

COUNTY OF EL PASO, TEXAS
ANNUAL FINANCIAL AND COMPLIANCE REPORTS
AS OF SEPTEMBER 30, 2006

EL PASO COUNTY, TEXAS

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of The County of El Paso, Texas (County), as of and for the year ended September 30, 2006, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information of the County and the respective budgetary comparison for the General Fund, as of September 30, 2006, and the respective changes in financial position, and, where applicable cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 26, 2007 on our consideration of The County of El Paso, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 17 through 32, is not a required part of the basic financial statements but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, other supplementary information, combining, comparative and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory and statistical sections, have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.



El Paso, Texas
January 26, 2007

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County of El Paso, Texas
Statement of Net Assets
September 30, 2006

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Hospital District
ASSETS				
Cash and cash equivalents	\$113,499,033	\$1,050,910	\$114,549,943	\$52,167,000
Investments				47,557,000
Receivables (net of allowance for uncollectible)	27,225,292	78,082	27,303,374	31,754,000
Inventories	11,618		11,618	3,954,000
Prepaid				5,780,000
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents		247,633	247,633	
Other assets				134,354,000
Capital Assets (net of accumulated depreciation):				
Land	12,878,258		12,878,258	6,998,000
Buildings	118,157,586		118,157,586	55,806,000
Improvements	6,301,705		6,301,705	
Equipment	6,730,102	11,770,779	18,500,881	
Furniture and fixtures	199,261		199,261	39,231,000
Vehicles	3,352,208		3,352,208	
Roads	14,591,069		14,591,069	
Bridges and culverts	1,986,866		1,986,866	
Leased equipment	171,872		171,872	
Construction in progress	5,466,089		5,466,089	1,345,000
Total assets	<u>310,570,959</u>	<u>13,147,404</u>	<u>323,718,363</u>	<u>378,946,000</u>
LIABILITIES				
Vouchers payable	5,824,328	61,601	5,885,929	40,252,000
Claims payable	515,634		515,634	
Payroll liabilities	2,610,446		2,610,446	
Due to others	88,505		88,505	
Due to other units	241,703		241,703	
Due to other governments	2,861,714	7,109	2,868,823	
Unearned revenue	5,351,340		5,351,340	
Accrued interest payable	632,482	7,093	639,575	
Claims and judgments	1,243,981		1,243,981	
Noncurrent liabilities:				
Due within one year				
Bonds	11,335,000	17,000	11,352,000	3,881,000
Capital leases	69,335		69,335	
Self-insured obligations				2,147,000
Contingent liabilities	300,000		300,000	
Compensated Absences	6,808,507		6,808,507	
Due in more than one year				
Bonds	99,417,797	1,116,000	100,533,797	158,757,000
Capital leases	77,334		77,334	
Self-insured obligations				1,349,000
Customer deposits payable		80,100	80,100	
Compensated Absences	15,551,423		15,551,423	
Total liabilities	<u>152,929,529</u>	<u>1,288,903</u>	<u>154,218,432</u>	<u>206,386,000</u>
NET ASSETS				
Invested in capital assets, net of related debt	58,935,550	10,804,554	69,740,104	64,142,000
Restricted for:				
Capital Projects	27,626,009		27,626,009	
Special Revenue	27,905,402		27,905,402	
Debt service	1,795,089		1,795,089	
Enterprise fund		1,053,947	1,053,947	
Hospital district				2,172,000
Unrestricted	41,379,380		41,379,380	106,246,000
Total net assets	<u>\$157,641,430</u>	<u>\$11,858,501</u>	<u>\$169,499,931</u>	<u>\$172,560,000</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, 2006

Functions/Programs	Program Revenues			Net (expense) Revenue and Changes in Net Assets			Component Unit Hospital District
	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Business-type Activities	Total		
Primary government:							
Governmental Activities:							
General government	\$31,024,457	\$10,524,799	(\$18,045,739)		(\$18,045,739)		
Administration of justice	40,958,490	11,907,547	(20,357,157)		(20,357,157)		
Public safety	96,474,144	19,829,064	(66,072,945)		(66,072,945)		
Health and welfare	10,854,470	111,748	(7,228,518)		(7,228,518)		
Community services	976,811	860,977	(115,834)		(115,834)		
Resource development	599,712		(599,712)		(599,712)		
Culture and recreation	11,264,459	2,321,172	(8,902,964)		(8,902,964)		
Public works	5,697,541	8,436,041	3,821,312		3,821,312		
Interest on long-term debt	5,461,343		(5,461,343)		(5,461,343)		
Total governmental activities	203,311,427	53,130,371	(122,962,900)		(122,962,900)		
Business-type activities:							
East Montana water project	1,131,195	767,416		(\$363,779)	(363,779)		
County Solid Waste	192,427	165,430		(26,997)	(26,997)		
Total business-type activities	1,323,622	932,846		(390,776)	(390,776)		
Total primary government	\$204,635,049	\$54,063,217	(\$122,962,900)	(\$390,776)	(\$123,353,676)		
Component units:							
Hospital district	\$294,409,000	\$172,416,000				(\$36,317,000)	
Total component units	\$294,409,000	\$172,416,000				(\$36,317,000)	
General revenues:							
Taxes:							
Property			\$97,968,047		\$97,968,047		\$45,756,000
Hotel/Motel			2,602,025		2,602,025		
Sales			31,117,468		31,117,468		
Bingo			67,503		67,503		
State mixed beverage			1,253,605		1,253,605		
Interest			6,550,788	\$62,463	6,613,251		5,569,000
Miscellaneous			4,447,345		4,447,345		954,000
Realized gain			15,254		15,254		
Gain on sale of capital assets			160,740		160,740		
Total general revenues and transfers			144,182,775	62,463	144,245,238		52,279,000
Change in net assets			21,219,875	(328,313)	20,891,562		15,962,000
Net assets - beginning			133,464,084	12,186,814	145,650,898		156,598,000
Prior period adjustment			2,957,471		2,957,471		
Net assets - ending			\$157,641,430	\$11,858,501	\$169,499,931		\$172,560,000

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

County of El Paso, Texas
Balance Sheet
Governmental Funds
September 30, 2006

	General	Special Revenue Road and Bridge	County Capital Projects 2001	County Capital Projects 2002	Other Governmental Funds	Total Governmental Funds
Assets						
Cash and cash equivalents	\$45,389,762	\$12,448,364	\$11,505,362	\$13,114,137	\$25,100,164	\$107,557,789
Receivables (net of allowances for uncollectible):						
Taxes	11,531,086					11,531,086
Accounts	9,114,319	334,325			3,946,446	13,395,090
Interest						
Due from other funds					3,870,069	3,870,069
Inventory of supplies	11,618					11,618
Total assets	<u>\$66,046,785</u>	<u>\$12,782,689</u>	<u>\$11,505,362</u>	<u>\$13,114,137</u>	<u>\$32,916,679</u>	<u>\$136,365,652</u>
Liabilities and fund balances						
Liabilities:						
Vouchers payable	\$2,783,520	\$662,233	\$98,999	\$200,681	\$2,078,895	\$5,824,328
Payroll liability	2,120,130	61,983			426,238	2,608,351
Due to others	3,127	11,400			62,955	77,482
Due to other funds	1,642,922				2,227,147	3,870,069
Due to other units	241,703					241,703
Due to other governments	1,449,408				1,412,306	2,861,714
Deferred revenue	8,636,617				5,117,048	13,753,665
Total liabilities	<u>16,877,427</u>	<u>735,616</u>	<u>98,999</u>	<u>200,681</u>	<u>11,324,589</u>	<u>29,237,312</u>
Fund Balances:						
Reserved for:						
Encumbrances	1,048,641	2,584,035	259,871	264,881	839,249	4,996,677
Travel advances, imprest and change funds	101,485					101,485
Inventory	11,618					11,618
Debt service					2,427,571	2,427,571
Unreserved, reported in:						
General fund:						
Designated for subsequent year's expenditures	21,316,171					21,316,171
Undesignated	26,691,443					26,691,443
Special revenue funds:						
Designated for subsequent year's expenditures		6,529,042			3,461,649	9,990,691
Undesignated		2,933,996			11,797,977	14,731,973
Capital project funds:						
Designated for subsequent year's expenditures			11,146,492	12,648,575	3,065,644	26,860,711
Total fund balances	49,169,358	12,047,073	11,406,363	12,913,456	21,592,090	107,128,340
Total liabilities and fund balances	<u>\$66,046,785</u>	<u>\$12,782,689</u>	<u>\$11,505,362</u>	<u>\$13,114,137</u>	<u>\$32,916,679</u>	<u>\$136,365,652</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, 2006

Total fund balances for governmental funds \$107,128,340

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	12,878,258	
Buildings, net of accumulated depreciation	118,157,586	
Improvements, net of accumulated depreciation	6,301,705	
Equipment, net of accumulated depreciation	6,730,102	
Furniture and fixtures, net of accumulated depreciation	199,261	
Vehicles, net of accumulated depreciation	3,352,208	
Roads, net of accumulated depreciation	14,591,069	
Bridges and culverts, net of accumulated depreciation	1,986,866	
Leased equipment, net of accumulated depreciation	171,872	
Construction in progress	5,466,089	
Total capital assets		169,835,016

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

Deferred revenue property taxes		8,402,325
Receivable for court costs, net of allowance for uncollectible accounts		2,267,347
Compensated Absences		(22,359,930)
Internal service fund is used to charge the health care costs for county employees, dependants, and retirees.		5,444,261

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

Accrued interest on bonds	(632,482)	
General long-term debt	(110,930,000)	
Capital leases	(146,669)	
Contingent liabilities	(300,000)	
Claims and judgments	(1,243,981)	
Deferred bond issuance costs	177,203	
Total long-term liabilities		(113,075,929)

Total net assets of governmental activities \$157,641,430

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, 2006

	General	Special Revenue Road and Bridge	County Capital Projects 2001	County Capital Projects 2002	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$115,483,678				\$17,983,099	\$133,466,777
Licenses and permits	208,535					208,535
Intergovernmental revenues	4,337,142	251,865			22,629,149	27,218,156
Charges for services	31,717,862	8,436,041			4,595,984	44,749,887
Fines and Forfeitures	5,936,102				266,417	6,202,519
Interest	3,269,818	535,131	\$501,453	\$677,785	1,374,211	6,358,398
Miscellaneous	2,055,329	191,032			2,200,984	4,447,345
Total Revenues	<u>163,008,466</u>	<u>9,414,069</u>	<u>501,453</u>	<u>677,785</u>	<u>49,049,844</u>	<u>222,651,617</u>
EXPENDITURES						
Current:						
General Government	26,704,394	1,272,769			2,025,365	30,002,528
Administration of justice	34,839,762				6,229,639	41,069,401
Public safety	72,206,787				20,191,806	92,398,593
Health and welfare	6,055,699				4,705,346	10,761,045
Community services					886,172	886,172
Resource development	572,953					572,953
Culture and recreation	2,118,440				3,420,443	5,538,883
Public works		4,071,427			109,533	4,180,960
Debt Service:						
Principal					10,570,000	10,570,000
Interest					5,518,698	5,518,698
Capital outlays	119,881	1,450,278	1,122,729	4,634,155	4,459,545	11,786,588
Total expenditures	<u>142,617,916</u>	<u>6,794,474</u>	<u>1,122,729</u>	<u>4,634,155</u>	<u>58,116,547</u>	<u>213,285,821</u>
Excess (deficiency) of revenues over (under) expenditures	<u>20,390,550</u>	<u>2,619,595</u>	<u>(621,276)</u>	<u>(3,956,370)</u>	<u>(9,066,703)</u>	<u>9,365,796</u>
OTHER FINANCING SOURCES (USES)						
Transfers in	703,385	67,063			17,457,688	18,228,136
Transfers out	(15,015,248)				(3,212,888)	(18,228,136)
Capital leases	78,803					78,803
Realized gain					15,254	15,254
Sale of capital assets					160,740	160,740
Total other financing sources and uses	<u>(14,233,060)</u>	<u>67,063</u>			<u>14,420,794</u>	<u>254,797</u>
Net change in fund balances	6,157,490	2,686,658	(621,276)	(3,956,370)	5,354,091	9,620,593
Fund balances - beginning	42,630,467	9,360,415	10,121,613	16,869,826	17,504,987	96,487,308
Prior year adjustment	419,774		1,906,026		(1,266,988)	1,058,812
Net change in reserve for inventories	(38,373)					(38,373)
Fund balances - ending	<u>\$49,169,358</u>	<u>\$12,047,073</u>	<u>\$11,406,363</u>	<u>\$12,913,456</u>	<u>\$21,592,090</u>	<u>\$107,128,340</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, 2005**

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

Net change in fund balances - total governmental funds		\$9,620,593
governmental funds, a capital lease arrangement is considered an other source of financing, but in the statement of net assets, the lease obligation is reported as a liability.		(78,803)
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	(12,672)	
Principal payments	10,570,000	
Net adjustment		10,557,328
Court cost receivables, net of allowance for uncollectible amounts		1,923,003
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	(458,129)	
Additional contingent liabilities	(300,000)	
Additional payroll liabilities	0	
Additional Compensated Absences	(1,912,421)	
Depreciation expense	(12,185,497)	
The net effect of various transactions involving capital assets (i.e., sales and retirements) is to increase net assets	10,360,667	
Unpaid claims workers comp	(97,046)	
Change in purchasing inventory	(38,373)	
Expenses related to capital lease payments and retirements	56,178	
Accrued interest on bonds	57,355	
		(4,517,266)
Internal service fund is used to charge the health care costs for county employees, dependants, and retirees.		3,715,020
Change in net assets of governmental activities		\$21,219,875

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, 2006

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	\$81,629,720	\$81,629,720	\$83,045,102	\$1,415,382
Sales	27,250,000	27,250,000	31,117,468	3,867,468
Bingo	60,000	60,000	67,503	7,503
State mixed beverage	950,000	950,000	1,253,605	303,605
Licenses and permits	199,500	199,500	208,535	9,035
Intergovernmental	2,341,239	2,341,239	4,337,142	1,995,903
Charges for services	31,072,386	31,072,386	31,717,862	645,476
Fines and forfeitures	5,565,000	5,565,000	5,936,102	371,102
Interest	1,700,000	1,700,000	3,269,818	1,569,818
Miscellaneous	2,914,302	2,914,302	2,055,329	(858,973)
Total revenues	<u>153,682,147</u>	<u>153,682,147</u>	<u>163,008,466</u>	<u>9,326,319</u>
EXPENDITURES				
Current:				
General government				
Personnel	23,156,670	20,745,914	17,585,750	3,160,164
Operating	13,210,031	12,303,928	9,137,390	3,166,538
Total general Government	<u>36,366,701</u>	<u>33,049,842</u>	<u>26,723,140</u>	<u>6,326,702</u>
Administration of justice				
Personnel	27,792,989	29,687,611	29,287,771	399,840
Operating	5,565,895	5,936,867	5,491,324	445,543
Total Administration of justice	<u>33,358,884</u>	<u>35,624,478</u>	<u>34,779,095</u>	<u>845,383</u>
Public safety				
Personnel	59,042,931	59,056,478	58,950,182	106,296
Operating	13,057,936	13,572,429	13,034,744	537,685
Total Public safety	<u>72,100,867</u>	<u>72,628,907</u>	<u>71,984,926</u>	<u>643,981</u>
Health and welfare				
Personnel	1,005,883	1,201,307	1,087,599	113,708
Operating	5,261,561	5,377,319	4,960,421	416,898
Total Health and welfare	<u>6,267,444</u>	<u>6,578,626</u>	<u>6,048,020</u>	<u>530,606</u>
Resource development				
Personnel	546,811	555,411	445,636	109,775
Operating	203,417	185,820	126,519	59,301
Total Resource development	<u>750,228</u>	<u>741,231</u>	<u>572,155</u>	<u>169,076</u>
Culture and recreation				
Personnel	1,239,641	1,262,964	1,123,206	139,758
Operating	1,046,691	1,275,297	993,474	281,823
Total Culture and recreation	<u>2,286,332</u>	<u>2,538,261</u>	<u>2,116,680</u>	<u>421,581</u>
Capital outlays	1,458,520	191,594	119,881	71,713
Total expenditures	<u>152,588,976</u>	<u>151,352,939</u>	<u>142,343,897</u>	<u>9,009,042</u>
Excess of revenues over expenditures	<u>1,093,171</u>	<u>2,329,208</u>	<u>20,664,569</u>	<u>18,335,361</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	574,000	574,000	703,385	129,385
Transfers out	(12,795,850)	(14,031,883)	(13,372,326)	659,557
Capital leases			78,803	78,803
Total other financing sources and uses	<u>(12,221,850)</u>	<u>(13,457,883)</u>	<u>(12,590,138)</u>	<u>867,745</u>
Net change in fund balances	<u>(11,128,679)</u>	<u>(11,128,675)</u>	<u>8,074,431</u>	<u>19,203,106</u>
Fund balances - beginning	49,154,389	49,154,389	49,154,389	
Fund balances - ending	<u>\$38,025,710</u>	<u>\$38,025,714</u>	<u>\$57,228,820</u>	<u>\$19,203,106</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, 2006

	Business-type Activities-Enterprise Funds					Governmental Activities - Internal Service Fund
	East Montana Water Project (Current Year)	East Montana Water Project (Prior Year)	County Solid Waste (Current Year)	County Solid Waste (Prior Year)	Total Current Year	
ASSETS						
Current assets:						
Cash and cash equivalents	\$1,070,882	\$1,020,804	(\$19,972)	\$8,483	\$1,050,910	\$5,941,244
Accounts receivable	62,733	68,215	15,349	10,429	78,082	31,769
Customer deposits	80,100	77,900			80,100	
East Montana 1997A interest and sinking fund	36,532	35,507			36,532	
East Montana 2000A interest and sinking fund	3,816	3,106			3,816	
Total current assets	<u>1,254,063</u>	<u>1,205,532</u>	<u>(4,623)</u>	<u>18,912</u>	<u>1,249,440</u>	<u>5,973,013</u>
Noncurrent assets:						
Restricted cash, cash equivalents, and investments:						
East Montana 1997B construction fund	36,470	36,470			36,470	
East Montana Reserve fund	90,715	86,703			90,715	
Total restricted assets:	<u>127,185</u>	<u>123,173</u>			<u>127,185</u>	
Capital assets:						
Equipment, water system	13,134,237	13,134,237			13,134,237	
Vehicles	16,979	16,979			16,979	
Less accumulated depreciation	(1,380,437)	(1,011,341)			(1,380,437)	
Total capital assets, net of accumulated depreciation	<u>11,770,779</u>	<u>12,139,875</u>			<u>11,770,779</u>	
Total noncurrent assets	<u>11,897,964</u>	<u>12,263,048</u>			<u>11,897,964</u>	
Total assets	<u>13,152,027</u>	<u>13,468,580</u>	<u>(4,623)</u>	<u>18,912</u>	<u>13,147,404</u>	<u>5,973,013</u>
LIABILITIES						
Current liabilities:						
Vouchers payable	44,086	44,501	17,515	14,081	61,601	
Customer deposits payable	80,100	77,900			80,100	
Claims payable						515,634
Payroll Liability						2,095
Due to others						11,023
Due to other governments	7,109	6,995			7,109	
East Montana Water Project 1997A payable	10,000	10,000			10,000	
East Montana Water Project 2000A payable	7,000	7,000			7,000	
Accrued interest payable	7,093	7,201			7,093	
Total current liabilities	<u>155,388</u>	<u>153,597</u>	<u>17,515</u>	<u>14,081</u>	<u>172,903</u>	<u>528,752</u>
Noncurrent liabilities:						
East Montana Water Project 1997A payable	960,000	970,000			960,000	
East Montana Water Project 2000A payable	156,000	163,000			156,000	
Total noncurrent liabilities	<u>1,116,000</u>	<u>1,133,000</u>			<u>1,116,000</u>	
Total liabilities	<u>1,271,388</u>	<u>1,286,597</u>	<u>17,515</u>	<u>14,081</u>	<u>1,288,903</u>	<u>528,752</u>
NET ASSETS						
Invested in capital assets, net of related debt	10,804,554	11,150,669			10,804,554	
Restricted for:						
East Montana Water Project	1,076,085	1,031,314			1,076,085	
County Solid Waste			(22,138)	4,831	(22,138)	
Unrestricted:						
Internal Service fund						5,444,261
Total net assets	<u>\$11,880,639</u>	<u>\$12,181,983</u>	<u>(\$22,138)</u>	<u>\$4,831</u>	<u>\$11,858,501</u>	<u>\$5,444,261</u>

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

County of El Paso, Texas
Statement of Revenues, Expenses, and
Changes in Fund Net Assets
Proprietary Funds
For the Year Ended September 30, 2006

	Business-type Activities-Enterprise Funds					Governmental Activities - Internal Service Fund
	East Montana Water Project (Current Year)	East Montana Water Project (Prior Year)	County Solid Waste (Current Year)	County Solid Waste (Prior Year)	Total Current Year	
OPERATING REVENUES						
Charges for services	\$767,416	\$757,244	\$165,430	\$95,087	\$932,846	
Employee premiums						\$4,121,586
Employer premiums						10,184,907
Other agencies						46,427
Retiree premiums						769,058
Cobra						69,623
Stop loss reimbursements						448,708
Other						19,690
Total operating revenues	<u>767,416</u>	<u>757,244</u>	<u>165,430</u>	<u>95,087</u>	<u>932,846</u>	<u>15,659,999</u>
OPERATING EXPENSES						
Personnel expenses	146,168	39,485			146,168	
Operating expenses	136,454	78,732			136,454	
Depreciation	369,096	377,013			369,096	
Public utilities	209,452	216,423			209,452	
Professional services	212,528	224,800	192,427	90,354	404,955	
Claims						10,945,239
Administrative						1,192,130
Total operating expenses	<u>1,073,698</u>	<u>936,453</u>	<u>192,427</u>	<u>90,354</u>	<u>1,266,125</u>	<u>12,137,369</u>
Operating income (loss)	<u>(306,282)</u>	<u>(179,209)</u>	<u>(26,997)</u>	<u>4,733</u>	<u>(333,279)</u>	<u>3,522,630</u>
NONOPERATING REVENUES (EXPENSES)						
Interest revenue	62,435	33,225			62,435	192,390
Interest expense	(57,497)	(58,353)	28	98	(57,469)	
Total nonoperating revenues (expenses)	<u>4,938</u>	<u>(25,128)</u>	<u>28</u>	<u>98</u>	<u>4,966</u>	<u>192,390</u>
Change in Net Assets	(301,344)	(204,337)	(26,969)	4,831	(328,313)	3,715,020
Total net assets, beginning	12,181,983	12,386,320	4,831		12,186,814	1,729,241
Total net assets, ending	<u>\$11,880,639</u>	<u>\$12,181,983</u>	<u>(\$22,138)</u>	<u>\$4,831</u>	<u>\$11,858,501</u>	<u>\$5,444,261</u>

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

County of El Paso, Texas
Statement of Cash Flows
Proprietary Funds
For the Year Ended September 30, 2006

Business-type Activities-Enterprise Funds

	East Montana Water Project (Current Year)	East Montana Water Project (Prior Year)	County Solid Waste (Current Year)	County Solid Waste (Prior Year)	Total Current Year	Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$775,212	\$756,704	\$160,510	\$84,658	\$935,722	
Payments for personnel expenses	(146,168)	(39,485)			(146,168)	
Payments for operating expenses	(136,869)	(106,208)	3,434	14,081	(133,435)	
Payments for utilities	(209,452)	(216,423)			(209,452)	
Payments for professional services	(212,528)	(224,800)	(192,427)	(90,354)	(404,955)	
Receipts from employee premiums						\$4,089,956
Receipts from employer premiums						10,185,628
Receipts from other agencies premiums						46,427
Receipts from retiree premiums						769,058
Receipts from cobra premiums						69,623
Receipts from stop loss reimbursements						448,708
Receipts from miscellaneous services						19,690
Receipts for payroll liability						(392,849)
Payments for claims						(11,109,733)
Payments for administrative expenses						(1,192,130)
Net cash provided (used) by operating activities	<u>70,195</u>	<u>169,788</u>	<u>(28,483)</u>	<u>8,385</u>	<u>41,712</u>	<u>2,934,378</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Interest paid	(57,605)	(58,460)			(57,605)	
Principal repayments	(17,000)	(17,000)			(17,000)	
Net cash provided (used) by noncapital financing activities	<u>(74,605)</u>	<u>(75,460)</u>			<u>(74,605)</u>	
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Purchase of vehicle		(16,979)				
Net cash provided (used) by capital and related financing activities		<u>(16,979)</u>				
CASH FLOWS FROM INVESTING ACTIVITIES						
Receipt of interest	62,435	33,225	28	98	62,463	192,390
Net cash provided (used) by investing activities	<u>62,435</u>	<u>33,225</u>	<u>28</u>	<u>98</u>	<u>62,463</u>	<u>192,390</u>
Net increase in cash and cash equivalents	58,025	110,574	(28,455)	8,483	29,570	3,126,768
Cash and cash equivalents, beginning of year	1,260,490	1,149,916	8,483		1,268,973	2,814,476
Cash and cash equivalents, end of year	<u>\$1,318,515</u>	<u>\$1,260,490</u>	<u>(\$19,972)</u>	<u>\$8,483</u>	<u>\$1,298,543</u>	<u>\$5,941,244</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:						
Operating income (loss)	(\$306,282)	(\$179,209)	(\$26,997)	\$4,733	(\$333,279)	\$3,522,630
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	369,096	377,013			369,096	
(Increase) decrease in accounts receivable	5,482	(2,970)	(4,920)	(10,429)	562	(30,909)
Increase (decrease) in customer deposits	2,200	2,050			2,200	
Increase (decrease) in vouchers payable	(415)	(27,476)	3,434	14,081	3,019	
Increase (decrease) in claims liability						(164,494)
Increase (decrease) in payroll liability						(392,849)
Increase (decrease) in due to other governments	114	380			114	
Total adjustments	<u>376,477</u>	<u>348,997</u>	<u>(1,486)</u>	<u>3,652</u>	<u>374,991</u>	<u>(588,252)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$70,195</u>	<u>\$169,788</u>	<u>(\$28,483)</u>	<u>\$8,385</u>	<u>\$41,712</u>	<u>\$2,934,378</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, 2006

	Agency Funds
Assets	
Cash and cash equivalents	\$25,362,900
Accounts receivable	212,731
Restricted-funds held in trust cash equivalents	586,438
Total Assets	\$26,162,069
Liabilities	
Vouchers payable	\$225,492
Payroll liabilities	1,819,803
Due to others	11,942,187
Due to other governmental agencies	12,174,587
Total Liabilities	\$26,162,069
Net Assets	

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, 2006

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 implemented GASB 34 for fiscal year ended September 30, 2002 and has fully implemented the infrastructure portion during fiscal year 2006.

The provisions of GASB Statement No. 44 Economic Condition Reporting: The Statistical Section are effective for statistical sections prepared for periods beginning after June 15, 2005. The County elected to early implement such provisions for the fiscal year ending September 30, 2005.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

A. Reporting Entity (Continued)

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

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

B. Government-wide and fund financial statements

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

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

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

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

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

All governmental funds are reported using a current financial resources measurement focus. Ordinarily, only current assets and current liabilities are included on the balance sheet with this measurement focus. The operating statements of the funds present increases (i.e., revenues and other financing sources) and decreases (i.e., expenditures and other financing uses) in net current assets.

Note 1. Summary of Significant Accounting Policies (Continued)

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

The modified accrual basis of accounting is used by all governmental funds. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual (i.e., when they become measurable and available). In the case of the County, "measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon thereafter to pay liabilities of the current period. Expenditures are generally recognized under the accrual basis of accounting when the related fund liability is incurred.

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

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

The County reports the following major governmental funds:

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

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

The County Capital Projects 2001 and 2002 are used to account for the financial resources secured through the sale of certificates of obligation to fund a multitude of county projects, to include the courthouse expansion, parking garage, improvements to the County's water infrastructure and other County capital needs. Although these two funds do not meet the criteria for major fund reporting, they are included in order to enhance consistency from the previous year.

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

The County reports the following non-major governmental funds:

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

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

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

The County additionally reports the following Funds types:

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

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

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

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

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

District Attorney Real Estate and District Attorney Seized Funds are used to account for seizures held pending disposition by the Courts.

Self Help Escrow Fund is used to account for the insurance and property taxes held in escrow for individuals who received state loans to improve their homes.

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

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

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

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

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

D. Budgets

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

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgets (Continued)

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

The adopted budget for fiscal year 2006 totaled \$221,289,026. Throughout the year, the Commissioners Court amended the budget for an aggregate increase total of \$32,432,255. These increases represented statutorily provided increases for additional funding by granting agencies and intergovernmental agreements bringing the overall budget total to \$253,721,281. The appropriation changes included revisions as follows:

County of El Paso, Texas
Schedule of Amended Funding Amounts
For the period ending September 30, 2006

Date of Amendment	General Fund	Special Revenue Fund	Enterprise Fund	Debt Service Fund	Capital Projects Fund	Grants	Total Funding Amounts
October 10, 2005	\$164,508,983	\$37,122,499	\$1,450,854	\$16,088,699	\$1,170,191	\$947,800	\$221,289,026
October 17, 2005						4,837,919	4,837,919
October 24, 2005						(320)	(320)
October 31, 2005						360,268	360,268
November 7, 2005						400,000	400,000
November 14, 2005						66,057	66,057
November 21, 2005						623,924	623,924
December 5, 2005						(480,129)	(480,129)
December 12, 2005						78,395	78,395
December 19, 2005						367,500	367,500
January 9, 2006						355,000	355,000
January 23, 2006						77,191	77,191
January 30, 2006						19,030	19,030
February 13, 2006		19,049				200,000	219,049
February 27, 2006						119,823	119,823
March 6, 2006					(500,000)		(500,000)
March 13, 2006						1,106,148	1,106,148
March 20 2006						551,396	551,396
March 27, 2006						100,500	100,500
April 3, 2006						4,796,934	4,796,934
April 10, 2006						2,249,572	2,249,572
April 17, 2006						4,043,949	4,043,949
April 24, 2006						646,488	646,488
May 1, 2006						10,000	10,000
May 8, 2006						59,823	59,823
May 15, 2006						488,793	488,793
May 22, 2006						454,854	454,854
June 5, 2006						20,000	20,000
June 12 2006						7,983	7,983
June 26, 2006						209,246	209,246
July 10, 2006						1,274,104	1,274,104
July 17, 2006						569,998	569,998
July 31, 2006						154,956	154,956
August 14, 2006						284,741	284,741
August 28, 2006						2,969,846	2,969,846

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgets (Continued)

Date of Amendment	General Fund	Special Revenue Fund	Enterprise Fund	Debt Service Fund	Capital Projects Fund	Grants	Total Funding Amounts
September 11, 2006					50,926	1,679,827	1,730,753
September 25, 2006		112,000				4,046,464	4,158,464
Subtotal	\$164,508,983	\$37,253,548	\$1,450,854	\$16,088,699	\$721,117	\$33,698,080	\$253,721,281
Carry over							
Re-appropriation	<u>875,839</u>	<u>1,942,959</u>	<u>1,138</u>		<u>30,939,961</u>		<u>33,759,897</u>
Totals	<u>\$165,384,822</u>	<u>\$39,196,507</u>	<u>\$1,451,992</u>	<u>\$16,088,699</u>	<u>\$31,661,078</u>	<u>\$33,698,080</u>	<u>\$287,481,178</u>

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

	<u>General Fund</u>
Combined Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual	\$57,228,820
Revenues: Non-Budgeted	
Expenditures: Non-budgeted	<u>274,019</u>
Revenues over (under) Expenditures	(274,019)
Other financing sources (uses): Non-budgeted	<u>(1,642,922)</u>
Excess (deficiency) of revenues and Other financing sources over (under) Expenditures and other financing uses	(1,916,941)
Change in reserve for inventory	(38,373)
Prior years differences	<u>(6,523,922)</u>
Prior period adjustment	419,774
Combined Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$49,169,358</u>

The non-budgeted expenditures in the general fund represent an increase in the accrual for payroll liabilities of \$312,392 and a change in the reserve for inventory of (\$38,373), which represents the amount of inventory consumed during the year. The non-budgeted other financing uses represent an inter-fund transfer for excess sales tax from the general fund to the debt service fund. These adjustments were necessary due to timing. The prior period adjustment includes \$507,344 for the manner in which contingent liabilities are reported in the financial statements plus a correction for a misclassification of \$87,750.

Note 1. Summary of Significant Accounting Policies (Continued)

E. Excess of Expenditures Over Appropriations

County purchasing agent and facilities management within the General Fund had expenditures that exceeded appropriations by \$6,608 and \$17,024, respectively, which resulted from accruals for various expenditures. Also, the Coliseum Tourist Promotion, County Law Library, Probate Judiciary Support, Juvenile Probation, County Attorney Bad Check Operating and District Attorney Apportionment Supplement Special Revenue Funds had deficit appropriations of \$7,267, \$42,500, \$3,659, \$52,662, \$190,166, and \$1,188 respectively, due to payroll and operating expenditure accruals. These budget shortfalls were covered by available fund balance within the individual special revenue funds or in the General Fund.

F. Deposits and Investments

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

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

Governmental Accounting Standards Board Statement Number 40 "*Deposit and Investment Risk Disclosure an amendment to GASB Statement Number 3*" establishes and modifies disclosure requirements related to investment risks associated with credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. To limit the concentration of credit risk, the County has an established policy, whereby the maximum aggregate for all investments in obligations of U. S. Agencies and Instrumentalities shall not exceed 75 percent. The County has also established interest rate risk policies that limit the maximum maturity of any one security to 3 years or less. The County is not exposed to foreign currency risk since County policy prohibits investment in any foreign investments. This statement becomes effective for financial statements for periods beginning after June 15, 2004. The County, the primary government, has implemented the requirements of this statement.

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

Investments reported on the balance sheet are stated at amortized fair value. All of the County's investments are purchased with maturity of three years or less. In accordance with Public Funds Investment Act, all County investments are in United States Treasury Securities, agency securities, TexPool, 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.

Note 1. Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

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

The State Comptroller of Public Accounts exercises oversight responsibility over TexPool, 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.

Finally, TexPool is 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 operates in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940. TexPool uses 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.

G. Receivables and Payables

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

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

All trade and property tax receivables are shown net of an allowance for uncollectable accounts. Property taxes are levied October 1st and become delinquent on February 1st, 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, 2006.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

H. Inventories and prepaid items

Payments made to vendors for goods or services that will benefit periods beyond year-end are classified as prepaid items.

I. Restricted Assets

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

J. Capital Assets

Capital assets, which include property, plant and equipment, and infrastructure assets, are reported in the appropriate governmental or business-type activities columns in the government-wide financial statements. Capital assets are those assets with a value of \$5,000 or more and with useful lives of over one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

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

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

J. Capital Assets (continued)

<u>Assets</u>	<u>Years</u>
Building	40
Moveable & Fixed Equipment	3-20
Roads	20
Vehicles	5
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

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, 2006, the County's total liability for vested vacation leave totaled \$8,785,479.

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.

Note 1. Summary of Significant Accounting Policies (Continued)

K. Compensated Absences (Continued)

A liability in the amount of \$13,574,451 has been established for the accumulated vested sick leave benefits of the El Paso County Sheriff's deputies and detention officers. This is in accordance with the provisions of the contract agreement between the County and the El Paso County Sheriff's Association, whereby the County shall buy back any unused sick leave at the end of an officer's career. An officer will be paid at the rate of one day's pay for one day's sick leave up to 90 days and thereafter at the rate of one day's pay for every three days of sick leave.

Vested vacation and sick leave benefits are not expected to be liquidated with expendable and available financial resources and therefore, are reported as long term liabilities in the government wide statements. The accrued accumulated vested benefits for the current year are \$22,359,930 of which \$6,808,507 is reported as due within one year.

The general fund or the appropriate special revenue fund are 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.

M. Fund Equity

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

N. Comparative Data/reclassifications

Comparative total data for the previous year have been presented in selected accompanying financial statements in order to afford an understanding of changes in the County's position and operations.

Note 1. Summary of Significant Accounting Policies (Continued)

N. Comparative Data/reclassifications (Continued)

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 was \$140,499,281 consisting of cash and cash equivalents. Of this amount, \$586,438 represents funds held in trust from the County Clerk's Probate Account. The bank balance of \$62,351,424 was covered by \$100,000 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 \$61,195,000, consisting of cash and cash equivalents. The bank balance was covered by \$100,000 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, 2006 the County had the following investments.

Investment Type	Fair Value	Weighted Average Maturity (Years)
TexPool investment pool	<u>\$79,544,090</u>	0.14
Total	<u>\$79,544,090</u>	0.14

As of September 30, 2006 the District had the following investments.

Investment Type	Fair Value	Weighted Average Maturity (Years)
Certificates of deposit	\$604,000	0.60
Repurchase agreements	119,878,000	1.87
U.S. Treasuries	2,170,000	1.40
U.S. Agencies	<u>47,755,000</u>	1.53
Total	<u>\$170,407,000</u>	1.76

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 3 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.

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

Note 3. Detailed notes on all funds (Continued)

A. Deposits and Investments (Continued)

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

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

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

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

B. Receivables

Receivables as of September 30, 2006 for the general, major and enterprise funds and nonmajor governmental, internal service, and fiduciary funds in aggregate, including applicable allowances for uncollectable accounts, are as follows:

	<u>General</u>	Special Revenue <u>Fund</u>	Enterprise <u>Funds</u>	Non-major and other <u>Funds</u>	<u>Total</u>
Receivables:					
Taxes	\$11,647,562				\$11,647,562
Accounts	9,114,319	\$334,325	\$78,082	\$4,190,946	13,717,672
Less: allowance for uncollectables	<u>(116,476)</u>				<u>(116,476)</u>
Net total receivables	<u>\$20,645,405</u>	<u>\$334,325</u>	<u>\$78,082</u>	<u>\$4,190,946</u>	<u>\$25,248,758</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, 2006. Of the taxes receivable, including penalties and interest, the County defers approximately 70 percent until collection of those revenues.

Note 3. Detailed notes on all funds (Continued)

B. Receivables (Continued)

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

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

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (general fund)	\$8,402,325	
Court costs and fines (general fund)	1,312	
Telephone Commission Advance (general fund)		\$232,980
Total deferred /unearned revenue for governmental funds	<u>\$8,403,637</u>	<u>\$232,980</u>

C. Capital assets

Capital assets activity for the year ended September 30, 2006 was as follows:

Primary Government

	<u>Beginning Balance</u>	<u>Adjustments</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental Activities:					
Capital assets, not being depreciated:					
Land	\$11,914,365	\$1,083,325	\$10,269	(\$129,701)	\$12,878,258
Construction in progress	<u>9,958,997</u>		<u>2,748,897</u>	<u>(7,241,805)</u>	<u>5,466,089</u>
Total capital assets, not being depreciated	<u>21,873,362</u>	<u>1,083,325</u>	<u>2,759,166</u>	<u>(7,371,506)</u>	<u>18,344,347</u>
Capital assets, being depreciated:					
Bridges and culverts	3,570,308				3,570,308
Buildings	194,062,750		10,639,550	(75,057)	204,627,243
Equipment	20,334,061	342,200	1,902,067	(658,310)	21,920,018
Furniture and fixtures	862,179		6,395	(5,274)	863,300
Improvements	8,967,670		84,101		9,051,771
Leased equipment	250,911		67,898		318,809
Roads	20,079,136		1,321,574		21,400,710
Vehicles	<u>9,913,202</u>		<u>1,189,137</u>	<u>(171,018)</u>	<u>10,931,321</u>
Total capital assets, being depreciated	<u>258,040,217</u>	<u>342,200</u>	<u>15,210,722</u>	<u>(909,659)</u>	<u>272,683,480</u>
Less accumulated depreciation for:					
Bridges and culverts	(1,481,970)		(101,472)		(1,583,442)
Buildings	(79,929,731)		(6,560,450)	20,524	(86,469,657)
Equipment	(12,375,389)	(330,793)	(2,959,402)	475,668	(15,189,916)
Furniture and fixtures	(633,591)		(35,502)	5,054	(664,039)
Improvements	(2,323,531)		(426,535)		(2,750,066)
Leased equipment	(119,455)		(27,482)		(146,937)

Note 3. Detailed notes on all funds (Continued)

C. Capital assets (Continued)

Primary Government (continued)

	Beginning Balance	Adjustments	Increases	Decreases	Ending Balance
Governmental Activities:					
Less accumulated depreciation for:					
Roads	(\$5,746,887)		(\$1,062,754)		(\$6,809,641)
Vehicles	(6,737,911)		(1,011,900)	\$170,698	(7,579,113)
Total accumulated depreciation	<u>(109,348,465)</u>	<u>(\$330,793)</u>	<u>(12,185,497)</u>	<u>671,944</u>	<u>(121,192,811)</u>
Total capital assets, being depreciated, net	<u>148,691,752</u>	<u>11,407</u>	<u>3,025,225</u>	<u>(237,715)</u>	<u>151,490,669</u>
Governmental activities capital assets, net	<u>\$170,565,114</u>	<u>\$1,094,732</u>	<u>\$5,784,391</u>	<u>(\$7,609,221)</u>	<u>\$169,835,016</u>
Business-type activities:					
Capital assets, being depreciated:					
Vehicles	\$16,979				\$16,979
Water system	13,134,237				13,134,237
Total capital assets, being depreciated	<u>13,151,216</u>				<u>13,151,216</u>
Less accumulated depreciation for:					
Vehicles	(1,011)		(\$2,425)		(3,436)
Water system	(1,010,330)		(366,672)		(1,377,002)
Total accumulated depreciation	<u>(1,011,341)</u>		<u>(369,097)</u>		<u>(1,380,438)</u>
Total capital assets, being depreciated, net	<u>12,139,875</u>		<u>(369,097)</u>		<u>11,770,778</u>
Business-type activities capital assets, net	<u>\$12,139,875</u>		<u>(\$369,097)</u>		<u>\$11,770,778</u>

The amounts reported in the adjustment column consist of land, easements and right-of-ways that were pending as part of the GASB 34 reporting requirements; and a correction of \$352,000 and the corresponding depreciation for elections software that was previously omitted from the capital assets. These adjustments are reported as part of the prior period adjustments at the entity wide level statements.

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

Governmental activities:	
General Government	\$4,503,932
Administration of justice	274,848
Public safety	4,216,443
Health and welfare	174,217
Community service	60,335
Resource Development	31,978
Culture and recreation	1,116,718
Public works	<u>1,807,026</u>
Total depreciation expense governmental activities	<u>\$12,185,497</u>
Business-type activities:	
Vehicles	\$2,425
Water system	<u>366,672</u>
Total depreciation expense Business-type activities	<u>\$369,097</u>

Note 3. Detailed notes on all funds (Continued)

C. Capital assets (Continued)

Construction Commitments

The government has several active construction projects as of September 30, 2006. The projects include the construction of runways at the Fabens Airport, the Fabens Port of Entry, the Sparks Arroyo, Canutillo Drainage and the Safe Routes to School Projects. The County's year-end commitments are as follows:

Construction commitments		
Project	Spent-to-date	Remaining Commitment
Fabens Airport Runways	\$172,802	
Fabens Port of Entry	4,188,726	\$1,678,714
Sparks Arroyo	427,000	191,000
Canutillo Drainage	597,601	1,344,399
Safe Routes To School	79,960	
Total	<u>\$5,466,089</u>	<u>\$3,214,113</u>

The Fabens Airport Runways and the Safe Routes To School projects are being funded through intergovernmental agreements with the State. These projects are reported as construction in progress until the State's portion of the commitment is used to finish the project.

Component unit

Capital asset activity for the District for the year ended September 30, 2006, was as follows:

	Beginning Balance	Increases	Transfer Disposals/ Retirements	Ending Balances
Capital assets, not being depreciated:				
Land	\$6,998,000			\$6,998,000
Construction in progress	<u>1,375,000</u>	<u>\$2,476,000</u>	<u>(\$ 2,506,000)</u>	<u>1,345,000</u>
Total capital assets, not being depreciated	<u>8,373,000</u>	<u>2,476,000</u>	<u>(2,506,000)</u>	<u>8,343,000</u>
Capital assets, being depreciated:				
Buildings and improvements	109,742,000	1,043,000	666,000	111,451,000
Movable and fixed equipment	<u>114,261,000</u>	<u>7,169,000</u>	<u>339,000</u>	<u>121,769,000</u>
Total capital assets, being depreciated	<u>224,003,000</u>	<u>8,212,000</u>	<u>1,005,000</u>	<u>233,220,000</u>
Less accumulated depreciation for:				
Buildings, improvements and equipment	<u>(122,995,000)</u>	<u>(16,559,000)</u>	<u>1,371,000</u>	<u>(138,183,000)</u>
Total accumulated depreciation	<u>(122,995,000)</u>	<u>(16,559,000)</u>	<u>1,371,000</u>	<u>(138,183,000)</u>
Total capital assets, being depreciated, net	<u>101,008,000</u>	<u>(8,347,000)</u>	<u>2,376,000</u>	<u>95,037,000</u>
District capital assets, net	<u>\$109,381,000</u>	<u>(\$5,871,000)</u>	<u>(\$130,000)</u>	<u>\$103,380,000</u>

Construction in progress for the Component Unit at September 30, 2006 primarily represents renovation of the hospital's second floor to be utilized as additional intensive care unit rooms.

Note 3. Detailed notes on all funds (Continued)

D. Interfund receivables, payables, and transfers

The composition of Interfund balances as of September 30, 2006, is as follows:

	<u>Due From</u>	<u>Due To</u>
<u>General Fund</u>		<u>\$1,642,922</u>
<u>Special Revenue</u>		
34 th Judicial District Prosecution Initiative		\$92,643
65 th District Family Drug Court Enhance Program		9,128
65 th District Family Drug Court		16,407
409 th District Drug Court		75,440
Bootstrap Program		1,589
Byrne Justice Assistance Grant		12,769
County Attorney Juvenile Information Systems		61,368
Colonia Road Projects		108,911
Colonia Self-Help Center		303,161
Criminal Enterprise Unit		350,559
Cruz Salcido Project		50,733
District Attorney Project Safe Neighborhoods		13,344
DIMS Project		57,879
Domestic Violence Unit		26,028
Enforcement of Protective Orders		16,533
Hispanic Nutrition Program		925
Homeland Security		271
Home Program Deed Conversions		6,816
Intelligent Transportation System		24,329
Juvenile Accountability Incentive		12,973
ONDCCP Multiple Initiatives		541,677
Operation Linebacker		99,684
Organized Crime Drug Enforce Task Force		2,791
Regional Public Transportation Plan		23,945
Rural Transit Assistance Program		62,721
Sheriff's Crime Victim Services		21,045
Sheriff's Training Academy		43,163
Southwest Border CPOT Initiatives		36,483
Southwest Border HIDTA Management		28,608
TJPC Title IV-E Enhanced Billing	2,227,147	
Transit Bus Project		68,875
Vehicle Registration Abuse Program		11,548
Victim Coordinator and Liaison		10,937
Victim Services Liaison		11,270
Victim Witness Service		22,594
Subtotal	<u>2,227,147</u>	<u>2,227,147</u>
<u>Debt Service</u>		
General Obligation Refunding Bonds, Series 2001	1,642,922	
 Grand Total	 <u><u>\$3,870,069</u></u>	 <u><u>\$3,870,069</u></u>

Note 3. Detailed notes on all funds (Continued)

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

The following are the transfers in and out as of September 30, 2006:

	Transfers Out <u>Actual</u>	Transfers In <u>Actual</u>
<u>General Fund</u>		
Bosque Match	\$20,000	
Child Protective Services - Match	334,126	
Court Reporter Service Fund		\$169,119
District Attorney	35,000	
District Attorney DIMS Project – Match	91,573	
Domestic Violence Unit – Match	74,660	
Excess Grant Match		60,385
Excess Sales Tax	1,642,922	
General & Administrative	1,871,040	473,881
Juvenile Probation	9,889,611	
Nutrition – Match	947,800	
Victim Services Liaison	6,714	
Victim Witness Services	86,129	
VAWA CA – Match	15,673	
Subtotal	<u>15,015,248</u>	<u>703,385</u>
<u>Special Revenue</u>		
Ascarate Park Improvement	180,000	92,221
Coliseum Tourist Promotion	501,641	
County Tourist Promotion	85,000	502,800
Court Reporter Service Fund	167,000	
Courthouse Security	296,000	
Juvenile Probation Special Revenue	200,740	9,838,880
Road & Bridge		67,063
Sports Park		259,701
Subtotal	<u>1,430,381</u>	<u>10,760,665</u>
<u>Special Revenue - Grants</u>		
65 th District Family Drug Court Enhance		39,009
409 th District Drug Court	2,173	18,039
Border Children's Mental Health Collaborative		231,103
Bosque Bonito & San Elizario		20,000
Child Protective Services		334,126
Colonia Self Help		301,267
County Attorney Protective Orders	2,025	
DIMS Project		91,573
Domestic Violence Unit		79,938
Enforcement of Protective Orders		15,673
First Thanksgiving	1,159	
Gallegos Park	11,520	
Juvenile Accountability Incentive	373	4,874
Nutrition	59,695	947,800
Ponderosa Western Village		204,000
Rural Transit Bus	225	
San Elizario Jail Preservation		85,000
San Felipe OHV Park	80,701	
TJPC Secure Post-Adjudication	218,000	218,000
TJPC Title IV-E Enhanced Billing	1,390,741	1,390,741
Victim Coordinator and Liaison	84	
Victim Services Liaison	2,404	6,714
Victim Witness Services	1,229	121,129
Subtotal	<u>1,770,329</u>	<u>4,108,986</u>
<u>Capital Projects</u>		
Courthouse 98	12,178	
County Capital Improvement		12,178
County Capital Improvements 2001		1,000,000
Subtotal	<u>12,178</u>	<u>1,012,178</u>

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>
<u>Debt Service</u>		
General Obligation Refunding Bonds, Series 2001	_____	<u>\$1,642,922</u>
Subtotal	_____	<u>1,642,922</u>
Grand total	<u>\$18,228,136</u>	<u>\$18,228,136</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, 2006 amounted to \$1,090,213.

Capital Leases

The County leases equipment through capital leasing arrangements in the governmental fund types. Payments during fiscal year ended September 30, 2006, amounted to \$56,178. The County has entered into lease agreements as lessee for financing the acquisition of copiers for various County departments and a mailing system for the mail room totaling \$78,803. 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	\$318,809
Less: accumulated depreciation	<u>146,937</u>
Total	<u>\$171,872</u>

The future minimum lease payments and the net present value of these minimum lease payments as of September 30, 2006 are as follows:

	<u>Year ending September 30</u>	<u>Governmental Activities</u>
	2007	\$69,335
	2008	50,109
	2009	16,722
	2010	16,517
	2011	<u>13,076</u>
Total minimum lease payments		165,759
Less: Interest		<u>19,090</u>
Present value of future Minimum lease payments		<u>\$146,669</u>

Note 3. Detailed notes on all funds (Continued)

F. Long-term Debt

General and certificates of obligation bonds

The County issues general and certificate of obligation bonds as well as revenue bonds to provide the resources for the acquisition and construction of capital assets. These bonds have been issued for both governmental and business-type activities. The beginning balance of the general and certificate of obligation bonds issued in prior years was \$121,500,000. The beginning balance of the revenue bonds is \$1,150,000.

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 15th. Interest is payable semi-annually on February and August 15th.

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 1997	4.75 – 7.75%	1997	2017	\$6,480,000
Certificates of Obligation, Series 1998	4.20 – 5.25%	1998	2018	8,210,000
General Obligation Refunding, Series 1998	3.75 – 5.50%	1998	2013	21,205,000
Certificates of Obligation, Series 2001	4.00 – 5.50%	2001	2022	29,880,000
General Obligation Refunding, Series 2001	4.00 – 5.00%	2001	2012	7,965,000
Certificates of Obligation, Series 2002	3.00 – 5.25%	2002	2022	29,495,000
General Obligation Refunding, Series 2002	3.50 – 4.00%	2002	2012	1,330,000
General Obligation Refunding, Series 2002A	3.00 – 4.50%	2002	2012	6,365,000
				<u>\$110,930,000</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>	
2007	\$10,920,000	\$5,059,854	\$15,979,854
2008	11,335,000	4,572,746	15,907,746
2009	7,830,000	4,144,980	11,974,980
2010	7,985,000	3,796,653	11,781,653
2011	8,080,000	3,435,313	11,515,313
2012-2016	30,465,000	12,322,456	42,787,456
2017-2021	28,130,000	5,167,984	33,297,984
2022	<u>6,185,000</u>	<u>154,625</u>	<u>6,339,625</u>
	<u>\$110,930,000</u>	<u>\$38,654,611</u>	<u>\$149,584,611</u>

As of September 30, 2006, The County had a defeasance escrow amount of \$101,646 at fair value. This escrow is related to the August 17, 2004 partial advance refunding of the County of El Paso, Texas General Obligation Refunding Bonds, Series 2001.

Note 3. Detailed notes on all funds (Continued)

F. Long-term Debt (Continued)

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 15th. Interest is payable semi-annually on February and August 15th. 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	\$970,000
\$195,000 Waterworks System Revenue Bonds, Series 2000	4.95 – 6.10%	2000	2021	<u>163,000</u>
Total				<u>\$1,133,000</u>

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>
2007	\$17,000	\$56,746	\$73,746
2008	18,000	55,884	73,884
2009	18,000	54,964	72,964
2010	28,000	54,046	82,046
2011	29,000	52,634	81,634
2012-2016	153,000	240,420	393,420
2017-2021	190,000	198,120	388,120
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	<u>60,000</u>	<u>2,926</u>	<u>62,926</u>
	<u>\$1,133,000</u>	<u>\$1,032,132</u>	<u>\$2,165,132</u>

Prior Years

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

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

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.

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

Note 3. Detailed notes on all funds (Continued)

F. Long-term Debt (Continued)

Changes in long-term liabilities

Long-term liability activity for the year ended September 30, 2006, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
Bonds payable:					
General obligation bonds	\$44,360,000		(\$7,495,000)	\$36,865,000	\$7,760,000
Certificates of obligation bonds	77,140,000		(3,075,000)	74,065,000	3,575,000
Bond Premium	486,561		(30,410)	456,151	
Less deferred amounts:					
For issuance discounts	(189,875)		12,672	(177,203)	
On refunding	<u>(486,561)</u>		<u>30,410</u>	<u>(456,151)</u>	
Total bonds payable	121,310,125		(10,557,328)	110,752,797	11,335,000
Capital leases	124,044	\$78,803	(56,178)	146,669	69,335
Claims and judgments	1,146,935	2,320,751	(2,223,705)	1,243,981	1,243,981
Contingent liabilities		300,000		300,000	300,000
Compensated absences	<u>20,447,509</u>	<u>22,359,930</u>	<u>(20,447,509)</u>	<u>22,359,930</u>	<u>6,808,507</u>
Governmental activity					
Long-term liabilities	<u>\$143,028,613</u>	<u>\$25,059,484</u>	<u>(\$33,284,720)</u>	<u>\$134,803,377</u>	<u>\$19,756,823</u>
Business-type activities:					
Bonds payable:					
Revenue Bonds	<u>\$1,150,000</u>		<u>(\$17,000)</u>	<u>\$1,133,000</u>	<u>\$17,000</u>
Total bonds payable	1,150,000		(17,000)	1,133,000	17,000
Business-type activity					
Long-term liabilities	<u>\$1,150,000</u>		<u>(\$17,000)</u>	<u>\$1,133,000</u>	<u>\$17,000</u>

No-commitment debt

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

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

	<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	\$40,555,000	\$120,000,000	(\$2,258,000)	\$158,297,000	\$2,760,000
Note payable and capital lease Obligations	<u>2,462,000</u>		<u>(888,000)</u>	<u>1,574,000</u>	<u>974,000</u>
	43,017,000	120,000,000	3,146,000	159,871,000	3,737,000
Bond premium and discount	136,000	2,671,000	40,000	2,767,000	147,000
Total long-term debt	<u>\$43,153,000</u>	<u>\$122,671,000</u>	<u>(\$3,186,000)</u>	<u>\$162,638,000</u>	<u>\$3,881,000</u>

Note 3. Detailed notes on all funds (Continued)

F. Long-term Debt (Continued)

No-commitment debt (Continued)

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

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

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

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

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

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

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

Note 3. Detailed notes on all funds (Continued)

F. Long-term Debt (Continued)

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			
2007	\$3,881,000	\$7,783,000	\$11,664,000
2008	5,238,000	7,603,000	12,841,000
2009	5,000,000	7,393,000	12,393,000
2010	4,800,000	7,169,000	11,969,000
2011	4,927,000	6,952,000	11,879,000
2012-2016	19,308,000	31,825,000	51,133,000
2017-2021	21,769,000	27,400,000	49,169,000
2022-2026	27,648,000	21,528,000	49,176,000
2027-2031	35,153,000	14,014,000	49,167,000
2032-2035	34,914,000	4,425,000	39,339,000
	<u>\$162,638,000</u>	<u>\$136,092,000</u>	<u>\$298,730,000</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 \$300,000 for probable losses has been accrued as a loss contingency and is reported at the government-wide financial statements.

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.

Note 3. Detailed notes on all funds (Continued)

H. Deferred Compensation

The County offers its employees a deferred compensation plan that permits them to defer a portion of their current salary until future years. Any contributions made to the deferred compensation plan, in compliance with Section 457 of the Internal Revenue Code, are not available to employees until termination of employment, retirement, death or an unforeseen emergency. Contributions to the plan are administered by Nationwide Retirement Solutions, ING Life Insurance and Annuity Company and AIG VALIC, as third party administrators. In accordance with the provisions of the IRC Section 457(g), the plan assets are in custodial accounts for the exclusive benefit of the plan participants and beneficiaries. The County provides neither administrative services nor investment advice to the plans. Therefore, in accordance with GASB 32, no fiduciary relationship exists between the County and the deferred compensation pension plans. At September 30, 2006 the plan assets were valued at \$14,336,143.

I. Employee Retirement Plan

Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees and part-time employees working at least 900 hours a year through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple- employer public employee retirement system consisting of 575 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.

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.

Note 3. Detailed notes on all funds (Continued)

I. Employee Retirement Plan (Continued)

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 10.29% for the months of the accounting year in 2005, and 10.41% for the months of the accounting year in 2006.

The contribution rate payable by the employee members for calendar year 2006 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, 2006, the annual pension cost for the TCDRS plan for its employees was \$11,550,356, and the actual contributions were \$11,550,356. 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, 2003 and December 31, 2004, the basis for determining the contribution rates for calendar years 2005 and 2006. The December 31, 2005 actuarial valuation is the most recent valuation. The actuarial value of the plan's assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a ten-year period.

Actuarial Valuation Information			
Actuarial valuation date	12/31/03	12/31/04	12/31/05
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, open
Amortization period in years	20	20	20
Asset valuation method	Long-term appreciation with adjustment	Long-term appreciation with adjustment	Long-term appreciation with adjustment
Actuarial Assumptions:			
Investment return ¹	8.0%	8.0%	8.0%
Projected salary increases ¹	5.5%	5.5%	5.3%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

¹ Includes inflation at the stated rate.

Note 3. Detailed notes on all funds (Continued)

I. Employee Retirement Plan (Continued)

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

Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/03	\$10,632,530	100%	\$0
09/30/04	10,916,329	100%	0
09/30/05	11,550,356	100%	0

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll ² (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/03	\$195,397,679	\$230,351,894	\$34,954,215	84.83%	\$97,728,698	35.77%
12/31/04	218,713,190	258,623,073	39,909,883	84.57%	103,229,572	38.66%
12/31/05	244,104,650	284,448,016	40,343,366	85.82%	109,916,013	36.70%

Retirement Plan - Component Unit

Plan Description

The Hospital District (the District) provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 575 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.

² The annual covered payroll is based on actuarial valuations.

Note 3. Detailed notes on all funds (Continued)

I. Employee Retirement Plan (Continued)

Funding Policy

The District has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The District contributed using the actuarially determined rate of 5.50% for the months of the accounting year in 2005, and 5.38% for the months of the accounting year in 2006.

The contribution rate payable by the employee members for calendar year 2006 is the rate of 5% as adopted by the governing body of the District. The employee contribution rate and the employer contribution rate may be changed by the governing body of the employer within the options available in the TCDRS Act.

Annual Pension Cost

For the District's accounting year ending September 30, 2006, the annual pension cost for the TCDRS plan for its employees was \$3,703,000, and the actual contributions were \$3,703,000. 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, 2003 and December 31, 2004, the basis for determining the contribution rates for calendar years 2005 and 2006. The December 31, 2005 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.

Actuarial Valuation Information			
Actuarial valuation date	12/31/03	12/31/04	12/31/05
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of payroll, open	Level percentage of payroll, open	Level percentage of payroll, open
Amortization period in years	20	20	20
Asset valuation method	Long-term appreciation with adjustment	Long-term appreciation with adjustment	Long-term appreciation with adjustment
Actuarial Assumptions:			
Investment return ¹	8.0%	8.0%	8.0%
Projected salary increases ¹	5.5%	5.5%	5.3%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

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

<u>Accounting Year</u> <u>Ending</u>	<u>Annual Pension</u> <u>Cost (APC)</u>	<u>Percentage of</u> <u>APC Contributed</u>	<u>Net Pension</u> <u>Obligation</u>
09/30/04	\$3,768,000	100%	0
09/30/05	3,793,000	100%	0
09/30/06	3,703,000	100%	0

¹ Includes inflation at the stated rate.

Note 3. Detailed notes on all funds (Continued)

I. Employee Retirement Plan (Continued)

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll ² (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/03	\$79,593	\$96,625	\$17,032	82.37%	\$62,202	27.38%
12/31/04	90,439	108,378	17,939	83.45%	67,141	26.72%
12/31/05	101,613	119,619	18,006	85.0%	70,055	25.70%

J. Post-employment Health Care Benefits

The County provides post-retirement health and dental care and life insurance benefits for retirees as they reach normal retirement age. Dependent family members are included in the plan, if at the time of the employee's retirement they were covered by the County's health plan. As of September 30, 2006 there were 125 retirees and their dependents receiving the benefits. For fiscal year ended September 30, 2006, the County recognized expenditures of \$614,122 and contributions of \$457,873 and \$311,185 from retirees and the County, respectively.

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 2006 tax rate was \$0.432259 per \$100 of assessed valuation, of which \$0.364033 was allocated for maintenance and operations, and \$0.068226 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.

²The annual covered payroll is based on actuarial valuations.

Note 3. Detailed notes on all funds (Continued)

K. Property Taxes (Continued)

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.

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.

Note 3. Detailed notes on all funds (Continued)

M. Risk Management (Continued)

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 \$1,243,981. Changes in the balances of claims liabilities during the past year are as follows:

	Year Ended <u>September 30, 2006</u>	Year Ended <u>September 30, 2005</u>
Unpaid claims, beginning of fiscal year	\$1,146,935	\$1,114,593
Incurring claims (including incurred but not reported)	2,320,751	1,760,545
Claim payments	<u>(2,223,705)</u>	<u>(1,728,203)</u>
Unpaid claims, end of fiscal year	<u>\$1,243,981</u>	<u>\$1,146,935</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.

The County purchased stop loss insurance to cover individual claims that exceed \$225,000. During fiscal year 2006, one claim was filed with the stop loss insurance carrier. For the fiscal year 2006 the County maintained insurance coverage for aggregate losses in excess of \$12,824,021. 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 \$514,767, which will be liquidated within sixty days.

N. Fund Equity

Reserves represent those portions of fund balances that are not available for appropriation or expenditures, or are legally segregated for specific future uses. Designated fund balances represent tentative plans for future uses of financial resources. The reserved retained earnings represent an amount designated to cover catastrophic losses in the Health Benefits Fund. The reserved retained earnings in the Enterprise Fund represent reservations for customer deposits, operating expenses, and repayment of debt service.

Note 3. Detailed notes on all funds (Continued)

O. Encumbrances Outstanding

Encumbrances outstanding at year-end were reported as reservation of fund balance since they do not constitute expenditures or liabilities because the commitments will be honored in the subsequent year. As of September 30, 2006 encumbrances amounted to \$4,996,677, of which \$1,048,641 related to the general fund, \$3,182,738 to the special revenue fund and \$765,298 to the capital projects fund.

P. 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.

Q. Federal Commodities

For the fiscal year ended September 30, 2006 the County received federal commodities approximating \$5,362 for the Juvenile Probation Department.

R. Prior Period Adjustments

A prior period adjustment was made in the general fund of \$507,344 for contingent liabilities that were previously reflected in the governmental fund and which management determined a better presentation is reflected at the entity wide level of the financial statements. Also in the general fund, an amount of \$87,750 is reflected as a prior period adjustment which constitutes a correction for a misclassification and not reported as part of fund balance. A prior period adjustment in the amount of \$639,038 is reflected in the special revenue grants to account for the grants transfers-in that were previously reported as deferred revenue along with an adjustment of \$1,906,026 relating to a reimbursement from a granting agency where the expenditure was incurred in the previous fiscal year. An adjustment in the Capital Projects also for \$1,906,026 is reported to reduce the expenditures incurred in this fund in the previous period but accounted for as a grant in the current period for HAVA funds. At the government-wide level, an adjustment was made for a net amount of \$1,094,732 to account for capital assets that were not reported in the previous period and \$803,927 to account for the transfer in from previous periods that was reported as unearned revenue.

SUPPLEMENTARY INFORMATION

We noted certain matters that we reported to management of The County of El Paso, Texas, in a separate letter dated January 26, 2007.

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

Duber, Broddley, Ch LLP

El Paso, Texas
January 26, 2007

REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR
PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of The County of El Paso, Texas, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to each of its major federal programs for the year ended September 30, 2006. The County of El Paso, Texas' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of The County of El Paso, Texas' management. Our responsibility is to express an opinion on The County of El Paso, Texas' compliance based on our audit.

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

In our opinion, The County of El Paso, Texas, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2006.

Internal Control Over Compliance

The management of The County of El Paso, Texas, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered The County of El Paso, Texas' internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on

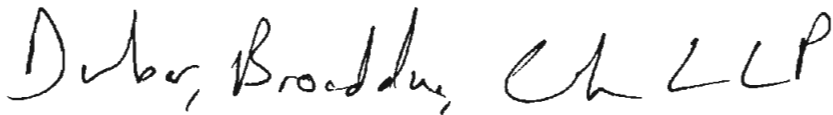
compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of The County of El Paso, Texas, as of and for the year ended September 30, 2006, and have issued our report thereon dated January 26, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise The County of El Paso, Texas', basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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



El Paso, Texas
January 26, 2007

COUNTY OF EL PASO, TEXAS

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2006

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

COUNTY OF EL PASO, TEXAS

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2006

Schedule Reference Number	PROGRAM	DESCRIPTION
	Major Federal Programs:	Public Safety Partnership and Community Policing Grants (COPS) CFDA 16.710, Edward Byrne Memorial Judicial Assistance Grant Program CFDA 16.738, Edward Byrne Memorial Formula Grant Program CFDA 16.579, Formula Grants for Other Than Urbanized Areas CFDA 20.509, Nutrition Services Incentive Program CFDA 93.053, Social Services Block Grant CFDA 93.667, Office of National Drug Control Policy (ONDCP) CFDA none.
	Pass-through Entity:	Office of the Governor - Criminal Justice Division, Texas Department of Transportation, Texas Department on Aging, Texas Department of Human Services.
	Dollar Threshold Considered Between Type A and Type B Federal Programs:	\$526,124
	Auditee qualified as low-risk auditee?	No

COUNTY OF EL PASO, TEXAS

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2006

Schedule Reference Number	PROGRAM	DESCRIPTION
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FINANCIAL STATEMENT FINDINGS

There were no current year findings.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no current year findings.

COUNTY OF EL PASO, TEXAS
SCHEDULE OF STATUS OF PRIOR FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2006

PROGRAM	STATUS OF PRIOR YEAR'S FINDINGS/NONCOMPLIANCE
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FINANCIAL STATEMENT FINDINGS

There were no prior year findings.

FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

There were no prior year findings.

COUNTY OF EL PASO, TEXAS

CORRECTIVE ACTION PLAN

FOR THE YEAR ENDED SEPTEMBER 30, 2006

Schedule Reference Number	PROGRAM	CORRECTIVE ACTION PLAN
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There were no current year findings.

County of El Paso
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2006

Federal Grantor/Pass-Through Grantor/ Program Title FEDERAL FINANCIAL ASSISTANCE	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures In Fiscal Year 2005-2006
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U.S. Election Assistance Commission

Passed-Through State Department of:

* Texas Office of the Secretary of State

HAVA Team Compatibility	39.011	N/A	\$15,000
General HAVA Compliance	90.401	N/A	1,372,869
HAVA Voting System Accessibility	99.401	N/A	444,600
HAVA County Education Fund	39.011	N/A	1,215
Total U.S. Election Assistance Commission			\$1,833,684

U.S. Department of Health and Human Services

Substance Abuse and Mental Health Services Administration

65th District Family Drug Court Program	93.243	5 H79 TI14289-03	\$202,457
65th District Expanded Family Drug Court Program	93.243	5 H79 TI17438-01	112,786
Border Children's Mental Health Collaborative	93.104	5 U79 SM54478-03	75,793
Border Children's Mental Health Collaborative	93.104	5 U79 SM54478-04	1,169,083

Passed-Through City of El Paso

El Paso City-County Nutrition SAMSHA	93.243	N/A	\$808
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Administration for Children and Families

El Paso County Individual Development Account	93.602	90EI0168	\$10,028
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Administration on Aging

National Hispanic Council On Aging	93.048	90AM2906/01	\$15,510
National Hispanic Council On Aging	93.048	90AM2590/03	13,917

Passed-Through State Department of:

* Texas Department of Human Services:

Social Services Block Grant-Home Delivered Meals	93.667	UCN 10N1493	\$655,929
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County of El Paso
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2006

Federal Grantor/Pass-Through Grantor/ Program Title FEDERAL FINANCIAL ASSISTANCE	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures In Fiscal Year 2005-2006
* Texas Department of Protective and Regulatory Services			
Promoting Safe and Stable Families -Child Protective	93.556	2003103381	\$1,207
Promoting Safe and Stable Families -Child Protective	93.556	2003103381	126,968
Promoting Safe and Stable Families-Child Welfare Board	93.556	2003103380	65,533
Children's Justice Grants to States-Family Court Project	96.643	9903-0407	30,537
* Texas Department on Aging:			
Title III C1 -Congregate Meals 06	93.053		\$476,408
Title III C2 - Homebound Meals 06	93.053		281,451
* Texas Attorney General:			
Child Support Enforcement	93.563	AG TITLE IV -D	\$1,491,677
Child Support Probation Cases	93.563	04-C0065	190,344
State Case Registry Services	93.563	04-C0098	21,942
OAG Cases Redirected	93.563	00-08002	1,170
Total U.S. Department of Health and Human Services			\$4,943,548
U. S. Department of Agriculture			
Congregate Meals 03	10.550	N/A	\$200,552
Passed-Through State Department of:			
* Texas Department of Human Services:			
National School Lunch Program/05	10.555	TX-071215	\$142,035
* TDHS - Commodities Distribution			
El Paso County Juvenile Probation	10.550	071-050-A4	\$5,362
Total U.S. Department of Agriculture			\$347,949

County of El Paso
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2006

Federal Grantor/Pass-Through Grantor/ Program Title FEDERAL FINANCIAL ASSISTANCE	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures In Fiscal Year 2005-2006
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U. S. Department of Housing and Urban Development

Passed through State Department of:

* Office of Rural Community Affairs (ORCA)

Colonia Self Help Center	14.228	725003	\$1,894
Cruz Salcido Project	14.228	724056	83,876
Ponderosa Western Village	14.228	725289	11,797
Bosque Bonito I & II	14.228	725145	7,354

* Texas Department of Housing and Community Affairs

Home Deed Conversion	14.239	1000569	\$7,749
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*Passed through-City of El Paso

Homebound Meals 03	14.218	N/A	\$61,658
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Total U.S. Department of Housing and Urban Development			\$174,328
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U.S. Department of the Interior

National Park Services

National Park Services Groundwork USA	15.921	H4520030006	\$40,000
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Total U. S. Department of Interior			\$40,000
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U. S. Department of Justice

Bureau of Justice Assistance

Local Law Enforcement	16.580	2004-LB-BX-0864	\$161,760
State Criminal Alien Assistance Program (SCAPP)	16.606	2004-AP-BX-0178	357,084
Bullet Proof Vest Partnership	16.607	N/A	2,545

Office of Community Oriented Policing Services

COPS in School	16.710	2003-SH-WX-0115	\$192,354
COPS Training and Technical Assistance	16.710	2004-CK-WX-0154	174,332

County of El Paso
 Schedule of Expenditures of Federal Awards
 Year Ended September 30, 2006

Federal Grantor/Pass-Through Grantor/ Program Title FEDERAL FINANCIAL ASSISTANCE	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures In Fiscal Year 2005-2006
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Office of Justice Programs

Single Jurisdiction Enhancement Drug Court	16.585	2004-DC-BX-0002	\$23,162
Edward Byne Memorial Justice Assistant Grant	16.738	2005-DJ-BX-0289	123,125
Organized Crime Drug Enforcement Task Force	N/A	SWTXW 377H	4,358
Organized Crime Drug Enforcement Task Force	N/A	SWTXW 0355	6,029

Passed-Through State Department of:

* Office of the Governor - Criminal Justice Division

409th Juvenile Drug Court	16.523	JB-04-J20-17899-01	\$97,242
409th Juvenile Drug Court	16.523	JB-03-J20-18028-01	153,626
Criminal Enterprise Unit	16.738	DJ-05-A10-18224-01	1,025,076
Domestic Violence Unit	16.588	WF-04-V30-13437-08	72,444
Enforcement of Protective Orders	16.588	WF-03-V30-13438-08	54,703
Juvenile Accountability Incentive Block Grant	16.523	JB-02-J20-13358-07	52,240
Operation Linebacker	16.738	DJ-05-A10-18147-01	343,113
Victim Services Liaison	16.575	VA-06-V30-15713-06	7,135
Victim Services Liaison	16.575	VA-05-V30-15713-05	27,070
Victim Witness Services	16.575	VA-04-V30-13627-07	15,604
Victim Witness Services	16.575	VA-04-V30-13625-07	25,064
West Texas Multi-County Task Force	16.579	DB-02-A10-13859-06	38,514
West Texas Multi-County Task Force	16.579	PI-04-A10-13859-07	426,693

Total U. S. Department of Justice

\$3,383,273

U. S. Department of Labor

Passed-Through State Department of:

*Upper Rio Grande Workforce Board

JPD Youth Offender Initiative Demonstration Grant	17.261	PY02-GR-216-02	(\$1,755)
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Total U.S. Department of Labor

(\$1,755)

County of El Paso
 Schedule of Expenditures of Federal Awards
 Year Ended September 30, 2006

Federal Grantor/Pass-Through Grantor/ Program Title FEDERAL FINANCIAL ASSISTANCE	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures In Fiscal Year 2005-2006
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**U. S. Department of Transportation
 Federal Transit Administration**

Passed-Through State Department of:

* Texas Department of Transportation

Rural Transit Assistance Program	20.509	51624f7106	\$72,004
Rural Transit Assistance Program	20.509	51624F7018	190,087
Rural Transit Assistance Program	20.509	51524F7116	131,284
Rural Transit Assistance Program	20.509	51524F7022	2,990
Intelligent Transportation System	20.509	51624F7089	142,039

Total U.S. Department of Transportation

\$538,404

United Way of America - Federal

Emergency Management Agency

Emergency Food and Shelter	83.523	21-8036-00LRO-014	\$787
Emergency Food and Shelter	83.523	22-8036-00LRO-014	118,848

Total United Way of America

\$119,635

U.S. Department of Homeland Security

Passed - Through State Department of:

*Texas Engineering Extension Service (TEEX)

Homeland Security	97.073	2004-GE-T4-0015	\$71,787
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*Division of Emergency Management

El Paso Flooding 2006	97.036	FEMA 1658 DR TX	\$284,628
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Total United U.S. Department of Homeland Security

\$356,415

County of El Paso
Schedule of Expenditures of Federal Awards
Year Ended September 30, 2006

Federal Grantor/Pass-Through Grantor/ Program Title FEDERAL FINANCIAL ASSISTANCE	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures In Fiscal Year 2005-2006
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OTHER FEDERAL FINANCIAL ASSISTANCE

Executive Office of the President

Office of National Drug Control Policy (ONDCP)

34th Judicial Dist. Prosecution Initiative	N/A	I3PSWP563	\$6,027
34th Judicial Dist. Prosecution Initiative	N/A	I4PSWP563	6,046
34th Judicial Dist. Prosecution Initiative	N/A	I5PSWP563	410,163
34th Judicial Dist. Prosecution Initiative	N/A	I6PSWP563	79,629
Financial Disruption Unit	N/A	I2PSWP554	4,213
CPOT-Southwest Border HIDTA	N/A	I3PSWP999	1,613,006
Multiple Initiatives	N/A	I3PSWP555	136,938
Multiple Initiatives	N/A	I4PSWP555	140,650
Multiple Initiatives	N/A	I5PSWP555	2,254,890
Multiple Initiatives	N/A	I6PSWP555	585,392
Southwest Border HIDTA Management Multiple Init.	N/A	I3PSBP576	4,221
Southwest Border HIDTA Management Multiple Init.	N/A	I4PSBP576	14,163
Southwest Border HIDTA Management Multiple Init.	N/A	I5PSBP576	366,057
Southwest Border HIDTA Management Multiple Init.	N/A	I6PSBP576	180,600

Total Other Federal Financial Assistance

\$5,801,995

TOTAL FEDERAL FINANCIAL ASSISTANCE

\$17,537,476

Note:

Special Revenues-Grants Exhibit B-51 Total Expenditures	\$24,225,207
Plus Federal funds received through General Fund	2,062,217
Plus Federal funds received through Special Revenues	147,397
Less Non-Federal Funding Sources	8,897,345

TOTAL FEDERAL FINANCIAL ASSISTANCE

\$17,537,476

COUNTY OF EL PASO, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED SEPTEMBER 30, 2006

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal financial assistance programs of the County of El Paso, Texas for the year ended September 30, 2006. The County's reporting entity is defined in Note 1 to the County's general purpose financial statements. Federal financial assistance passed through other governmental agencies is included in the Schedule of Expenditures of Federal Awards.

2. BASIS OF ACCOUNTING

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

3. SINGLE AUDIT MAJOR PROGRAM DETERMINATION

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

Type A programs, for the County, are programs that have expenditures equal to or greater than \$503,665 or three percent of total Federal awards expended. Federal programs not labeled Type A are labeled Type B programs.

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

4. OTHER FEDERAL FINANCIAL ASSISTANCE

El Paso County insures all employees in aggregate with employee dishonesty insurance of \$1,000,000 with a \$25,000 deductible at a cost of \$3,300 per year. Elected Officials are insured at various limits from \$2,000 to \$500,000 depending on their position at a cost of \$340 or \$680 per year per official. El Paso County does not have any loans or loan guarantees as of September 30, 2006.

COUNTY OF EL PASO
COMMUNITY DEVELOPMENT BLOCK GRANT
SEPTEMBER 30, 2006

Federal/State Financial Assistance

Federal Grantor: U.S. Department of Housing and Urban Development
Pass through Grantor: Office of Rural Community Affairs
CFDA Number: 14.228
Project Number: 722003
Contract Period: 03/01/02 to 01/31/06

Colonia Self Help
Contract #722003

	<u>Total Budget</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>	<u>Variance</u>
Revenues					
Federal	\$ 1,208,302	1,207,343	-	1,207,343	(959)
Total Revenues	<u>\$ 1,208,302</u>	<u>1,207,343</u>	<u>-</u>	<u>1,207,343</u>	<u>(959)</u>
Expenses					
General Administration	\$ 1,208,302	1,207,343	-	1,207,343	959
Total expenses	<u>\$ 1,208,302</u>	<u>1,207,343</u>	<u>-</u>	<u>1,207,343</u>	<u>959</u>
Excess Revenue over Expenditures	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

COUNTY OF EL PASO
COMMUNITY DEVELOPMENT BLOCK GRANT
SEPTEMBER 30, 2006

Federal/State Financial Assistance

Federal Grantor: U.S. Department of Housing and Urban Development
Pass through Grantor: Office of Rural Community Affairs
CFDA Number: 14.228
Project Number: 724056
Contract Period: 06/06/05 to 06/05/07

Cruz/Salcido Project
Contract #724056

	<u>Total Budget</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>	<u>Variance</u>
Revenues					
Federal	\$ 98,045	-	83,876	83,876	(14,169)
Total Revenues	<u>\$ 98,045</u>	<u>-</u>	<u>83,876</u>	<u>83,876</u>	<u>(14,169)</u>
Expenses					
Water Facilities	\$ 77,236	-	67,411	67,411	9,825
Rehabilitation of Private Properties (Water Service)	4,104	-	760	760	3,344
Engineering/Architectural	4,000	-	4,000	4,000	-
General Administration	12,705	-	11,705	11,705	1,000
Total expenses	<u>\$ 98,045</u>	<u>-</u>	<u>83,876</u>	<u>83,876</u>	<u>14,169</u>
Excess Revenue over Expenditures	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

COUNTY OF EL PASO
COMMUNITY DEVELOPMENT BLOCK GRANT
SEPTEMBER 30, 2006

Federal/State Financial Assistance

Federal Grantor: U.S. Department of Housing and Urban Development
 Pass through Grantor: Texas Department of Housing and Community Affairs
 CFDA Number: 14.228
 Project Number: 725003
 Contract Period: 01/17/06 to 01/17/08

Colonia Self Help
 Contract #725003

	<u>Total Budget</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>	<u>Variance</u>
Revenues					
Federal	\$ 1,223,529	-	1,894	1,894	(1,221,635)
Total Revenues	\$ 1,223,529	-	1,894	1,894	(1,221,635)
Expenses					
Center/Facility	\$ 83,637	-	-	-	83,637
Public Facilities - Water	30,540	-	-	-	30,540
Engineering/Architectural	5,000	-	-	-	5,000
Public Service					
Construction Skill Training	20,000	-	-	-	20,000
Technical Assistance	20,000	-	-	-	20,000
Tool Library	16,122	-	-	-	16,122
Fair Housing Assessment	65,000	-	-	-	65,000
Technology Center	57,120	-	-	-	57,120
Residential Rehabilitation	488,398	-	-	-	488,398
Home Repair	75,000	-	-	-	75,000
Administration, Planning and Management	87,083	-	1,894	1,894	85,189
Assistance to Non-Profit	95,000	-	-	-	95,000
Not Feasible for Rehabilitation (Reconstruction)	180,629	-	-	-	180,629
Total expenses	\$ 1,223,529	-	1,894	1,894	1,221,635
Excess Revenue over Expenditures	\$ -	-	-	-	-

COUNTY OF EL PASO
COMMUNITY DEVELOPMENT BLOCK GRANT
SEPTEMBER 30, 2006

Federal/State Financial Assistance

Federal Grantor: U.S. Department of Housing and Urban Development
Pass through Grantor: Office of Rural Community Affairs
CFDA Number: 14.228
Project Number: 725145
Contract Period: 10/24/05 to 10/23/07

Bosque Bonito I & II San Elizario
Contract #725145

	<u>Total Budget</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>	<u>Variance</u>
Revenues					
Federal	\$ 500,000	-	7,354	7,354	(492,646)
Local Match	60,500	-	909	909	(59,591)
Total Revenues	<u>\$ 560,500</u>	<u>-</u>	<u>8,263</u>	<u>8,263</u>	<u>(552,237)</u>
Expenses					
Sewer Facilities	\$ 372,510	-	-	-	372,510
Rehabilitation of Private Properties (Sewer Service)	77,990	-	-	-	77,990
Code Enforcement	2,380	-	-	-	2,380
Engineering/Architectural	45,000	-	-	-	45,000
General Administration	62,620	-	8,263	8,263	54,357
Total expenses	<u>\$ 560,500</u>	<u>-</u>	<u>8,263</u>	<u>8,263</u>	<u>552,237</u>
Excess Revenue over Expenditures	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

COUNTY OF EL PASO
COMMUNITY DEVELOPMENT BLOCK GRANT
SEPTEMBER 30, 2006

Federal/State Financial Assistance

Federal Grantor: U.S. Department of Housing and Urban Development
Pass through Grantor: Office of Rural Community Affairs
CFDA Number: 14.228
Project Number: 725289
Contract Period: 06/22/05 to 06/21/07

Ponderosa Western Village
Contract #725289

	<u>Total Budget</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>	<u>Variance</u>
Revenues					
Federal	\$ 266,596	-	11,797	11,797	(254,799)
Local Match	234,000	-	1,311	1,311	(232,689)
Total Revenues	\$ 500,596	-	13,108	13,108	(487,488)
Expenses					
Water Facilities	\$ 295,680	-	-	-	295,680
Rehabilitation of Private Properties (Water Service)	10,100	-	-	-	10,100
Sewer Facilities	114,880	-	-	-	114,880
Rehabilitation of Private Properties (Sewer Service)	10,200	-	-	-	10,200
Engineering/Architectural	50,800	-	-	-	50,800
General Administration	18,936	-	13,108	13,108	5,828
Total expenses	\$ 500,596	-	13,108	13,108	487,488
Excess Revenue over Expenditures	\$ -	-	-	-	-

COUNTY OF EL PASO
COMMUNITY DEVELOPMENT BLOCK GRANT
SEPTEMBER 30, 2006

Federal/State Financial Assistance

Federal Grantor: U.S. Department of Housing and Urban Development
Pass through Grantor: Texas Department of Housing and Community Affairs
CFDA Number: 14.239
Project Number: 1000569
Contract Period: 10/14/05 to 10/13/07

Home Program Deed Conversions
Contract #1000569

	<u>Total Budget</u>	<u>Prior Years</u>	<u>Current Year</u>	<u>Total</u>	<u>Variance</u>
Revenues					
Federal	\$ 254,800	-	7,749	7,749	(247,051)
Total Revenues	<u>\$ 254,800</u>	<u>-</u>	<u>7,749</u>	<u>7,749</u>	<u>(247,051)</u>
Expenses					
Construction General	\$ 245,000	-	-	-	245,000
Travel/Professional Education	898	-	898	898	-
General Administration	8,902	-	6,851	6,851	2,051
Total expenses	<u>\$ 254,800</u>	<u>-</u>	<u>7,749</u>	<u>7,749</u>	<u>247,051</u>
Excess Revenue over Expenditures	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

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

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

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of The County of El Paso, Texas, as of and for the year ended September 30, 2006, which collectively comprise The County of El Paso, Texas' basic financial statements and have issued our report thereon dated January 26, 2007. We did not audit the financial statements of the discretely presented component unit which statements reflect total assets of \$378,946,000 as of the respective balance sheet date and total revenues of \$310,371,000 for the year then ended. Those financial statements were audited by other auditors whose report expressing an unqualified opinion has been furnished to us, and our opinion on the financial statements, insofar as it relates to the amounts included for the discretely presented component unit is based on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. The financial statements of the discretely presented component unit were audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered The County of El Paso, Texas' internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

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