

COUNTY OF EL PASO, TEXAS
ANNUAL FINANCIAL AND COMPLIANCE REPORTS
FOR THE YEAR ENDED SEPTEMBER 30, 2010



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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, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component unit, which statements reflect total assets of \$574,958,000 as of the respective balance sheet date and total revenues of \$381,297,000 for the year then ended. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the discretely presented component unit, is based solely on the report of the other auditors.

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

In our opinion, based on our audit and the report of the other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information of the County as of September 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 23, 2011 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and important for assessing the results of our audit.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. The introductory section, other supplementary information, combining and individual nonmajor fund financial statements, and statistical section, were presented in the County's Comprehensive Annual Financial Report dated March 23, 2011, for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State of Texas Single Audit Circular, and is also not a required part of the financial statements. The schedule of expenditures of federal and state awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

A handwritten signature in black ink, appearing to read "Ch. Ruben Patten" followed by a stylized flourish.

El Paso, Texas
March 23, 2011

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Management's Discussion and Analysis

As management of the County of El Paso (the County), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2010. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 1 through 10 of this report.

Financial Highlights. Combined County assets from governmental and business type activities exceeded liabilities at the close of fiscal year 2010 by \$143,427,988, which represents total net assets. Of this amount, \$132,254,933 or 92.21 percent relates to governmental-type activities while \$11,173,055 or 7.79 percent represents business-type activities. Total net assets are comprised of restricted and unrestricted assets and investment in capital assets net of related debt. Investment in capital assets net of related debt totaled \$95,493,323 or 66.58 percent of total net assets. Restricted assets represent funds subject to constraints that are imposed externally by creditors, debt covenants, grantors, contributors, laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation. Restricted assets totaled \$37,324,048 or 26.02 percent of total net assets of which the primary government and business type activities totaled \$37,059,733 or 99.29 percent and \$264,315 or .71 percent, respectively. Unrestricted net assets on the other hand may be used to meet the county's ongoing obligations to citizens and creditors and totaled \$10,610,617 or 7.40 percent of total net assets.

The County's fiscal year 2010 operations resulted in total net assets decreasing by \$21,710,560 or 13.15 percent. This was attributable to a decrease of \$21,538,768 or 14.00 percent in the governmental-type net assets and a decrease in business-type net assets totaling \$171,792 or 1.51 percent. Explanation of these changes is depicted hereafter in this management discussion and analysis.

Overview of the Financial Statements

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

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

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

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

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

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

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

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

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

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

Proprietary Funds. The County maintains two different types of proprietary funds - Enterprise and Internal Service funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The County uses an enterprise fund to account for its East Montana Water Project and County Solid Waste. The internal service fund is an accounting device used to accumulate and allocate costs internally among the County's various functions. The County uses internal service funds to account for its employee health benefits, workers compensation, and the Sheriff's Officers Association Supplemental Benefits. The latter account was closed during the fiscal year because its intended purpose had terminated and any remaining funds were transferred to the General Fund. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

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

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

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

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

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

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

Government-Wide Financial Analysis

As previously noted, net assets may serve over time as a useful indicator of a government's financial position. In the case of the County, assets exceeded liabilities by \$143,427,988 at the close of fiscal year 2010. By far the largest component of the County's net assets represents investment in capital assets (e.g., land, buildings, machinery, and equipment) totaling \$95,493,323 or 66.58 percent of total net assets, which is net of any related debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets

themselves cannot be used to liquidate these liabilities. The second largest component is restricted assets and represents resources that are subject to external restrictions on how they may be used. These assets are comprised of capital project funds totaling \$5,658,355 or 15.16 percent, special purpose funds totaling \$30,782,672 or 82.47 percent, enterprise funds totaling \$229,736 or .62 percent of restricted assets. Also included are debt service funds totaling \$653,285 or 1.75 percent of total restricted net assets. The next category relates to unrestricted net assets totaling \$10,610,617 or 7.40 percent of total net assets, which may be used to meet the County's ongoing obligations to citizens and creditors.

Furthermore, as of September 30, 2010, the County's net assets for the governmental activities decreased by \$21,538,768 or 14.00 percent and business-type activities declined by \$171,792 or 1.51 percent and netted an overall decline of \$21,710,560 or 13.15 percent from the previous fiscal year. Investments in capital assets net of related debt from governmental and business-type activities increased by \$942,028 or 1.00 percent. There was a net decrease of \$3,723,415 or 9.07 percent in restricted assets reported, of which \$3,776,295 related to governmental activities and \$52,880 related to business-type activities. Unrestricted net assets totaled \$10,610,617 and declined by \$18,929,173 or 64.08 percent of which the majority related to governmental activities.

On a global perspective, the County of El Paso's total assets from governmental and business-type activities declined by \$20,132,177 or 5.34 percent. This decrease was the culmination of a multitude of changes at the fund level, but more so, at the entity-wide level. Discussion here will focus on selective information to give the reader a basic understanding of changes by evaluating changes in the statement of net assets and the associated changes in revenues and expenses. Detailed analysis and explanation will be focused on significant changes, which occurred throughout the various levels within these financial statements.

El Paso County, Texas Net Assets						
	Governmental		Business-type		Total	
	Activities		Activities			
	FY2010	FY2009	FY2010	FY2009	FY2010	FY2009
Current and other assets	\$ 171,065,765	\$ 187,806,664	\$ 2,027,420	\$ 1,924,854	\$ 173,093,185	\$ 189,731,518
Capital assets	173,362,768	176,584,894	10,452,448	10,724,166	183,815,216	187,309,060
Total assets	344,428,533	364,391,558	12,479,868	12,649,020	356,908,401	377,040,578
Long-term liabilities outstanding	189,773,544	188,623,404	1,052,000	1,080,000	190,825,544	189,703,404
Other liabilities	22,400,056	21,974,453	254,813	224,173	22,654,869	22,198,626
Total liabilities	212,173,600	210,597,857	1,306,813	1,304,173	213,480,413	211,902,030
Net assets:						
Invested in capital assets, net of related debt	86,028,798	84,722,153	9,464,525	9,829,142	95,493,323	94,551,295
Restricted	37,059,733	40,836,028	264,315	211,435	37,324,048	41,047,463
Unrestricted	9,166,402	28,235,520	1,444,215	1,304,270	10,610,617	29,539,790
Total net assets	\$ 132,254,933	\$ 153,793,701	\$ 11,173,055	\$ 11,344,847	\$ 143,427,988	\$ 165,138,548

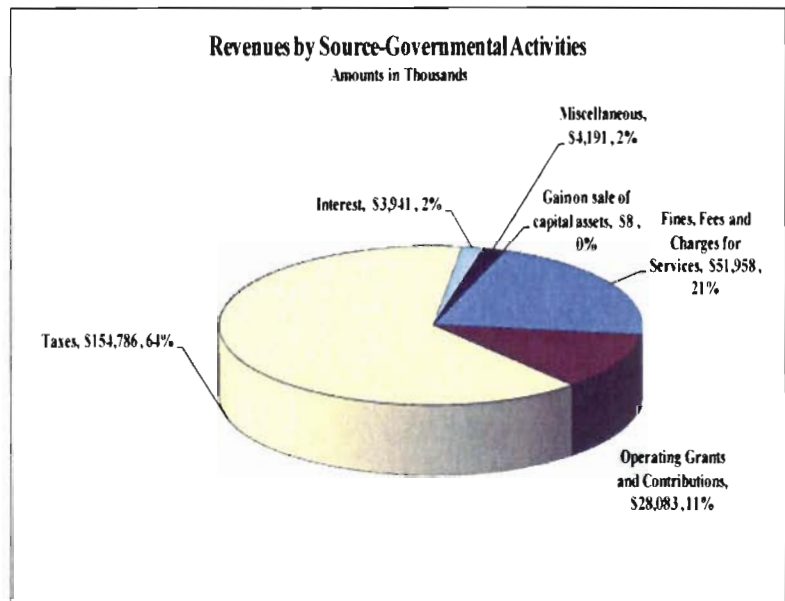
The overall decline in net assets of the County can be better understood when evaluating the changes to net assets, total assets minus total liabilities. Total assets amounted to \$356,908,401, a decrease of \$20,132,177 or 5.34 percent, while liabilities totaled \$213,480,413, an increase of \$1,578,383 or .74 percent. Further analysis reflects that the majority of all assets relate to governmental activities totaling \$344,428,533 and represents 96.50 percent of the total assets. Overall, capital assets (net of related depreciation) totaled \$183,815,216 and decreased by \$3,493,844 or 1.87 percent from the prior year, mainly due to capital assets being depreciated. Capital assets are comprised for the most part of land, roads, buildings and construction in progress.

For entity-wide reporting purposes under GASB 34, capital expenditures made at the fund level must be reversed from expenses at the entity-wide level financial statements and reflected as capital assets net of depreciation. For this reason, you may observe fund level expenditure amounts in excess of what is reported at the entity-wide level or vice versa. Total assets decreased by 5.34 percent and the most significant impact to total assets represent a decrease in cash and cash equivalents of \$13,281,740 or 8.51 percent due to low collection rates in fees across County departments, and continued low interest rates along with less funds to invest compared to the prior year when more bond proceeds were available. The decrease in the assets was compounded by a decrease in receivables net of allowance for uncollectible amounts related mainly to property taxes, totaling \$3,349,976 and a net decrease in capital assets attributed mostly to decreases in construction and renovation of county facilities, totaling \$3,533,844. The significance of this can be further evaluated by shifting attention away from assets and liabilities and focusing on the changes to the component of total net assets, which is discussed immediately following discussion on total liabilities.

Overall, total entity-wide liabilities were \$213,480,413 and increased by \$1,578,383 or .74 percent. Further analysis reflects that the majority of all liabilities relate to governmental activities totaling \$212,173,600 or 99.39 percent and business type activities totaling \$1,306,813 or .61 percent. Compared to fiscal year 2009, liabilities increased in the areas of vouchers payable by \$386,064 or 4.50 percent, payroll liabilities by \$428,901 or 8.57 percent, compensated absences by \$1,026,950 or 3.92 percent, and contingent liabilities by \$1,162,439 or 189.01 percent. Other Post Employment Benefits (OPEB) increased by \$5,715,258 or 84.96 percent due to a new actuarial study using updated information. Bonds payable decreased by \$6,695,929 or 4.30 percent and due to other governments decreased by \$755,104 or 29.04 percent. For additional information regarding compensated absences and other post employment benefits, please see note 1-K and 3-J, respectively.

County of El Paso, Texas Changes in Net Assets						
	Governmental Activities		Business-type Activities		Total	
	FY2010	FY2009	FY2010	FY2009	FY2010	FY2009
Revenues:						
Program revenues:						
Charges for services	\$ 51,958,485	\$ 49,960,987	\$ 1,141,518	\$ 1,116,874	\$ 53,100,003	\$ 51,077,861
Operating grants and contributions	28,082,976	28,847,060	-	-	28,082,976	28,847,060
Capital grants and contributions	-	-	-	-	-	-
General revenues:						
Property taxes	114,442,824	113,138,557	-	-	114,442,824	113,138,557
Other taxes	40,343,103	38,659,308	-	-	40,343,103	38,659,308
Other	8,139,329	9,599,466	18,836	25,245	8,158,165	9,624,711
Total revenues	242,966,717	240,205,378	1,160,354	1,142,119	244,127,071	241,347,497
Expenses:						
General government	44,977,190	44,847,148	-	-	44,977,190	44,847,148
Administration of justice	52,434,046	51,971,929	-	-	52,434,046	51,971,929
Public safety	122,685,935	119,310,092	-	-	122,685,935	119,310,092
Health and welfare	11,195,959	11,951,937	-	-	11,195,959	11,951,937
Community services	1,434,063	1,311,774	-	-	1,434,063	1,311,774
Resource development	757,317	1,045,196	-	-	757,317	1,045,196
Culture and recreation	9,116,410	8,959,474	-	-	9,116,410	8,959,474
Public works	13,199,004	6,435,921	-	-	13,199,004	6,435,921
Interest on long-term debt	7,286,191	7,586,903	-	-	7,286,191	7,586,903
Enterprise fund	-	-	1,352,146	1,333,611	1,352,146	1,333,611
Total expenses	263,086,115	253,420,374	1,352,146	1,333,611	264,438,261	254,753,985
Increase (decrease) in net assets before transfers	(20,119,398)	(13,214,996)	(191,792)	(191,492)	(20,311,190)	(13,406,488)
Transfers	(20,000)	(5,300)	20,000	5,300	-	-
Increase in net assets	(20,139,398)	(13,220,296)	(171,792)	(186,192)	(20,311,190)	(13,406,488)
Net assets October 1	153,793,701	167,589,571	11,344,847	11,531,039	165,138,548	179,120,610
Prior period adjustment	(1,399,370)	(575,574)	-	-	(1,399,370)	(575,574)
Net assets September 30	\$ 132,254,933	\$ 153,793,701	\$ 11,173,055	\$ 11,344,847	\$ 143,427,988	\$ 165,138,548

The decrease in the County's net assets of \$21,710,560 or 13.15 percent represents the degree to which expenses have outpaced revenues. Overall, revenue increased by \$2,779,574 or 1.15 percent of which a significant share of \$2,022,142 relates to charges for services, \$1,304,267 represents property taxes and \$1,683,795 represents sales and hotel taxes. These increases were offset by other areas which experienced a decline such as operating grants, which decreased by \$764,084 or 2.65 percent while other revenues declined by \$1,466,546 or 15.24 percent mainly attributable to continued decline in interest earnings.



Expenses increased by \$9,684,276 or 3.80 percent. Expense changes included increases of \$3,375,843 or 2.83 percent in public safety, \$6,763,083 or 105.08 percent in public works, \$462,117 or .89 percent in administration of justice. These increases netted with declines in health and welfare totaling \$755,978 or 6.33 percent, resource development for \$287,879 or 27.54 percent and interest on long-term debt for \$300,712 or 3.96 percent. Further explanation of all the above changes is discussed hereafter.

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

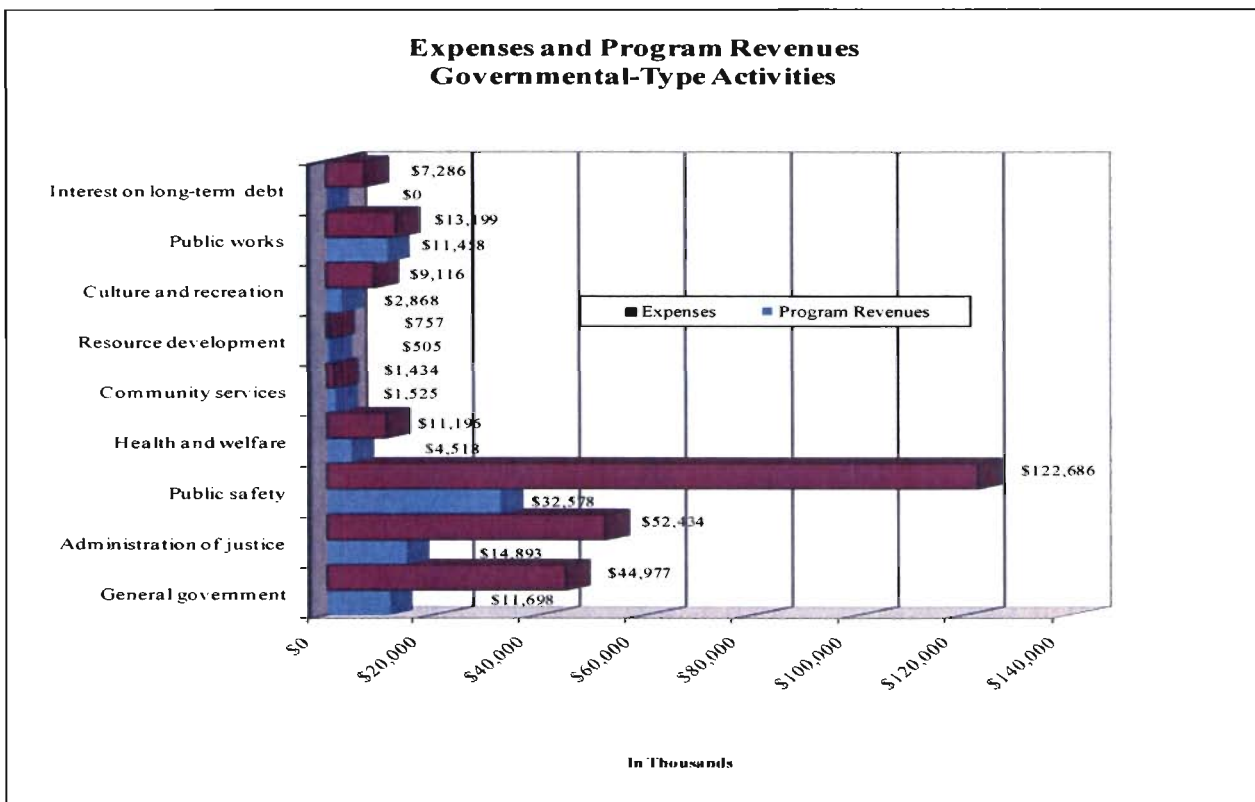
Governmental Activities

Governmental activities during fiscal year 2010 resulted in a decrease in net assets of \$21,538,768 which represents 99.21 percent of the total decrease for the primary government. Comparative fiscal year 2010 and 2009 data relating to these changes is discussed below.

Total revenues in the governmental activities increased by \$2,761,339 or 1.15 percent over the previous year. Charges for services increased by \$1,997,498 or 4.00 percent, property taxes increased by \$1,304,267 or 1.15 percent during the year. This increase is attributable to increases in existing taxable property values totaling \$1,949,877,419 or 6.57 percent and the addition of new taxable properties totaling \$721,420,357 or 2.43 percent for a total increase of \$2,671,297,776 or 9.0 percent over the previous year's appraisals. Commissioners Court opted to lower the tax rate in fiscal year 2010 to \$0.338258 from \$0.342437 per \$100 of assessed valuation. Other taxes, comprised of sales and uses and hotel taxes, increased by \$1,683,795 or 4.36 percent.

Revenue increases were offset by declines in operating grants and contributions for governmental activities by \$764,084 or 2.65 percent due to decreased federal and state funds for programs such as housing assistance. Other revenue decreased by \$1,460,137 or 15.21 percent due in part to declines in interest earnings.

Expenses in governmental activities increased by \$9,665,741 or 3.81 percent and comprise 99.81 percent of the overall entity-wide increase of \$9,684,276. Most functions experienced increases in expenses. Significant increases were evident in areas including public safety totaling \$3,375,843 or 2.83 percent and public works totaling \$6,763,083 or 105.08 percent. Other areas with increases were administration of justice totaling \$462,117 or .89 percent, general government totaling \$130,042 or .29 percent, and culture and recreation \$156,936 or 1.75 percent. For the most part these increases were a result of allocation of increases in compensated absences, OPEB, and depreciation expense.



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

Business-type Activities. Business-type activities resulted in a decrease in net assets of \$171,792 or 1.51 percent and accounted for .79 percent of the total change in the primary government's net assets. Comparative fiscal year 2010 and 2009 data relating to these changes is reflected on Exhibit 7.

Overall revenues grew by \$18,235 or 1.60 percent for a total of \$1,160,354. Charges for services increased by \$24,644 or 2.21 percent due to an increase in program revenue received from the East Montana water system and solid waste programs. Other revenues decreased by \$6,409 or 25.39 percent due to lower investment earnings on fewer funds available for investment in business-type activities.

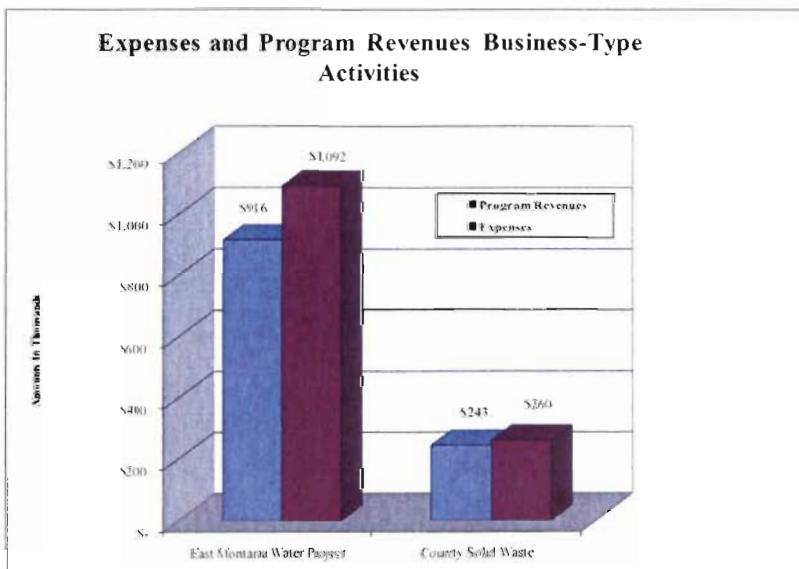
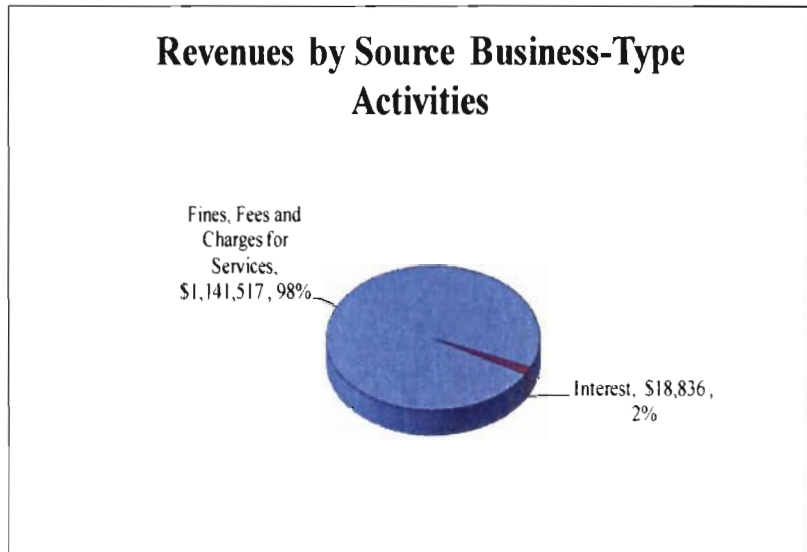
Expenses in this area totaled \$1,352,146 and increased by \$18,535 or 1.39 percent and were related to increased cost of water purchases and solid waste services for the Far East side of the County.

Financial Analysis of the Government's Funds

Governmental Funds

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

At the end of the fiscal year, the County's governmental funds reported combined ending fund balances of \$131,518,748, a decrease of \$14,809,132 or 10.12 percent in comparison with the prior year. Unassigned fund balance constitutes \$26,764,267 or 20.35 percent of total fund balance, which is available for spending at the government's discretion. The remainder of fund balance is nonspendable, restricted, committed or assigned to indicate that it has already been earmarked. The majority of the restricted amount is attributable to capital project funds, grant funds, and special revenue funds whose restrictions are stipulated by bond covenants, external resource providers or enabling legislation. The committed amount represents the Commissioners Court's formal action to use the funds for capital improvements within the County. The assigned amount is attributable to funds set aside to cover outstanding encumbrances at year end and an amount to balance the 2011 fiscal year's budget.



The general fund is the chief operating fund of the County. Fund balance totaled \$32,593,407, and increased by \$242,958 or .75 percent. At the end of the fiscal year, \$26,764,267 was unassigned while \$4,920,258 represents the amount assigned to balance the general fund budget for fiscal year 2011. The unassigned fund balance of the general fund increased by \$11,445,134 or 74.71 percent. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. The Commissioners Court utilized unassigned reserves in balancing the fiscal year 2011 operating budget, which included an expenditure level exceeding the corresponding rate of estimated revenue growth, although the designation decreased by \$10,830,412 or 68.76 percent from that of the prior fiscal year.

Grant funds ended the fiscal year with a fund balance of \$2,974,765, a decrease of \$1,422,946 or 32.36 percent. This decrease is mainly attributed to less funding from the federal and state level for such programs as Title IV-E and funding for the Sheriff's overtime.

The Capital Projects 2007 fund ended the fiscal year with a fund balance of \$46,422,380 and decreased by \$7,069,934 or 13.22 percent and is attributable to the bond proceeds from a prior fiscal year expended for the intended capital projects for which the debt was issued.

The debt service fund ended the fiscal year with a fund balance of \$1,499,137, all of which is restricted for the payment of debt service.

The special revenue funds in the aggregate have a fund balance of \$27,807,907 and increased by \$13,007,905 compared to the previous year. This increase was mainly due to the Road and Bridge fund not classified as a major fund as in the previous year. The Road and Bridge Fund ended the year with a fund balance of \$12,390,865, a decrease of \$5,276,034 or 29.86 percent.

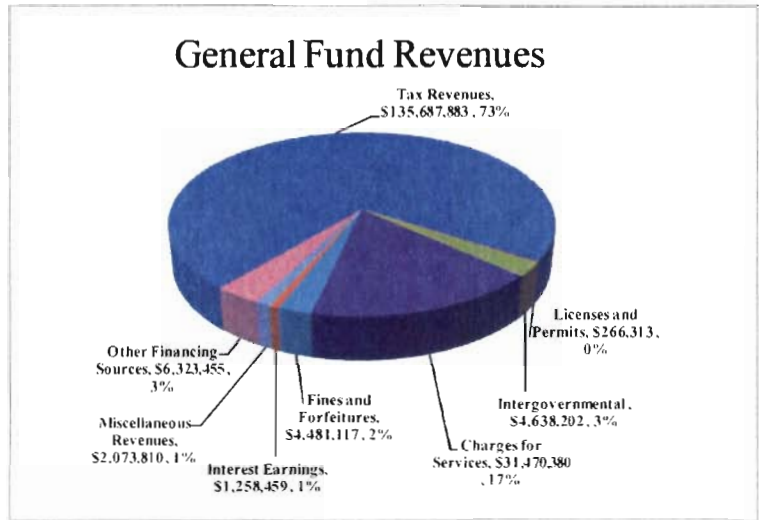
General Fund Trends

General Fund Revenues	2010 Actuals	2009 Actuals	Amount Increase (Decrease) from FY 2009	Percent Increase (Decrease)	2010 Actual as a % of Total Revenues and Other Financing Sources
Tax Revenues	\$ 135,687,883	\$ 134,980,088	\$ 707,795	0.52%	72.87%
Licenses and Permits	\$ 266,313	\$ 282,841	\$ (16,528)	-5.84%	0.14%
Intergovernmental	\$ 4,638,202	\$ 5,605,182	\$ (966,980)	-17.25%	2.49%
Charges for Services	\$ 31,470,380	\$ 30,718,968	\$ 751,412	2.45%	16.90%
Fines and Forfeits	\$ 4,481,117	\$ 4,691,135	\$ (210,018)	-4.48%	2.41%
Interest Earnings	\$ 1,258,459	\$ 1,602,150	\$ (343,691)	-21.45%	0.68%
Miscellaneous Revenues	\$ 2,073,810	\$ 2,149,394	\$ (75,584)	-3.52%	1.11%
Other Financing Sources	\$ 6,323,455	\$ 1,608,939	\$ 4,714,516	293.02%	3.40%
Total revenues and other sources	\$ 186,199,619	\$ 181,638,697	\$ 4,560,922	2.51%	100.00%

A myriad of factors contributed to the general fund's financial position. Factors included actual revenues and transfers-in over expenditures and transfers-out in the amount of \$283,828. Actual revenues totaled \$179,876,164, a decrease of \$153,594 or .09 percent over fiscal year 2009 mainly due to more property taxes being deferred based on new estimates of the taxes receivable. Sales and uses taxes rebounded from the previous year for an increase of \$1,300,787. Charges

for services saw an increase of \$751,412 or 2.45 percent. Other financing sources also increased by \$4,714,516 or 293.02 percent due to a one-time transfer from the Road and Bridge Fund.

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



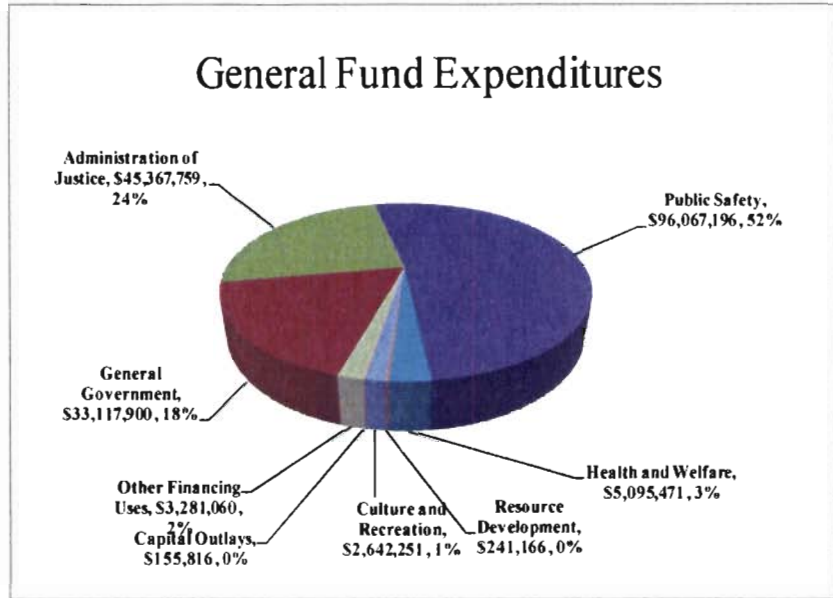
Further analysis of the general fund reflects that these increases were netted by revenue declines in intergovernmental revenues for a decrease of \$966,980 or 17.25 percent, due to lower reimbursements from the federal government for prosecuting of federal inmates; fines and forfeits for a decrease of \$210,018 or 4.48 percent; and a decrease of \$343,691 or 21.45 percent in interest earnings.

Comparison of the general fund adopted appropriations reflects a decline in fiscal year 2010 of \$6,722,424 or 3.22 percent for a total of \$202,221,201. Actual expenditures and transfers-out in fiscal year 2010 declined by \$6,474,208 or 3.36 percent bringing the total of general fund expenditures and transfers to \$185,968,619.

Declines in expenditures by category as reflected in the chart below, were the result of a multitude of changes, including a hiring freeze. The increase in public safety is mainly attributed to the reclassification of the Juvenile Probation Department from special revenue to general fund.

General Fund Expenditures	2010 Actuals	2009 Actuals	Amount Increase (Decrease) from FY 2009	Percent Increase (Decrease)	2010 Actual as a % of Total Expenditures and Other Financing Uses
Current:					
General Government	\$ 33,117,900	\$ 35,751,669	\$ (2,633,769)	-7.37%	17.81%
Administration of Justice	\$ 45,367,759	\$ 47,014,435	\$ (1,646,676)	-3.50%	24.40%
Public Safety	\$ 96,067,196	\$ 84,574,932	\$ 11,492,264	13.59%	51.66%
Health and Welfare	\$ 5,095,471	\$ 6,352,081	\$ (1,256,610)	-19.78%	2.74%
Resource Development	\$ 241,166	\$ 949,686	\$ (708,520)	-74.61%	0.13%
Culture and Recreation	\$ 2,642,251	\$ 2,741,461	\$ (99,210)	-3.62%	1.42%
Capital Outlays	\$ 155,816	\$ 307,001	\$ (151,185)	-49.25%	0.08%
Other Financing Uses	\$ 3,281,060	\$ 14,751,562	\$ (11,470,502)	-77.76%	1.76%
Total Expenditures (Uses)	\$ 185,968,619	\$ 192,442,827	\$ (6,474,208)	-3.36%	100.00%

Further analysis reflects decreases affecting most categories, such as general government by \$2,633,769 or 7.37 percent, administration of justice by \$1,646,676 or 3.50 percent. Health and welfare experienced a decrease of \$1,256,610 or 19.78 percent due to lower contribution for the shared City-County health services agreement. Capital outlays declined by \$151,185 or 49.25 percent as a result of the Commissioners Court's attempt at reducing cost wherever possible. Other financing uses declined by \$11,470,502 or 77.76 percent.



General Fund Budgetary Highlights

The fiscal year 2010 adopted budget of \$202,221,201 did not increase during the fiscal year other than for carryover appropriations totaling \$1,244,536 bringing the original budget total to \$203,465,737. This budget included \$15,750,670 of fund balance reserves to balance the fiscal year 2010 budget gap of appropriations in excess of estimated revenues. The only changes were for reallocations within expenditure classifications and between classifications as approved by the Court.

General Fund Budgetary Variance Highlights

Analysis of budget actual trends in Exhibit 5 depicts that actual revenues were \$740,069 less than estimates and occurred in a variety of areas. Significant negative variances were in ad valorem property taxes of \$3,330,441 or 52.84 percent, fines and forfeits of \$323,883 or 2.41 percent, and miscellaneous revenue of \$408,290 or 1.11 percent. Property taxes comprise approximately 54.70 percent of total revenue received. Favorable variances were experienced in all other categories including intergovernmental, sales taxes, and charges for services. Other financing sources representing transfers-in had a positive variance \$469,157 due to residual matching funds remaining after close-out of respective grants.

Favorable appropriation variances were experienced in all functions of the County as the Commissioners Court and County departments remained frugal and the Court enforced cost reduction policies such as maintaining a hiring freeze on filling staffing vacancies, no appropriation transfers between categories of personnel, operating and capital without sufficient justification and encouraging efficiencies in business practices. Overall favorable appropriation variances totaled \$18,614,358 which represents 9.15 percent of the adopted budget with carryover. The most significant favorable variance was in the area of general government totaling \$12,045,524 or 64.71 percent of overall appropriation variances. The majority of this variance related to contingencies that did not materialize and unspent personnel appropriations

made possible due to the County's hiring freeze policy. In regard to operating appropriations, this favorable impact was due to frugal use of operating contingency funds under the control of the Commissioners Court. Appropriations for transfers-out relate to leveraging county matching funds to secure state and federal grant funding which saw a favorable variance of \$123,643.

Capital Asset and Debt Administration

Capital assets

El Paso County, Texas						
Summary of Capital Assets (Net of Depreciation)						
Categories	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Land	\$ 15,325,520	\$ 15,206,585			\$ 15,325,520	\$ 15,206,585
Easements	\$ 40,000				40,000	
Buildings	107,514,124	110,226,202			107,514,124	110,226,202
Improvements	6,817,198	6,710,976			6,817,198	6,710,976
Equipment	5,016,907	5,215,724	\$ 10,390,694	\$ 10,717,899	15,407,601	15,933,623
Furniture and Fixtures	210,916	206,135			210,916	206,135
Infrastructure	1,505,361	1,602,789			1,505,361	1,602,789
Vehicles	5,459,173	5,246,253	3,841	6,267	5,463,014	5,252,520
Roads	17,489,865	17,758,546			17,489,865	17,758,546
Bridges and culverts	1,594,301	1,689,528			1,594,301	1,689,528
Leased equipment	304,502	366,753			304,502	366,753
Construction in progress	12,084,901	12,355,403	57,913		12,142,814	12,355,403
Total assets	\$ 173,362,768	\$ 176,584,894	\$ 10,452,448	\$ 10,724,166	\$ 183,815,216	\$ 187,309,060

The County's capital assets for governmental and business type activities as of September 30, 2010 amounted to \$183,815,216 net of accumulated depreciation. This investment in capital assets includes land, easements, buildings, improvements, equipment, vehicles, roads and bridges. The total change in the County's capital assets for the current fiscal year was a net decrease of \$3,493,844 or 1.87 percent, comprised of a decrease of \$3,222,126 or 1.82 percent in governmental activities and a decrease of \$271,718 or 2.53 percent in the business-type activities.

Major capital asset activity occurring in fiscal year 2010 included the completion of some road construction projects and building renovations. Construction in progress from the prior fiscal year was reclassified into the corresponding capital asset as the projects were completed. An ongoing activity of significance includes the Guadalupe Tornillo Port of Entry in Far East El Paso whereby the County is working with the State and Federal governments and Mexican officials for the construction of a new international port of entry between the United States and Mexico. As part of the County's contribution to the new port of entry, the County purchased land for this purpose and turned around and donated the land to the federal government. Additional information on the County's capital assets can be found in note 3-C and Exhibit G1- G3.

Long-term Debt

El Paso County's Outstanding Debt						
Type of Debt	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
General obligation bonds	\$ 51,640,000	\$ 56,560,000			\$ 51,640,000	\$ 56,560,000
Certificates of obligation bonds	96,375,000	98,495,000			96,375,000	98,495,000
Revenue bonds			1,052,000	1,080,000	1,052,000	1,080,000
Total	\$ 148,015,000	\$ 155,055,000	\$ 1,052,000	\$ 1,080,000	\$ 149,067,000	\$ 156,135,000

At the end of the fiscal year, the County had total bonded debt outstanding of \$149,067,000 as reflected above. Of this amount, \$148,015,000 comprises debt backed by the full faith and credit of the government. The remainder of the County's debt represents revenue bonds secured solely by specified revenue sources. During the current fiscal year the County's total debt decreased by \$7,068,000 or 4.53 percent due to the pay down on principal.

In fiscal year 2008, the Commissioners Court issued new debt to refinance some of its existing debt, taking advantage of favorable interest rates. At that time, both Moody's Investors Service and Standards & Poors reaffirmed bond ratings for a stable outlook in El Paso County with ratings of Aa3 and AA-, respectively. For fiscal year 2010, Fitch Ratings affirmed a rating of AA on the County's outstanding general obligation and certificates of obligation debt. These ratings reflect the County's diverse and moderately growing economic base, well managed financial operations with emphasis on long-range financial goals of maintaining ample reserves, and a manageable debt position.

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

Economic Factors and Next Year's Budgets and Rates

- According to the Texas Workforce Commission's October 2010 issue of Texas Labor Market Review, the statewide unemployment rate was 7.9 percent in September. Compared to the same time last year, this was 4.8 percent lower. El Paso's unemployment rate decreased from 9.8 percent to 9.7 percent in 2010.
- Over the past fiscal year, between September 2009 and September 2010, El Paso lost 3,100 jobs overall. Further analysis reflects that 1,900 job gains were netted with 5,000 employment losses. The various job losses occurred in construction (1,100), transportation (200), manufacturing (2,000), trade (1,100), information services (500), and the service sectors (100). The only gained was in government 1,900. This sector comprises 24.79 percent of El Paso's employment market. The reductions in the manufacturing sector may

be attributable to apparel manufacturers shifting a portion of operations from El Paso to Mexico and Asia in order to reduce manufacturing costs. This is consistent with the nationwide trend of cost cutting within the apparel manufacturing sector.

- El Paso's cultural and business ties as a border region with Mexico drive its economy. The renewed attraction of El Paso County as a favorable business environment, coupled with continued moderately low interest rates, continues to stimulate local construction activity. The El Paso labor market will gain an estimated 64,000 new jobs from the expansion of Ft. Bliss between 2008 and 2012. Indirect and induced impacts will create nearly one additional job in El Paso for each one generated at Ft. Bliss.
- Assessed property values have averaged approximately 10.00 percent growth over the past 5 years.
- For fiscal year 2008 the tax rate was set at \$0.391390 and lowered to \$0.342437 per \$100 of assessed valuation in 2009 as a result of increased property valuations and the addition of new property to the tax base. The tax rate was again lowered in fiscal year 2010 to \$0.338258, but increased to \$0.363403 in fiscal year 2011 in a continued effort to align revenues with expenditure trends.
- The overall fund balance of the general fund trended down from fiscal year 2007 to 2008, by approximately \$5.5 million or 11.41 percent, and by about \$10.7 million or 24.89 percent, from fiscal year 2008 to 2009. From fiscal year 2009 to 2010 overall fund balance increased slightly by \$243 thousand.
- Sales and use tax revenues fell in 2009 after five years of consecutive growth, but reflected positive growth in 2010. On a positive note, inflationary trends in the region have trended favorably compared to the state and national levels.
- The trend of general fund expenditure growth outpacing growth in revenues has been and continues to be of central focus of the Commissioners Court.

All of these factors were considered in preparing the County's budget for the 2011 fiscal year.

The focus of the County remains on conservative fiscal management while addressing public service needs and State mandates. As of September 30, 2009, the Federal Funds rate was .25 percent and remained at the same rate as of September 2010. The Discount rate was .50 percent as of September 2009 and was at .75 percent at September 2010. Interest for the twelve months ended September 2010 was \$3,959,872 down \$1,443,614 or 26.72 percent when compared to \$5,403,486 the prior fiscal year, due mainly to fewer funds available for investment plus the low interest rates.

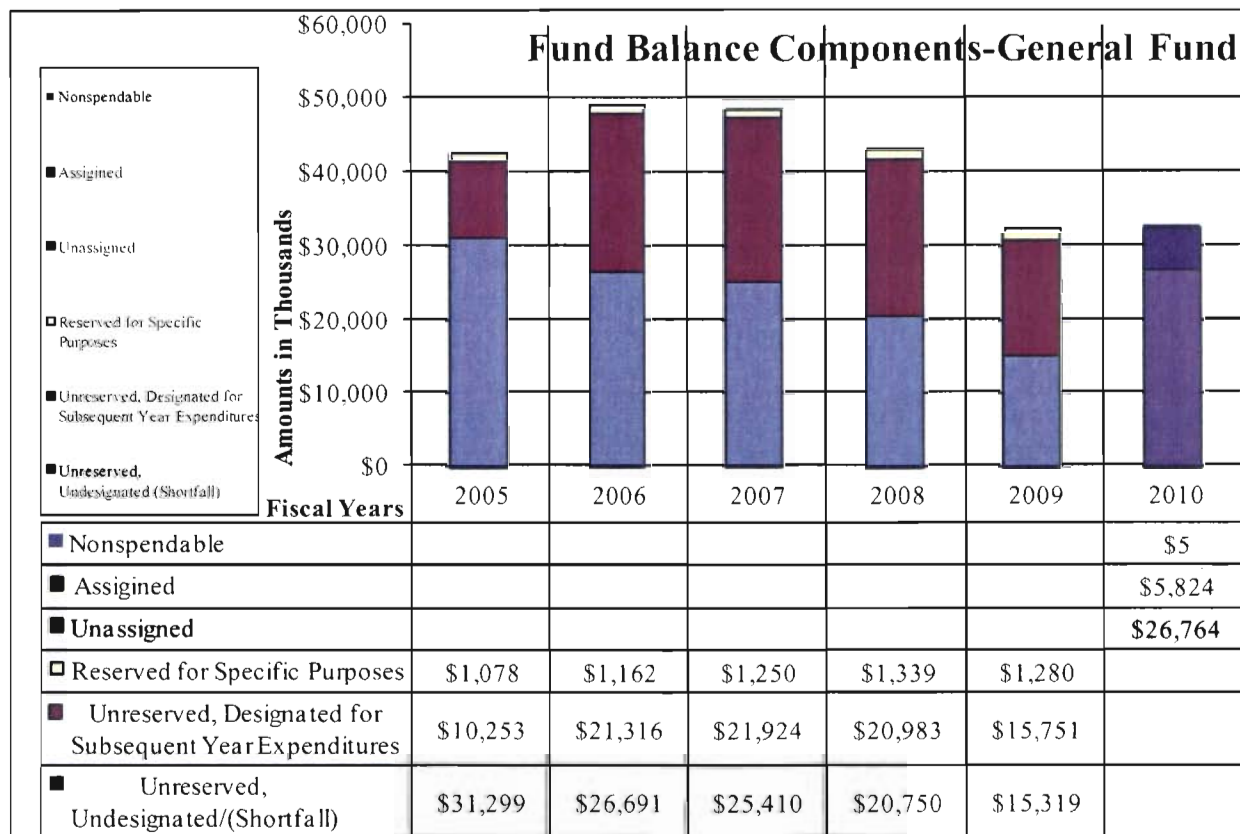
Unquestionably, the County faces continued challenges associated with meeting the steadily increasing demands for additional services and infrastructures for its rapidly growing population. The Commissioners Court members will continue to evaluate and analyze ways to streamline the County's operations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

For the future, it is anticipated that in fiscal year 2011, the Court will continue to face funding challenges. Some of these challenges will include identification of new sources or increases to revenues through aggressive collection efforts of amounts due to the County and possible shifting of financial funding responsibilities from the State to the County. Other challenges include public health and welfare, public safety and culture and recreation in response to

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

At its discretion, the Court will continue to utilize some amount of fund balance, which is healthy in the sense that it keeps the County from building up excessive reserves and reduces a future burden on taxpayers. Based on the amount of fund balance utilized in the fiscal year 2010 budget and in light of a trend of declining general fund balance reserves in the past three fiscal years, the Court must continue to focus on fiscal and budgetary restraint in fiscal years 2011 and beyond, if additional revenue sources are not identified.

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



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

The fiscal year 2011 budget adopted by the County totaled \$247,108,206, a net decrease of \$15,558,609 or 5.92 percent in comparison to the final fiscal year 2010 adopted budget. Additional information regarding the 2011 budget can be obtained from the County's official 2011 published budget presentation package on the County's web page as reflected below.

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

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

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

BASIC FINANCIAL STATEMENTS

County of El Paso, Texas
Statement of Net Assets
September 30, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Hospital District
ASSETS				
Cash and cash equivalents	\$141,075,039	\$1,648,046	\$142,723,085	\$39,953,000
Investments				67,969,000
Receivables (net of allowance for uncollectible)	29,985,787	107,727	30,093,514	20,725,000
Inventories	4,939		4,939	5,503,000
Prepaid				6,465,000
Restricted assets:				
Temporarily restricted:				
Cash and cash equivalents		271,647	271,647	
Other assets				143,926,000
Capital Assets (net of accumulated depreciation):				
Land	15,325,520		15,325,520	10,055,000
Easements	40,000		40,000	
Buildings	107,514,124		107,514,124	56,485,000
Improvements	6,817,198		6,817,198	
Equipment	5,016,907	10,390,694	15,407,601	
Furniture and fixtures	210,916		210,916	40,010,000
Infrastructure	1,505,361		1,505,361	
Vehicles	5,459,173	3,841	5,463,014	
Roads	17,489,865		17,489,865	
Bridges and culverts	1,594,301		1,594,301	
Leased equipment	304,502		304,502	
Construction in progress	12,084,901	57,913	12,142,814	183,867,000
Total assets	<u>344,428,533</u>	<u>12,479,868</u>	<u>356,908,401</u>	<u>574,958,000</u>
LIABILITIES				
Vouchers payable	8,814,715	146,552	8,961,267	60,375,000
Retainage payable	218,949		218,949	
Claims payable	858,477		858,477	
Payroll liabilities	5,431,013	1,108	5,432,121	
Due to others	86,580	91,500	178,080	
Due to other units	543,062		543,062	
Due to other governments	1,835,962	9,074	1,845,036	
Unearned revenue	2,211,036		2,211,036	
Accrued interest payable	880,431	6,579	887,010	
Claims and judgments	1,519,831		1,519,831	
Noncurrent liabilities:				
Due within one year				
Bonds	5,765,000	28,000	5,793,000	4,991,000
Deferred bond premiums, discounts, and cos	(372,071)		(372,071)	
Capital leases	131,715		131,715	
Self-insured obligations				2,076,000
Contingent liabilities	380,000		380,000	
Compensated Absences	9,018,220		9,018,220	
OPEB liability				
Due in more than one year				
Bonds	142,250,000	1,024,000	143,274,000	258,530,000
Deferred bond premiums, discounts, and cos	451,525		451,525	
Capital leases	92,978		92,978	
Self-insured obligations				1,436,000
Contingent liabilities	1,397,439		1,397,439	
Compensated absences	18,216,522		18,216,522	
OPEB liability	12,442,216		12,442,216	
Other long term liabilities				657,000
Total liabilities	<u>212,173,600</u>	<u>1,306,813</u>	<u>213,480,413</u>	<u>328,065,000</u>
NET ASSETS				
Invested in capital assets, net of related debt	86,028,798	9,464,525	95,493,323	92,017,000
Restricted for:				
Capital Projects	5,658,355		5,658,355	
Grants	2,974,765		2,974,765	
Legislative	27,807,907		27,807,907	
Debt service	618,706	34,579	653,285	4,991,000
Enterprise fund:		229,736	229,736	
Health care				71,085,000
Unrestricted	9,166,402	1,444,215	10,610,617	78,800,000
Total net assets	<u>\$132,254,933</u>	<u>\$11,173,055</u>	<u>\$143,427,988</u>	<u>\$246,893,000</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, 2010

Functions/Programs Primary government:	Program Revenues				Net (expense) Revenue and Changes in Net Assets			Component Unit Hospital District
	Expenses	Fees, Fines, and Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government Business-type Activities	Total	Total	
Governmental Activities:								
General government	\$44,977,190	\$10,344,946	\$1,352,743	(\$33,279,501)			(\$33,279,501)	
Administration of justice	52,434,046	8,191,731	6,700,903	(37,541,412)			(37,541,412)	
Public safety	122,685,935	21,709,844	10,868,183	(90,107,908)			(90,107,908)	
Health and welfare	11,195,959	118,192	4,399,325	(6,678,442)			(6,678,442)	
Community services	1,434,063		1,524,933	90,870			90,870	
Resource development	757,317		504,667	(252,650)			(252,650)	
Culture and recreation	9,116,410	2,868,037		(6,248,373)			(6,248,373)	
Public works	13,199,004	8,725,735	2,732,222	(1,741,047)			(1,741,047)	
Interest on long-term debt	7,286,191			(7,286,191)			(7,286,191)	
Total governmental activities	263,086,115	51,958,485	28,082,976	(183,044,654)			(183,044,654)	
Business-type activities:								
East Montana water project	1,091,719	897,647			(\$194,072)		(194,072)	
County Solid Waste	260,427	243,871			(16,556)		(16,556)	
Total business-type activities	1,352,146	1,141,518			(210,628)		(210,628)	
Total primary government	\$264,438,261	\$53,100,003	\$28,082,976	(\$183,044,654)			(\$183,255,282)	
Component units:								
Hospital district	\$352,494,000	\$190,613,000	\$122,918,000					(\$38,963,000)
Total component units	\$352,494,000	\$190,613,000	\$122,918,000					(38,963,000)
General revenues:								
Taxes:								
Property				\$114,442,824			\$114,442,824	\$64,617,000
Hotel/Motel				3,038,568			3,038,568	
Sales				35,426,489			35,426,489	
Bingo				56,409			56,409	
Mixed beverage				1,821,637			1,821,637	1,251,000
Interest				3,941,036		\$18,836	3,959,872	846,000
Miscellaneous				4,190,653			4,190,653	
Gain on sale of capital assets				7,640			7,640	
Transfers				(20,000)		20,000		(21,969,000)
Total general revenues and transfers				162,905,256		38,836	162,944,092	44,745,000
Change in net assets				(20,139,398)		(171,792)	(20,311,190)	5,782,000
Net assets - beginning				153,793,701		11,344,847	165,138,548	241,111,000
Prior period adjustment				(1,399,370)			(1,399,370)	
Net assets - ending				\$132,254,933		\$11,173,055	\$143,427,988	\$246,893,000

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

County of El Paso, Texas
Balance Sheet
Governmental Funds
September 30, 2010

	General	Special Revenue Grants	County Capital Projects 2007	Other Governmental Funds	Total Governmental Funds
Assets					
Cash and cash equivalents	\$36,088,594	\$2,750,350	\$48,044,279	\$50,734,463	\$137,617,686
Receivables (net of allowances for uncollectible):					
Taxes	14,151,029				14,151,029
Accounts	6,109,611	5,586,015		312,270	12,007,896
Due from other funds	13,031			2,332	15,363
Inventory of supplies	4,939				4,939
Total assets	<u>\$56,367,204</u>	<u>\$8,336,365</u>	<u>\$48,044,279</u>	<u>\$51,049,065</u>	<u>\$163,796,913</u>
Liabilities and fund balances					
Liabilities:					
Vouchers payable	\$3,734,862	2,357,422	\$1,521,015	\$1,201,416	\$8,814,715
Retainage Payable		115,169	100,884	2,896	218,949
Payroll liability	4,760,506	450,021		218,391	5,428,918
Due to others	431			75,126	75,557
Due to other funds		-		15,363	15,363
Due to other units	543,062				543,062
Due to other governments	1,828,285			7,677	1,835,962
Deferred revenue	12,906,651	2,438,988			15,345,639
Total liabilities	<u>23,773,797</u>	<u>5,361,600</u>	<u>1,621,899</u>	<u>1,520,869</u>	<u>32,278,165</u>
Fund Balances:					
Nonspendable:					
Inventory	4,939				4,939
Restricted:					
Temporary budgetary stabilization				5,191,968	5,191,968
Building construction/renovation			16,835,286	4,811,999	21,647,285
Bridge construction			10,732,111	236,851	10,968,962
General assistance				5,058,428	5,058,428
Parks			2,515,391	10,105,548	12,620,939
Public safety				2,555,762	2,555,762
Records management				394,528	394,528
Road construction/maintenance				10,865,662	10,865,662
Software/IT improvements			10,651,418		10,651,418
Water/sewer construction			706,143	1,200,000	1,906,143
Other purposes		2,974,765	2,015,746	6,030,794	11,021,305
Committed:					
Other purposes				1,267,122	1,267,122
Assigned:					
Imprest and change funds	108,960				108,960
Temporary budgetary stabilization	4,920,258				4,920,258
Other purposes	794,983		2,966,285	1,809,534	5,570,802
Unassigned:					
Total fund balances	<u>32,593,407</u>	<u>2,974,765</u>	<u>46,422,380</u>	<u>49,528,196</u>	<u>131,518,748</u>
Total liabilities and fund balances	<u>\$56,367,204</u>	<u>\$8,336,365</u>	<u>\$48,044,279</u>	<u>\$51,049,065</u>	<u>\$163,796,913</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, 2010

Total fund balances for governmental funds		\$131,518,748
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	15,325,520	
Easements	40,000	
Buildings, net of accumulated depreciation	107,514,124	
Improvements, net of accumulated depreciation	6,817,198	
Equipment, net of accumulated depreciation	5,016,907	
Furniture and fixtures, net of accumulated depreciation	210,916	
Infrastructure, net of accumulated depreciation	1,505,361	
Vehicles, net of accumulated depreciation	5,459,173	
Roads, net of accumulated depreciation	17,489,865	
Bridges and culverts, net of accumulated depreciation	1,594,301	
Leased equipment, net of accumulated depreciation	304,502	
Construction in progress	12,084,901	
Total capital assets	173,362,768	173,362,768
Other long-term assets are not available to pay for current-period expenditures and therefore are deferred in the funds.		
Deferred revenue property taxes		13,134,603
Receivable for court costs, net of allowance for uncollectible accounts		3,826,862
Compensated Absences		(27,234,742)
OPEB liability		(12,442,216)
Internal service fund is used to charge the health care costs for county employees, dependants, and retirees.		2,585,758
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	(880,431)	
General long-term debt	(148,015,000)	
Capital leases	(224,693)	
Contingent liabilities	(1,777,439)	
Claims and judgments	(1,519,831)	
Deferred bond issuance costs	(79,454)	
Other liabilities	(152,496,848)	
Total long-term liabilities	(152,496,848)	(152,496,848)
Total net assets of governmental activities		\$132,254,933

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, 2010

	General	Special Revenue Grants	County Capital Projects 2007	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$135,687,883			\$15,339,171	\$151,027,054
Licenses and permits	266,313				266,313
Intergovernmental revenues	4,638,202	\$22,043,653		1,401,121	28,082,976
Charges for services	31,470,380			13,564,215	45,034,595
Fines and Forfeitures	4,481,117			2,350,087	6,831,204
Interest	1,258,459	101,609	\$1,340,158	1,057,033	3,757,259
Miscellaneous	2,073,810	1,811,239		305,604	4,190,653
Total Revenues	<u>179,876,164</u>	<u>23,956,501</u>	<u>1,340,158</u>	<u>34,017,231</u>	<u>239,190,054</u>
EXPENDITURES					
Current:					
General Government	33,117,900	83,246		3,289,319	36,490,465
Administration of justice	45,367,759	3,169,920		1,074,428	49,612,107
Public safety	96,067,196	11,845,063		2,826,975	110,739,234
Health and welfare	5,095,471	5,501,808		144,836	10,742,115
Community services		1,249,183			1,249,183
Resource development	241,166	510,250			751,416
Culture and recreation	2,642,251			4,844,199	7,486,450
Public works		888,569		7,295,597	8,184,166
Debt Service:					
Principal				7,040,000	7,040,000
Interest				7,320,909	7,320,909
Capital outlays	155,816	3,169,537	8,410,092	2,463,670	14,199,115
Total expenditures	<u>182,687,559</u>	<u>26,417,576</u>	<u>8,410,092</u>	<u>36,299,933</u>	<u>253,815,160</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(2,811,395)</u>	<u>(2,461,075)</u>	<u>(7,069,934)</u>	<u>(2,282,702)</u>	<u>(14,625,106)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	6,323,455	3,008,992		2,074,893	11,407,340
Transfers out	(3,281,060)	(1,228,566)		(6,671,568)	(11,181,194)
Capital leases	52,828				52,828
Sale of capital assets				7,640	7,640
Total other financing sources and uses	<u>3,095,223</u>	<u>1,780,426</u>		<u>(4,589,035)</u>	<u>286,614</u>
Net change in fund balances	283,828	(680,649)	(7,069,934)	(6,871,737)	(14,338,492)
Fund balances - beginning	<u>32,350,449</u>	<u>4,397,711</u>	<u>53,492,314</u>	<u>56,087,406</u>	<u>146,327,880</u>
Prior year adjustment		(742,297)		312,527	(429,770)
Net change in reserve for inventories	(40,870)				(40,870)
Fund balances - ending	<u>\$32,593,407</u>	<u>\$2,974,765</u>	<u>\$46,422,380</u>	<u>\$49,528,196</u>	<u>\$131,518,748</u>

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, 2010**

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

Net change in fund balances - total governmental funds		(\$14,338,492)
<p>Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered an other source of financing, but in the statement of net assets, the lease obligation is reported as a liability.</p>		
		(52,828)
<p>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.</p>		
Repayments		
Bond issuance costs	(372,071)	
Principal payments	7,040,000	
Net adjustment	<u>6,667,929</u>	6,667,929
Court cost receivables, net of allowance for uncollectible amounts		(229,109)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>		
<p>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.</p>		
Deferred revenue property taxes	3,758,873	
Additional contingent liabilities	(1,162,439)	
Additional Compensated Absences	(1,026,950)	
Additional Other Post Employment Benefits	(4,745,658)	
Depreciation expense	(16,927,355)	
<p>The net effect of various transactions involving capital assets (i.e., sales and retirements) is to increase net assets</p>		
Additions	21,965,859	
Retirements	(9,293,122)	
Accumulated depreciation related to retirements	<u>1,032,492</u>	13,705,229
Unpaid claims workers comp		(127,859)
Change in purchasing inventory		(40,870)
Expenses related to capital lease payments and retirements		139,406
Accrued interest on bonds		<u>34,718</u>
		(6,392,905)
<p>Internal service fund is used to charge the health care costs for county employees, dependants, and retirees.</p>		
		<u>(5,793,993)</u>
Change in net assets of governmental activities		<u><u>(\$20,139,398)</u></u>

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

County of El Paso, Texas
Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Taxes:				
Property	\$101,713,789	\$101,713,789	\$98,383,348	(\$3,330,441)
Sales	34,200,000	34,200,000	35,426,489	1,226,489
Bingo	52,000	52,000	56,409	4,409
Mixed beverage	1,500,000	1,500,000	1,821,637	321,637
Licenses and permits	248,500	248,500	266,313	17,813
Intergovernmental	4,033,856	4,033,856	4,638,202	604,346
Charges for services	30,320,988	30,320,988	31,470,380	1,149,392
Fines and forfeitures	4,805,000	4,805,000	4,481,117	(323,883)
Interest	1,260,000	1,260,000	1,258,459	(1,541)
Miscellaneous	2,482,100	2,482,100	2,073,810	(408,290)
Total revenues	<u>180,616,233</u>	<u>180,616,233</u>	<u>179,876,164</u>	<u>(740,069)</u>
EXPENDITURES				
Current:				
General government				
Personnel	28,701,941	26,980,763	22,283,877	4,696,886
Operating	19,101,763	18,223,531	10,874,893	7,348,638
Total general Government	<u>47,803,704</u>	<u>45,204,294</u>	<u>33,158,770</u>	<u>12,045,524</u>
Administration of justice				
Personnel	41,293,137	41,790,149	39,844,538	1,945,611
Operating	5,699,444	6,289,974	5,523,221	766,753
Total Administration of justice	<u>46,992,581</u>	<u>48,080,123</u>	<u>45,367,759</u>	<u>2,712,364</u>
Public safety				
Personnel	80,749,620	80,053,044	78,845,920	1,207,124
Operating	16,945,889	18,219,039	17,221,276	997,763
Total Public safety	<u>97,695,509</u>	<u>98,272,083</u>	<u>96,067,196</u>	<u>2,204,887</u>
Health and welfare				
Personnel	1,610,140	1,834,720	1,386,478	448,242
Operating	3,531,320	4,048,033	3,708,993	339,040
Total Health and welfare	<u>5,141,460</u>	<u>5,882,753</u>	<u>5,095,471</u>	<u>787,282</u>
Resource development				
Personnel	286,100	308,692	222,131	86,561
Operating	71,168	60,474	19,035	41,439
Total Resource development	<u>357,268</u>	<u>369,166</u>	<u>241,166</u>	<u>128,000</u>
Culture and recreation				
Personnel	1,567,551	1,563,958	1,523,495	40,463
Operating	1,374,616	1,374,907	1,118,756	256,151
Total Culture and recreation	<u>2,942,167</u>	<u>2,938,865</u>	<u>2,642,251</u>	<u>296,614</u>
Capital outlays	286,455	471,860	155,816	316,044
Total expenditures	<u>201,219,144</u>	<u>201,219,144</u>	<u>182,728,429</u>	<u>18,490,715</u>
Excess of revenues over expenditures	<u>(20,602,911)</u>	<u>(20,602,911)</u>	<u>(2,852,265)</u>	<u>17,750,646</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	5,854,298	5,854,298	6,323,455	469,157
Transfers out	(2,246,593)	(2,246,593)	(2,122,950)	123,643
Capital leases			52,828	52,828
Total other financing sources and uses	<u>3,607,705</u>	<u>3,607,705</u>	<u>4,253,333</u>	<u>645,628</u>
Net change in fund balances	<u>(16,995,206)</u>	<u>(16,995,206)</u>	<u>1,401,068</u>	<u>18,396,274</u>
Fund balances - beginning	42,211,098	42,211,098	42,211,098	
Fund balances - ending	<u>\$25,215,892</u>	<u>\$25,215,892</u>	<u>\$43,612,166</u>	<u>\$18,396,274</u>

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

County of El Paso, Texas
 Special Revenue Fund - Grant Funds
 Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
 For the Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental	\$26,199,877	\$59,116,687	\$22,043,653	(\$37,073,034)
Interest	18,409	129,298	101,609	(27,689)
Miscellaneous	483,500	754,081	1,811,239	1,057,158
Total revenues	<u>26,701,786</u>	<u>60,000,066</u>	<u>23,956,501</u>	<u>(36,043,565)</u>
Expenditures:				
General government:				
Personnel		128,246	74,062	54,184
Operating	3,000	30,697	9,184	21,513
Total general government	<u>3,000</u>	<u>158,943</u>	<u>83,246</u>	<u>75,697</u>
Administration of justice:				
Personnel	1,497,286	3,723,025	1,984,136	1,738,889
Operating	281,824	2,630,284	1,185,784	1,444,500
Total administration of justice	<u>1,779,110</u>	<u>6,353,309</u>	<u>3,169,920</u>	<u>3,183,389</u>
Public safety:				
Personnel	7,538,222	17,415,016	7,961,635	9,453,381
Operating	4,895,341	9,693,634	3,883,428	5,810,206
Total public safety	<u>12,433,563</u>	<u>27,108,650</u>	<u>11,845,063</u>	<u>15,263,587</u>
Health and welfare:				
Personnel	1,206,490	2,733,414	1,356,735	1,376,679
Operating	3,568,796	8,559,456	4,145,073	4,414,383
Total health and welfare	<u>4,775,286</u>	<u>11,292,870</u>	<u>5,501,808</u>	<u>5,791,062</u>
Resource development:				
Personnel		30,000		30,000
Operating	10,000	5,027,856	510,250	4,517,606
Total resource development	<u>10,000</u>	<u>5,057,856</u>	<u>510,250</u>	<u>4,547,606</u>
Community services:				
Personnel	421,531	560,529	164,160	396,369
Operating	2,257,716	4,696,128	1,085,023	3,611,105
Total community services	<u>2,679,247</u>	<u>5,256,657</u>	<u>1,249,183</u>	<u>4,007,474</u>
Culture and recreation:				
Operating	966	966		966
Total culture and recreation	<u>966</u>	<u>966</u>		<u>966</u>
Public works:				
Personnel	45,451	300,131	84,244	215,887
Operating	1,433,921	3,223,070	804,325	2,418,745
Total public works	<u>1,479,372</u>	<u>3,523,201</u>	<u>888,569</u>	<u>2,634,632</u>
Capital outlays	<u>11,478,380</u>	<u>12,517,194</u>	<u>3,169,537</u>	<u>9,347,657</u>
Total expenditures	<u>34,638,924</u>	<u>71,269,646</u>	<u>26,417,576</u>	<u>44,852,070</u>
Excess (deficiency) of revenues over (under) expenditures	(7,937,138)	(11,269,580)	(2,461,075)	8,808,505
Other financing sources (uses):				
Transfers in	1,553,896	5,749,375	3,008,992	(2,740,383)
Transfers out	(3,618,888)	(3,618,888)	(1,228,566)	2,390,322
Total other financing sources (uses)	<u>(2,064,992)</u>	<u>2,130,487</u>	<u>1,780,426</u>	<u>(350,061)</u>
Excess (deficiency) of revenues and other financing sources over (under) expenditures and other financing uses	(10,002,130)	(9,139,093)	(680,649)	8,458,444
Fund balance - beginning	4,397,711	4,397,711	4,397,711	
Prior period adjustments			(742,297)	
Fund balance - ending	<u>(\$5,604,419)</u>	<u>(\$4,741,382)</u>	<u>\$2,974,765</u>	<u>\$8,458,444</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, 2010

	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	\$1,643,214	\$1,529,077	\$4,832	\$20,469	\$1,648,046	\$3,457,353
Accounts receivable	87,015	80,942	20,712	20,319	107,727	
Restricted cash and cash equivalents						
Customer deposits	91,500	88,650			91,500	
East Montana 1997A interest and sinking fund	35,507	42,532			35,507	
East Montana 2000A interest and sinking fund	7,776	6,458			7,776	
Total current assets	<u>1,865,012</u>	<u>1,747,659</u>	<u>25,544</u>	<u>40,788</u>	<u>1,890,556</u>	<u>3,457,353</u>
Noncurrent assets:						
Restricted cash, cash equivalents, and investments:						
East Montana 1997B construction fund	36,470	36,470			36,470	
East Montana Reserve fund	100,394	99,937			100,394	
Total restricted assets:	<u>136,864</u>	<u>136,407</u>			<u>136,864</u>	
Capital assets:						
Equipment, water system	13,134,237	13,134,237			13,134,237	
Vehicles	16,979	16,979			16,979	
Construction in Progress	57,913				57,913	
Less accumulated depreciation	(2,756,681)	(2,427,050)			(2,756,681)	
Total capital assets, net of accumulated depreciation	<u>10,452,448</u>	<u>10,724,166</u>			<u>10,452,448</u>	
Total noncurrent assets	<u>10,589,312</u>	<u>10,860,573</u>			<u>10,589,312</u>	
Total assets	<u>12,454,324</u>	<u>12,608,232</u>	<u>25,544</u>	<u>40,788</u>	<u>12,479,868</u>	<u>3,457,353</u>
LIABILITIES						
Current liabilities:						
Vouchers payable	124,531	78,539	22,021	40,763	146,552	
Customer deposits payable	91,500	88,650			91,500	
Claims payable						858,477
Payroll Liability	1,108	983			1,108	2,095
Due to others						11,023
Due to other governments	9,074	8,482			9,074	
Current liabilities payable from restricted assets:						
East Montana Water Project 1997A payable	20,000	20,000			20,000	
East Montana Water Project 2000A payable	8,000	8,000			8,000	
Accrued interest payable	6,579	6,756			6,579	
Total current liabilities	<u>260,792</u>	<u>211,410</u>	<u>22,021</u>	<u>40,763</u>	<u>282,813</u>	<u>871,595</u>
Noncurrent liabilities:						
East Montana Water Project 1997A payable	900,000	920,000			900,000	
East Montana Water Project 2000A payable	124,000	132,000			124,000	
Total noncurrent liabilities	<u>1,024,000</u>	<u>1,052,000</u>			<u>1,024,000</u>	
Total liabilities	<u>1,284,792</u>	<u>1,263,410</u>	<u>22,021</u>	<u>40,763</u>	<u>1,306,813</u>	<u>871,595</u>
NET ASSETS						
Invested in capital assets, net of related debt	9,464,525	9,829,142			9,464,525	
Restricted for:						
Debt	34,579	34,756			34,579	
East Montana Water Project	168,300	176,654			168,300	
County Solid Waste			3,523	25	3,523	
Mayfair/ Nuway Water	57,913				57,913	
Unrestricted:						
East Montana Water Project	1,444,215	1,304,270			1,444,215	
Internal Service fund						2,585,758
Total net assets	<u>\$11,169,532</u>	<u>\$11,344,822</u>	<u>\$3,523</u>	<u>\$25</u>	<u>\$11,173,055</u>	<u>\$2,585,758</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, 2010

	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	\$897,647	\$876,766	\$243,871	\$240,108	\$1,141,518	
Employee premiums						\$4,531,907
Employer premiums						5,509,184
Other agencies						55,482
Retiree premiums						559,158
Cobra						63,525
Stop loss reimbursements						619,608
Other						291,267
Total operating revenues	<u>897,647</u>	<u>876,766</u>	<u>243,871</u>	<u>240,108</u>	<u>1,141,518</u>	<u>11,630,131</u>
OPERATING EXPENSES						
Personnel expenses	30,002	66,271			30,002	
Operating expenses	94,996	79,805			94,996	
Depreciation	329,631	339,057			329,631	
Public utilities	328,575	298,219			328,575	
Professional services	254,647	248,020	260,427	247,389	515,074	
Claims						15,350,345
Administrative						2,011,410
Total operating expenses	<u>1,037,851</u>	<u>1,031,372</u>	<u>260,427</u>	<u>247,389</u>	<u>1,298,278</u>	<u>17,361,755</u>
Operating income (loss)	<u>(140,204)</u>	<u>(154,606)</u>	<u>(16,556)</u>	<u>(7,281)</u>	<u>(156,760)</u>	<u>(5,731,624)</u>
NONOPERATING REVENUES (EXPENSES)						
Interest revenue	18,782	25,124	54	121	18,836	183,777
Interest expense	(53,868)	(54,850)			(53,868)	
Total nonoperating revenues (expenses)	<u>(35,086)</u>	<u>(29,726)</u>	<u>54</u>	<u>121</u>	<u>(35,032)</u>	<u>183,777</u>
Income before contributions and transfers	<u>(175,290)</u>	<u>(184,332)</u>	<u>(16,502)</u>	<u>(7,160)</u>	<u>(191,792)</u>	<u>(5,547,847)</u>
Transfers from other funds			20,000	5,300	20,000	
Transfers to other funds						(246,146)
Change in Net Assets	<u>(175,290)</u>	<u>(184,332)</u>	<u>3,498</u>	<u>(1,860)</u>	<u>(171,792)</u>	<u>(5,793,993)</u>
Total net assets, beginning	<u>11,344,822</u>	<u>11,529,154</u>	<u>25</u>	<u>1,885</u>	<u>11,344,847</u>	<u>8,379,751</u>
Total net assets, ending	<u>\$11,169,532</u>	<u>\$11,344,822</u>	<u>\$3,523</u>	<u>\$25</u>	<u>\$11,173,055</u>	<u>\$2,585,758</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, 2010

	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	
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers	\$895,016	\$868,112	\$243,478	\$238,828	\$1,138,494	
Payments for personnel expenses	(29,877)	(67,763)			(29,877)	
Payments for operating expenses	(49,004)	(49,013)	(18,742)	20,815	(67,746)	
Payments for utilities	(328,575)	(298,219)			(328,575)	
Payments for professional services	(254,647)	(248,020)	(260,427)	(247,389)	(515,074)	
Receipts from employee premiums						\$4,531,907
Receipts from employer premiums						5,509,184
Receipts from other agencies premiums						55,482
Receipts from retiree premiums						559,158
Receipts from cobra premiums						63,525
Receipts from stop loss reimbursements						619,608
Receipts from miscellaneous services						291,267
Payments for claims						(15,988,670)
Payments for administrative expenses						(2,011,410)
Net cash provided (used) by operating activities	<u>232,913</u>	<u>205,097</u>	<u>(35,691)</u>	<u>12,254</u>	<u>197,222</u>	<u>(6,369,949)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers from other funds			20,000	5,300	20,000	
Transfers to other funds						(246,146)
Net cash provided (used) by noncapital financing activities			<u>20,000</u>	<u>5,300</u>	<u>20,000</u>	<u>(246,146)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Interest paid	(54,045)	(54,965)			(54,045)	
Principal repayments	(28,000)	(18,000)			(28,000)	
Construction in progress	(57,913)				(57,913)	
Net cash provided (used) by capital and related financing activities	<u>(139,958)</u>	<u>(72,965)</u>			<u>(139,958)</u>	
CASH FLOWS FROM INVESTING ACTIVITIES						
Receipt of interest	18,782	25,124	54	121	18,836	183,777
Net cash provided (used) by investing activities	<u>18,782</u>	<u>25,124</u>	<u>54</u>	<u>121</u>	<u>18,836</u>	<u>183,777</u>
Net increase in cash and cash equivalents	111,737	157,256	(15,637)	17,675	96,100	(6,432,318)
Cash and cash equivalents, beginning of year	1,803,124	1,645,868	20,469	2,794	1,823,593	9,889,671
Cash and cash equivalents, end of year	<u>\$1,914,861</u>	<u>\$1,803,124</u>	<u>\$4,832</u>	<u>\$20,469</u>	<u>\$1,919,693</u>	<u>\$3,457,353</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:						
Operating income (loss)	(\$140,204)	(\$154,606)	(\$16,556)	(\$7,281)	(\$156,760)	(\$5,731,624)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:						
Depreciation	329,631	339,057			329,631	
(Increase) decrease in accounts receivable	(6,073)	(12,489)	(393)	(1,280)	(6,466)	
Increase (decrease) in customer deposits	2,850	3,200			2,850	
Increase (decrease) in vouchers payable	45,992	30,792	(18,742)	20,815	27,250	
Increase (decrease) in claims liability						(638,325)
Increase (decrease) in payroll liability	125	(1,492)			125	
Increase (decrease) in due to other governments	592	635			592	
Total adjustments	<u>373,117</u>	<u>359,703</u>	<u>(19,135)</u>	<u>19,535</u>	<u>353,982</u>	<u>(638,325)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$232,913</u>	<u>\$205,097</u>	<u>(\$35,691)</u>	<u>\$12,254</u>	<u>\$197,222</u>	<u>(\$6,369,949)</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, 2010

	Agency Funds
Assets	
Cash and cash equivalents	\$22,506,337
Accounts receivable	120,240
Restricted-funds custodial capacity cash equivalents	10,011,751
Total Assets	\$32,638,328
Liabilities	
Accounts payable	\$32,871
Payroll liabilities	2,576,403
Due to others	22,462,968
Due to other governmental agencies	7,566,086
Total Liabilities	\$32,638,328
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, 2010

Note 1. Summary of Significant Accounting Policies

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

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

A. Reporting Entity

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

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

B. Government-wide and fund financial statements

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

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

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

The County reports the following major governmental funds:

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

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

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

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

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

The County reports the following non-major governmental funds:

Special Revenue Funds account for specific revenue resources that are restricted or committed for specified purposes.

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

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

The County additionally reports the following fund types:

Internal Service Funds account for the health benefits provided to County employees, retirees and dependents. The workers' compensation benefits 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 filed with the County Attorney by area merchants.

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

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

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.

Note 1. Summary of Significant Accounting Policies (Continued)

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

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

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

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

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

D. Budgets

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgets (Continued)

The annual adopted budget for fiscal year 2010 totaled \$262,666,815. Throughout the year, the Commissioners Court amended the budget for an aggregate increase total of \$36,847,851. These increases represented statutorily provided increases for additional funding by granting agencies and intergovernmental agreements bringing the overall budget total to \$414,163,889, including re-appropriations. The appropriation changes included revisions as follows:

County of El Paso, Texas Schedule of Amended Funding Amounts For the period ending September 30, 2010							
Date of Amendment	General Fund	Special Revenue Fund	Enterprise Fund	Debt Service Fund	Capital Projects Fund	Grants	Total Funding Amounts
October 5, 2009	\$202,221,201	\$42,008,716	\$1,301,516	\$14,360,910	\$2,774,472	\$0	\$262,666,815
Total amendments		170,492	112,944		(66,307)	36,630,722	36,847,851
Subtotal	<u>\$202,221,201</u>	<u>\$42,179,208</u>	<u>\$1,414,460</u>	<u>\$14,360,910</u>	<u>\$2,708,165</u>	<u>\$36,630,722</u>	<u>\$299,514,666</u>
Carry over							
Re-appropriation	<u>1,244,536</u>	<u>1,841,674</u>	<u>610</u>		<u>73,304,591</u>	<u>38,257,812</u>	<u>114,649,223</u>
Totals	<u>\$203,465,737</u>	<u>\$44,020,882</u>	<u>\$1,415,070</u>	<u>\$14,360,910</u>	<u>\$76,012,756</u>	<u>\$74,888,534</u>	<u>\$414,163,889</u>

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

	<u>General Fund</u>
Schedules of Revenues, Expenditures and Changes in Fund Balances – Budget to Actual	\$43,612,166
Revenues: Non-Budgeted	
Expenditures: Non-budgeted	<u>(40,870)</u>
Revenues over (under) Expenditures	40,870
Other financing sources (uses): Non-budgeted	(1,158,110)
Excess (deficiency) of revenues and Other financing sources over (under) Expenditures and other financing uses	(1,117,240)
Change in reserve for inventory	(40,870)
Prior years differences	<u>(9,860,649)</u>
Statement of Revenues, Expenditures and Changes in Fund Balances	<u>\$32,593,407</u>

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgets (Continued)

The non-budgeted expenditures in the general fund represent a change in the reserve for inventory of \$40,870, which represents the amount of inventory consumed during the year and \$1,158,110 of excess sales taxes transferred to the debt service fund.

E. Excess of Expenditures Over Appropriations

Within the General Fund, three departments - the Criminal Law Magistrate, the 8th Court of Appeals, and the City-County Health Unit had budget shortfalls of \$714, \$42 and \$47,500, respectively. These shortfalls were covered by available fund balance 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 Disclosures, an amendment to GASB Statement Number 3*", establishes and modifies disclosure requirements related to investment risks associated with credit risk (including custodial credit risk and concentrations of credit risk), interest rate risk, and foreign currency risk. To limit the concentration of credit risk, the County has an established policy, whereby the maximum aggregate for all investments in obligations of U. S. Agencies and Instrumentalities shall not exceed 75 percent. The County has also established interest rate risk policies that limit the maximum maturity of any one security to 5 years or less.

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (continued)

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

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

TexPool and TexPool Prime

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

MBIA Texas Class

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

G. Receivables and Payables

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

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

All trade and property tax receivables are shown net of an allowance for uncollectable accounts. Property taxes are levied October 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, 2010.

H. Inventories and prepaid items

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

I. Restricted Assets

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

The government-wide statement of net assets reports \$37,324,048 of restricted net assets, of which \$27,807,907 is restricted by enabling legislation.

Note 1. Summary of Significant Accounting Policies (Continued)

J. Capital Assets

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

J. Capital Assets (continued)

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, 2010, the County's total liability for vested vacation leave totaled \$11,299,029.

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

A liability in the amount of \$15,935,713 has been established for the accumulated vested sick leave benefits of the El Paso County Sheriff's deputies and detention officers. This is in accordance with the provisions of the contract agreement between the County and the El Paso County Sheriff's Association, whereby the County shall buy back any unused sick leave at the end of an officer's career. An officer will be paid at the rate of one day's pay for one day's sick leave up to 90 days and thereafter at the rate of one day's pay for every three days of sick leave.

Vested vacation and sick leave benefits are not expected to be liquidated with expendable and available financial resources and therefore, are reported as long term liabilities in the government wide statements. The accrued accumulated vested benefits liability for the current year is \$27,234,742 of which \$9,018,220 is reported as due within one year. The general fund or the appropriate special revenue fund is used to liquidate any liabilities for compensated absences.

Note 1. Summary of Significant Accounting Policies (Continued)

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 Balances

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

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

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

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

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

Note 1. Summary of Significant Accounting Policies (Continued)

M. Fund Balances (Continued)

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

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

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

The restricted other purposes amount of \$6,030,794 reported as other governmental funds includes \$2,280,756 of special revenue, and \$2,250,901 of capital projects restricted for various programs and projects, along with \$1,499,137 of debt service.

N. Comparative Data/reclassifications

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

O. Use of Estimates

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

Note 2. Legal Compliance - Budgets

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

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

Note 2. Legal Compliance – Budgets (Continued)

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

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

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

Note 3. Detailed notes on all funds

A. Deposits and Investments

At year-end, the carrying amount of the County’s deposits were \$175,512,820 consisting of cash and cash equivalents. Of this amount, \$3,086,285 represents funds held in trust from the County Clerk’s Probate Account, \$6,925,466 represents funds held in the District Clerk’s Trust Account and \$271,647 represents restricted assets for business-type activities. The bank balance of \$120,076,527 was covered by \$250,000 federal depository insurance with the remaining bank balance fully collateralized with securities held in the County’s name in a joint custody account with the County’s Depository bank at Frost National Bank.

The carrying amount of the deposits for the Hospital District, the discretely presented component unit, was \$54,102,000, consisting of cash and cash equivalents. The bank balance was covered by \$250,000 federal deposit insurance and the remaining bank balance collateralized with securities held in the hospital’s name by the depository bank’s trust department.

As of September 30, 2010 the County had the following investments.

Investment Type	Fair Value	Weighted Average Maturity (Years)
TexPool investment pool	\$35,106,673	0.07
TexPool Prime investment pool	<u>10,395,382</u>	0.27
Total	<u>\$45,502,055</u>	0.12

Note 3. Detailed notes on all funds (Continued)

A. Deposits and Investments (Continued)

As of September 30, 2010 the District had the following investments.

Unrestricted Investment Type	Fair Value	Weighted Average Maturity (Years)
Certificates of deposit	\$35,220,871	0.71
U.S. Agencies	<u>32,749,761</u>	0.83
Total	<u>\$67,970,632</u>	0.77

Restricted Investment Type	Fair Value	Weighted Average Maturity (Years)
Certificates of deposit	\$36,125,479	0.30
U.S. Agencies	<u>90,403,285</u>	0.45
Total	<u>\$126,528,764</u>	0.41

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

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

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

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

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

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

Note 3. Detailed notes on all funds (Continued)

A. Deposits and Investments (Continued)

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, 2010 for the general, major special revenue and enterprise funds and non-major governmental, internal service, and fiduciary funds in aggregate, including applicable allowances for uncollectable accounts, are as follows:

	<u>General</u>	<u>Major Special Revenue-Grants Funds</u>	<u>Other Non-major Funds</u>	<u>Enterprise Funds</u>	<u>Total</u>
Receivables:					
Taxes	\$14,293,969				\$14,293,969
Accounts	6,109,611	\$5,586,015	\$312,270	\$107,727	12,115,623
Less: allowance for uncollectable	(142,940)				(142,940)
Net total receivables	<u>\$20,260,640</u>	<u>\$5,586,015</u>	<u>\$312,270</u>	<u>\$107,727</u>	<u>\$26,266,652</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, 2010. Based on a five year trend, of the taxes receivable, including penalties and interest, the County deferred approximately 92.0 percent until collection of those revenues. In calculating the taxes receivable, a period of 90 days is used to measure availability since the taxes for any current tax year are materially received well into the next fiscal year. Expenditure accruals are also being recognized 90 days after the fiscal year end.

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

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

Note 3. Detailed notes on all funds (Continued)

B. Receivables (Continued)

	<u>Unavailable</u>	<u>Unearned</u>
Delinquent property taxes receivable (general fund)	\$13,134,602	
Cell Phone Tower Commissions		\$13,555
Court costs and fines (general fund)	(241,506)	
Draw-downs prior to meeting eligibility requirements (grants)		<u>2,438,988</u>
Total deferred /unearned revenue for governmental funds	<u>\$12,893,096</u>	<u>\$2,452,543</u>

C. Capital assets

Capital assets activity for the year ended September 30, 2010 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	\$15,206,585		\$2,221,154	(2,102,219)	\$15,325,520
Easements			40,000		40,000
Construction in progress	<u>12,355,403</u>		<u>5,748,919</u>	<u>(6,019,421)</u>	<u>12,084,901</u>
Total capital assets, not being depreciated	<u>27,561,988</u>		<u>8,010,073</u>	<u>(8,121,640)</u>	<u>27,450,421</u>
Capital assets, being depreciated:					
Bridges and culverts	3,570,308				3,570,308
Buildings	216,898,378		5,650,850		222,549,228
Equipment	25,484,661	36,951	1,430,809	(682,277)	26,270,144
Furniture and fixtures	860,767		46,734	(9,788)	897,713
Improvements	10,918,867		789,591		11,708,458
Infrastructure	1,858,622				1,858,622
Leased equipment	466,694		24,164	(38,096)	452,762
Roads	28,377,518		4,216,690		32,594,208
Vehicles	<u>14,530,200</u>		<u>1,759,997</u>	<u>(441,321)</u>	<u>15,848,876</u>
Total capital assets, being depreciated	<u>302,966,015</u>	<u>36,951</u>	<u>13,918,835</u>	<u>(1,171,482)</u>	<u>315,750,319</u>
Less accumulated depreciation for:					
Bridges and culverts	(1,880,780)		(95,227)		(1,976,007)
Buildings	(106,672,176)		(8,362,928)		(115,035,104)
Equipment	(20,268,937)	(13,197)	(1,616,319)	645,216	(21,253,237)
Furniture and fixtures	(654,632)		(41,953)	9,788	(686,797)
Improvements	(4,207,891)		(683,369)		(4,891,260)
Infrastructure	(255,833)		(97,428)		(353,261)
Leased equipment	(99,941)		(69,131)	20,812	(148,260)
Roads	(10,618,972)		(4,485,371)		(15,104,343)
Vehicles	<u>(9,283,947)</u>		<u>(1,462,432)</u>	<u>356,676</u>	<u>(10,389,703)</u>
Total accumulated depreciation	<u>(153,943,109)</u>	<u>(13,197)</u>	<u>16,914,158</u>	<u>1,032,492</u>	<u>(169,837,972)</u>
Total capital assets, being depreciated, net	<u>149,022,906</u>	<u>23,754</u>	<u>(2,995,323)</u>	<u>(138,990)</u>	<u>145,912,347</u>
Governmental activities capital assets, net	<u>\$176,584,894</u>	<u>\$23,754</u>	<u>\$5,014,750</u>	<u>(\$8,260,630)</u>	<u>\$173,362,768</u>

Note 3. Detailed notes on all funds (Continued)

C. Capital assets (Continued)

Primary Government (continued)

	Beginning Balance	Adjustments	Increases	Decreases	Ending Balance
Business-type activities:					
Capital assets, not being depreciated:					
Construction in Progress			\$57,913		\$57,913
Total capital assets, not being depreciated			57,913		57,913
Capital assets, being depreciated:					
Vehicles	\$16,979				\$16,979
Water system	13,134,237				13,134,237
Total capital assets, being depreciated	13,151,216				13,151,216
Less accumulated depreciation for:					
Vehicles	(10,712)		(2,426)		(13,138)
Water system	(2,416,338)		(327,205)		(2,743,543)
Total accumulated depreciation	(2,427,050)		(329,631)		(2,756,681)
Total capital assets, being depreciated, net	10,724,166		(329,631)		10,394,535
Business-type activities capital assets, net	<u>\$10,724,166</u>		<u>(\$271,718)</u>		<u>\$10,452,448</u>

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

Governmental activities:	
General Government	\$4,056,490
Administration of justice	144,232
Public safety	5,635,781
Health and welfare	185,477
Community service	101,026
Resource Development	14,314
Culture and recreation	1,388,235
Public works	5,401,800
Total depreciation expense governmental activities	<u>\$16,927,355</u>
Business-type activities:	
Vehicles	\$2,426
Water system	327,205
Total depreciation expense Business-type activities	<u>\$329,631</u>

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

Construction Commitments

The County has several active construction projects as of September 30, 2010. The projects include, among others, the Fabens Port of Entry, Youth Services Center, Juvenile Justice Center Extension, Ascarate Golf Course Club House Renovations, Schuman Brothers Water Project, Morning Glory Manor Roads, and Bosque Bonito Road. The County's year-end commitments are as follows:

Note 3. Detailed notes on all funds (Continued)

C. Capital assets (Continued)

Construction commitments		
Project	Spent-to-date	Remaining Commitment
Governmental Activities		
Fabens Port of Entry	\$8,515,263	\$21,771,838
Youth Services Center	683,309	3,980,719
Juvenile Justice Center Extension	707,866	4,291,302
Ascarate Golf Course Club House	792,121	246,518
Ascarate Park Entrance	9,740	320,260
Upper Valley Annex	9,362	3,990,638
Schuman Brothers Water Projects	105,700	1,234,105
Morning Glory manor Roads	471,080	264,080
Bosque Bonito Road	778,000	95,000
Downtown Jail Renovations	12,460	140,000
Total	<u>\$12,084,901</u>	<u>\$36,334,460</u>
Business Type Activities		
Nuway – Mayfair Water Project	\$57,913	\$2,222,226
Total	<u>\$57,913</u>	<u>\$2,222,226</u>

Component unit

Capital asset activity for the District for the year ended September 30, 2010, was as follows:

	Beginning Balance	Increases	Transfer Disposals/ Retirements	Ending Balances
Capital assets, not being depreciated:				
Land	\$6,998,000	\$3,057,000		\$10,055,000
Construction in progress	<u>75,548,000</u>	<u>111,724,000</u>	(\$3,405,000)	<u>183,867,000</u>
Total capital assets, not being depreciated	<u>82,546,000</u>	<u>114,781,000</u>	<u>(3,405,000)</u>	<u>193,922,000</u>
Capital assets, being depreciated:				
Buildings and improvements	127,248,000	1,470,000		128,718,000
Movable and fixed equipment	<u>159,709,000</u>	<u>6,109,000</u>	(2,810,000)	<u>163,008,000</u>
Total capital assets, being depreciated	<u>286,957,000</u>	<u>7,579,000</u>	<u>(2,810,000)</u>	<u>291,726,000</u>
Less accumulated depreciation for:				
Buildings, improvements and equipment	<u>(182,428,000)</u>	<u>(16,588,000)</u>	3,785,000	<u>(195,231,000)</u>
Total accumulated depreciation	<u>(182,428,000)</u>	<u>(16,588,000)</u>	<u>3,785,000</u>	<u>(195,231,000)</u>
Total capital assets, being depreciated, net	<u>104,529,000</u>	<u>(9,009,000)</u>	<u>975,000</u>	<u>96,495,000</u>
District capital assets, net	<u>\$187,075,000</u>	<u>\$105,772,000</u>	<u>(\$2,430,000)</u>	<u>\$290,417,000</u>

Construction in progress for the Component Unit at September 30, 2010 represents the Master Plan Implementation Project, with an anticipated completion date in 2011; the Infrastructure Improvement Projects, with projected completion date in 2012; and the Children’s Hospital to be completed in December 2011.

Note 3. Detailed notes on all funds (Continued)

D. Interfund receivables, payables, and transfers

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

The composition of interfund/intrafund balances as of September 30, 2010, is as follows:

	<u>Due From</u>	<u>Due To</u>
General Fund	<u>\$13,031</u>	
Subtotal	<u>13,031</u>	
Major Special Revenue-Grants		
34 th Judicial District Prosecution Initiative		45,837
243 rd Discretionary Drug Court		1,801
243 rd District Drug Court		10,579
384 th District Drug Court		5,855
388 th District Court VAWA		5,360
Access and Visitation		8,322
BCMHC Military Assistance		19,462
BCMHC Project M2		37,304
Bootstrap Program		5,410
Bosque Bonito & San Elizario		9,168
Bullet Proof Vest Partnership		477
Byrne Justice Assistance Grant		190,088
Byrne Justice Assistance City Grant (ARRA)		10,537
Canutillo Western Village	\$26,228	117,306
Colonia Road Projects		96,482
Colonia Self-Help Center		27,810
Conquistador & Lourdes Step Project		1,002
DA Prosecution Advocacy (ARRA)		7,337
Domestic Violence Unit		6,644
DWI Court Program		19,112
El Paso/NM Transit System		42,966
Geothermal Project		74,844
Homeland Security		32,745
Homeless Prevention		141,857
Homeless Re-housing Program		49,178
JAG Border Security Initiative		43,344
Nutrition		258,571
ONDCP Multiple Initiatives		245,497
Operation Linebacker		13,708
Operation Stonegarden		322,391
Organized Crime Drug Enforcement Task Force		4,138
Regional Public Transportation Plan		42,189
Rural Transit Bus		907
Secure Border Trade		55,902
Sheriff's Crime Victim Services		2,061
Sheriff's Training Academy		6,276
Sheriff's Training Academy (ARRA)		1,373
Sheriff's Training Academy VAWA		6,351
SHOCAP Enhancement Project		46,433
Texas Juvenile Probation Commission	300,000	
TJPC Title IV-E Enhanced Billing	2,071,880	
Tornillo EDAP		190,442
Van Pool Program		147,727
Vehicle Registration Abuse Program		22,327
Victim Assistance Program		4,922
Victim Witness Services		9,969
Wildhouse and Hacienda Real		6,097
Subtotal	<u>2,398,108</u>	<u>2,398,108</u>

Note 3. Detailed notes on all funds (Continued)

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

	<u>Due From</u>	<u>Due To</u>
<u>Non Major-Special Revenue</u>		
DA Apportionment Supplement		13,031
Elections Chapter 19		2,332
Elections Contract Services	<u>2,332</u>	
Subtotal Non Major	<u>2,332</u>	<u>15,363</u>
Grand Total	<u>\$2,413,471</u>	<u>\$2,413,471</u>

The following are the transfers in and out as of September 30, 2010:

	<u>Transfers Out Actual</u>	<u>Transfers In Actual</u>
<u>General Fund</u>		
Access and visitation -- Match	\$8,885	
Child Protective Services - Match	558,448	
DIMS Project – Match	376,562	
Domestic Violence Unit – Match	117,592	
General & Administrative	1,178,286	\$6,323,455
Juvenile Probation	19,084	
Nutrition – Match	700,000	
Rural Transit Match	203,700	
Sheriff's VAWA Training	1,773	
Vehicle Registration	28,358	
Victim Witness Services	<u>88,372</u>	
Subtotal	<u>3,281,060</u>	<u>6,323,455</u>
<u>Major Special Revenue-Grants</u>		
409 th District Drug Court	4,776	14,130
Access and Visitation		9,061
Border Children's Mental Health Collaborative	906,042	906,042
Child Protective Services	129,394	558,448
DIMS Project		376,562
Domestic Violence Unit		117,592
Juvenile Accountability Incentive	43	4,954
Nutrition	188,311	700,000
Rural Transit Assistance		203,700
Sheriff's Training Academy VAWA		1,773
Vehicle Registration Abuse		28,358
Victim Witness Services		<u>88,372</u>
Subtotal	<u>1,228,566</u>	<u>3,008,992</u>
<u>Special Revenue</u>		
Coliseum Tourist Promotion	465,903	
County Tourist Promotion	12,031	465,903
County Clerk Records Management		200,000
County Clerk Vital Statistics	200,000	
Court Reporter Service Fund	440,895	
Courthouse Security	203,000	
Juvenile Probation Special Revenue	98,859	
Road and Bridge	<u>5,000,000</u>	
Subtotal	<u>6,420,688</u>	<u>665,903</u>
<u>Debt Service</u>		
G.O. Refunding 98	117,914	
Certificates of Obligation 2001	66,726	
G.O. Refunding 2001		250,880
Certificates of Obligation 2002	26,991	
G.O. Refunding 2002	39,249	
Certificates of Obligation 2007		<u>1,158,110</u>
Subtotal	<u>250,880</u>	<u>1,408,990</u>
Total Non Major	<u>6,671,368</u>	<u>2,074,893</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>
Internal Service		
EPSCA Benefits	8,323	
Worker's Compensation	<u>237,823</u>	
Subtotal	<u>246,146</u>	
Enterprise Fund		
Solid Waste Disposal		<u>20,000</u>
Subtotal		<u>20,000</u>
Grand total	<u>\$11,427,340</u>	<u>\$11,427,340</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, 2010 amounted to \$922,822.

Capital Leases

The County leases equipment through capital leasing arrangements in the governmental fund types. Payments during fiscal year ended September 30, 2010, amounted to \$139,406. The County has entered into lease agreements as lessee for financing the acquisition of copiers and printers for various County departments totaling \$52,828. 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:

Asset:	<u>Governmental Activities</u>
Machinery and equipment	\$452,762
Less: accumulated depreciation	<u>148,260</u>
Total	<u>\$304,502</u>

The future minimum lease payments and the net present value of these minimum lease payments as of September 30, 2010 are as follows:

	<u>Year ending September 30</u>	<u>Governmental Activities</u>
	2011	131,715
	2012	67,016
	2013	43,183
	2014	17,910
	2015	<u>2,916</u>
Total minimum lease payments		262,740
Less: Interest		<u>38,047</u>
Present value of future Minimum lease payments		<u>\$224,693</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 ending balance of the general and certificate of obligation bonds outstanding was \$148,015,000. The ending balance of the revenue bonds is \$1,052,000.

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 2001	4.00 – 5.50%	2001	2022	18,380,000
General Obligation Refunding, Series 2001	4.00 – 5.00%	2001	2012	505,000
Certificates of Obligation, Series 2002	3.00 – 5.25%	2002	2022	8,220,000
General Obligation Refunding, Series 2002	3.50 – 4.00%	2002	2012	690,000
General Obligation Refunding, Series 2002A	3.00 – 4.50%	2002	2012	1,895,000
Certificates of Obligation, Series 2007	4.00 – 5.00%	2007	2032	59,835,000
General Obligation Refunding, Series 2007	4.00 – 5.00%	2007	2022	48,550,000
Taxable Certificates of Obligation, Series 2007	4.65 – 6.23%	2007	2032	9,940,000
				<u>\$148,015,000</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>	
2011	\$5,765,000	\$7,043,178	\$12,808,178
2012	6,175,000	6,789,007	12,964,007
2013	6,235,000	6,520,058	12,755,058
2014	7,120,000	6,229,472	13,349,472
2015	7,480,000	5,917,173	13,397,173
2016-2020	40,575,000	23,786,510	64,361,510
2021-2025	32,300,000	14,307,625	46,607,625
2026-2030	28,675,000	7,342,219	36,017,219
2031-2032	13,690,000	711,792	14,401,792
	<u>\$148,015,000</u>	<u>\$78,647,034</u>	<u>\$226,662,034</u>

As of September 30, 2010, the County had two defeasance escrow accounts; the first account had a defeasance escrow amount of \$30,124 at fair value related to the August 17, 2004 partial advance refunding of the County of El Paso, Texas General Obligation Refunding Bonds, Series 2001. The second account had a defeasance escrow amount of \$27,359,004 at fair value related to the November 1, 2007 advance refunding of the Certificates of Obligation bonds series 2001 and 2002 by the El Paso County, Texas General Obligation Refunding Bonds, Series 2007. Total combined defeased bonds outstanding at September 30, 2010 totaled \$25,705,000.

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:

Purpose	Interest Rates	Issue Date	Maturity Date	Amount
East Montana Water Project \$1,050,000 Waterworks System Revenue Bonds, Series 1997-A	4.87%	1997	2037	\$920,000
\$195,000 Waterworks System Revenue Bonds, Series 2000	4.95 – 6.10%	2000	2021	132,000
Total				<u>\$1,052,000</u>

Revenue bond debt service requirements to maturity are as follows:

Year Ending September 30	Principal	Interest	Total
2011	\$29,000	\$52,634	\$81,634
2012	29,000	51,160	80,160
2013	30,000	49,681	79,681
2014	31,000	48,136	79,136
2015	31,000	46,528	77,528
2016-2020	176,000	207,444	383,444
2021-2025	166,000	159,415	325,415
2026-2030	190,000	118,952	308,952
2031-2035	250,000	67,764	317,764
2036-2037	120,000	8,775	128,775
	<u>\$1,052,000</u>	<u>\$810,489</u>	<u>\$1,862,489</u>

Prior Years

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

Note 3. Detailed notes on all funds (Continued)

F. Long-term Debt (Continued)

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 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.

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, 2010, was as follows:

	<u>Beginning Balance</u>	<u>Prior Period Adjustments</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:						
Bonds payable:						
General obligation bonds	\$56,560,000			(\$4,920,000)	\$51,640,000	\$2,785,000
Certificates of obligation bonds	98,495,000			(2,120,000)	96,375,000	2,980,000
Bond Premium	3,026,412			(146,127)	2,880,285	146,127
Less deferred amounts:						
For issuance discounts	(1,809,469)			106,242	(1,703,227)	106,242
On refunding	<u>(1,509,560)</u>			<u>411,956</u>	<u>(1,097,604)</u>	<u>411,956</u>
Total bonds payable	154,762,383			(6,667,929)	148,094,454	6,429,325
Capital leases	311,271		52,828	(139,406)	224,693	131,715
Claims and judgments	1,391,972		1,519,831	(1,391,972)	1,519,831	1,519,831
Contingent liabilities	615,000		1,777,439	(615,000)	1,777,439	380,000
Compensated absences	26,207,792		27,234,742	(26,207,792)	27,234,742	9,018,220
OPEB Liability	<u>6,726,958</u>	<u>\$969,600</u>	<u>4,745,658</u>		<u>12,442,216</u>	
Governmental activity Long-term liabilities	<u>\$190,015,376</u>	<u>\$969,600</u>	<u>\$35,330,498</u>	<u>(\$35,022,099)</u>	<u>\$191,293,375</u>	<u>\$17,479,091</u>
Business-type activities:						
Bonds payable:						
Revenue Bonds	<u>\$1,080,000</u>			<u>(\$28,000)</u>	<u>\$1,052,000</u>	<u>\$29,000</u>
Total bonds payable	1,080,000			(28,000)	1,052,000	29,000
Business-type activity Long-term liabilities	<u>\$1,080,000</u>			<u>(\$28,000)</u>	<u>\$1,052,000</u>	<u>\$29,000</u>

The OPEB liability was adjusted due to a change in the actuarial study for new estimates based on updated information. The actuarial study was conducted by Gabriel, Roeder, Smith & Company, consultants and actuaries. A copy of the report can be obtained through the El Paso County Auditor's Office.

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

No-commitment debt

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

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Long-term debt					
Bonds payable	\$266,251,000	\$20,805,000	(\$26,151,000)	\$260,905,000	\$4,820,000
Bond premium and discount	<u>1,984,000</u>	<u>745,000</u>	<u>(113,000)</u>	<u>2,616,000</u>	<u>171,000</u>
Total long-term debt	<u>\$268,235,000</u>	<u>\$21,550,000</u>	<u>(\$26,264,000)</u>	<u>\$263,521,000</u>	<u>\$4,991,000</u>

Note 3. Detailed notes on all funds (Continued)

F. Long-term Debt (Continued)

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

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

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

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

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

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

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending September 30			
2011	4,991,000	12,475,000	17,466,000
2012	5,006,000	12,373,000	17,379,000
2013	5,211,000	12,237,000	17,448,000
2014	5,401,000	12,043,000	17,444,000
2015	5,611,000	11,833,000	17,444,000
2016-2020	32,028,000	55,287,000	87,315,000
2021-2025	40,543,000	46,917,000	87,460,000
2026-2030	51,563,000	35,899,000	87,462,000
2031-2035	65,666,000	21,789,000	87,455,000
2036-2038	<u>47,501,000</u>	<u>4,707,000</u>	<u>52,208,000</u>
	<u>\$263,521,000</u>	<u>\$225,560,000</u>	<u>\$489,081,000</u>

Note 3. Detailed notes on all funds (Continued)

F. Long-term Debt (Continued)

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

G. Contingent Liabilities

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

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the County's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government. Presently, an amount of \$1,777,439 for probable losses has been accrued as a 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.

H. Deferred Compensation

The County offers its employees a deferred compensation plan that permits them to defer a portion of their current salary until future years. Any contributions made to the deferred compensation plan, in compliance with Section 457 of the Internal Revenue Code, are not available to employees until termination of employment, retirement, death or an unforeseen emergency. Contributions to the plan are administered by Nationwide Retirement Solutions, ING Life Insurance and Annuity Company and VALIC, as third party administrators. In accordance with the provisions of the IRC Section 457(g), the plan assets are in custodial accounts for the exclusive benefit of the plan participants and beneficiaries. The County provides neither administrative services nor investment advice to the plans. Therefore, in accordance with GASB 32, no fiduciary relationship exists between the County and the deferred compensation pension plans. At September 30, 2010 the plan assets were valued at \$19,264,456.

Note 3. Detailed notes on all funds (Continued)

I. Employee Retirement Plan

Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees and part-time employees working at least 900 hours a year through an agent multiple-employer defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 602 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.

Funding Policy

The County has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The County contributed using the actuarially determined rate of 11.36% for the months of the accounting year in 2009, and 12.33% for the months of the accounting year in 2010.

The contribution rate payable by the employee members for calendar year 2010 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.

Note 3. Detailed notes on all funds (Continued)

I. Employee Retirement Plan (Continued)

Annual Pension Cost

For the County's accounting year ending September 30, 2010, the annual pension cost for the TCDRS plan for its employees was \$16,825,068, and the actual contributions were \$16,825,068. The annual required contributions were actuarially determined using the entry age actuarial cost method and were in compliance with the GASB Statement No. 27 parameters as amended by GASB 50 and based on the actuarial valuations as of December 31, 2007 and December 31, 2008, the basis for determining the contribution rates for calendar years 2009 and 2010. The December 31, 2009 actuarial valuation is the most recent valuation. The actuarial assumptions at December 31, 2009 included (a) 8.0 percent investment rate of return (net of administrative expenses) and (b) projected salary increases of 5.4 percent. Both (a) and (b) included an inflation component of 3.5 percent. The actuarial value of the plan's assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis.

Actuarial Valuation Information

Actuarial valuation date	12/31/07	12/31/08	12/31/09
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period in years	15	20	20
Asset valuation method	SAF: 10-yr Smoothed value ESF: Fund value	SAF: 10-yr smoothed value ESF: Fund value	SAF: 10-yr smoothed value ESF: fund value
Actuarial Assumptions:			
Investment return ¹	8.0%	8.0%	8.0%
Projected salary increases ¹	5.3%	5.3%	5.4%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

Trend Information

for the Retirement Plan for the Employees of the County of El Paso

Accounting Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of <u>APC Contributed</u>	Net Pension <u>Obligation</u>
09/30/08	\$14,793,929	100%	0
09/30/09	15,974,257	100%	0
09/30/10	16,825,068	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 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 ¹ (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
12/31/07	\$312,902,891	\$352,775,780	\$39,872,889	88.70%	\$125,613,371	31.74%
12/31/08	318,468,138	388,388,558	69,920,420	82.00%	136,271,081	51.31%
12/31/09	358,558,789	428,024,119	69,465,330	83.77%	141,737,570	49.01%

Funded Status and Funding Progress

As of December 31, 2009, the most recent actuarial valuation date, the plan was 83.77 percent funded. The actuarial accrued liability for benefits was \$428 million and the actuarial value of assets was \$358.6 million, resulting in an unfunded actuarial accrued liability (UAAL) of \$69.5 million. The annual payroll (actuarial) of active employees covered by the plan was \$141.7 million and the ratio of the UAAL to the covered payroll was 49 percent.

The schedule of funding progress presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

Retirement Plan - Component Unit

Plan Description

The Hospital District (the District) provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 602 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.

¹ The annual covered payroll is based on actuarial valuations.

Note 3. Detailed notes on all funds (Continued)

I. Employee Retirement Plan (Continued)

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

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

Funding Policy

The District has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the employer based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the employer is actuarially determined annually. The District contributed using the actuarially determined rate of 5.58% for the months of the accounting year in 2009, and 6.07% for the months of the accounting year in 2010.

The contribution rate payable by the employee members for calendar year 2010 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, 2010, the annual pension cost for the TCDRS plan for its employees was \$5,782,000 and the actual contributions were \$5,782,000. 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, 2007 and December 31, 2008, the basis for determining the contribution rates for calendar years 2009 and 2010. The December 31, 2009 actuarial valuation is the most recent valuation. The actuarial value of the assets was determined using techniques that smooth the effects of short-term volatility in the market value of investments over a ten-year period.

Note 3. Detailed notes on all funds (Continued)

I. Employee Retirement Plan (Continued)

Actuarial Valuation Information			
Actuarial valuation date	12/31/07	12/31/08	12/31/09
Actuarial cost method	Entry age	Entry age	Entry age
Amortization method	Level percentage of payroll, closed	Level percentage of payroll, closed	Level percentage of payroll, closed
Amortization period in years	15	20	20
Asset valuation method	SAF: 10-yr smoothed value ESF: fund value	SAF: 10-yr smoothed value ESF: fund value	SAF: 10-yr smoothed value ESF: fund value
Actuarial Assumptions:			
Investment return ¹	8.0%	8.0%	8.0%
Projected salary increases ¹	5.3%	5.3%	5.4%
Inflation	3.5%	3.5%	3.5%
Cost-of-living adjustments	0.0%	0.0%	0.0%

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

Accounting Year <u>Ending</u>	Annual Pension <u>Cost (APC)</u>	Percentage of <u>APC Contributed</u>	Net Pension <u>Obligation</u>
09/30/08	\$4,656,000	100%	0
09/30/09	5,043,000	100%	0
09/30/10	5,782,000	100%	0

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

Actuarial Valuation <u>Date</u>	Actuarial Value of Assets <u>(a)</u>	Actuarial Accrued Liability (AAL) <u>(b)</u>	Unfunded AAL (UAAL) <u>(b-a)</u>	Funded Ratio <u>(a/b)</u>	Annual Covered Payroll ² <u>(c)</u>	UAAL as a Percentage of Covered Payroll <u>((b-a)/c)</u>
12/31/07	\$130,259,735	145,380,005	15,120,270	89.60%	79,517,656	19.02%
12/31/08	135,373,136	160,914,334	25,541,198	84.13%	86,168,612	29.64%
12/31/09	154,758,572	181,445,304	26,686,732	85.29%	99,435,923	26.84%

J. Other Post-employment Health Care Benefits

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

¹ Includes inflation at the stated rate.

² The annual covered payroll is based on actuarial valuations.

Note 3. Detailed notes on all funds (Continued)

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

As of September 30, 2010 there were 2,258 active employees and 184 retirees and their dependents receiving the benefits. The Plan provides for separate rate schedules for active employees and retirees. The County offers a Core and a Buy-up medical plan for both active and retirees. Retirees in the Core and Buy-up plans are expected to pay approximately 43.8 percent and 48.9 percent, respectively, of the total cost for insurance coverage. For fiscal year ended September 30, 2010, retirees currently receiving benefits contributed \$543,367 and the County contributed \$15,791 toward the cost of health insurance premiums. The County made a one-time adjustment to the contribution in the fiscal year, but will resume contributing for the benefit of both retirees and active employees. Total benefits paid on behalf of retirees and their dependents during the fiscal year ended September 30, 2010 was \$1,297,428.

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

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

Normal cost	\$3,466,116
Amortization of unfunded actuarial accrued liability (UAAL) over 30 years	2,091,217
Annual Required Contribution (ARC)	5,557,333
Interest on Net OPEB Obligation	346,345
Adjustment to annual required contribution	(320,885)
Annual OPEB cost (ARC)	5,582,793
Contributions for year ended September 30, 2010	(837,135)
Increase in net OPEB obligation	4,745,658
Net OPEB obligation – Beginning of year	6,726,958
Adjustment for prior year	969,600
Net OPEB obligation – End of year	\$12,442,216
Percentage of Annual OPEB Cost paid	15.0%

The County's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2010 and the preceding years is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
9/30/08	\$3,717,643	12.8%	\$3,243,536
9/30/09	\$4,621,042	3.6%	\$7,696,558
9/30/10	\$5,582,793	15.0%	\$12,442,216

Note 3. Detailed notes on all funds (Continued)

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

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

Actuarial Accrued Liability (AAL)	
Active employees	\$38,870,797
Retired employees	<u>11,659,917</u>
Unfunded actuarial accrued liability	\$50,530,714
Funded ratio	0%
Covered payroll	\$139,424,666
Unfunded actuarial accrued liability as a Percentage of covered payroll	36.2%

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

**Schedule of Funding Progress
Other Postemployment Benefits Plan
(REQUIRED SUPPLEMENTARY INFORMATION UNAUDITED)**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c) u
09/30/08	\$0	\$64,617,631	\$64,617,631	0	\$133,176,710	48.5%
09/30/09	\$0	\$64,617,631	\$64,617,631	0	\$142,058,829	45.5%
09/30/10	\$0	\$50,530,714	\$50,530,714	0	\$139,424,666	36.2%

Actuarial Methods and Assumptions

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

The County had an actuarial study done as of December 31, 2009, which assumed that the calculations performed were appropriate for reporting September 30, 2010. The actuarial cost method utilized to calculate the ARC was the projected unit credit cost method. Using the plan benefits, the health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method provided for a systematic recognition of the cost of the anticipated payments. The annual ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded liability. The allocation of the total liability into past and future service cost was based upon a straight years of service ratio. The actuarial assumptions utilized included a 3.0 percent inflation rate, a 4.5 percent investment rate of return (net of expenses) and an annual healthcare cost trend rate of 9.0 percent initially, reduced to an ultimate rate of 4.5 percent after nine years. The accrued liability was assumed to be amortized over a 30-year period for the fiscal year ending September 30, 2010. The UAAL is being amortized as a level percentage of projected payroll on an open basis.

Note 3. Detailed notes on all funds (Continued)

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

The County employed a different Actuary to perform the most recent actuarial study. As such, different assumptions and new estimates were made in calculating the annual OPEB cost and the value of the accrued liability. An adjustment of \$969,600 was made to reflect the current OPEB liability at September 30, 2010.

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 2010 tax rate was \$0.363403 per \$100 of assessed valuation, of which \$0.326423 was allocated for maintenance and operations, and \$0.036980 was allocated to the debt service funds. State law permits the County to levy property taxes up to \$0.80 per \$100 of assessed valuation for the general fund and up to \$0.15 per \$100 assessed valuation for the road and bridge fund.

Legislation Affecting Property Tax Policies and Procedures

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

The property tax code:

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

Note 3. Detailed notes on all funds (Continued)

K. Property Taxes (Continued)

(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.

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 \$1,519,831. Changes in the balances of claims liabilities during the past year are as follows:

	Year Ended <u>September 30, 2010</u>	Year Ended <u>September 30, 2009</u>
Unpaid claims, beginning of fiscal year	\$1,391,972	\$1,247,446
Incurred claims (including incurred but not reported)	2,339,585	2,217,611
Claim payments	<u>(2,211,726)</u>	<u>(2,073,085)</u>
Unpaid claims, end of fiscal year	<u>\$1,519,831</u>	<u>\$1,391,972</u>

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

Note 3. Detailed notes on all funds (Continued)

M. Risk Management (Continued)

For the fiscal year 2010, the County purchased stop loss insurance to cover individual health claims that exceed \$225,000 and aggregate losses in excess \$15,279,673. During the fiscal year, six claims were filed with the stop loss insurance carrier. No claims in excess of the aggregate insurance coverage occurred during the year. Also at year-end, the County had outstanding health claims in the amount of \$851,685, which will be liquidated within sixty days.

N. Assigned for other purposes

Encumbrances outstanding at year-end are reported as assigned for other purposes as part of the new fund balance classifications. As of September 30, 2010 encumbrances amounted to \$5,570,802, of which \$794,983 relates to the general fund, \$2,966,285 to the major capital projects 2007, \$1,083,603 to the special revenue fund and \$725,931 to the non-major capital projects fund.

O. Payroll Receivable/Payable

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

P. Federal Commodities

For the fiscal year ended September 30, 2010, the County received federal commodities approximating \$4,525 for the Juvenile Probation Department.

Q. Prior Period Adjustments

Prior period adjustments were made in the Special Revenue and Special Revenue Grants totaling \$312,527 and \$742,297, respectively. These adjustments relate to funds previously classified as agency funds and have been reclassified as special revenue. Also, a prior period adjustment of \$969,600 was made at the Entity- Wide level to adjust the liability for OPEB.

R. Related Party Transactions

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

Note 3. Detailed notes on all funds (Continued)

S. Joint Ventures

The County and the Lower Valley Water District have entered into an interlocal agreement to provide first-time water and wastewater system improvement projects to service the rural communities in East El Paso. The County has authorized the use of up to \$1.4 million of the 2008 Certificates of Obligation bond proceeds as a cash match for the approximately \$7 million project. This agreement was executed in March 2009, but as of fiscal year end 2010, no expenditures had been incurred.

SUPPLEMENTARY INFORMATION

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the County of El Paso, Texas, as of and for the year ended September 30, 2010, which collectively comprise the County of El Paso, Texas' basic financial statements and have issued our report thereon dated March 23, 2011. Our report includes a reference to other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* and the State of Texas *Uniform Grant Management Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the discretely presented component unit, as described in our report on the County of El Paso, Texas' financial statements. The financial statements of the discretely presented component unit were audited in accordance with *Government Auditing Standards* and the State of Texas *Uniform Grant Management Standards*. This report does not include the results of other auditors' testing of internal control over financial reporting or compliance and other matters that are reported on separately by those auditors.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the County of El Paso, Texas, in a separate letter dated March 23, 2011.

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

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

A handwritten signature in black ink that reads "Chris Ruddock Patten LLC". The signature is written in a cursive, flowing style.

El Paso, Texas
March 23, 2011

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

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

Compliance

We have audited the County of El Paso, Texas' compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the State of Texas Single Audit Circular that could have a direct and material effect on each of the County of El Paso, Texas' major federal and state programs the year ended September 30, 2010. The County of El Paso, Texas' major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the County of El Paso, Texas' management. Our responsibility is to express an opinion on the County of El Paso, Texas' compliance based on our audit.

The County of El Paso, Texas' basic financial statements include the operations of the discretely presented component unit, which received \$513,817 in federal awards and \$1,474,783 in state awards, which are not included in the schedule during the year ended September 30, 2010. Our audit, described below, did not include the operations of the discretely presented component unit because it engaged other auditors to perform an audit in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular. This report does not include the results of other auditors' testing of compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the State of Texas Single Audit Circular.

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

In our opinion, based on our audit and on the report of the other auditors, the County of El Paso, Texas complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended September 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular and which are described in the accompanying schedule of findings and questioned costs as item 10-1.

Internal Control Over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as item 10-1. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

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

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

El Paso, Texas
March 23, 2011

COUNTY OF EL PASO, TEXAS

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2010

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
	Significant deficiencies identified that are not considered to be material weaknesses?	None reported.
	Noncompliance material to the financial statements:	No material noncompliance noted.
<u>FEDERAL AND STATE AWARDS</u>		
	Internal control over major programs:	
	Material weaknesses identified?	No
	Significant deficiencies identified that are not considered to be material weaknesses?	Yes
	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 or the State of Texas Single Audit Circular?	Yes - Federal Programs None - State Programs

(Continued)

COUNTY OF EL PASO, TEXAS

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2010

Schedule Reference Number	PROGRAM	DESCRIPTION
	Major Federal Programs:	<p data-bbox="911 447 1429 688"><u>CDBG – State-Administered Small Cities Program Cluster:</u> CFDA 14.228: Colonia Self Help Center, Tornillo EDAP Project, Canutillo Western Village, Bosque Bonito, Wildhorse and Hacienda Real, and Conquistador & Lourdes Step Project;</p> <p data-bbox="911 726 1429 863"><u>Homelessness Prevention and Rapid Re-Housing Program (HPRP) (Recovery Act Funded):</u> CFDA 14.257;</p> <p data-bbox="911 900 1429 999"><u>State Criminal Alien Assistance Program (SCAAP):</u> CFDA 16.606</p> <p data-bbox="911 1037 1429 1209"><u>Recovery Act - Edward Byrne Memorial Justice Assistance Grant (JAG) Program/Grants to Units of Local Government:</u> CFDA 16.804;</p> <p data-bbox="911 1247 1429 1520"><u>Formula Grants for Other than Urbanized Areas (Nonurbanized Area Formula Program), includes ARRA:</u> CFDA 20.509: Rural Transit Assistance Programs, Rural Transit Assistance Programs (Bus Purchase), and Rural Transit Assistance Program (Bus Purchase) ARRA;</p> <p data-bbox="911 1558 1429 1665"><u>Renewable Energy Research and Development (Recovery Act Funded):</u> CFDA 81.087: Geothermal Project;</p>

(Continued)

COUNTY OF EL PASO, TEXAS

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2010

Schedule Reference Number	PROGRAM	DESCRIPTION
	Major Federal Programs (Continued):	<u>Aging Cluster, includes ARRA:</u>
		CFDA 93.045: Title III C1 - Congregate Meals and Title III C2 - Homebound Meals,
		CFDA 93.053 - Congregate Meals and Homebound Meals,
		CFDA 93.705 - Homebound Meals ARRA, and
		CFDA 93.707 - Congregate Meals ARRA;
		<u>Foster Care - Title IV- E, includes ARRA:</u> CFDA 93.658: Title IV-E ARRA, Promoting Safe and Stable Families - Child Welfare, and Promoting Sate and Stable Families - Child Protective 8% ARRA;
		<u>Office of National Drug Control Policy (ONDCP) - High Intensity Drug Trafficking Areas Program :</u> CFDA 95.001: 34 th Judicial Dist. Prosecution Initiative and Multiple Initiatives; and
		<u>Homeland Security Grant Program:</u> CFDA 97.067 Operation Stonegarden.

(Continued)

COUNTY OF EL PASO, TEXAS

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2010

Schedule Reference Number	PROGRAM	DESCRIPTION
	Major State Programs:	District Attorney's Border Prosecution Grant; Home-Delivered Meal Grant Program; Vehicle Registration Abuse Program; and Texas Juvenile Probation Grants: TJPC Juvenile Board State Aid, TJPC Progressive Sanctions, TJPC Diversionary Placement Fund, TJPC Special Needs Diversionary, TJPC Juvenile Justice Alt. Education, TJPC Intensive Community Based Pilot, TJPC Secure Operating, TJPC Intensive Community Based Program, TJPC Community Corrections, and TJPC Salary Adjustment.
	Dollar Threshold Considered Between	\$510,858- Federal Programs
	Type A and Type B Federal and State Programs:	\$307,056- State Programs
	Auditee qualified as low-risk auditee?	No - Federal Programs Yes - State Programs

(Continued)

COUNTY OF EL PASO, TEXAS

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2010

Schedule Reference Number	PROGRAM	DESCRIPTION
<u>FINANCIAL STATEMENT FINDING AND QUESTIONED COSTS</u>		
There were no current year findings.		
<u>FEDERAL AWARD FINDING AND QUESTIONED COSTS</u>		
10-1	High Intensity Drug Trafficking Areas Program (CFDA 95.001) and Border Crime Initiative (CFDA 16.738)	OMB Circular A-87 and UGMS II (B)(11)(h)(5,7).
	Criteria:	OMB Circular A-87 and UGMS II (B)(11)(h)(5,7) both require that personnel activity reports reflect after the fact distribution of actual activity by the employee when an employee is split funded and charged to a federal program.
	Condition Found:	The County did not maintain the required time distribution documentary support for one employee who worked on two Federal programs.
	Questioned Costs/Basis:	Estimated at \$53,749 for CFDA 95.001 Estimated at 53,749 for CFDA 16.738. This amount represents the salary coded to the federal programs for the aforementioned employee.
	Instances/Universe:	1 employee out of 60 employees tested.
	Effect:	While the charges appear reasonable, the expenditures were not adequately documented in accordance with OMB Circular A-87, Attachment B, paragraph 8.h. and UGMS II (B)(11)(h)(5,7).
	Cause:	The County was not aware of the requirement for the employee in question.

(Continued)

COUNTY OF EL PASO, TEXAS

SCHEDULE OF FINDINGS & QUESTIONED COSTS

FOR THE YEAR ENDED SEPTEMBER 30, 2010

Schedule Reference Number	PROGRAM	DESCRIPTION
	Recommendation:	The County should review OMB Circular A-87 and UGMS II (B)(11)(h)(5,7) to ensure the standards regarding time distribution are met, and compensation for personnel services is determined and supported as provided in OMB Circular A-87, Attachment B, paragraph 8.h. and UGMS II (B)(11)(h)(5.7).
	Management Response:	See Corrective Action Plan

COUNTY OF EL PASO, TEXAS

SCHEDULE OF STATUS OF PRIOR FINDINGS

FOR THE YEAR ENDED SEPTEMBER 30, 2010

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

There were no prior year findings.

FEDERAL AND STATE 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, 2010

Schedule Reference Number	PROGRAM	CORRECTIVE ACTION PLAN
	<u>FEDERAL AWARD FINDING</u>	
10-1	High Intensity Drug Trafficking Areas Program (CFDA 95.001) and Border Crime Initiative (CFDA 16.738)	
	Corrective Action:	The County Auditor's Office has communicated to all departments with employees split among more than one grant, the need for employees to submit monthly activity reports.
	Responsible Party:	Various County departments and County Auditor's Office.
	Anticipated Completion Date:	In effect beginning March 2011.

County of El Paso
Schedule of Expenditures of Federal and State Awards
Year Ended September 30, 2010

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2009-2010	State Expenditures 2009-2010
Federal Expenditures				
U. S. Department of Agriculture				
*Texas Department of Health and Human Services				
National School Lunch Program	10.555	TX-071215	\$ 120,103	
*TDHS - Commodities Distribution				
El Paso County Juvenile Probation (non-cash)	10.565	071-050-A4	\$ 4,525	
Total U.S. Department of Agriculture			\$ 124,628	\$ -
U. S. Department of Housing and Urban Development				
*Texas Department of Rural Affairs				
Colonia Self Help Center	14.228	710013	\$ 36,334	
Tornillo EDAP Project	14.228	728095	\$ 465,167	
Canutillo Western Village	14.228	728129	\$ 333,683	
Bosque Bonita	14.228	729165	\$ 14,007	
Wildhorse and Hacienda Real	14.228	729035	\$ 6,097	
Conquistador & Lourdes Step Project	14.228	710006	\$ 1,286	
*Texas Department of Housing and Community Affairs				
Homelessness Prevention and Rapid Re-Housing Program ARRA	14.257	12090000697	\$ 276,628	
Community Development Block Grants				
*City of El Paso				
Homebound Meals	14.218	49372/MTAY	\$ 65,262	
Lower Dyer Neighbor Revitalization Strategy Area	14.218	Lower Dyer NRSA	\$ 7,554	
Housing and Urban Development (HUD)				
*City of El Paso				
Homelessness Prevention and Rapid Re-Housing Program ARRA	14.257	51320V3	\$ 976,732	
Total U.S. Department of Housing and Urban Development			\$ 2,182,750	\$ -
U. S. Department of Justice				
Bureau of Justice Assistance				
State Criminal Alien Assistance Program (SCAAP)	16.606	2010-AP-BX-0825	\$ 819,712	
Bullet Proof Vest Partnership	16.607	2009-BO-BX 08045190	\$ 52	
Bullet Proof Vest Partnership	16.607	2009-BO-BX-09046765	\$ 425	
Single Jurisdiction Enhancement Drug Court	16.585	2008-DC-BX-0045	\$ 89,991	
*Texas Border Sheriff's Coalition				
Operation Linebacker	16.753	2008-DD-BX-0188	\$ 110,390	
Operation Linebacker	16.753	2009-DI-BX-0141	\$ 12,012	
Office of Community Oriented Policing Servies(COPS)				
Community Policing - COPS in Schools	16.710	2009-CK-WX-0755	\$ 53,893	
Office of Justice Programs				
Organized Crime Drug Enforcement Task Force	16.000	SW-TXW-466H	\$ 133	
Organized Crime Drug Enforcement Task Force	16.000	SW-TXW-467H	\$ 27,972	
Organized Crime Drug Enforcement Task Force	16.000	SW-TXW-483H	\$ 4,460	
Organized Crime Drug Enforcement Task Force	16.000	SW-TXW-0497H	\$ 3,132	
Project M2-Moblizing Mentors	16.726	2008-JU-FX-0022	\$ 168,132	
Edward Byrne Memorial Justice Assistant Grant	16.738	2006-DJ-BX-0121	\$ 87,663	
Edward Byrne Memorial Justice Assistant Grant	16.738	2007-DJ-BX-1207	\$ 120,589	
Edward Byrne Memorial Justice Assistant Grant	16.738	2009-DJ-BX-1374	\$ 143,233	

County of El Paso
Schedule of Expenditures of Federal and State Awards
Year Ended September 30, 2010

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2009-2010	State Expenditures 2009-2010
*City of El Paso				
Edward Byrne Memorial Justice Assistant Grant ARRA	16.804	2009-SB-B9-3086	\$ 332,261	
*Office of the Governor - Criminal Justice Division				
Juvenile Accountability Incentive Block Grant	16.523	JB-08-J20-13358-12	\$ 39,187	
409th Juvenile Drug Court	16.523	JB-08-J20-18028-05	\$ 27,714	
409th Juvenile Drug Court	16.523	JB-09-J20-18028-06	\$ 87,329	
Victim Witness Services	16.575	VA-09-V30-13625-11	\$ 60,722	
Victim Witness Services	16.575	VA-10-V30-13625-12	\$ 5,754	
Domestic Violence Unit	16.588	WF-09-V30-13437-12	\$ 95,110	
Domestic Violence Unit	16.588	WF-10-V30-13437-13	\$ 9,636	
388th District Court Firearm Surrender Protocol ARRA	16.588	EF-09-V30-23097-01	\$ 8,116	
Sheriff's Training VAWA ARRA	16.588	EF-09-V30-22898-01	\$ 14,414	
District Attorney Prosecution Advocacy ARRA	16.588	EF-09-V30-24112-01	\$ 15,524	
DWI Court	16.738	DJ-08-A10-18692-03	\$ 96,393	
Border Crime Initiative	16.738	DJ-07-A10-19860-02	\$ 5	
Border Crime Initiative	16.738	DJ-08-A10-19860-03	\$ 1,035,681	
Victim Assistance Program ARRA	16.803	SU-09-A10-22457-01	\$ 47,925	
JAG Border Security Initiative ARRA	16.803	SU-09-A10-23095-01	\$ 127,730	
*Rio Grande Council of Governments				
Sheriff's Training Academy ARRA	16.803	2278901	\$ 10,373	
Total U. S. Department of Justice			\$ 3,655,663	\$ -
U. S. Department of Transportation				
Federal Transit Administration				
*Texas Department of Transportation				
Van Pool	20.205	CSJ#0924-06-286	\$ 219,546	
HD Alternative Fuel Project	20.205	CSJ#0914-06-288	\$ 7,875	
Secure Border Trade Demo Project	20.205	CSJ#0914-06-288	\$ 41,738	
Safe Routes to School Program San Elizario	20.205	CSJ#0924-06-226	\$ 138,266	
Safe Routes to School Program Fabens	20.205	CSJ#0924-06-227	\$ 48,352	
Rural Transit Assistance Program (Bus Purchase)	20.500	51924F7103	\$ 72,329	
Rural Transit Assistance Program	20.509	51824F7097	\$ 75,401	
Rural Transit Assistance Program	20.509	51024F7205	\$ 21,542	
Rural Transit Assistance Program	20.509	51924F7149	\$ 140,265	
Rural Transit Assistance Program	20.509	51024F7018	\$ 245,519	
Rural Transit Assistance Program (Bus Purchase)	20.509	51924F7131	\$ 67,345	
Rural Transit Assistance Program (Bus Purchase)ARRA	20.509	51924F7287	\$ 289,316	
Regional Public Transportation Plan	20.515	519XXF7009	\$ 75,592	
El Paso County, Texas and Eastern New Mexico	20.515	51924F7335	\$ 176,342	\$ 59,978
El Paso County, Texas and Eastern New Mexico	20.516	51124F7110	\$ 32,320	
Total U.S. Department of Transportation			\$ 1,651,748	\$ 59,978
U.S. Department of Energy				
Geothermal Project ARRA	81.087	DE-EE0002827	\$ 494,994	
*Texas Comptroller of Public Accounts				
Energy Efficiency and Conservation ARRA	81.128	CS0653	\$ 9,673	
Total U.S. Department of Energy			\$ 504,667	\$ -
U.S. Election Assistance Commission				
*Texas Office of the Secretary of State				
General HAVA Compliance	90.401	78546	\$ 4,755	\$ 250
Total U.S. Election Assistance Commission			\$ 4,755	\$ 250

County of El Paso
Schedule of Expenditures of Federal and State Awards
Year Ended September 30, 2010

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2009-2010	State Expenditures 2009-2010
U.S. Department of Health and Human Services				
Substance Abuse and Mental Health Services Administration				
Border Children's Mental Health Collaborative	93.104	5 U79 SM54478-06	\$ 125,432	
*Texas Office of the Secretary of State				
Opportunity for Access (HAVA)	93.617	78546	\$ 3,000	
*Texas Department of Health and Human Services:				
Social Services Block Grant-Home Delivered Meals	93.667	UCN 10N1493	\$ 1,268,757	
*Texas Department of Family and Protective Services				
Promoting Safe and Stable Families -Child Welfare	93.658	2003103381	\$ 79,832	
Promoting Safe and Stable Families -Child Protective 8% ARRA	93.658	23380077	\$ 192,761	
*Texas Department of Aging and Disability Services				
**Title III C1 -Congregate Meals	93.045	000173100	\$ 82,339	
**Title III C2 - Homebound Meals	93.045	001004302	\$ 448,986	
*Rio Grande Council of Governments				
**Congregate Meals	93.053	539-08-0218-00001	\$ 124,911	
**Homebound Meals	93.053	539-08-0218-00001	\$ 46,912	
**Homebound Meals - ARRA	93.705	539-08-0218-00001	\$ 76,734	
**Congregate Meals - ARRA	93.707	539-08-0218-00001	\$ 155,873	
*Texas Attorney General:				
Child Support Enforcement	93.563	AG TITLE IV -D	\$ 896,163	
Child Support Probation Cases	93.563	10-C0024	\$ 287,382	
OAG Cases Redirected	93.563	00-08002	\$ 85	
State Case Registry Services	93.563	09-C0027	\$ 33,795	
Access and Visitation Grant	93.597	09-C0005	\$ 63,039	
Access and Visitation Grant	93.597	11-C0110	\$ 8,146	
Total U.S. Department of Health and Human Services			\$ 3,894,147	\$ -
Executive Office of the President				
Office of National Drug Control Policy (ONDCP)				
34th Judicial Dist. Prosecution Initiative	95.001	I8PSWP563Z	\$ 26,985	
34th Judicial Dist. Prosecution Initiative	95.001	G09SW0003A	\$ 361,726	
34th Judicial Dist. Prosecution Initiative	95.001	G10SW0003A	\$ 217,020	
Multiple Initiatives	95.001	I7PSWP555Z	\$ 47,090	
Multiple Initiatives	95.001	I8PSWP555Z	\$ 311,146	
Multiple Initiatives	95.001	G09SW0001A	\$ 2,637,963	
Multiple Initiatives	95.001	G10SW0001A	\$ 289,570	
Total Executive Office of the President			\$ 3,891,500	\$ -
U. S. Social Security Administration				
Social Security Incentive Payment	96.008	20100901	\$ 15,000	
Total U.S. Social Security Administration			\$ 15,000	\$ -
U.S. Department of Homeland Security				
Emergency Food and Shelter National Board Program				
Emergency Food and Shelter	97.024	803600-014 Phase 29	\$ 105,000	

County of El Paso
Schedule of Expenditures of Federal and State Awards
Year Ended September 30, 2010

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2009-2010	State Expenditures 2009-2010
*Texas Department of Public Safety				
Operation Stonegarden	97.067	2009-SJ-T9-0011	\$ 644,230	
Homeland Security	97.073	2008-GE-T8-0034	\$ 67,226	
Homeland Security	97.073	2007-GE-T7-0024	\$ 65,112	
Homeland Security	97.074	2007-GE-T7-0024	\$ 80,328	
Total U.S. Department of Homeland Security			\$ 961,896	\$ -
State Expenditures				
Office of the Governor - Criminal Justice Division				
243th Drug Court Program	N/A	SF-10-A10-16921-07		\$ 124,162
District Attorney's Border Prosecution	N/A	CH-10-A10-22837-01		\$ 964,273
SHOCAP Enhancement Project	N/A	CG-10-J20-23211-01		\$ 56,298
384th Drug Court Program	N/A	SF-10-A10-16921-08		\$ 6,316
*Rio Grande Council of Governments				
Sheriff's Training Academy	N/A	SF-06-A10-14285-11		\$ 127,621
Sheriff's Training Academy	N/A	SF-06-A10-14285-12		\$ 7,513
Total Office of the Governor-Criminal Justice Division			\$ -	\$ 1,286,183
Texas Department of Agriculture				
Home-Delivered Meal Grant Program	N/A	HDM-10-488		\$ 117,478
Total Texas Department of Agriculture			\$ -	\$ 117,478
Office of the Attorney General				
Sheriff's Crime Victim's Liaison	N/A	10-14216		\$ 37,336
DA Victim Information Notification Everyday	N/A	10-12087		\$ 30,108
Total Office of the Attorney General			\$ -	\$ 67,444
Texas Automobile Burglary and Theft Prevention Authority				
Vehicle Registration Abuse Program	N/A	SA-T03-10076-10		\$ 116,062
Vehicle Registration Abuse Program	N/A	SA-T03-10076-11		\$ 6,486
Total Texas Automobile Burglary and Theft Prevention Authority			\$ -	\$ 122,548
Texas Department of Transportation				
Border Colonia Access Program	N/A	245BCF5001		\$ 26,007
Border Colonia Access Program	N/A	248BCF5003		\$ 1,627,751
Click or Ticket	N/A	2010-ELPASOCO-CIOT		\$ 16,375
Total Texas Department of Transportation			\$ -	\$ 1,670,133
Texas Comptroller of Public Accounts				
Tobacco Compliance Grant Sheriff FY 2010	N/A	Tobacco Grant 2010 Sheriff		\$ 21,746
Tobacco Compliance Grant Sheriff FY 2011	N/A	Tobacco Grant 2011 Sheriff		\$ 218
Tobacco Compliance Grant Constable 2 FY 2010	N/A	Tobacco Grant 2010 Cons 2		\$ 3,142
Tobacco Compliance Grant Constable 3 FY 2010	N/A	Tobacco Grant 2010 Cons 3		\$ 9,838
Tobacco Compliance Grant Constable 3 FY 2011	N/A	Tobacco Grant 2011 Cons 3		\$ 218
Tobacco Compliance Grant Constable 4 FY 2011	N/A	Tobacco Grant 2011 Cons 4		\$ 353
Tobacco Compliance Grant Constable 7 FY 2010	N/A	Tobacco Grant 2010 Cons 7		\$ 3,098
Elections Chapter 19	N/A	TX Election CD Chapter 19		\$ 123,803
Lateral Road Fund Distribution	N/A	94F0001072		\$ 35,272
Sheriff Continuing Education	N/A	TX Occup CD 1701.157		\$ 59,939
Total Texas Comptroller of Public Accounts			\$ -	\$ 257,627
Texas Task Force on Indigent Defense				
Public Defender Indigent Defense	N/A	212-07-071		\$ 1,189,599
Total Texas Task Force on Indigent Defense			\$ -	\$ 1,189,599

County of El Paso
Schedule of Expenditures of Federal and State Awards
Year Ended September 30, 2010

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2009-2010	State Expenditures 2009-2010
Texas Juvenile Probation Commission				
TJPC Juvenile Board State Aid	N/A	TJPC-A-2009-071		\$ 4,350
TJPC Juvenile Board State Aid	N/A	TJPC-A-2010-071		\$ 458,579
TJPC Juvenile Board State Aid	N/A	TJPC-A-2011-071		\$ 61,400
TJPC Progressive Sanctions	N/A	TJPC-F-2010-071		\$ 400,655
TJPC Progressive Sanctions	N/A	TJPC-F-2011-071		\$ 85,264
TJPC Diversionary Placement Fund	N/A	TJPC-H-2010-071		\$ 236,160
TJPC Diversionary Placement Fund	N/A	TJPC-H-2011-071		\$ 6,510
TJPC Special Needs Diversionary	N/A	TJPC-M-2010-071		\$ 30,952
TJPC Special Needs Diversionary	N/A	TJPC-M-2011-071		\$ 19,019
TJPC Progressive Sanctions	N/A	TJPC-O-2010-071		\$ 112,984
TJPC Progressive Sanctions	N/A	TJPC-O-2011-071		\$ 26,449
TJPC Juvenile Justice Alt. Education	N/A	TJPC-P-2008-071		\$ 205,059
TJPC Juvenile Justice Alt. Education	N/A	TJPC-P-2009-071		\$ 115,286
TJPC Intensive Community Based Pilot	N/A	TJPC-U-2010-071		\$ 14,771
TJPC Secure Operating	N/A	TJPC-V-2010-071		\$ 168,355
TJPC Secure Operating	N/A	TJPC-V-2011-071		\$ 34,972
TJPC Intensive Community Based Program	N/A	TJPC-X-2010-071		\$ 237,220
TJPC Community Corrections	N/A	TJPC-Y-2010-071		\$ 990,630
TJPC Community Corrections	N/A	TJPC-Y-2011-071		\$ 61,416
TJPC Salary Adjustment	N/A	TJPC-Z-2010-071		\$ 281,869
TJPC Salary Adjustment	N/A	TJPC-Z-2011-071		\$ 28,694
Title IV-E ARRA	93.658	TJPC-E- -071	\$ 141,838	
Total Texas Juvenile Probation Commission			\$ 141,838	\$ 3,580,594
Texas Department of Public Safety				
* Division of Emergency Management				
Local Border Security Program	N/A	LBSP-08-EL PASO		\$ 320,286
Total Texas Department of Public Safety			\$ -	\$ 320,286
Texas District Courts-Comptroller Judiciary				
Reimbursement of State Witness	N/A	TX CD Crim Proc 35.27/104.003		\$ 88,473
DA Apportionment Salaries	N/A	Gov CD Chpt 41.203		\$ 33,712
Prosecutor Longevity	N/A	Gov CD Chpt 41.251		\$ 201,837
Reimbursement of Statutory Court Judges	N/A	Gov CD Chpt 25.0015		\$ 825,000
Jury Reimbursement	N/A	Gov CD Chpt 61.0015		\$ 223,006
Reimbursement of Statutory Probate Court Judges	N/A	Gov CD Chpt 25.00211		\$ 80,000
Total Texas District Courts-Comptroller Judiciary			\$ -	\$ 1,452,028
Texas Department of Criminal Justice				
Reimbursement of Offender Transportation	N/A	Gov CD Chpt 499.125		\$ 59,917
Total Texas Department of Criminal Justice			\$ -	\$ 59,917
Texas Department of Health and Human Services Commissions				
District Attorney Food stamp Fraud	N/A	OIG 042010A		\$ 31,478
BCMHC Military Assistance	N/A	529-09-0091-00001		\$ 200
BCMHC Military Assistance	N/A	529-09-0091-0001A		\$ 19,462
Total Texas Department of Health and Human Services Commissions			\$ -	\$ 51,140
TOTAL FEDERAL AND STATE FINANCIAL ASSISTANCE			\$ 17,028,592	\$ 10,235,205

County of El Paso
 Schedule of Expenditures of Federal and State Awards
 Year Ended September 30, 2010

Federal Grantor/Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Federal Expenditures 2009-2010	State Expenditures 2009-2010
Federal Funds Expended			\$ 17,028,592	
State Funds Expended			\$ 10,235,205	
Total Funds Expended			<u>\$ 27,263,797</u>	
Note:				
Special Revenues-Grants Exhibit 4 Total Expenditures			\$ 26,417,576	
Plus Funds received through General Fund			\$ 4,719,801	
Plus Funds received through Special Revenues			\$ 675,450	
Plus Funds returned to Federal and State Agencies			\$ 775	
Less Non-Federal or State Funding Sources Special Revenue-Grants			<u>\$ 4,549,805</u>	
TOTAL FEDERAL AND STATE FINANCIAL ASSISTANCE			<u>\$ 27,263,797</u>	
Revenues				
Special Revenues-Grants Exhibit 4 Total Revenues Intergovernmental			\$ 22,043,653	
Plus Revenues through General Fund			\$ 4,719,801	
Plus Juvenile Probation Commodities			\$ 4,525	
Plus Revenues through Special Revenues			\$ 670,925	
Plus Funds returned to Federal and State Agencies			\$ 775	
Less Non-Federal or State Funding Sources Special Revenues-Grants			<u>\$ 175,882</u>	
Adjusted Balance			<u>\$ 27,263,797</u>	
			\$ -	

* Federal or State Funds Passed-Through Another Agency

** Clustered per the June 2010 Compliance Supplement

COUNTY OF EL PASO, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED SEPTEMBER 30, 2010

1. GENERAL

The accompanying Schedule of Expenditures of Federal and State Awards presents the activity of all federal and state financial assistance programs of the County of El Paso, Texas (County) for the year ended September 30, 2010. The County's reporting entity is defined in Note 1 to the County's basic financial statements. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

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

2. BASIS OF ACCOUNTING

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

3. SINGLE AUDIT MAJOR PROGRAM DETERMINATION

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

Federal Type A programs, for the County, are programs that have expenditures equal to or greater than \$510,858 or three percent of total Federal awards expended. State Type A programs, for the County, are programs that have expenditures equal to or greater than \$307,056 or three percent of total State awards expended. Federal and State programs not labeled Type A are labeled Type B programs.

4. REPORTING ENTITY

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

The discretely component unit received \$513,817 in federal awards and \$1,474,783 in state awards, which are not included in the schedule during the year ended September 30, 2010 because the discretely presented component unit engaged other auditors to perform an audit in accordance with OMB Circular A-133 and the State of Texas Single Audit Circular.

(Continued)

COUNTY OF EL PASO, TEXAS

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS

YEAR ENDED SEPTEMBER 30, 2010

5. OTHER FEDERAL AND STATE FINANCIAL ASSISTANCE

CFDA number 10.550 pertains to food commodities distributed by USDA under the following categorical programs (as applicable): the National School Lunch Program (CFDA 10.555), the Child and Adult Care Food Program (CFDA 10.558), the Summer Food Service Program (CFDA 10.559), the Commodity Supplemental Food Program (CFDA 10.565), and the Food Distribution Program on Indian Reservations (CFDA 10.567). USDA deleted this number from the CFDA on May 6, 2008. Effective this date, the County of El Paso, Texas will therefore identify commodity assistance as noncash assistance by the CFDA numbers of the programs under which USDA donated the commodities.