts from customers	\$799,942	\$895,016			\$258,468	\$243,478	\$1,058,410	
Payments for personnel expenses	(30,391)	(29,877)					(30,391)	
Payments for operating expenses	(109,736)	(106,917)	(57,913)	57,913	1,132	(18,742)	(166,517)	
Payments for utilities	(364,737)	(328,575)					(364,737)	
Payments for professional services	(267,386)	(254,647)			(275,312)	(260,427)	(542,698)	
Receipts from employee premiums								\$5,518,423
Receipts from employer premiums								9,876,395
Receipts from retiree premiums								1,455,089
Receipts from cobra premiums								56,430
Receipts from stop loss reimbursements								494,842
Receipts from miscellaneous services								98,570
Payments for claims								(15,693,248)
Payments for administrative expenses								(1,982,802)
Net cash provided (used) by operating activities	<u>27,692</u>	<u>175,000</u>	<u>(57,913)</u>	<u>57,913</u>	<u>(15,712)</u>	<u>(35,691)</u>	<u>(45,933)</u>	<u>(176,301)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>								
Transfers from other funds	684				11,500	20,000	12,184	
Net cash provided (used) by noncapital financing activities	<u>684</u>				<u>11,500</u>	<u>20,000</u>	<u>12,184</u>	
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>								
Capital grants	2,105		155,584				157,689	
Interest paid	(52,634)	(54,045)					(52,634)	
Principal repayments	(29,000)	(28,000)					(29,000)	
Construction in progress			(97,671)				(97,671)	
Net cash provided (used) by capital and related financing activities	<u>(79,529)</u>	<u>(82,045)</u>	<u>57,913</u>				<u>(21,616)</u>	
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>								
Receipt of interest	16,153	18,782			134	54	16,287	65,927
Net cash provided (used) by investing activities	<u>16,153</u>	<u>18,782</u>			<u>134</u>	<u>54</u>	<u>16,287</u>	<u>65,927</u>
Net increase in cash and cash equivalents	(35,000)	111,737		57,913	(4,078)	(15,637)	(39,078)	(110,374)
Cash and cash equivalents, beginning of year	1,914,861	1,803,124			4,832	20,469	1,919,693	3,457,353
Prior period adjustment								(909)
Cash and cash equivalents, end of year	<u>\$1,879,861</u>	<u>\$1,914,861</u>		<u>\$57,913</u>	<u>\$754</u>	<u>\$4,832</u>	<u>\$1,880,615</u>	<u>\$3,346,070</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:</b>								
Operating income (loss)	(\$317,777)	(\$140,204)			(\$13,656)	(\$16,556)	(\$331,433)	(\$216,220)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:								
Depreciation	324,904	329,631					324,904	
(Increase) decrease in accounts receivable	2,733	(6,073)	(155,584)		(3,188)	(393)	(156,039)	
(Increase) decrease in due from other funds	(155,584)						(155,584)	
Increase (decrease) in customer deposits	1,900	2,850					1,900	
Increase (decrease) in vouchers payable	170,835	(11,921)	(57,913)	57,913	1,132	(18,742)	114,054	
Increase (decrease) in claims liability								39,919
Increase (decrease) in payroll liability	141	125					141	
Increase (decrease) in due to other funds			155,584				155,584	
Increase (decrease) in due to other governments	540	592					540	
Total adjustments	<u>345,469</u>	<u>315,204</u>	<u>(57,913)</u>	<u>57,913</u>	<u>(2,056)</u>	<u>(19,135)</u>	<u>285,500</u>	<u>39,919</u>
Net Cash Provided (Used) by Operating Activities	<u>\$27,692</u>	<u>\$175,000</u>	<u>(57,913)</u>	<u>\$57,913</u>	<u>(\$15,712)</u>	<u>(\$35,691)</u>	<u>(\$45,933)</u>	<u>(\$176,301)</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, 2011**

	<b>Agency Funds</b>
<b>Assets</b>	
Cash and cash equivalents	\$23,383,064
Accounts receivable	222,880
Restricted-funds custodial capacity cash equivalents	12,087,821
<b>Total Assets</b>	<b>\$35,693,765</b>
<b>Liabilities</b>	
Accounts payable	\$230,256
Payroll liabilities	2,586,892
Due to others	23,781,539
Due to other governmental agencies	9,095,078
<b>Total Liabilities</b>	<b>\$35,693,765</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, 2011**

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

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

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

**A. Reporting Entity**

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

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

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

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

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

University Medical Center  
4815 Alameda Avenue  
El Paso, Texas 79905  
(915) 521-7610

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

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

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

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

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

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

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

All governmental funds are reported using a current financial resources measurement focus. Ordinarily, only current assets and current liabilities are included on the balance sheet with this measurement focus. The operating statements of the funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets. The modified accrual basis of accounting is used by all governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). In the case of the County, "measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or within 90 days thereafter, to pay liabilities of the current period. Expenditures are generally recognized under the accrual basis of accounting when the related fund liability is incurred.

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.

Grants Funds are used to account for funds received from federal, state and local agencies for specific programs and services for the community. Federal funds include those received from the U. S. Department of Health and Human Services, U. S. Department of Justice, U. S. Department of Homeland Security, Office of National Drug Control Policy, U. S. Department of Agriculture, among others. State funds include those received from the Office of the Governor, Texas Department of Transportation, Texas Department of Public Safety, Texas Attorney General, Texas Department of Housing and Community Affairs, and others. Local funds are from the City and other local agencies.

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

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

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

The County reports the following non-major governmental funds:

*Special Revenue Funds* account for specific revenue sources that are restricted or committed for specified purposes other than debt service or capital projects.

*Debt Service Funds* account for financial resources that are restricted, committed, or assigned to expenditure for principal and interest on long-term obligation debt of the County

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

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

*Capital Projects Funds* account for financial resources that are restricted, committed, or assigned to expenditure for major capital outlays.

The County additionally reports the following fund types:

*Internal Service Funds* account for the health benefits provided to County employees, retirees and dependents. The workers' compensation benefits is also accounted in the Internal Service Funds. Contributions to the funds are made as charges to the departments for covered employees along with contributions from employees and retirees to the Health Fund.

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

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

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

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

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

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

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

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

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

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

*Sheriff's Task Force Seizures Fund* is used to account for funds seized by various initiatives of the Sheriff's Department and held pending disposition by the Courts.

*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.

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

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

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

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

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

When both restricted and unrestricted resources are available for use, it is the County's policy to use restricted resources first, then unrestricted resources as they are needed.

### D. Budgets

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

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

The County had two special revenue funds that were not included in the adopted budget. Those funds were the Sheriff's Forfeiture Fund, which was reclassified from agency fund and County Attorney Bad Check Operating Account, which is legally controlled at the discretion of the County Attorney.

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

**D. Budgets (Continued)**

The annual adopted budget for fiscal year 2011 totaled \$247,108,206. Throughout the year, the Commissioners Court amended the budget for an aggregate increase total of \$33,852,706. These increases represented statutorily provided increases for additional funding by granting agencies and intergovernmental agreements bringing the overall budget total to \$404,262,439, including re-appropriations. The appropriation changes included revisions as follows:

County of El Paso, Texas Schedule of Amended Funding Amounts For the period ending September 30, 2011							
Date of Amendment	General Fund	Special Revenue Fund	Enterprise Fund	Debt Service Fund	Capital Projects Fund	Grants	Total Funding Amounts
October 5, 2010	\$199,233,987	\$31,392,980	\$2,260,104	\$12,808,174	\$1,412,961	\$0	\$247,108,206
Total amendments		<u>(72,356)</u>				33,925,062	33,852,706
Subtotal	\$199,233,987	\$31,320,624	\$2,260,104	\$12,808,174	\$2,708,165	\$33,925,062	\$280,960,912
Carry over							
Re-appropriation	<u>1,203,485</u>	<u>1,551,209</u>	<u>5,280</u>		<u>66,663,704</u>	<u>53,877,849</u>	<u>123,301,527</u>
Totals	<u>\$200,437,472</u>	<u>\$32,871,833</u>	<u>\$2,265,384</u>	<u>\$12,808,174</u>	<u>\$68,076,665</u>	<u>\$87,802,911</u>	<u>\$404,262,439</u>

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	\$58,762,168
Revenues: Non-Budgeted	
Expenditures: Non-budgeted	<u>(28,794)</u>
Revenues over (under) Expenditures	28,794
Other financing sources (uses): Non-budgeted	(1,150,872)
Excess (deficiency) of revenues and Other financing sources over (under) Expenditures and other financing uses	(1,122,078)
Change in reserve for inventory	(28,794)
Prior years differences	<u>(11,018,759)</u>
Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$46,592,537</u>



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

### **D. Budgets (Continued)**

The non-budgeted expenditure in the general fund is a change in the reserve for inventory of \$28,794 which represents the amount of inventory consumed during the year and \$1,150,872 of excess sales taxes transferred from the general fund to the debt service fund.

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

Within the Special Revenue Fund, the Coliseum Tourist Promotion had a budget shortfall of \$4,097, which is covered by available fund balance. The Fabens Airport and the Sportspark had a non-budgeted transfer out of \$21,984 and \$389,583 respectively, which represent the remaining balances after the funds were reclassified as General Fund. Special Revenue-Grants had a transfer out of \$285,799 over the budgeted amount.

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

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

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

Governmental Accounting Standards Board Statement Number 40 "*Deposit and Investment Risk Disclosures, an amendment to GASB Statement Number 3*", establishes and modifies disclosure requirements related to investment risks associated with credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. To limit the concentration of credit risk, the County has an established policy, whereby the maximum aggregate for all investments in obligations of U. S. Agencies and Instrumentalities shall not exceed 75 percent. The County has also established interest rate risk policies that limit the maximum maturity of any one security to 5 years or less.

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

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.

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

### F. Deposits and Investments (continued)

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.

#### 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.

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

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

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

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

All trade and property tax receivables are shown net of an allowance for uncollectable accounts. Property taxes are levied October 1<sup>st</sup> and become delinquent on February 1<sup>st</sup>, at which time penalties and interest are assessed. The allowance for uncollectable property taxes is set at one percent of the outstanding delinquent taxes at September 30, 2011.

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

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

### **I. Restricted Assets**

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

The government-wide statement of net assets reports \$32,487,070 of restricted net assets, of which \$26,407,592 is restricted by enabling legislation.

### **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.

Capital assets for the enterprise fund for the East Montana Water System are depreciated using the 120 percent declining balance over 40 years in accordance with the bond covenant. All other capital assets are depreciated in accordance with the County depreciation method listed below. Capital assets under construction are not depreciated until construction is completed.

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

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

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, 2011, the County's total liability for vested vacation leave totaled \$11,831,560.

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

A liability in the amount of \$17,691,164 has been established for the accumulated vested sick leave benefits of the El Paso County Sheriff's deputies and detention officers. This is in accordance with the provisions of the contract agreement between the County and the El Paso County Sheriff's Association, whereby the County shall buy back any unused sick leave at the end of an officer's career. An officer will be paid at the rate of one day's pay for one day's sick leave up to 90 days and thereafter at the rate of one day's pay for every three days of sick leave.

Vested vacation and sick leave benefits are not expected to be liquidated with expendable and available financial resources and therefore, are reported as long term liabilities in the government wide statements. The accrued accumulated vested benefits liability for the current year is \$29,522,724 of which \$9,907,348 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 Balances

The County Commissioners Court established financial policies several years ago that included a policy for maintaining a minimum fund balance of 10 to 15 percent of the total general fund adopted operating budget in any one fiscal year, or at a minimum, a balance equal to the projected cash needs for the first fiscal quarter to meet operating obligations.

The County implemented the requirements of GASB 54 – Fund Balance Reporting and Governmental Fund Type Definitions for fiscal year 2010. The County categorized its fund balances in five classifications and in the hierarchy to which the government is bound to honor constraints on specific purposes for which amounts in those funds can be spent.

**Nonspendable** – These balances represent amounts that are not in spendable form or are legally or contractually required to be maintained intact, such as inventories.

**Restricted Fund Balance** – Represents amounts that are restricted to specific purposes, with constraints placed on the use of resources by (a) external creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation. Fund balance on the debt service funds will be restricted for the payment of principal and interest on the debt service obligation. Any funds that are remaining after all debt is extinguished will be transferred to the general fund to be used for any general purpose.

**Committed Fund Balance** – These balances represent amounts that are restricted for purposes which County Commissioners Court, the County’s highest level of decision-making authority, has designated their use. These amounts are committed through the adoption of a court order. These amounts can only be re-allocated by the same formal action that was taken to originally commit those amounts. Funds allocated through the use of general fund monies for capital assets are categorized as committed.

**Assigned Fund Balance** – Represents amounts that are constrained by the government’s intent to be used for specific purposes, but are neither restricted nor committed. The governing body has delegated authority to the County Auditor, the chief financial officer, to make recommendations to allocate funds, which have not been previously restricted or committed.

**Unassigned Fund Balance** – Represents the residual amount in the general fund that has not been restricted, committed, or assigned to specific purposes.

It is the County’s policy to use restricted funds first, when expenditures are incurred for purposes for which both restricted and unrestricted funds are available. In the case of unrestricted funds, the County will consider first reducing committed funds, then assigned, and followed by unassigned when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

The restricted other purposes amount of \$4,531,539 reported as other governmental funds includes \$3,695,716 of special revenue, and \$835,823 of non-major capital projects restricted for various programs and projects.

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

### **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.

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 were \$173,047,125 consisting of cash and cash equivalents. Of this amount, \$3,564,155 represents custodial funds from the County Clerk's Probate Account, \$8,523,666 represents funds held in the District Clerk's Custodial Account and \$268,525 represents restricted assets for business-type activities. The bank balance of \$117,418,431 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 \$123,952,000, 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, 2011 the County had the following investments.

<b>Investment Type</b>	<b>Fair Value</b>	<b>Weighted Average Maturity (Years)</b>
TexPool investment pool	\$35,151,577	0.12
TexPool Prime investment pool	<u>10,412,403</u>	0.37
Total	<u>\$45,563,980</u>	0.18

As of September 30, 2011 the District had the following investments.

<b>Unrestricted Investment Type</b>	<b>Fair Value</b>	<b>Weighted Average Maturity (Years)</b>
Certificates of deposit	\$15,000,000	0.21
U.S. Agencies	<u>1,007,950</u>	4.88
Total	<u>\$16,007,950</u>	0.50
<b>Restricted Investment Type</b>	<b>Fair Value</b>	<b>Weighted Average Maturity (Years)</b>
Certificates of deposit	\$18,292,263	0.80
U.S. Agencies	<u>5,060,979</u>	0.10
Total	<u>\$23,353,241</u>	0.64

*Interest rate risk.* In accordance with the County's investment policy, the County has established interest rate risk policies that limit the maximum maturity of any one security to 10 years or less.

The 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.

El Paso County	Standard &
<u>Investment at September 30, 2011</u>	<u>Poor's Rating</u>
Local Government Investment Pools	AAAm
Component Unit	Standard &
<u>Investment at September 30, 2011</u>	<u>Poor's Rating</u>
Federal Home Loan Bank	AA+
Local Government Investment Pools	AAAm

*Concentration of credit risk.* To limit the concentration of credit risk, the County has an established policy, whereby the maximum aggregate for all investments in obligations of U. S. Agencies and Instrumentalities shall not exceed 100 percent. The County is not exposed to foreign currency risk since the County prohibits investment in any foreign investments.

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

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

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

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

**B. Receivables**

Receivables as of September 30, 2011 for the general, major special revenue and enterprise funds and non-major governmental, including applicable allowances for uncollectable accounts, are as follows:

	<u>General</u>	<u>Major Special Revenue-Grants Funds</u>	<u>Other Non-major Funds</u>	<u>Enterprise Funds</u>	<u>Total</u>
Receivables:					
Taxes	\$15,137,965				\$15,137,965
Accounts	8,918,685	\$7,541,418	\$237,462	\$263,766	16,961,331
Notes		875,176			875,176
Less: allowance for uncollectable	<u>(151,380)</u>				<u>(151,380)</u>
Net total receivables	<u>\$23,905,270</u>	<u>\$8,416,594</u>	<u>\$237,462</u>	<u>\$263,766</u>	<u>\$32,823,092</u>

Accounts and property taxes receivables are reported net of unrealizable amounts. The taxes receivable account represents uncollected tax levies of the past twenty years on real property and the last four years on personal property in accordance with State statute. The allowance for estimated uncollectable taxes is one percent of the total delinquent taxes receivable, including penalties and interest, as of September 30, 2011. Based on a five year trend, of the taxes receivable, including penalties and interest, the County deferred approximately 92.0 percent until collection of those revenues. In calculating the taxes receivable, a period of 90 days is used to measure availability since the taxes for any current tax year are materially received well into the next fiscal year. Expenditure accruals are also being recognized 90 days after the fiscal year end.

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

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

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (general fund)	\$13,910,160	
Cell Phone Tower Commissions (general fund)		\$14,413
Court costs and fines (general fund)	11,306	
Draw-downs prior to meeting eligibility requirements (grants)		<u>2,192,015</u>
Total deferred /unearned revenue for governmental funds	<u>\$13,921,466</u>	<u>\$2,206,428</u>

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

**C. Capital assets**

Capital assets activity for the year ended September 30, 2011 was as follows:

**Primary Government**

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
<b>Governmental Activities:</b>				
<b>Capital assets, not being depreciated:</b>				
Land	\$15,325,520	\$996,775		\$16,322,295
Easements	40,000	60,000		100,000
Information Technology System in progress		4,646,324		4,646,324
Construction in progress	<u>12,084,901</u>	<u>13,994,910</u>	<u>(2,799,433)</u>	<u>23,280,378</u>
Total capital assets, not being depreciated	<u>27,450,421</u>	<u>19,698,009</u>	<u>(2,799,433)</u>	<u>44,348,997</u>

**Capital assets, being depreciated:**

Bridges and culverts	3,570,308			3,570,308
Buildings	222,549,228	1,944,527	(64,216)	224,429,539
Equipment	26,270,144	1,055,020	(735,651)	26,589,513
Furniture and fixtures	897,713			897,713
Improvements	11,708,458	718,960		12,427,418
Infrastructure	1,858,622	97,000		1,955,622
Leased equipment	452,762		(152,173)	300,589
Roads	32,594,208	3,487,885		36,082,093
Vehicles	<u>15,848,876</u>	<u>1,409,764</u>	<u>(504,727)</u>	<u>16,753,913</u>
Total capital assets, being depreciated	<u>315,750,319</u>	<u>8,713,156</u>	<u>(1,456,767)</u>	<u>323,006,708</u>

**Less accumulated depreciation for:**

Bridges and culverts	(1,976,007)	(94,870)		(2,070,877)
Buildings	(115,035,104)	(8,501,679)		(123,536,783)
Equipment	(21,253,237)	(1,455,374)	639,496	(22,069,115)
Furniture and fixtures	(686,797)	(44,661)		(731,458)
Improvements	(4,891,260)	(738,183)		(5,629,443)
Infrastructure	(353,261)	(101,740)		(455,001)
Leased equipment	(148,260)	(62,862)	101,679	(109,443)
Roads	(15,104,343)	(3,632,723)		(18,737,066)
Vehicles	<u>(10,389,703)</u>	<u>(1,468,988)</u>	<u>418,378</u>	<u>(11,440,313)</u>
Total accumulated depreciation	<u>(169,837,972)</u>	<u>16,101,080)</u>	<u>1,159,553</u>	<u>(184,779,499)</u>

Total capital assets, being depreciated, net 145,912,347 (7,387,924) (297,214) 138,227,209

Governmental activities capital assets, net \$173,362,768 \$12,310,085 (\$3,096,647) \$182,576,206

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

**Capital assets, not being depreciated:**

Construction in Progress	<u>\$57,913</u>	<u>\$97,671</u>		<u>\$155,584</u>
Total capital assets, not being depreciated	<u>57,913</u>	<u>97,671</u>		<u>155,584</u>

**Capital assets, being depreciated:**

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>

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

#### C. Capital assets (Continued)

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

##### Less accumulated depreciation for:

Vehicles	(13,138)	(2,426)	(15,564)
Water system	<u>(2,743,543)</u>	<u>(322,478)</u>	<u>(3,066,021)</u>
Total accumulated depreciation	<u>(2,756,681)</u>	<u>(324,904)</u>	<u>(3,081,585)</u>
Total capital assets, being depreciated, net	<u>10,394,535</u>	<u>(324,904)</u>	<u>10,069,631</u>
Business-type activities capital assets, net	<u>\$10,452,448</u>	<u>(\$227,233)</u>	<u>\$10,225,215</u>

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

##### Governmental activities:

General Government	\$3,881,502
Administration of justice	115,634
Public safety	5,728,975
Health and welfare	172,590
Community service	124,011
Resource Development	1,271
Culture and recreation	1,525,372
Public works	<u>4,551,725</u>
Total depreciation expense governmental activities	<u>\$16,101,080</u>

##### Business-type activities:

Vehicles	\$2,426
Water system	<u>322,478</u>
Total depreciation expense Business-type activities	<u>\$324,904</u>

During the current fiscal year there was a change in accounting estimate for depreciation expense.

#### Construction Commitments

The County has several active construction projects as of September 30, 2011. The projects include, among others, the Fabens Port of Entry, Youth Services Center, Juvenile Justice Center Extension, Ascarate Park Pavilion and Entrance, Upper Valley Annex, Sportspark Complex Renovations, Aguilera Highway, Tornillo Guadalupe Major Arterial Roadway, Schuman Brothers Water Project, Hacienda Wildhorse Water Project, Webb Road/North Loop FM 76 Water Project, and Salcido Sewer Project. The County's year-end commitments are as follows:

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

**C. Capital assets (Continued)**

Project	<u>Spent-to-date</u>	<u>Remaining Commitment</u>
<b>Governmental Activities</b>		
Fabens Port of Entry	\$10,229,392	\$16,784,555
Youth Services Center	2,038,397	2,825,647
Juvenile Justice Center Extension	4,212,639	587,361
Ascarate Park Pavilion	50,300	505,147
Ascarate Park Entrance	35,575	647,770
Upper Valley Annex	89,453	215,752
Sportspark Complex Renovations	553,247	9,152,274
Aguilera Highway	281,244	1,654,377
Tornillo Guadalupe Major Arterial Roadway	3,921,547	3,490,198
Schuman Brothers Water Projects	199,897	1,139,908
Hacienda Wildhorse Water Project	629,406	100,000
Webb Road/North Loop FM 76 Water Project	684,281	515,719
Salcido Sewer Project	<u>355,000</u>	<u>100,000</u>
Total	<u>\$23,280,378</u>	<u>\$37,718,708</u>
<b>Business Type Activities</b>		
Nuway – Mayfair Water Project	<u>\$155,584</u>	<u>\$2,124,555</u>
Total	<u>\$155,584</u>	<u>\$2,124,555</u>

**Component unit**

Capital asset activity for the District for the year ended September 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Transfer Disposals/ Retirements</u>	<u>Ending Balances</u>
<b>Capital assets, not being depreciated:</b>				
Land	\$10,055,000	\$73,000		\$10,128,000
Construction in progress	<u>183,867,000</u>	<u>107,199,000</u>	<u>(\$45,721,000)</u>	<u>245,345,000</u>
Total capital assets, not being depreciated	<u>193,922,000</u>	<u>107,272,000</u>	<u>(45,721,000)</u>	<u>255,473,000</u>
<b>Capital assets, being depreciated:</b>				
Buildings and improvements	128,718,000	34,934,000	(9,000)	163,643,000
Movable and fixed equipment	<u>163,008,000</u>	<u>18,335,000</u>	<u>(603,000)</u>	<u>180,740,000</u>
Total capital assets, being depreciated	<u>291,726,000</u>	<u>53,269,000</u>	<u>(612,000)</u>	<u>344,383,000</u>
<b>Less accumulated depreciation for:</b>				
Buildings, improvements and equipment	<u>(195,231,000)</u>	<u>(18,249,000)</u>	<u>339,000</u>	<u>(213,141,000)</u>
Total accumulated depreciation	<u>(195,231,000)</u>	<u>(18,249,000)</u>	<u>339,000</u>	<u>(213,141,000)</u>
Total capital assets, being depreciated, net	<u>96,495,000</u>	<u>35,020,000</u>	<u>(273,000)</u>	<u>131,242,000</u>
District capital assets, net	<u>\$290,417,000</u>	<u>\$142,292,000</u>	<u>(\$45,994,000)</u>	<u>\$386,715,000</u>

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

**C. Capital assets (Continued)**

Construction in progress for the Component Unit at September 30, 2011 represents the Master Plan Implementation Project, with an anticipated completion date in 2012. This project is expected to cost \$154 million and is to be paid from the \$113 million in proceeds from the 2005 bond issue and the remaining \$41 million will be paid from hospital district reserves. Infrastructure Improvement Projects, consist of various individual construction projects estimated to cost \$16.5 million, to be paid from Hospital District reserves and completed by mid 2012.

**D. Inter-fund receivables, payables, and transfers**

The inter-fund and intra-fund receivables and payables represent amounts that cover cash shortages that are within the pooled cash account. The intra-fund amounts have been eliminated for financial statement reporting. These balances will be eliminated in the subsequent period. The inter-fund transfers mainly represent amounts which are used to leverage County funds in securing federal and state grant funds and amounts which management has identified as excess in the corresponding funds.

The composition of inter-fund/intra-fund balances as of September 30, 2011, is as follows:

	<u>Due From</u>	<u>Due To</u>
<b><u>Major Special Revenue-Grants</u></b>		
34 <sup>th</sup> Judicial District Prosecution Initiative		\$93,693
65 <sup>th</sup> District Family Drug Court		14,828
384 <sup>th</sup> District Drug Court		20,257
409 <sup>th</sup> District Drug Court		18,709
Access and Visitation		2,197
BCMHC Interception Project		5,481
BCMHC Juvenile Court Mentoring		19,237
BCMHC Project M2		56,176
BCMHC Renewing Our Communities	\$47	
Border Children's Mental Health Collaborative	774,531	
Border Crime Initiative		503,549
Bootstrap Program		4,841
Bosque Bonito & San Elizario		2,387
Byrne Justice Assistance Grant		136,230
Byrne Justice Assistance City Grant (ARRA)		32,534
Canutillo Western Village		1,206
Colonia Road Projects		84,175
Colonia Self-Help Center		109,537
Community Defined Solutions to Violence		94,420
Conquistador & Lourdes Step Project		7,980
DA Border Prosecution		66,581
DA Prosecution Advocacy (ARRA)		15,163
DA VAWA		118
DAG Reporting		7,715
DIMS Project		37,038
Domestic Violence Evaluation (ARRA)		1,082
Domestic Violence Unit		5,665
Drug Enforcement	271,698	
DWI Court Program		21,856
El Paso/NM Transit System		64,640
Family and Youth Activities	1,617	
Geothermal Project		83,225
Hispanic Nutrition Program	649	
Homeland Security		34,549
Homeless Prevention (ARRA)		58,868
Homeless Re-housing Program (ARRA)		88,868
HIDTA Program Income	700,476	
Human Trafficking Project		13,449
Juvenile Accountability Incentive	3,372	
Juvenile Board State Aid	102,872	
Juvenile Justice Alternative Education	115,286	

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

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

	<u>Due From</u>	<u>Due To</u>
Labor Day Incentive Project		357
Nutrition		359,662
ONDCP Multiple Initiatives		499,989
Operation Linebacker		130,186
Operation Stonegarden		76,430
Organized Crime Drug Enforcement Task Force		4,593
Paul Coverdell Forensic Project		25,970
Project Border Star		321,980
Protective Order Court		15,019
Regional Public Transportation Plan		16,727
Rural Transit Bus		907
Schuman Estates Water Project		10,092
Secure Border Trade		87,692
Sheriff's Crime Victim Services		2,494
Sheriff's Step		11,856
Sheriff's Training Academy		43,436
SHOCAP Enhancement Project		69,270
TJPC Secure Post-Adjudication	126,792	
TJPC Title IV-E Enhanced Billing	1,491,294	
Tornillo EDAP		2,444
Van Pool Program		125,806
Vehicle Registration Abuse Program		14,562
Victim of Crime		6,157
Wildhouse and Hacienda Real		<u>56,751</u>
<b>Subtotal</b>	<u>3,588,634</u>	<u>3,588,634</u>
<b><u>Enterprise Fund</u></b>		
East Montana Water	155,584	
Mayfair-Nuway Water		<u>155,584</u>
Subtotal	<u>155,584</u>	<u>155,584</u>
<b>Grand Total</b>	<u>\$3,744,218</u>	<u>\$3,744,218</u>

The following are the transfers in and out as of September 30, 2011:

	<u>Transfers Out</u> <u>Actual</u>	<u>Transfers In</u> <u>Actual</u>
<b><u>General Fund</u></b>		
Access and visitation – Match	\$8,000	
Border Children's Mental Health – Match	22,105	
Child Protective Services – Match	569,980	
DIMS Project – Match	350,000	
Domestic Violence Unit – Match	110,249	
General & Administrative	1,212,171	\$1,334,082
Juvenile Probation	395,535	
Nutrition – Match	135,030	
Protective Order – Match	36,610	
Rural Transit Match	203,700	
Sheriff's VAWA Training	19,494	
Vehicle Registration	15,135	
Victim Witness Services	<u>108,157</u>	
<b>Subtotal</b>	<u>3,186,166</u>	<u>1,334,082</u>
<b><u>Major Special Revenue-Grants</u></b>		
243 <sup>rd</sup> Drug Court	420	
409 <sup>th</sup> District Drug Court	5,340	17,936
Access and Visitation		7,824
BCMHC Interception Project		12,500
Border Children's Mental Health Collaborative	12,500	523,579
Bootstrap Program		5,692

**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>
Child Protective Services	152,615	569,980
DIMS Project	20,732	351,440
Domestic Violence Unit	3,776	110,267
FEMA Flood	20,635	
Juvenile Accountability Incentive		9,361
Nutrition	119,769	169,044
Protective Order Court		40,954
Rural Transit Assistance	27,239	203,700
San Elizario Bicycle/Sidewalk Path	50,894	
Secure Border Trade Demo Project		7,200
Sheriff's Training Academy VAWA		19,494
State Drug Court Training		453
Vehicle Registration Abuse		15,135
Victim Witness Services	1,273	108,157
<b>Subtotal</b>	<u>415,193</u>	<u>2,172,716</u>
<b><u>Special Revenue</u></b>		
Airport	21,984	
Coliseum Tourist Promotion	404,097	
County Tourist Promotion	4,162	404,097
County Clerk Records Management	454,659	474,943
Court Reporter Service Fund	425,000	
Courthouse Security	203,000	
Family Protection	127,895	
Road and Bridge		82,845
Sportspark	389,583	
<b>Subtotal</b>	<u>2,030,380</u>	<u>961,885</u>
<b><u>Debt Service</u></b>		
G.O. Refunding 98	29,477	
G.O. Refunding 2007		29,477
Certificates of Obligation 2007		1,150,872
<b>Subtotal</b>	<u>29,477</u>	<u>1,180,349</u>
<b><u>Capital Projects</u></b>		
County Courthouse 95	122,355	
County Capital Improvements 2001		122,355
<b>Subtotal</b>	<u>122,355</u>	<u>122,355</u>
<b>Total Non Major</b>	<u>2,182,212</u>	<u>2,264,589</u>
<b><u>Enterprise Fund</u></b>		
East Montana Water		684
Solid Waste Disposal		11,500
<b>Subtotal</b>		<u>12,184</u>
<b>Grand total</b>	<u>\$5,783,571</u>	<u>\$5,783,571</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, 2011 amounted to \$786,518.



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

#### E. Leases (continued)

##### Capital Leases

The County leases equipment through capital leasing arrangements in the governmental fund types. Payments during fiscal year ended September 30, 2011, amounted to \$131,715. The County has not entered into any new lease agreements as lessee during the fiscal year. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

	<u>Governmental Activities</u>
Asset:	
Machinery and equipment	\$300,589
Less: accumulated depreciation	<u>109,443</u>
Total	<u>\$191,146</u>

The future minimum lease payments and the net present value of these minimum lease payments as of September 30, 2011 are as follows:

	<u>Year ending September 30</u>	<u>Governmental Activities</u>
	2012	\$67,016
	2013	43,183
	2014	17,910
	2015	<u>2,916</u>
Total minimum lease payments		131,025
Less: Interest		<u>18,128</u>
Present value of future Minimum lease payments		<u>\$112,897</u>

#### F. Long-term Debt

##### General and certificates of obligation bonds

The County issues general and certificate of obligation bonds as well as revenue bonds to provide the resources for the acquisition and construction of capital assets. These bonds have been issued for both governmental and business-type activities. The ending balance of the general and certificate of obligation bonds outstanding was \$142,250,000. The ending balance of the revenue bonds is \$1,023,000.

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>.

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

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

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

<u>Purpose</u>	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount</u>
Certificates of Obligation, Series 2001	4.00 – 5.50%	2001	2022	\$16,875,000
General Obligation Refunding, Series 2001	4.00 – 5.00%	2001	2012	260,000
Certificates of Obligation, Series 2002	3.00 – 5.25%	2002	2022	7,425,000
General Obligation Refunding, Series 2002	3.50 – 4.00%	2002	2012	350,000
General Obligation Refunding, Series 2002A	3.00 – 4.50%	2002	2012	585,000
Certificates of Obligation, Series 2007	4.00 – 5.00%	2007	2032	59,400,000
General Obligation Refunding, Series 2007	4.00 – 5.00%	2007	2022	47,660,000
Taxable Certificates of Obligation, Series 2007	4.65 – 6.23%	2007	2032	<u>9,695,000</u>
				<u>\$142,250,000</u>

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

<u>Year Ending September 30</u>	<u>Governmental Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2012	\$6,175,000	\$6,789,007	\$12,964,007
2013	6,235,000	6,520,058	12,755,058
2014	7,120,000	6,229,472	13,349,472
2015	7,480,000	5,917,173	13,397,173
2016	7,890,000	5,560,531	13,450,531
2017-2021	41,580,000	21,789,789	63,369,789
2022-2026	28,570,000	12,784,908	41,354,908
2027-2031	30,180,000	5,832,714	36,012,714
2032	<u>7,020,000</u>	<u>180,205</u>	<u>7,200,205</u>
	<u>\$142,250,000</u>	<u>\$71,603,857</u>	<u>\$213,853,857</u>

As of September 30, 2011, the County had two defeasance escrow accounts; the first account had a defeasance escrow amount of \$15,030 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 \$26,281,968 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, 2011 totaled \$25,690,000.

**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:

<u>Purpose</u>	<u>Interest Rates</u>	<u>Issue Date</u>	<u>Maturity Date</u>	<u>Amount</u>
East Montana Water Project				
\$1,050,000 Waterworks System Revenue Bonds, Series 1997-A	4.87%	1997	2037	\$900,000
\$195,000 Waterworks System Revenue Bonds, Series 2000	4.95 – 6.10%	2000	2021	<u>123,000</u>
Total				<u>\$1,023,000</u>

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

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

Revenue bond debt service requirements to maturity are as follows:

<u>Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$29,000	\$51,160	\$80,160
2013	30,000	49,681	79,681
2014	31,000	48,136	79,136
2015	31,000	46,528	77,528
2016	32,000	44,915	76,915
2017-2021	190,000	198,118	388,118
2022-2026	150,000	151,126	301,126
2027-2031	200,000	109,690	309,690
2032-2036	270,000	55,576	325,576
2037	60,000	2,925	62,925
	<u>\$1,023,000</u>	<u>\$757,855</u>	<u>\$1,780,855</u>

Prior Years

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

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

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

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

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

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

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

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2011, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities:</b>					
Bonds payable:					
General obligation bonds	\$51,640,000		(\$2,785,000)	\$48,855,000	\$2,830,000
Certificates of obligation bonds	96,375,000		(2,980,000)	93,395,000	3,345,000
Bond Premium	2,880,285		(146,127)	2,734,158	
Less deferred amounts:					
For issuance discounts	(1,703,227)		106,242	(1,596,985)	
On refunding	<u>(1,097,604)</u>		<u>411,956</u>	<u>(685,648)</u>	
Total bonds payable	148,094,454		(5,392,929)	142,701,525	6,175,000
Capital leases	224,693		(111,796)	112,897	67,016
Claims and judgments	1,519,831	1,449,069	(1,733,922)	1,234,978	1,234,978
Contingent liabilities	1,777,439	1,920,000	(1,777,439)	1,920,000	820,000
Compensated absences	27,234,742	29,522,724	(27,234,742)	29,522,724	9,907,348
OPEB Liability	<u>12,442,216</u>	<u>4,944,860</u>		<u>17,387,076</u>	
Governmental activity					
Long-term liabilities	<u>\$191,293,375</u>	<u>\$37,836,653</u>	<u>(\$36,250,828)</u>	<u>\$192,879,200</u>	<u>\$18,204,342</u>

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

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

**Business-type activities:**

Bonds payable:

Revenue Bonds	<u>\$1,052,000</u>	<u>(\$29,000)</u>	<u>\$1,023,000</u>	<u>\$29,000</u>
Total bonds payable	1,052,000	(29,000)	1,023,000	29,000
Business-type activity				
Long-term liabilities	<u>\$1,052,000</u>	<u>(\$29,000)</u>	<u>\$1,023,000</u>	<u>\$29,000</u>

In the case of the long-term liabilities other than debt, the general fund or corresponding special revenue funds typically have been used to liquidate such obligations in prior years.

No-commitment debt

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

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-term debt					
Bonds payable	\$260,905,000		(\$4,820,000)	\$256,085,000	\$4,835,000
Bond premium and discount	<u>2,616,000</u>		<u>(171,000)</u>	<u>2,445,000</u>	<u>171,000</u>
Total long-term debt	<u>\$263,521,000</u>		<u>(\$4,991,000)</u>	<u>\$258,530,000</u>	<u>\$5,006,000</u>

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

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			
2012	\$4,835,000	\$12,373,000	\$17,208,000
2013	5,040,000	12,237,000	17,277,000
2014	5,230,000	12,043,000	17,273,000
2015	5,440,000	11,833,000	17,273,000
2016	5,690,000	11,581,000	17,271,000
2016-2021	32,955,000	53,846,000	86,801,000
2022-2026	42,150,000	44,926,000	87,076,000
2027-2031	53,730,000	33,350,000	87,080,000
2032-2036	68,555,000	18,525,000	87,080,000
2037-2038	<u>32,460,000</u>	<u>2,371,000</u>	<u>34,831,000</u>
	<u>\$256,085,000</u>	<u>\$213,085,000</u>	<u>\$469,170,000</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 \$1,920,000 for probable losses has been accrued as a contingency and is reported at the government-wide financial statements. Of this amount \$820,000 is reported due within one year and \$1,110,000 due in more than one year.

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

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

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

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

The County offers its employees a deferred compensation plan that permits them to defer a portion of their current salary until future years. Any contributions made to the deferred compensation plan, in compliance with Section 457 of the Internal Revenue Code, are not available to employees until termination of employment, retirement, death or an unforeseen emergency. Contributions to the plan are administered by Nationwide Retirement Solutions, ING Life Insurance and Annuity Company and VALIC, as third party administrators. In accordance with the provisions of the IRC Section 457(g), the plan assets are in custodial accounts for the exclusive benefit of the plan participants and beneficiaries. The County provides neither administrative services nor investment advice to the plans. Therefore, in accordance with GASB 32, no fiduciary relationship exists between the County and the deferred compensation pension plans. At September 30, 2011 the plan assets were valued at \$19,246,040.

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

##### **Plan Description**

The County provides retirement, disability, and death benefits for all of its full-time employees and part-time employees working at least 900 hours a year through an agent multiple-employer defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 618 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 12.33% for the months of the accounting year in 2010, and 13.01% for the months of the accounting year in 2011.

The contribution rate payable by the employee members for calendar year 2011 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, 2011, the annual pension cost for the TCDRS plan for its employees was \$18,092,030, and the actual contributions were \$18,092,030. The annual required contributions were actuarially determined using the entry age actuarial cost method and were in compliance with the GASB Statement No. 27 parameters as amended by GASB 50 and based on the actuarial valuations as of December 31, 2008 and December 31, 2009, the basis for determining the contribution rates for calendar years 2010 and 2011. The December 31, 2010 actuarial valuation is the most recent valuation. The actuarial assumptions at December 31, 2010 included (a) 8.0 percent investment rate of return (net of administrative expenses) and (b) projected salary increases of 5.4 percent. Both (a) and (b) included an inflation component of 3.5 percent. The actuarial value of the plan's assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis.



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

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

<b>Actuarial Valuation Information</b>			
Actuarial valuation date	12/31/08	12/31/09	12/31/10
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period in years	20	20	20
Asset valuation method			
Subdivision Accum.Fund	10-yr smoothed value	10-yr smoothed value	10-yr smoothed value
Employees Saving Fund	Fund value	Fund value	Fund value
Actuarial Assumptions:			
Investment return <sup>1</sup>	8.0%	8.0%	8.0%
Projected salary increases <sup>1</sup>	5.3%	5.4%	5.4%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

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

Accounting Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of <u>APC Contributed</u>	Net Pension <u>Obligation</u>
09/30/09	\$15,974,257	100%	0
09/30/10	16,825,068	100%	0
09/30/11	18,092,030	100%	0

**Funded Status and Funding Progress**

The funded status of the plan as of December 31, 2010, the most recent actuarial valuation date, was as follows:

Actuarial accrued liability (AAL)	\$465,212,977
Actuarial value of plan assets	<u>386,607,277</u>
Unfunded AAL (UAAL)	\$78,605,700
Funded ratio	83.10%
Covered payroll (active plan members) <sup>2</sup>	\$139,765,922
UAAL as percentage of covered payroll	56.24%

The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits and is presented as required supplementary information following the notes to the financial statements.

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

<sup>2</sup> Covered payroll based on actuarial valuations.

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

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

##### **Retirement Plan - Component Unit**

##### **Plan Description**

The Hospital District (the District) provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 618 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

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

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

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

##### **Funding Policy**

The District has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The District contributed using the actuarially determined rate of 6.07% for the months of the accounting year in 2010, and 5.94% for the months of the accounting year in 2011.

The contribution rate payable by the employee members for calendar year 2011 is the rate of 5% as adopted by the governing body of the District. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

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

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

**Annual Pension Cost**

For the District’s accounting year ending September 30, 2011, the annual pension cost for the TCDRS plan for its employees was \$6,302,000 and the actual contributions were \$6,302,000. 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, 2008 and December 31, 2009, the basis for determining the contribution rates for calendar years 2010 and 2011. The December 31, 2010 actuarial valuation is the most recent valuation. The actuarial value of the assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a ten-year period.

<b>Actuarial Valuation Information</b>			
Actuarial valuation date	12/31/08	12/31/09	12/31/10
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period in years	20	20	20
Asset valuation method			
Subdivision Accumulation Fund	10-yr smoothed value	10-yr smoothed value	10-yr smoothed value
Employees Saving Fund	Fund value	Fund value	Fund value
Actuarial Assumptions:			
Investment return <sup>1</sup>	8.0%	8.0%	8.0%
Projected salary increases <sup>1</sup>	5.3%	5.4%	5.4%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

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

Accounting Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of <u>APC Contributed</u>	Net Pension <u>Obligation</u>
09/30/09	\$5,043,000	100%	0
09/30/10	5,782,000	100%	0
09/30/11	6,302,000	100%	0

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

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Annual Covered Payroll <sup>2</sup> <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>((b-a)/c)</u>
12/31/10	\$170,164,881	\$199,591,735	\$29,426,854	85.26%	\$102,322,833	28.76%

The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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

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

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

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

*Plan Description.* The County provides post-retirement medical and prescription drug benefits for retirees as they reach normal retirement age. Dependent family members are included in the plan, if at the time of the employee's retirement they were covered by the County's health plan. The Plan is a single-employer, self-funded benefit plan administered by a third party administrator and the County purchases stop loss insurance for claims that exceed a determined threshold. The Plan does not issue a stand-alone financial report, as there are no assets legally segregated for the sole purpose of paying benefits under the Plan. As such, a separate, audited GAAP-basis postemployment benefit plan report is not available.

As of September 30, 2011 there were 2,196 active employees and 175 retirees and their dependents receiving the benefits. The Plan provides for separate rate schedules for active employees and retirees. The County offers a Core and a Buy-up medical plan for both active and retirees. Retirees in the Core and Buy-up plans are expected to pay approximately 43.8 percent and 53.7 percent, respectively, of the total cost for insurance coverage. For fiscal year ended September 30, 2011, retirees currently receiving benefits contributed \$743,467 and the County contributed \$711,622 toward the cost of health insurance premiums. Total benefits paid on behalf of retirees and their dependents during the fiscal year ended September 30, 2011 was \$1,519,567.

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

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

Annual Required Contribution (ARC)	\$5,724,053
Interest on Net OPEB Obligation	559,900
Adjustment to annual required contribution	<u>(518,741)</u>
Annual OPEB cost	5,765,212
Contributions for year ended September 30, 2011	<u>(820,352)</u>
Increase in net OPEB obligation	4,944,860
Net OPEB obligation – Beginning of year	<u>12,442,216</u>
Net OPEB obligation – End of year	<u>\$17,387,076</u>
Percentage of Annual OPEB Cost paid	14.2%

**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 2011 and the preceding years is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/09	\$4,621,042	3.6%	\$7,696,558
9/30/10	\$5,582,793	15.0%	\$12,442,216
9/30/11	\$5,765,212	14.2%	\$17,387,076

Funded Status and Funding Progress. As of December 31, 2009, the most recent actuarial valuation date, the funded status of the plan was as follows:

Unfunded actuarial accrued liability	\$50,530,714
Funded ratio	0%
Covered payroll	\$141,052,447
Unfunded actuarial accrued liability as a Percentage of covered payroll	35.8%

The schedule of funding progress presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

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

The County had an actuarial study done as of December 31, 2009, which assumed that the calculations performed were appropriate for reporting September 30, 2011. The actuarial cost method utilized to calculate the ARC was the projected unit credit cost method. Using the plan benefits, the health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method provided for a systematic recognition of the cost of the anticipated payments. The annual ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded liability. The allocation of the total liability into past and future service cost was based upon a straight years of service ratio. The actuarial assumptions utilized included a 3.0 percent inflation rate, a 4.5 percent investment rate of return (net of expenses) and an annual healthcare cost trend rate of 9.0 percent initially, reduced to an ultimate rate of 4.5 percent after nine years. The accrued liability was assumed to be amortized over a 30-year period for the fiscal year ending September 30, 2011. The UAAL is being amortized as a level percentage of projected payroll on an open basis.

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

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

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

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

##### **Tax Rate**

The County's total tax rate for fiscal year 2011 was \$0.363403 per \$100 of assessed valuation, of which \$0.326423 was allocated for maintenance and operations, and \$0.036980 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 \$1,234,978. This estimate includes amounts for non-incremental claim adjustment expenses related to specific claims. Changes in the balances of claims liabilities during the past year are as follows:

	Year Ended <u>September 30, 2011</u>	Year Ended <u>September 30, 2010</u>
Unpaid claims, beginning of fiscal year	\$1,519,831	\$1,391,972
Incurred claims (including incurred but not reported)	1,449,069	2,339,585
Claim payments	<u>(1,733,922)</u>	<u>(2,211,726)</u>
Unpaid claims, end of fiscal year	<u>\$1,234,978</u>	<u>\$1,519,831</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 2011, the County purchased stop loss insurance to cover individual health claims that exceed \$225,000 and aggregate losses in excess \$17,643,066. During the fiscal year, 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 \$894,247, which will be liquidated within sixty days.

#### **N. Assigned for other purposes**

Encumbrances outstanding at year-end are reported as assigned for other purposes as part of the new fund balance classifications. As of September 30, 2011 encumbrances amounted to \$15,764,177, of which \$472,284 relates to the general fund, \$13,438,470 to the major capital projects 2007, \$1,232,576 to the special revenue fund and \$620,847 to the non-major capital projects fund.

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

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

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

For the fiscal year ended September 30, 2011, the County received federal commodities in the amount of \$6,524 for the Juvenile Probation Department.

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

A prior period adjustment of (\$156,148) was made in the General Fund which netted with adjustments of \$156,148, (\$5,189) and (\$1,586) in the Special Revenue Grants. These adjustments relate to excess funds from fiscal year 2010 that had been earmarked to be used for a special project in the Border Children Mental Health Collaborative grant, along with reimbursements of expenditures from the prior year in the grants. A prior period adjustment was also made within the Capital Projects of \$4,220,179 to County Capital Projects 2007, (\$650,111) to County Capital Projects 2001, and (\$3,570,068) to County Capital Projects 2002.



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

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

The County entered into a rental lease agreement for office space to be used for one of the County's Departments. The contract period began in January 2008, and is currently on a month to month basis. The property is owned by the prior Judge, Justice of the Peace Precinct No. 4, who used to occupy the office space and is currently occupied by the new Justice of the Peace, who took office in July 2010. The contract terms initially called for a monthly payment of \$2,600 and were increased to \$2,880 in May 2010, which represents the market value for similar office space in the area. This lease agreement was terminated in November 2011.

#### **S. Joint Ventures**

The County and the Lower Valley Water District entered into an interlocal agreement for construction of first-time water and wastewater system improvement projects to provide service to the rural communities in East El Paso. The County authorized the use of up to \$1.4 million of the 2008 Certificates of Obligation bond proceeds as a cash match for the approximately \$7 million project. This agreement was executed in March 2009, and as of fiscal year end 2011, total expenditures of \$984,405 had been incurred.

#### **T. Subsequent events**

On December 15, 2011 the County issued \$11,315,000 El Paso County, Texas General Obligation Refunding Bonds, Series 2011. Proceeds from the sale of the Bonds will be used for the purpose of refunding a portion of the County's outstanding obligations and paying the costs of issuance of the Bonds. This refunding issue refunded \$5,360,000 of Certificates of Obligation, Series 2001 and \$6,415,000 of Certificates of Obligation, Series 2002 and was done to take advantage of favorable interest rates. The refunding resulted in a present value savings to the County of \$1,024,575.

**Required Supplementary Information  
(Unaudited)**

***Schedule of Funding Progress for the Retirement Plan  
County of El Paso***

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll <sup>1</sup> (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/08	\$318,468,138	\$388,388,558	\$69,920,420	82.00%	\$136,271,081	51.31%
12/31/09	358,558,789	428,024,119	69,465,330	83.77%	141,737,570	49.01%
12/31/10	386,607,277	465,212,977	78,605,700	83.10%	139,765,922	56.24%

***Schedule of Funding Progress  
Other Postemployment Benefits Plan  
County of El Paso***

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
09/30/08	\$0	\$64,617,631	\$64,617,631	0%	\$142,058,829	45.50%
12/31/09	0	50,530,714	50,530,714	0%	139,424,666	36.20%
12/31/09	0	50,530,714	50,530,714	0%	141,052,447	35.80%

***Schedule of Funding Progress for the Retirement Plan  
for the Employees of the Hospital District***

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll <sup>1</sup> (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/08	\$135,373,136	\$160,914,334	\$25,541,198	84.13%	\$86,168,612	29.64%
12/31/09	154,758,572	181,445,304	26,686,732	85.29%	99,435,923	26.84%
12/31/10	170,164,881	199,591,735	29,426,854	85.26%	102,322,833	28.76%

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

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**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* AND  
THE STATE OF TEXAS *UNIFORM GRANT MANAGEMENT STANDARDS*

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

We have audited the primary government financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of El Paso, Texas, as of and for the year ended September 30, 2011, which collectively comprise the County of El Paso, Texas' basic financial statements and have issued our report thereon dated March 21, 2012. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* and the State of Texas *Uniform Grant Management Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the discretely presented component unit, as described in our report on the County of El Paso, Texas' primary government financial statements. The financial statements of the discretely presented component unit were audited in accordance with *Government Auditing Standards* and the State of Texas *Uniform Grant Management Standards*. This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and the State of Texas *Uniform Grant Management Standards* and which are described in the accompanying schedule of findings and questioned costs as finding 11-1.

We noted certain matters that we reported to management of the County of El Paso, Texas, in a separate letter dated March 21, 2012.

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, 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.

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El Paso, Texas  
March 21, 2012

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

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

Compliance

We have audited the County of El Paso, Texas' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the State of Texas Single Audit Circular that could have a direct and material effect on each of the County of El Paso, Texas' major federal and state programs the year ended September 30, 2011. The County of El Paso, Texas' major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the County of El Paso, Texas' management. Our responsibility is to express an opinion on the County of El Paso, Texas' compliance based on our audit.

The County of El Paso, Texas' basic financial statements include the operations of the discretely presented component unit, which received no federal awards and \$2,427,411 in state awards, which are not included in the schedule during the year ended September 30, 2011. Our audit, described below, did not include the operations of the discretely presented component unit because it engaged other auditors to perform an audit in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular. This report does not include the results of other auditors' testing of compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the State of Texas Single Audit Circular.

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

In our opinion, based on our audit and on the report of the other auditors, the County of El Paso, Texas complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2011. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular and which are described in the accompanying schedule of findings and questioned costs as findings 11-2.

### Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as findings 11-2. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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



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

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

El Paso, Texas  
March 21, 2012

**COUNTY OF EL PASO, TEXAS**

**SCHEDULE OF FINDINGS & QUESTIONED COSTS**

FOR THE YEAR ENDED SEPTEMBER 30, 2011

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>	None
	<b>Significant deficiencies identified that are not considered to be material weaknesses?</b>	Yes, see finding 11-1.
	<b>Noncompliance material to the financial statements:</b>	No material noncompliance noted.
<b><u>FEDERAL AND STATE AWARDS</u></b>		
	<b>Internal control over major programs:</b>	
	<b>Material weaknesses identified?</b>	None
	<b>Significant deficiencies identified that are not considered to be material weaknesses?</b>	Federal - Yes, see finding 11-2. State - None reported.
	<b>Type of auditor's report issued on compliance for major programs:</b>	Unqualified
	<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 None - State Programs

(Continued)

**COUNTY OF EL PASO, TEXAS**

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

Schedule Reference Number	PROGRAM	DESCRIPTION
	<b>Major Federal Programs:</b>	<p><b><u>Homelessness Prevention and Rapid Re-Housing Program (HPRP) (Recovery Act Funded):</u></b> CFDA 14.257;</p> <p><b><u>Equitable Sharing for State and Local Law Enforcement Agencies:</u></b> CFDA 16.000: El Paso County Metro Criminal Enterprise Unit, El Paso County Sheriff's Office, and Organized Crime Drug Enforcement Task Force;</p> <p><b><u>Violence Against Women Formula Grants, includes ARRA:</u></b> CFDA 16.588: Domestic Violence Unit, 388<sup>th</sup> District Court Firearm Surrender Protocol ARRA, Domestic and Dating Outreach and Awareness ARRA, Sheriff's Training VAWA ARRA, Domestic Violence Evaluation ARRA, District Attorney Prosecution Advocacy ARRA, VAWA Training, Protective Order Court, and Domestic Violence Supplement;</p> <p><b><u>JAG Program Cluster, includes ARRA:</u></b> CFDA 16.738: Edward Byrne Memorial Justice Assistance Grant, DWI Court, Border Crime Initiative, and State Drug Court Training, CFDA 16.803: Victim Assistance Program ARRA, and JAG Border Security Initiative, CFDA 16.804: Edward Byrne Memorial Justice Assistance Grant ARRA;</p> <p><b><u>Congressionally Recommended Awards:</u></b> CFDA 16.753: Operation Linebacker;</p> <p><b><u>Southwest Border Prosecution Initiative Program:</u></b> CFDA 16.755;</p> <p><b><u>Highway Planning and Construction:</u></b> CFDA 20.205: Van Pool, and Secure Border Trade Demo Project;</p>

(Continued)

**COUNTY OF EL PASO, TEXAS**

**SCHEDULE OF FINDINGS & QUESTIONED COSTS**

FOR THE YEAR ENDED SEPTEMBER 30, 2011

<b>Schedule Reference Number</b>	<b>PROGRAM</b>	<b>DESCRIPTION</b>
	<b>Major Federal Programs (Continued):</b>	<p><b><u>Renewable Energy Research and Development (Recovery Act Funded):</u></b> CFDA 81.087: Geothermal Project ARRA;</p> <p><b><u>Child Support Enforcement:</u></b> CFDA 93.563: Child Support Enforcement, Child Support Probation Cases, OAG Cases Redirected, and State Case Registry Services;</p> <p><b><u>Foster Care - Title IV- E, includes ARRA:</u></b> CFDA 93.658: Promoting Safe and Stable Families - Child Protective, and Title IV-E ARRA;</p> <p><b><u>Social Services Block Grant:</u></b> CFDA 93.667: Home Delivered Meals;</p> <p><b><u>High Intensity Drug Trafficking Areas Program:</u></b> CFDA 95.001: 34<sup>th</sup> Judicial Dist. Prosecution Initiative and Multiple Initiatives.</p>
	<b>Major State Programs:</b>	<p><b><u>Drug Court Program:</u></b> 243<sup>rd</sup> Drug Court: SF-10-A10-16921-07, and 384<sup>th</sup> Drug Court: SF-10-A10-16921-08 and SF-10-A10-16921-09;</p> <p><b><u>District Attorney's Border Prosecution Grant:</u></b> CH-10-A10-22837-01;</p> <p><b><u>SHOCAP Enhancement Project:</u></b> CG-10-J20-23211-01; and</p> <p><b><u>Rural Transit Assistance Program:</u></b> 51124F7017.</p>
	<b>Dollar Threshold Considered Between Type A and Type B Federal and State Programs:</b>	<p>\$702,323 - Federal Programs \$309,456 - State Programs</p>
	<b>Auditee qualified as low-risk auditee?</b>	<p>Yes - Federal Programs Yes - State Programs</p>

(Continued)

COUNTY OF EL PASO, TEXAS

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2011

Schedule Reference Number	PROGRAM	DESCRIPTION
<b><u>FINANCIAL STATEMENT FINDING</u></b>		
11-1	<b>Procurement</b>	
	<b>Criteria:</b>	Goods and services must be procured according to Texas law. When the expenditure is expected to exceed \$50,000, under the <i>County Purchasing Act</i> , the good or service, unless exempt, must be competitively procured unless the good or service will be obtained through cooperative purchasing under Chapter 791 of the <i>Texas Government Code</i> .
	<b>Condition Found:</b>	The County can reasonably expect to spend more than \$50,000 in the aggregate for office supplies; however, the County did not procure these supplies in accordance with the <i>County Purchasing Act</i> or Chapter 791 of the <i>Texas Government Code</i> . Instead, the County made informal solicitations by requesting a minimum of three (3) informal quotes.
	<b>Effect:</b>	The County of El Paso is in violation of state procurement law which its purpose, according to the Texas Supreme Court, is to "stimulate competition, prevent favoritism and secure the best work and materials at the lowest practicable price for the best interest of the taxpayers and property owners."
	<b>Cause:</b>	The respective buyers did not have a good understanding of the legal requirements.
	<b>Recommendation:</b>	In order to ensure compliance the County should review the <i>County Purchasing Act</i> and <i>Texas Government Code</i> and conduct a formal internal solicitation or utilize an interlocal agreement/cooperative for office supplies.
	<b>Management Response:</b>	See Corrective Action Plan.

(Continued)

**COUNTY OF EL PASO, TEXAS**

**SCHEDULE OF FINDINGS & QUESTIONED COSTS**

FOR THE YEAR ENDED SEPTEMBER 30, 2011

<b>Schedule Reference Number</b>	<b>PROGRAM</b>	<b>DESCRIPTION</b>
<b><u>FEDERAL AWARD FINDING AND QUESTIONED COSTS</u></b>		
<b>11-2</b>	<b>Equitable Sharing for State and Local Law Enforcement Agencies (CFDA 16.000):</b>	<b>Capital Asset Documentation</b>
	<b>Criteria:</b>	Management is required to maintain a system of internal controls over compliance which will provide a high level of assurance that the financial records are recorded properly, and that federal compliance requirements are met.
	<b>Condition Found:</b>	The Sheriff's Department did not maintain effective controls over compliance to adequately satisfy federal compliance requirements related to equipment and real property management for this federal award.
	<b>Questioned Costs/Basis:</b>	Not applicable
	<b>Instances/Universe:</b>	Not applicable
	<b>Effect:</b>	A subsequent review conducted by the Accounts Payable Department of all purchases made with this federal award revealed the need of a material financial statement reclassification, and a failure to adequately tag controllable assets purchased with this federal award.
	<b>Cause:</b>	The County relied on controls over compliance performed by the Sheriff's Department which appear to have been ineffective.
	<b>Recommendation:</b>	The County should implement controls to adequately satisfy federal compliance requirements related to equipment and real property management.
	<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, 2011**

<b>Scheduled Reference Number</b>	<b>PROGRAM</b>	<b>STATUS OF PRIOR YEAR'S FINDINGS/NONCOMPLIANCE</b>
<b><u>FINANCIAL STATEMENT FINDINGS</u></b>		
There were no prior year findings.		
<b><u>FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS</u></b>		
<b>10-1</b>	<b>High Intensity Drug Trafficking Areas Program (CFDA 95.001) and Border Crime Initiative (CFDA 16.738)</b>	This situation no longer exists.

COUNTY OF EL PASO, TEXAS

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED SEPTEMBER 30, 2011

<b>Schedule Reference Number</b>	<b>PROGRAM</b>	<b>CORRECTIVE ACTION PLAN</b>
<b><u>FINANCIAL STATEMENT FINDING</u></b>		
<b>11-1</b>	<b>Procurement</b>	
	<b>Corrective Action:</b>	In the past, Purchasing has utilized Tarrant County and TCPN cooperative contracts and solicited informal bids for those items not on the cooperative contract. As purchases evolved the norm shifted to predominantly informal bids. The buyer in charge of office supplies has been trained on the bidding laws defined in the Local Government Code, and we solicited formal bids on office supplies and paper products. Formal bids were awarded by Commissioners Court for office supplies and paper products on March 26, 2012.
	<b>Responsible Party:</b>	Jose Lopez, Jr. Assistant Purchasing Agent.
	<b>Anticipated Completion Date:</b>	Bid awarded March 26, 2012.
<b><u>FEDERAL AWARD FINDING</u></b>		
<b>11-2</b>	<b>Equitable Sharing for State and Local Law Enforcement Agencies (CFDA 16.000):</b>	Capital Asset Documentation
	<b>Corrective Action:</b>	The Sheriff's Department along with the County Auditor's Office have put a procedure in place whereby the Sheriff's Office submits copies of all checks to include all supporting documentation to the Accounts Payable Division. Accounts Payable staff reviews the back-up to determine the proper and necessary classification on the County's financials. If the Accounts Payable determines that the purchase is an asset that requires capitalization or that it is a controllable asset, that requirement will be communicated to the Purchasing Department, who will be responsible for ensuring the assets are properly tagged.
	<b>Responsible Party:</b>	County Auditor's Office, Sheriff's Department and Purchasing Department.
	<b>Anticipated Completion Date:</b>	Effective as of March 2012.



County of El Paso  
Schedule of Expenditures of Federal and State Awards  
Year Ended September 30, 2011

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2010-2011	State Expenditures 2010-2011
<b>Federal Expenditures</b>				
<b>U. S. Department of Agriculture</b>				
<b>Rural Development</b>				
Schuman Water Project	10.760	49-071-0763-03-10	\$ 10,092	
Mayfair/Nuway Project	10.760	Grant#00-01	\$ 155,584	
<b>Total for CFDA 10.760</b>			<b>\$ 165,676</b>	
<b>*Texas Department of Health and Human Services</b>				
National School Lunch Program	10.555	TX-071215	\$ 155,308	
<b>*TDHS - Commodities Distribution</b>				
El Paso County Juvenile Probation (non-cash)	10.565	071-050-A4	\$ 6,524	
<b>Total U.S. Department of Agriculture</b>			<b>\$ 327,508</b>	<b>\$ -</b>
<b>U. S. Department of Housing and Urban Development</b>				
<b>*Office of Rural Affairs within the Texas Department of Agriculture</b>				
^# Colonia Self Help Center	14.228	725003	\$ 11,556	
Colonia Self Help Center	14.228	710013	\$ 170,602	
%#Canutillo Western Village	14.228	728129	\$ (45,610)	
Bosque Bonito	14.228	729165	\$ 190,469	
Wildhorse and Hacienda Real	14.228	729035	\$ 419,407	
Conquistador & Lourdes Step Project	14.228	710006	\$ 6,695	
<b>Total for CFDA 14.228</b>			<b>\$ 753,119</b>	
<b>*Texas Department of Housing and Community Affairs</b>				
Homelessness Prevention and Rapid Re-Housing Program ARRA	14.257	12090000697	\$ 710,061	
<b>Community Development Block Grants</b>				
<b>*City of El Paso</b>				
Homebound Meals	14.218	56663	\$ 67,051	
Lower Dyer Neighbor Revitalization Strategy Area	14.218	Lower Dyer NRSA	\$ 6,506	
<b>Total for CFDA 14.218</b>			<b>\$ 73,557</b>	
<b>Housing and Urban Development (HUD)</b>				
<b>*City of El Paso</b>				
Homelessness Prevention and Rapid Re-Housing Program ARRA	14.257	51320V3	\$ 807,426	
<b>Total U.S. Department of Housing and Urban Development</b>			<b>\$ 2,344,163</b>	<b>\$ -</b>
<b>U. S. Department of Justice</b>				
<b>Bureau of Justice Assistance</b>				
Single Jurisdiction Enhancement Drug Court	16.585	2008-DC-BX-0045	\$ 62,984	
State Criminal Alien Assistance Program (SCAAP)	16.606	2011-AP-BX-0273	\$ 413,420	
Bullet Proof Vest Partnership	16.607	2009-BO-BX-09046765	\$ 4,858	
Southwest Border Prosecution Initiative	16.755	JW09A04749	\$ 2,710,195	
<b>*Texas Border Sheriff's Coalition</b>				
Operation Linebacker	16.753	2009-DI-BX-0141	\$ 217,669	
Operation Linebacker	16.753	2010-DD-BX-0484	\$ 252,696	
<b>Total for CFDA 16.753</b>			<b>\$ 470,365</b>	
<b>Office of Community Oriented Policing Services(COPS)</b>				
Community Policing - COPS in Schools	16.710	2009-CK-WX-0755	\$ 120,917	
Community Policing - COPS in Schools	16.710	2011-CK-WX-0055	\$ 11,267	
<b>Total for CFDA 16.710</b>			<b>\$ 132,184</b>	
<b>Asset Forfeiture Money Laundering Section</b>				
El Paso County Metro Criminal Enterprise Unit	16.000	TX07100PO	\$ 283,957	
El Paso County Sheriff's Office	16.000	TX0710000	\$ 1,081,503	

**County of El Paso**  
**Schedule of Expenditures of Federal and State Awards**  
**Year Ended September 30, 2011**

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2010-2011	State Expenditures 2010-2011
<b>Office of Justice Programs</b>				
Organized Crime Drug Enforcement Task Force	16.000	SW-TXW-0466H	\$ 2,532	
Organized Crime Drug Enforcement Task Force	16.000	SW-TXW-0497H	\$ 5,188	
Organized Crime Drug Enforcement Task Force	16.000	SW-TXW-0522H	\$ 6,618	
Organized Crime Drug Enforcement Task Force	16.000	SW-TXW-0441H	\$ 5,000	
Organized Crime Drug Enforcement Task Force	16.000	SW-TXW-0524H	\$ 125	
Organized Crime Drug Enforcement Task Force	16.000	SW-TXW-0548H	\$ 4,380	
<b>Total for CFDA 16.000</b>			<b>\$ 1,389,303</b>	
Project M2-Moblizing Mentors	16.726	2008-JU-FX-0022	\$ 192,598	
El Paso Juvenile Drug Court Mentoring Project	16.726	2010-DC-BX-0201	\$ 76,874	
<b>Total for CFDA 16.726</b>			<b>\$ 269,472</b>	
&#Edward Byrne Memorial Justice Assistant Grant	16.738	2007-DJ-BX-1207	\$ 112,021	
&#Edward Byrne Memorial Justice Assistant Grant	16.738	2008-DJ-BX-0598	\$ 7,755	
& Edward Byrne Memorial Justice Assistant Grant	16.738	2009-DJ-BX-1374	\$ 21,055	
& Edward Byrne Memorial Justice Assistant Grant	16.738	2010-DJ-BX-1416	\$ 135,479	
<b>Total for CFDA 16.738</b>			<b>\$ 276,310</b>	
Paul Coverdell Forensic Science Improvement	16.742	2010-CD-BX-0068	\$ 114,766	
Justice and Mental Health Collaboration Program	16.745	2010-MO-BX-0057	\$ 73,007	
<b>Office on Violence Against Women</b>				
Community-Defined Solutions/Arrest	16.590	2010-WE-AX-0023	\$ 296,430	
<b>*City of El Paso</b>				
& Edward Byrne Memorial Justice Assistant Grant ARRA	16.804	2009-SB-B9-3086	\$ 48,924	
<b>*Office of the Governor - Criminal Justice Division</b>				
Juvenile Accountability Incentive Block Grant	16.523	JB-09-J20-13358-12	\$ 42,499	
Juvenile Accountability Incentive Block Grant	16.523	JB-10-J20-13358-13	\$ 1,332	
409th Juvenile Drug Court	16.523	JB-08-J20-18028-06	\$ 89,496	
409th Juvenile Drug Court	16.523	JB-09-J20-18028-07	\$ 6,064	
<b>Total for CFDA 16.523</b>			<b>\$ 139,391</b>	
# Victim Witness Services	16.575	VA-09-V30-13625-12	\$ 2,433	
Victim Witness Services	16.575	VA-10-V30-13625-13	\$ 59,105	
Victim Witness Services	16.575	VA-11-V30-13625-14	\$ 2,875	
Victim of Crimes Act	16.575	VA-10-V30-23931-01	\$ 40,784	
Victim of Crimes Act	16.575	VA-10-V30-23931-02	\$ 1,562	
Sheriff's Human Trafficking Project	16.575	VA-10-V30-24284-01	\$ 21,895	
<b>Total for CFDA 16.575</b>			<b>\$ 128,654</b>	
# Domestic Violence Unit	16.588	WF-09-V30-13437-12	\$ (1,514)	
Domestic Violence Unit	16.588	WF-10-V30-13437-13	\$ 98,952	
Domestic Violence Unit	16.588	WF-10-V30-13437-14	\$ 14,232	
388th District Court Firearm Surrender Protocol ARRA	16.588	EF-09-V30-23097-01	\$ 73,866	
Domestic and Dating Outreach and Awareness ARRA	16.588	EF-09-V30-23080-01	\$ 76,191	
Sheriff's Training VAWA ARRA	16.588	EF-09-V30-22898-01	\$ 24,379	
Domestic Violence Evaluation ARRA	16.588	EF-09-V30-23067-01	\$ 39,297	
District Attorney Prosecution Advocacy ARRA	16.588	EF-09-V30-24112-01	\$ 210,267	
VAWA Training	16.588	WF-10-V30-23896-01	\$ 42,143	
Protective Order Court	16.588	WF-10-V30-24316-01	\$ 61,540	
Domestic Violence Supplement	16.588	WF-08-V30-24328-01	\$ 45,827	
<b>Total for CFDA 16.588</b>			<b>\$ 685,180</b>	

County of El Paso  
Schedule of Expenditures of Federal and State Awards  
Year Ended September 30, 2011

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2010-2011	State Expenditures 2010-2011
&#DWI Court	16.738	DJ-07-A10-18692-02	\$ (5)	
&#DWI Court	16.738	DJ-08-A10-18692-03	\$ (3,582)	
& DWI Court	16.738	DJ-09-A10-18692-04	\$ 95,032	
& DWI Court	16.738	DJ-10-A10-18692-05	\$ 2,306	
&#Border Crime Initiative	16.738	DJ-07-A10-19860-03	\$ (12,106)	
& Border Crime Initiative	16.738	DJ-08-A10-19860-04	\$ 1,652,030	
& State Drug Court Training	16.738	DJ-09-A10-24237-01	\$ 114,352	
<b>Total for CFDA 16.738</b>			\$ 1,848,027	
& Victim Assistance Program ARRA	16.803	SU-09-A10-22457-01	\$ 13,965	
& JAG Border Security Initiative ARRA	16.803	SU-09-A10-23095-01	\$ 427,150	
<b>Total for CFDA 16.803</b>			\$ 441,115	
<b>Office of Juvenile Justice and Delinquency Prevention</b>				
<b><u>*Texas Alcoholic Beverage Commission</u></b>				
Enforcing the Underage Drinking Laws	16.727	EUDL 800916	\$ 11,189	
<b>Total U. S. Department of Justice</b>			\$ 9,515,774	\$ -
<b>U. S. Department of Transportation</b>				
<b>Federal Transit Administration</b>				
<b><u>*Texas Department of Transportation</u></b>				
Van Pool	20.205	CSJ#0924-06-286	\$ 233,467	
Secure Border Trade Demo Project	20.205	CSJ#0914-06-292	\$ 324,894	
<b>Total for CFDA 20.205</b>			\$ 558,361	
Rural Transit Assistance Program	20.509	51024F7205	\$ 337,969	
# Regional Public Transportation Plan	20.515	519XXF7009	\$ (5,185)	
Regional Public Transportation Plan	20.515	51151F7131	\$ 59,515	
Regional Public Transportation Plan	20.515	51224F7114	\$ 6,390	
<b>Total for CFDA 20.515</b>			\$ 60,720	
El Paso County, Texas and Eastern New Mexico	20.516	51124F7110	\$ 387,848	
<b>National Highway Traffic Safety Administration</b>				
<b><u>*Texas Department of Transportation</u></b>				
Labor day Impaired Driving Mobilization Incentive Project 2011	20.600	INC-IDM-00006	\$ 3,971	
STEP-Impaired Driving Mobilization Project 2011	20.600	IDM-00037	\$ 42,888	
<b>Total for CFDA 20.600</b>			\$ 46,859	
<b>Total U.S. Department of Transportation</b>			\$ 1,391,757	\$ -
<b>U.S. Department of Energy</b>				
Geothermal Project ARRA	81.087	DE-EE0002827	\$ 1,300,716	
<b><u>*Texas Comptroller of Public Accounts</u></b>				
Energy Efficiency and Conservation ARRA	81.128	CS0653	\$ 58,910	
<b>Total U.S. Department of Energy</b>			\$ 1,359,626	\$ -
<b>U.S. Department of Health and Human Services</b>				
<b><u>*Texas Department of Health and Human Services:</u></b>				
Social Services Block Grant-Home Delivered Meals	93.667	UCN 10N1493	\$ 1,226,912	
<b><u>*Texas Department of Family and Protective Services</u></b>				
Promoting Safe and Stable Families -Child Protective	93.658	23380077	\$ 172,001	
<b><u>*Texas Juvenile Probation Commission</u></b>				
Title IV-E ARRA	93.658	TJPC-E- -071	\$ 109,922	
<b>Total for CFDA 93.658</b>			\$ 281,923	

County of El Paso  
Schedule of Expenditures of Federal and State Awards  
Year Ended September 30, 2011

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2010-2011	State Expenditures 2010-2011
<b>*Texas Department of Aging and Disability Services</b>				
**Title III C1 -Congregate Meals	93.045	000173100	\$ 496,221	
**Title III C2 - Homebound Meals	93.045	001004302	\$ 98,612	
**Participant Assessment	93.045	001004302	\$ 17,605	
<b>Total for CFDA 93.045</b>			<b>\$ 612,438</b>	
<b>*Rio Grande Council of Governments</b>				
**Congregate Meals	93.053	539-08-0218-00001	\$ 241,245	
<b>*Texas Attorney General:</b>				
Child Support Enforcement	93.563	AG TITLE IV -D	\$ 1,070,344	
Child Support Probation Cases	93.563	10-C0024	\$ 230,631	
OAG Cases Redirected	93.563	00-08002	\$ 45	
State Case Registry Services	93.563	11-C0022	\$ 32,932	
<b>Total for CFDA 93.563</b>			<b>\$ 1,333,952</b>	
Access and Visitation Grant	93.597	11-C0110	\$ 50,899	
<b>Total U.S. Department of Health and Human Services</b>			<b>\$ 3,747,369</b>	<b>\$ -</b>
<b>Executive Office of the President</b>				
<b>Office of National Drug Control Policy (ONDCP)</b>				
# 34th Judicial Dist. Prosecution Initiative	95.001	I8PSWP563Z	\$ 6,380	
# 34th Judicial Dist. Prosecution Initiative	95.001	G09SW0003A	\$ 20,725	
34th Judicial Dist. Prosecution Initiative	95.001	G10SW0003A	\$ 363,089	
34th Judicial Dist. Prosecution Initiative	95.001	G11SW0003A	\$ 173,597	
# Multiple Initiatives	95.001	I8PSWP555Z	\$ 20,781	
Multiple Initiatives	95.001	G09SW0001A	\$ 300,920	
Multiple Initiatives	95.001	G10SW0001A	\$ 2,753,954	
Multiple Initiatives	95.001	G11SW0001A	\$ 235,039	
<b>Total Executive Office of the President</b>			<b>\$ 3,874,485</b>	<b>\$ -</b>
<b>U. S. Social Security Administration</b>				
Social Security Incentive Payment	96.008	20100901	\$ 9,600	
<b>Total U.S. Social Security Administration</b>			<b>\$ 9,600</b>	<b>\$ -</b>
<b>U.S. Department of Homeland Security</b>				
<b>*Texas Department of Public Safety</b>				
Operation Stonegarden	97.067	2009-SJ-T9-0011	\$ 398,467	
Operation Stonegarden	97.067	2010-SS-T0-0008	\$ 92,165	
<b>Total for CFDA 97.067</b>			<b>\$ 490,632</b>	
Homeland Security	97.073	2008-GE-T8-0034	\$ 211,170	
Homeland Security	97.073	2009-SS-T9-0064	\$ 112,889	
<b>Total for CFDA 97.073</b>			<b>\$ 324,059</b>	
<b>*Texas Division of Emergency Management</b>				
# El Paso Flooding 2006	97.036	FEMA 1658 DR TX	\$ 25,788	
<b>Total U.S. Department of Homeland Security</b>			<b>\$ 840,479</b>	<b>\$ -</b>
<b>State Expenditures</b>				
<b>Office of the Governor - Criminal Justice Division</b>				
# 243th Drug Court Program	N/A	SF-10-A10-16921-07		\$ (11,766)
District Attorney's Border Prosecution	N/A	CH-10-A10-22837-01		\$ 1,998,892
SHOCAP Enhancement Project	N/A	CG-10-J20-23211-01		\$ 1,061,687
384th Drug Court Program	N/A	SF-10-A10-16921-08		\$ 114,570
384th Drug Court Program	N/A	SF-10-A10-16921-09		\$ 3,942
65th Family Drug Court Program	N/A	DC-11-A10-23858-01		\$ 45,028
65th Family Drug Court Program	N/A	DC-11-A10-23858-02		\$ 70

County of El Paso  
Schedule of Expenditures of Federal and State Awards  
Year Ended September 30, 2011

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2010-2011	State Expenditures 2010-2011
<b>*Rio Grande Council of Governments</b>				
Sheriff's Training Academy	N/A	SF-06-A10-14285-12		\$ 187,038
Sheriff's Training Academy	N/A	SF-06-A10-14285-13		\$ 14,622
<b>Total Office of the Governor-Criminal Justice Division</b>			<b>\$ -</b>	<b>\$ 3,414,083</b>
<b>Texas Department of Agriculture</b>				
Home-Delivered Meal Grant Program	N/A	HDM-11-634		\$ 103,977
<b>*Office of Rural Affairs within the Texas Department of Agriculture</b>				
Texas Bootstrap Loan Program	N/A	857602		\$ (5,692)
<b>Total Texas Department of Agriculture</b>			<b>\$ -</b>	<b>\$ 98,285</b>
<b>Office of the Attorney General</b>				
# Sheriff's Crime Victim's Liaison	N/A	10-14216		\$ 33,453
Sheriff's Crime Victim's Liaison	N/A	12-26810		\$ 4,576
DA Victim Information Notification Everyday	N/A	11-20807		\$ 30,710
<b>Total Office of the Attorney General</b>			<b>\$ -</b>	<b>\$ 68,739</b>
<b>Texas Automobile Burglary and Theft Prevention Authority</b>				
# Vehicle Registration Abuse Program	N/A	SA-T03-10076-11		\$ 68,151
<b>Total Texas Automobile Burglary and Theft Prevention Authority</b>			<b>\$ -</b>	<b>\$ 68,151</b>
<b>Texas Department of Transportation</b>				
Border Colonia Access Program	N/A	248BCF5003		\$ 409,605
Click or Ticket	N/A	2011-ELPASOCO-CIOT		\$ 9,388
Rural Transit Assistance Program	N/A	51124F7017		\$ 251,121
<b>Total Texas Department of Transportation</b>			<b>\$ -</b>	<b>\$ 670,114</b>
<b>Texas Comptroller of Public Accounts</b>				
Tobacco Compliance Grant Sheriff FY 2011	N/A	Tobacco Grant 2011 Sheriff		\$ 22,687
Tobacco Compliance Grant Constable 3 FY 2011	N/A	Tobacco Grant 2011 Cons 3		\$ 2,002
Tobacco Compliance Grant Constable 4 FY 2011	N/A	Tobacco Grant 2011 Cons 4		\$ 22,147
Elections Chapter 19	N/A	TX Election CD Chapter 19		\$ 33,614
Lateral Road Fund Distribution	N/A	94F0001072		\$ 48,671
Sheriff Continuing Education	N/A	TX Occup CD 1701.157		\$ 56,355
<b>Total Texas Comptroller of Public Accounts</b>			<b>\$ -</b>	<b>\$ 185,476</b>
<b>Texas Task Force on Indigent Defense</b>				
Public Defender Indigent Defense	N/A	212-07-071		\$ 1,018,138
<b>Total Texas Task Force on Indigent Defense</b>			<b>\$ -</b>	<b>\$ 1,018,138</b>
<b>Texas Juvenile Probation Commission</b>				
TJPC Juvenile Board State Aid	N/A	TJPC-A-2011-071		\$ 656,804
TJPC Juvenile Board State Aid	N/A	TJPC-A-2012-071		\$ 177,531
TJPC Juvenile Board State Aid	N/A	TJPC-C-2012-071		\$ 29,033
TJPC Progressive Sanctions	N/A	TJPC-C-2011-071		\$ 296,149
TJPC Progressive Sanctions	N/A	TJPC-F-2011-071		\$ 399,079
TJPC Diversionary Placement Fund	N/A	TJPC-H-2011-071		\$ 209,465
TJPC Special Needs Diversionary	N/A	TJPC-M-2012-071		\$ 900
TJPC Special Needs Diversionary	N/A	TJPC-M-2011-071		\$ 31,341
TJPC Progressive Sanctions	N/A	TJPC-O-2011-071		\$ 108,275
TJPC Juvenile Justice Alt. Education	N/A	TJPC-P-2011-071		\$ 300,200
TJPC Intensive Community Based Pilot	N/A	TJPC-U-2011-071		\$ 46,978
TJPC Secure Operating	N/A	TJPC-V-2011-071		\$ 174,385
TJPC Intensive Community Based Program	N/A	TJPC-X-2011-071		\$ 211,436
TJPC Community Corrections	N/A	TJPC-Y-2011-071		\$ 1,104,564
TJPC Salary Adjustment	N/A	TJPC-Z-2011-071		\$ 280,531
<b>Total Texas Juvenile Probation Commission</b>			<b>\$ -</b>	<b>\$ 4,026,671</b>

County of El Paso  
Schedule of Expenditures of Federal and State Awards  
Year Ended September 30, 2011

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2010-2011	State Expenditures 2010-2011
<b>Texas Department of Public Safety</b>				
<b>* Division of Emergency Management</b>				
Local Border Security Program	N/A	LBSP-110001		\$ 612,021
<b>Total Texas Department of Public Safety</b>			<b>\$ -</b>	<b>\$ 612,021</b>
<b>Texas District Courts-Comptroller Judiciary</b>				
Reimbursement of State Witness	N/A	TX CD Crim Proc 35.27/104.003		\$ 47,968
DA Apportionment Salaries	N/A	Gov CD Chpt 46.004		\$ 33,886
<b>Total Texas District Courts-Comptroller Judiciary</b>			<b>\$ -</b>	<b>\$ 81,854</b>
<b>Texas Department of Criminal Justice</b>				
Reimbursement of Offender Transportation	N/A	Gov CD Chpt 499.125		\$ 51,666
<b>Total Texas Department of Criminal Justice</b>			<b>\$ -</b>	<b>\$ 51,666</b>
<b>Texas Department of Health and Human Services Commissions</b>				
District Attorney Food stamp Fraud	N/A	OIG 042010A		\$ 19,998
<b>Total Texas Department of Health and Human Services Commissions</b>			<b>\$ -</b>	<b>\$ 19,998</b>
<b>TOTAL FEDERAL AND STATE FINANCIAL ASSISTANCE</b>			<b>\$ 23,410,761</b>	<b>\$ 10,315,196</b>

**County of El Paso**  
**Schedule of Expenditures of Federal and State Awards**  
**Year Ended September 30, 2011**

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2010-2011	State Expenditures 2010-2011
<b>Federal Funds Expended</b>			\$ 23,410,761	
<b>State Funds Expended</b>			\$ 10,315,196	
<b>Total Funds Expended</b>			<u>\$ 33,725,957</u>	
Note:				
Special Revenues-Grants Exhibit 4 Total Expenditures			\$ 30,052,459	
Plus Funds received through General Fund			\$ 5,599,914	
Plus Funds received through Special Revenues			\$ 1,489,344	
Plus Funds received through Enterprise Fund			\$ 155,584	
Plus Prior period Adjustments to Schedule for Over/Under reporting			\$ 91,207	
Less Non-Federal or State Funding Sources			\$ 3,662,551	
<b>TOTAL FEDERAL AND STATE FINANCIAL ASSISTANCE</b>			<u>\$ 33,725,957</u>	

Revenues	
Special Revenues-Grants Exhibit 4 Total Revenues	\$ 27,956,843
Plus Revenues through General Fund	\$ 5,599,914
Plus Juvenile Probation Commodities	\$ 6,524
Plus Revenues through Special Revenues	\$ 1,482,820
Plus Revenues through Enterprise Fund	\$ 155,584
Plus Prior period Adjustments to Schedule for Over/Under reporting	\$ 91,207
Less Non-Federal or State Funding Sources	\$ 1,566,935
Adjusted Balance	<u>\$ 33,725,957</u>
	\$ -

\* Federal or State Funds Passed-Through Another Agency

\*\* Clustered per the June 2011 Compliance Supplement

& Clustered per the June 2011 Compliance Supplement

# Prior Period Adjustment to the Schedule of Federal and State Awards reflected correct on CAFR Statements.

^ Colonia Self Help Center Contract Number 725003, CFDA Number 14.228 expenditures were reported short in previous Statements of Federal and State Awards. El Paso issued 3 checks to the Texas Department of Housing and Community Affairs that was inadvertently reduced twice in the Schedule of Federal and State Awards. See Chart Below.

Reporting Periods	Reported as	Correct Amount
Statement of Federal and State Awards 2006	\$ 1,894.00	\$ 1,894.00
Statement of Federal and State Awards 2007	\$ 413,879.00	\$ 413,879.00
Statement of Federal and State Awards 2008	\$ 595,827.00	\$ 595,827.00
Statement of Federal and State Awards 2009	\$ (378,367.00)	\$ (366,811.00)
Statement of Federal and State Awards 2010	<u>\$ 633,233.00</u>	<u>\$ 644,789.00</u>
Adjustment in Statement of Federal and State Awards 2011		\$ 11,556.00

% Canutillo Western Village Contract number 728129, CFDA 14.228 expenditures were over reported in the previous Statements of Federal and State Awards. Total federal expenditures for this project were \$292,652.83, total expenditures for the project was \$374,512.51 of which \$24,000 was funded by El Paso County, 57,859.68 was funded by a foundation. See Chart Below.

Reporting Periods	Reported as	Correct Amount
Statement of Federal and State Awards 2009	\$ 4,580.00	\$ 4,580.00
Statement of Federal and State Awards 2010	<u>\$ 333,683.00</u>	<u>\$ 288,073.00</u>
	<u>\$ 338,263.00</u>	<u>\$ 292,653.00</u>
Adjustment in Statement of Federal and State Awards 2011		\$ (45,610.00)

**COUNTY OF EL PASO, TEXAS**

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED SEPTEMBER 30, 2011

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**1. GENERAL**

The accompanying Schedule of Expenditures of Federal and State Awards presents the activity of all federal and state financial assistance programs of the County of El Paso, Texas (County) for the year ended September 30, 2011. The County's reporting entity is defined in Note 1 to the County's basic financial statements. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

**2. BASIS OF ACCOUNTING**

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

**3. SINGLE AUDIT MAJOR PROGRAM DETERMINATION**

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

Federal Type A programs, for the County, are programs that have expenditures equal to or greater than \$300,000 or three percent of total Federal awards expended (\$702,323). State Type A programs, for the County, are programs that have expenditures equal to or greater than \$300,000 or three percent of total State awards expended (\$309,456). Federal and State programs not labeled Type A are labeled Type B programs.

**4. REPORTING ENTITY**

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

The discretely component unit received no federal awards and \$2,427,411 in state awards, which are not included in the schedule during the year ended September 30, 2011 because the discretely presented component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular.