

**Webb County, Texas**  
**Notes to the Basic Financial Statements**  
**September 30, 2002**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The County was established in 1848 and is a public corporation and a political subdivision of the State of Texas. The County has a population of 193,117 (2000 census) living within an area of 3,357 square miles. The County is sixth largest county of the 254 Texas counties. The County is in the southwest quadrant of the state, and the City of Laredo, Texas is the County seat.

The County operates using a commission form of government. The County Judge is elected at large for a four-year term. The Commissioners' Court (Court) is comprised of four members elected for four-year terms from four election districts. The Court provides various services to advance the welfare, health, morals, comfort, safety, and convenience of the County and its inhabitants. As required by generally accepted accounting principles, the financial statements of the reporting entity include those of the County (the primary government) and its component units.

The financial statements of the County have been prepared in accordance with Generally Accepted Accounting Principles in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standard Board ("GASB") is the standard-setting body for governmental accounting and financial reporting. Pronouncements of the Financial Accounting Standard Board ("FASB") issued after November 30, 1989 are not applied in the preparation of the financial statements of the proprietary fund types in accordance with an election made by the County under GASB Statement #20. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards, which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The County's significant accounting policies are described below:

For the reporting year, the County elected early implementation of GASB Statement #34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments."

The County's significant accounting policies are described below:

**A. REPORTING ENTITY**

In evaluating the County as a reporting entity, management has addressed all potential component units (traditionally separate reporting entities) for which the County may be financial accountable and, as such, should be included within the County's financial statements.

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The County (primary government) is financially accountable if it appoints a voting majority of the organization's governing board and (1) it is able to impose its will on the organization or (2) there is a potential for the organization to provide specific financial burden on the County. Additionally, the primary government is required to consider other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Because of the closeness of their relationship with the primary government (the County), two component units are blended as though they are part of the primary government.

The reporting funds of the Component Units listed below are included in the Special Revenue Funds section of the County's CAFR. These component units do not issue separately audited comprehensive annual financial reports. The only financial data available on these component units are included in the County's CAFR and may be obtained from the Webb County Auditor's Office.

Webb County Auditor  
1110 Washington, Suite 201  
Laredo, Texas 78040

**Blended Component Unit** The Webb County Community Action Agency (CAA) is an entity incorporated by the State of Texas. CAA's primary purpose is to take advantage of all Federal and State programs which are specially designed to aid and educate the underprivileged in the County. The Webb County Commissioners' Court is CAA's governing body. CAA has a twenty-one member advisory board consisting of (A) public officials, (B) indigent and, (C) the private sector. CAA's operations are reported in the special revenue funds.

**Blended Component Unit** The Laredo Webb County Child Welfare Board (Board) is an entity incorporated by the State of Texas. The Board's purpose is to provide foster care for neglected, delinquent and handicapped children of the County. The Webb County Commissioners' Court is the Board governing body. Thirteen resident members make up an advisory board appointed by the Commissioners' Court. The Board's operations are reported in the special revenue funds.

## **B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

The basic financial statements include both government-wide (based on the County as a whole) and fund financial statements. While the previous model emphasized fund types (the total of all funds of a particular type), in the new reporting model the focus is on either the County as a whole or major individual funds (within the fund financial statements).

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Both the government-wide and fund financial statements within the basic financial statements) categorize primary activities as either governmental activities or business-type activities. In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reflected, on a full accrual, economic resource basis, which incorporates long-term assets and receivables as well long-term debt and obligations.

The government-wide Statement of Activities reflects both the gross and net cost per functional category (public safety, public works, etc.) which are otherwise being supported by general government revenues (property, sales and use taxes, certain intergovernmental revenues, fines, permits and charges, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function or a business-type activity. Program revenues include revenues from fines, and forfeitures, licenses and permit fees, taxes and charges for services. The operating grants include operating-specific and discretionary (either operating or capital grants while the capital grants columns reflects capital-specific grants.

The net cost (by function or business-type activity) is normally covered by general revenues (property, sales, or use taxes, intergovernmental revenues, interest income, etc.). Historically, the previous model did not summarize or present net cost by function or activity. The County does not currently employ an indirect cost allocation system.

This government-wide focus is more on the sustainability of the County as an entity and the change in aggregate financial position resulting from the activities of the fiscal period.

The fund financial statements are, in substance, very similar to the financial statements presented in the previous model. Emphasis here is on the major funds in either the governmental or business-type categories. Non-major funds (by category) or fund type are summarized into a single column.

Unless an internal service fund is combined with the business-type activities (deemed to be an infrequent event), totals on the business-type activity fund statements should directly reconcile to the business-type activity column presented in the government-wide statements.

The governmental funds major fund statements in the fund financial statements are presented on a current financial resource and modified accrual basis of accounting. This is the manner in which these funds are normally budgeted.

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This presentation is deemed most appropriate to (a) demonstrate legal and covenant compliance, (b) demonstrate the sources and use of liquid resources, and (c) demonstrate how the County's actual experience conforms to the budget or fiscal plan. Since the governmental fund statements are presented on a different measurement focus and basis of accounting than the government-wide statements' governmental column, a reconciliation is presented on the page following each statement, which briefly explains the adjustment necessary to transform the fund based financial statements into the governmental column of the government-wide presentation.

Internal service funds of a government (which traditionally provide services primarily to other funds of the government) are presented in the summary form as part of the proprietary fund financial statements. Since the principal users of the internal services are the County's governmental activities, financial statements of internal service funds are consolidated into the governmental column when presented at the government-wide level. To the extent possible, the cost of these services is reflected in the appropriate functional activity (police, fire, public works, etc.).

The County's fiduciary funds (which have been redefined and narrowed in scope) are presented in the fund financial statements by type (pension, private purpose and agency). Since by definition these assets are being held for the benefit of a third party (other local governments, private parties, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated in the government-wide statements.

The focus of the revised model is on the County as whole and the fund statements, including the major individual funds of the governmental and business-type categories, as well as the fiduciary funds, (by category). Each presentation provides valuable information that can be analyzed and compared (between years and between governments) to enhance the usefulness of the information.

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANAICAL STATEMENT PRESENTATION**

**1. BASIS OF ACCOUNTING**

Basis of accounting refers to the point at which revenues or expenditures/expenses are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurement made, regardless of the measurement focus applied.

The Government-wide Financial Statements and the Proprietary, and Fiduciary Fund Financial Statements are presented on an accrual basis of accounting. The Governmental Funds in the Fund Financial Statements are presented on a modified accrual basis.

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**Accrual:**

All proprietary and internal service funds, are accounted for using the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred

**Modified Accrual:**

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation long-term debt, if any, is recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement #33, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met should, under most circumstances, be reported as advances by the provider and deferred revenues by the recipient.

## **2. FINANCIAL STATEMENT PRESENTATION**

The financial transactions of the County are recorded in individual funds. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, reserves, fund equity, revenues, and expenditures, or expenses as appropriate. The various funds are reported by generic classification within the financial statements. Governmental resources allocated to, and accounted for, in the individual funds are based on the specific activities in accordance with laws, regulations, or other restrictions.

The new reporting model (GASB Statement #34) sets forth minimum criteria (percentage of the assets, liabilities, revenues or expenditures/expenses of either fund category or the governmental and enterprise combined) for the determination of major funds. The non-major funds are combined in a column in the fund financial statements and detailed in the combining section.

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The following fund types are used by the County:

**GOVERNMENTAL FUNDS:**

The focus of Governmental funds measurement (in the Fund Financial Statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. The following is a description of the Governmental Funds of the County:

**General Fund** is the general operating fund of the County. It is used to account for all financial resources except those required to be accounted for in another fund.

**Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Headstart Program Fund, which is one of the special revenue funds is presented as a major fund. Headstart revenues are received from the U. S. Department of Health and Human Services to provide eligible participants education, nutrition, disability and medical services. Headstart revenues are also used to provide literacy services for eligible parents.

**Debt Service Funds** are used to account for the accumulation of funds for the periodic payment of principal and interest on governmental bonds, loans, and capital leases.

**Capital Projects Funds** are used to account for the financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by Business-type/Proprietary Funds). The major funds (Interest Income Capital Projects, Series 2001 Fund and Interest Income Capital Projects, Series 2002 Fund) are where the majority of the non-special revenue capital activity is accomplished. The two major funds are used to accumulate interest income for specific projects. Other non-major specific funds are created as deemed appropriate.

**PROPRIETARY FUND TYPES:**

The focus of Proprietary Funds measurement is upon determination of operating income, changes in net assets, financial position, and cash flows. The generally accepted accounting principles applicable are those similar to businesses in the private sector. The following is the description of the Proprietary Funds of the County:

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**Enterprise Funds** are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity (a) is financed with debt that is solely secured by pledge of the net revenues, (b) has third party requirements that the costs, be of providing services including capital costs, be recovered with fees and charges or (c) has pricing policy designed for the fees and charges to recover similar costs. The County may additionally elect to treat other County business similarly. The major fund (Water Utility Fund) represents the County's current business-type activity.

**Internal Service Funds** are used to account for the financing of services provided by a department to other departments, funds or component units of the County on a cost-reimbursement basis.

**FIDUCIARY FUNDS:**

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore are not available to support County programs. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds.

**Trust and Agency Funds** are used to account for the trust (either pension, investments [held for third parties] or private purpose) or agencies, which are custodial in nature.

**Non-Current Governmental Assets/Liabilities:**

GASB Statement #34 eliminates the presentation of Account Groups, but provides for these records to be maintained and incorporates the information into the Governmental column in the government-wide Statement of Net Assets

**D. ASSETS, LIABILITIES AND FUND EQUITY**

**1. CASH AND CASH EQUIVALENTS AND BANK OVERDRAFT**

The County has defined Cash and Cash Equivalents to include change funds, demand deposits, certificates of deposit, and money market certificates. Additionally, each fund's equity in the State investment pools is considered to be a cash equivalent since the funds can deposit or effectively withdraw cash at any time without prior notice or penalty.

**Pooled Cash** - The County maintains pooled cash accounts for funds not required to be segregated. Some funds incur negative cash balances which are equivalent to liabilities. As a result, bank overdrafts are reported as interfund payables in the balance sheet. The general fund is the offsetting interfund receivable for the negative cash balance.

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**Bank Overdraft** - Individual funds with their own bank account incurring cash overdraft balances are the results of payroll interfund bank transfers or transfers from the state investment pool occurring after the year end or special revenues and capital projects' grant funds on a reimbursement basis.

**2. INVENTORIES**

Inventories are valued at cost, which approximates market value, using the first in, first out method, with some inventories on the average cost method. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories are reported as assets of their respective funds. Reported inventories in these funds are equally offset by a fund balance reserve, which indicates the assets are unavailable for appropriation even though they are a component of reported assets.

**3. CAPITAL ASSETS AND DEPRECIATION**

**Capital Assets** – Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, dam, and similar immovable items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The County elected early implementation of the infrastructure reporting requirements of GASB Statement 34.

Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets of the County are depreciated using the straight line method over the estimated useful life of the assets as follow:

Buildings and improvements	15 to 40 years
Equipment (computer, office and vehicles)	5 years
Infrastructure – roads (dirt, caliche, or paved)	15 to 40 years
Infrastructure – bridges	25 to 35 years
Infrastructure – dam	40 years
Infrastructure – water and wastewater lines and pump stations	40 years

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**4. DUE FROM OTHER GOVERNMENTAL UNITS**

To recognize resources available for Special Revenue Funds and Capital Projects Funds, the County records amounts due from grantors upon receipt of the award and records the award as deferred revenue. For grants which require expenditures for eligible grant purposes in order to earn the award, revenues are recognized when expenditures are made. For other grants and financial assistance, the amounts due from other governmental units and deferred revenue are reduced upon receipt of payment and revenues are then recognized.

**5. FUND EQUITY**

Certain fund balances or portions thereof have been reserved to indicate amounts that are not appropriated for expenditures or are legally segregated for a specific future purpose. Designation of a portion of the fund balance is established to indicate tentative plans for financial resource utilization in a future period.

**6. CAPITAL GRANT**

Capital grants restricted for capital acquisitions or construction other than those associated with proprietary funds, are accounted for in the applicable Capital Projects Funds. Grant monies restricted for acquisition of Enterprise Fund capital assets are recorded as contributed equity in the applicable enterprise fund. Therefore, depreciation expense relating to fixed assets contributed or acquired with grant monies is deducted from the applicable contributed capital.

**7. OTHER ASSETS AND UNAMORTIZED BOND ISSUANCE COSTS**

Other assets held are recorded and accounted for at cost.

In the governmental funds, discounts and issuance costs are treated as period costs in the year of issue. Bond issuance costs are shown as other financing sources.

In the proprietary funds, bond discounts and issuance costs are deferred and amortized over the term of the bonds using the bonds outstanding method which approximates the effective interest method. Bond discounts are presented as a reduction of the face amount of the revenue bonds payable whereas issuance costs are recorded as other assets. Expenses relating to the sale of the combination tax and revenues bonds in the enterprise fund are amortized over the life of the issue.

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As part of the reconciliation and presentation at the government-wide level these costs (in the governmental funds) are adjusted and reflected similarly to proprietary funds.

**Governmental Funds**

Unamortized Bond Issuance Costs	949,741
Prepaid Expenses	15,087
Deposits	4,975

**Proprietary Funds**

Unamortized Bond Issuance Costs	155,822
Prepaid Interest	54,043
Deposits	675

**8. RECLASSIFICATION**

Certain September 30, 2001 accounts balances have been reclassified in this report to conform to the financial statement presentation used in 2002.

**II. STWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. BUDGETARY INFORMATION**

Operating budgets for the governmental fund types are legally adopted each year for the General Fund, Special Revenues Funds, Debt Service Funds and Capital Projects Funds on the same modified accrual basis used to reflect actual revenues and expenditures.

Operating budgets are also legally adopted each year for the proprietary funds on the same accrual basis used to reflect actual revenues and expenses.

The adopted budget normally covers all funds existing at the time the annual budget is adopted. However, federal grants, state grants and assistance programs included in the Special Revenue Funds and Capital Projects Funds are budgeted by grant period rather than by fiscal year.

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As a result, the actual and budget amounts included in the Combined Statement of Revenue, Expenditures and Changes in Fund Balances - Budget and Actual - General, Special Revenue, Debt Service Funds, and Capital Project Funds exclude amounts for those individual funds which do not have legally adopted annual budgets.

The County follows these procedures set by The Texas Local Government Code, (Code) Chapter 111 "County Budget" in establishing the budgetary data reflected in the financial statements:

The County Judge serves as the Budget Officer for the Commissioners Court (Court) of the County. Each department submits a budget request to the County Judge. The County Judge, with the assistance of the County Auditor, prepares a budget to cover all the proposed expenditures for the succeeding fiscal year. The budget establishes an appropriation for the estimated expenditures to be included in the proposed budget. The County Judge also estimates the revenues available from all sources and to be derived from taxes to be levied and collected to cover the budget. In practical application, very seldom is the proposed budget balanced from the undesignated fund balance. Once the proposed budget is completed and balanced, it is filed with the County Clerk by July 31<sup>st</sup> for public inspection by any taxpayer. Public hearings are held by the Court, the governmental body of the County, regarding the proposed budgets. The Court may increase or decrease the budgeted amounts for the various funds and departments. After final approval of the budget, the Court may spend county funds only in strict compliance with the budget. The Court may levy taxes only in accordance with the budget. The Court is authorized to transfer budgeted amounts between departments or categories during the year; however, public notice must be given when adopting any revisions to the budget. The County Auditor is responsible for monitoring the expenditures of the various funds and departments to prevent expenditures from exceeding line item appropriations.

The County Auditor reports to the Court on a monthly basis to inform on the condition of the various funds, departments and line item accounts. Management has no authority to make changes to the budget without the Court approval. Budgetary controls exist at the expenditures line item and control at the department level. Operating budgeted amounts reflected in the financial statements represent the final budget as amended by the Commissioners' Court. A "Personnel General Order" by department and fund and an "Operational General Order" is adopted by the Court for approving personnel positions and immediate and non-immediate payments for financial processing procedures for each fiscal year. "Amending the Budget" is a section which specifically directs how to request line-item transfers only during the last six months of the fiscal year. The Commissioners' Court is very actively involved in the administration of the operating budgets for the county, and no line item amendments shall be made, except those from state and federal funding sources, without the Court's prior approval.

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The Code stipulates that Court may authorize an emergency expenditure as an amendment to the budget only in case of grave public necessity to meet an unusual and unforeseen condition that could not have been included in the original budget through the use of reasonably diligent thought and attention."

All budget amounts presented in the accompanying supplementary information reflect the original budget and the final budgeted amounts (which have been adjusted for legally authorized revisions of the annual budgets during the year). The justice court technology and vertex targeted opportunities have no budgets since they were established in the current year. The County payroll clearing fund requires no budget. The election contract services fund has also has no budget as according to the election code.

	<b>Original Adopted Budget</b>	<b>Final Revised Budget</b>
<b>Governmental:</b>		
<b>Major Fund:</b>		
General Fund	42,012,189	43,367,582
<b>Special Revenue Fund:</b>		
Headstart Program	9,009,788	9,113,673
<b>Capital Projects Funds:</b>		
Interest Income, Series 2001	7,000,000	- 0 -
Interest Income, Series 2002	- 0 -	- 0 -
Juvenile Youth Village Fund	- 0 -	11,300,000
<b>Other Governmental Funds:</b>	95,710,047	96,846,197
<b>Total \$</b>	<b>153,732,024</b>	<b>160,627,452</b>

Encumbrances outstanding at year-end do not represent GAAP expenditures or liabilities but represent budgetary accounting controls. All governmental fund budgets are maintained on the modified accrual basis of accounting except that budgetary basis expenditures include purchase orders and contracts (encumbrance) issued for goods and services not received at year-end.

The actual results of operations are presented in accordance with GAAP, and the County's accounting policies do not recognize encumbrances as expenditures until the period in which the goods and services are actually received and a liability is incurred. All encumbrances lapse at the end of year. At year end all outstanding encumbrances are presented as purchase order commitments.

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Grant awards representing state and/or federal funding sources included in the special revenues and capital projects funds are project-period or entity differences. Grant awards are initially approved by the Commissioners' Court for the grants' special terms and conditions for contractual performance. All subsequent budget amendments are approved by the various granting agencies' governing bodies during the fiscal year and by the Court. In addition to the agencies' governing bodies and the Court, the Board of District Judges approves amendments for the Community Justice Assistance Division grants for the Adult Probation and Texas Juvenile Probation Commission grants for the Juvenile Probation special revenue funds.

**B. EXCESS EXPENDITURES OVER APPROPRIATIONS**

An excess of expenditures over appropriations were incurred for the following governmental funds as of September 30, 2002:

	<u>Appropriations</u>	<u>Expenses / Expenditures</u>	<u>Excesses</u>
<b>Special Revenues:</b>			
Election Services Contract Fund	-0-	316,507	316,507
DEA – Narcotics Task Force Fund	209,914	220,080	10,166
CJD City of Laredo Financial Task Force Fund	185,380	191,550	6,170
CJD City of Laredo Multi-Agency Narcotics Task Force Fund	382,999	402,093	19,094
District Attorney Hot Check Fee Fund	37,069	37,879	810
Sheriff Jail Match/Patch Program Fund	11,670	12,463	793
Webb County Worker's Compensation Fund	1,004,611	1,038,415	33,804

The \$ 316,507 excesses for the election services contract fund resulted from election expenses exceeding its budget estimates. The fund balance absorbed the excess expenditures.

The \$ 10,166 excesses for Drug Enforcement Agency - Narcotics Task Force resulted from personnel cost exceeding its budget estimates. Revenues from the District Attorney's Federal Forfeiture fund were utilized to absorb the excess of expenditures over revenues.

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The \$ 6,170 excesses for Criminal Justice Division - Financial Task Force resulted from personnel cost exceeding its budget estimates. Grant revenues for the program were utilized to finish the fiscal year.

The \$ 19,094 excesses for Criminal Justice Division - Multi-Agency Task Force resulted from personnel cost exceeding its budget estimates. Grant revenues for the program were utilized to finish the fiscal year.

The \$ 810 excesses for the District Attorney Hot Check Fee fund resulted from personnel cost exceeding its budget estimates. The fund balance absorbed the expenditures over revenues.

The \$ 793 excesses for Sheriff Jail Match / Patch Program resulted from material and supplies for inmates exceeding its budget estimates. The fund balance absorbed the expenditures over revenues.

The Webb County Workers' Compensation internal service fund's exceeded the budget estimates by \$ 33,804. Claims paid exceed the budget. The fund balance absorbed the expenditures over revenues.

**C. DEFICIT FUND EQUITY**

The following funds had deficit fund balances at September 30, 2002:

Special Revenue Fund - Webb County CAA, Comprehensive Energy Assistance Program, the Weatherization Assistance for Low Income Persons, and the System Benefit Funds program at September 30, 2002 had an unreserved undesignated fund balance deficits of \$ 1,419, \$ 2,998, and \$ 585, respectively, which exist due to grant expenditures exceeding grant revenues. These grant operations are through December 2002 and future grant revenues are expected to eliminate the deficit.

**III. DETAILED NOTES ON ALL FUNDS**

**A. CASH AND CASH EQUIVALENTS, INVESTMENTS, AND BANK OVERDRAFT**

**CASH** - At September 30, 2002 the carrying amount of the County's deposits (including certificates of deposits of \$ 11,360,950) was \$ 16,811,471 and the bank balance was \$ 17,638,623. Of the bank amount, 100 percent was insured or collateralized with securities held by the County's agent in the County's name.

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The State of Texas Public Funds Investment Act limits the types of authorized investments that the County may make. Legal collateral and investments are generally limited to direct obligations of the United States of America or guaranteed by governmental entities or its agencies and instrumentalities, certificate of deposit and repurchase agreements.

**CASH EQUIVALENTS** - Cash equivalents represent deposits and short term highly liquid investments with a maturity of less than three months.

The County invests primarily in Texpool which is a public fund pool administered by the Treasury of the State of Texas. There is a twenty-four hour fund availability of these funds; therefore, the Texpool's investment of \$ 49,889,178 is reported as a cash equivalent. Texpool's net assets value is 1.00072% of the County's carrying value as of September 30, 2002.

As required by Technical Bulletin 94-1 Disclosures about Derivatives for indirect transactions such as investment pool, Texpool held no derivative securities. Texpool's investment policy does not allow for derivative investments.

Logic - Local Government Investment Cooperative is also a public fund pool for the County permanent school fund. There is twenty-four hour fund availability of these funds; therefore, the Logic's investment of \$ 3,205,869 is also reported as a cash equivalent. Logic's net assets value is 1.0003% of the County's carrying value as of September 30, 2002.

MBIA Municipal Investors Services Corporation is also a public fund pool for the County permanent school fund. There is twenty-four hour fund availability of these funds; therefore, the MBIA's investment of \$ 2,024,479 is also reported as a cash equivalent. MBIA's net asset value is 1.0000% of the County's carrying value as of September 30, 2002.

Cash and Cash Equivalents are combined in the Financial Statements as follows:

Financial Statements:	Primary Government	Fiduciary Funds
Cash on hand \$	9,099	
Deposits	7,648,211	9,163,260
Texpool State Investment Pool	39,913,384	9,975,794
Logic Investment Pool		3,205,869
MBIA Investment Pool		2,024,479
Total Cash and Cash Equivalents \$	47,570,694	24,369,403

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Reconciliation of General Fund bank overdraft:

Per Fund Type	Negative Pooled Cash
General Fund	\$
Special Revenue Funds	2,474,652
Capital Projects Funds	12,415,532
Enterprise Fund	1,560,215
Internal Service Funds	373,845
<b>Total Negative Cash Balances Per Fund Type</b>	<b>16,824,244</b>
Less General Fund Cash & Cash Equivalents	9,725,712
<b>General Fund Overdraft for Pool Cash</b>	<b>\$ 7,098,532</b>

Included in the general fund's interfund receivable "Due From Other Funds" are \$ 16,824,244 consisting of above fund type negative pooled cash.

**B. RECEIVABLES**

Accounts, billings, and taxes receivables and related allowances are as follows:

	<u>Governmental Activities</u>	<u>Business Activities</u>
Receivables:		
Tax Receivable - Delinquent	\$ 9,128,540	
Probation Fees Receivable	1,352,766	
Fines Receivable	2,684,015	
Billings Receivable		150,728
Accounts Receivable	1,662,782	738
Notes Receivable	93,571	
Accrued Interest Income	1,703	
Less: Allowance for uncollectible	(4,402,416)	- 0 -
<b>Total Receivables</b>	<b>\$ 10,520,961</b>	<b>151,466</b>

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

		<u>Unavailable</u>	<u>Unearned</u>
Properties taxes receivables – General Fund	\$	6,279,483	
Properties taxes receivables – Road and Bridge Fund		309,992	
Properties taxes receivables – Debt Service Fund		1,156,538	
Grant drawdown prior to meeting all eligibility requirements			751,109
Total	\$	7,746,013	751,109

**C. CAPITAL ASSETS**

A summary of changes in general fixed assets during the fiscal year ended September 30, 2002 follows:

	Beginning Balance 10/01/2001	Additions	Deductions	Adjustments	Ending Balance 09/30/2002
Land and Improvements \$	4,944,166	443,124		249,712	5,637,002
Infrastructure and Infrastructure in Progress				60,525,848	60,525,848
Buildings	39,604,040	15,768,209		8,791,418	64,163,667
Improvements Other Than Buildings	6,271,360	80,212		(6,351,572)	
Furniture, Fixtures, & Equipment	22,391,662	2,937,853	43,062	(4,954,490)	20,331,963
Leasehold Improvements	17,571			(17,571)	
Construction In Progress	10,502,566	4,784,411	14,906,000	(14,707)	366,270
<b>Total</b> \$	<b>83,731,365</b>	<b>24,013,809</b>	<b>14,949,062</b>	<b>58,228,638</b>	<b>151,024,750</b>

**Webb County, Texas**  
**Notes to the Basic Financial Statements**  
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Depreciation expense was charged to functions / programs of the primary government as follows:

Governmental activities	Depreciation
General government	645,528
Public safety	111,296
Justice system	484,866
Health and human services	114,122
Infrastructure and environmental services	1,691,016
Corrections and rehabilitation	406,246
Community and economic development	456,892
<b>Total</b>	<b>3,909,966</b>

As of September 30, 2002, the County construction in progress projects total \$ 366,270

A summary of Proprietary Fund type fixed assets at September 30, 2002 follows:

	Enterprise Fund	Internal Service Funds	
	Webb County Water Utility	Webb County Employees' Health Benefits	Webb County Worker's Compensation Reserve
Land and Improvements \$	201,598		
Infrastructure and Infrastructure in Progress	2,318,211		
Buildings	272,908		
Furniture, Fixtures, & Equipment	378,885	60,128	23,939
Construction in Progress	193,456		
Less Accumulated Depreciation	(338,391)	(19,196)	(23,074)
<b>Net Fixed Assets</b>	<b>3,026,667</b>	<b>40,932</b>	<b>865</b>
<b>Depreciation \$</b>	<b>83,535</b>	<b>6,403</b>	<b>3,461</b>

**Webb County, Texas**  
**Notes to the Basic Financial Statements**  
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**D. ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Accounts payable and accrued liabilities in the governmental and business activities are as follows:

	<u>Governmental Activities</u>	<u>Business Activities</u>
Accounts payable and accrued liabilities: \$		
Bank overdraft	7,120,223	
Accounts payable	3,932,631	63,804
Accrued wages	1,119,485	10,691
Other liabilities	874,134	8,753
Retainage payable	453,274	32,923
Customer deposits		34,129
<b>Total Accounts payable and accrued Liabilities \$</b>	<b>13,499,747</b>	<b>150,300</b>

**E. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS**

The County has numerous transactions between funds which involve receipts and disbursements by one fund for amounts of another fund. Those transactions which require one fund to reimburse another are classified in the balance sheet of the various funds as due to or due from other funds, as appropriate. Transactions that would be treated as revenues, expenditures, or expenses if they involved organizations external to the County, are accounted for as revenues, expenditures, or expenses in the funds involved.

**Webb County, Texas**  
**Notes to the Basic Financial Statements**  
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Individual interfund receivable and payable balances at September 30, 2002 were:

<b>Primary Government:</b>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<b>Governmental Activities:</b>		
<b>Major Fund:</b>		
<b>General Fund</b>	18,431,429	281,679
<b>Special Revenue Fund:</b>		
Headstart Program	186	63,351
<b>Capital Projects Funds:</b>		
Interest Income, Series 2001		5,610,986
Interest Income, Series 2002		4,204,150
Juvenile Youth Village Fund		
<b>Other Governmental Funds:</b>		
Internal Service Fund	528,344	5,403,601
	531,523	2,228,516
<b>Business-type Activities:</b>		
<b>Enterprise Fund:</b>		
Webb County Water Utility	140,394	1,839,593
<b>Total Interfund Receivable And Payable</b> \$	<b>19,631,876</b>	<b>19,631,876</b>

**Webb County, Texas**  
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Transfers of financial resources among funds are recognized in all funds affected in the accounting period in which the interfund receivable and payable arises. Interfund operating transfers are legally authorized transfers from a fund to the fund through which the resources are to be expended. During the fiscal year ended September 30, 2002, interfund transfers were as follows:

	<u>Operating Transfers In</u>	<u>Operating Transfers Out</u>	Purpose
<b>General Fund:</b> \$	386,774	197,110	Establish Election Fund and Fund Water Utility Bond Reserve
<b>Special Revenue Funds:</b>			
Webb Hotel Motel Occupancy Tax Fund		58,000	Debt Service Obligation
Records Management And Preservation Fund	126,837		Fund payroll
Cty. Clerk Records Management & Preservation		126,837	Pay for payroll
Webb County Road And Bridge	10,324	226,774	Reimburse Grant Cash Match and Fund Vehicle Maint. Department
Webb County Election Administration	142,458		Establish Fund
CJAD Community Corrections	236,773		Fund Grant Operations
CJAD Day Reporting Center	21,411		Fund Grant Operations
CJAD Court Residential Treatment	27,193		Fund Grant Operations
CJAD Basic Supervision		285,591	Fund Grant Operations
CJAD Treatment Incarceration Program	214		Fund Grant Operations
District Attorney State Forfeiture Fund		16,158	Transfer Federal Forfeiture
District Attorney Federal Forfeiture Fund	16,158	7,976	Fund Overtime
DEA Narcotics Task Force Fund	7,976		Federal Forfeiture and Pay Overtime
Webb County Courthouse Security		160,000	Courthouse Security paid out of General Fund
Debt Service Fund	58,000		Hotel Motel Obligation
<b>Capital Projects Funds:</b>			
Texas Parks And Wildlife Rio Bravo Community Center		10,324	Refund Road & Bridge prior year grant cash match
<b>Internal Service Fund:</b>			
Employees' Health Benefits	531,523		Eliminate Deficit
Workers' Compensation Reserve Fund		531,523	Eliminate Deficit
<b>Fiduciary Trust Funds:</b>			
Available School Fund	400,869		Pay School Districts Based On Daily Per Student Attendance
Permanent School Fund		400,869	Pay School Districts From Interest Income and Royalties
<b>Business-type activities</b>			
Water Utility Fund	54,652		Maintain Bond Reserve
Total \$	2,021,162	2,021,162	

**Webb County, Texas**  
**Notes to the Basic Financial Statements**  
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**F. LEASES**

The County entered into a contractual lease agreement for heavy equipment for the Road and Bridge Fund. The lease met the criteria of a capital lease, in which the benefits and risks of ownership are essentially transferred to the lessee, the County. Upon entering into this capital lease, the County records capital lease expenditures and other financing sources for governmental funds equal to the capitalization amounts of the equipment in the fund which accounts for the acquiring County department. The County records the asset and the related liability for the enterprise fund.

Lease payments are reported in the Debt Service Fund for governmental funds as taxes that have been levied for that specific purpose.

**G. LONG-TERM DEBT**

The following is a summary of long-term debt activity for the year ended September 30, 2002. The Certificates of Obligations, Limited Tax Refunding and Combination Tax and Revenue Certificate of Obligations, and LoanSTAR Loan pertain to governmental funds. The governmental debt is retired from Debt Service Fund revenues; primarily ad valorem taxes. The TWDB Water & Sewer DFUNDII Loan and a portion of the Certificates of Obligations, series 1999 and 2000 are retired by the Webb County Water Utility self-supporting fees. The contract lease obligations and compensated absences may be retired from general fund revenues.

**Webb County, Texas**  
**Notes to the Basic Financial Statements**  
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Long-term liabilities activity for the fiscal year ended September 30, 2002, was as follow:

	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
<b>Governmental Activities:</b>						
<b>Certificates of Obligations</b>						
Limited Tax Refunding Bonds, Series 1993 Combination Tax and Revenue	11,280,000	8,255,000		865,000	7,390,000	905,000
Certificates of Obligations, Series 1994	8,700,000	6,785,000		270,000	6,515,000	285,000
Certificates of Obligations, Series 1996	7,500,000	385,000		60,000	325,000	70,000
General Obligations Refunding Bonds, Series 1998	8,020,000	7,805,000		60,000	7,745,000	65,000
Certificates of Obligations, Series 1999	13,664,700	12,930,817		433,951	12,496,866	461,650
Certificates of Obligations, Series 2000	5,995,000	5,802,860		57,683	5,745,177	57,683
Certificates of Obligations, Series 2001	7,000,000	7,000,000		140,000	6,860,000	80,000
Limited Tax Improvement Bonds, Series 2002	11,300,000		11,300,000		11,300,000	390,000
Certificates of Obligations, Series 2002	4,300,000		4,300,000		4,300,000	385,000
<b>Total Certificates of Obligations</b>	<b>77,759,700</b>	<b>48,963,676</b>	<b>15,600,000</b>	<b>1,886,634</b>	<b>62,677,043</b>	<b>2,699,333</b>
<b>Loans</b>						
LoanSTAR Revolving Loan Program	1,197,256	1,097,815		127,257	970,558	127,257
<b>Total Loans</b>	<b>1,197,256</b>	<b>1,097,815</b>	<b>0</b>	<b>127,257</b>	<b>970,558</b>	<b>127,257</b>
<b>Lease Purchases</b>						
Contracts Payable	2,064,827	796,599	854,613	382,806	1,268,406	436,964
<b>Total Lease Purchases</b>	<b>2,064,827</b>	<b>796,599</b>	<b>854,613</b>	<b>382,806</b>	<b>1,268,406</b>	<b>436,964</b>
<b>Arbitrage Rebate</b>			44,414		44,414	44,414
<b>Compensated Absences</b>						
Compensated Absences; Webb County & CAA		1,684,372	9,929		1,694,301	1,647,070
<b>Total Compensated Absences</b>	<b>0</b>	<b>1,684,372</b>	<b>9,929</b>	<b>0</b>	<b>1,694,301</b>	<b>1,647,070</b>
<b>Governmental Activity Long-term Liabilities</b>	<b>81,021,783</b>	<b>52,542,462</b>	<b>16,508,956</b>	<b>2,396,697</b>	<b>66,654,722</b>	<b>4,955,038</b>
<b>Business-type Activities:</b>						
Certificates of Obligations, Series 1999	1,135,300	1,074,184		36,049	1,038,135	38,350
Certificates of Obligations, Series 2000	1,800,000	1,742,141		17,318	1,724,823	17,318
<b>Total Certificates of Obligations</b>	<b>2,935,300</b>	<b>2,816,324</b>	<b>0</b>	<b>53,367</b>	<b>2,762,958</b>	<b>55,668</b>
<b>Loans</b>						
TWDB Water & Sewer DFUNDII	1,958,000	1,958,000			1,958,000	8,000
<b>Total Loans</b>	<b>1,958,000</b>	<b>1,958,000</b>	<b>0</b>	<b>0</b>	<b>1,958,000</b>	<b>8,000</b>
<b>Compensated Absences</b>						
		28,027	1,950	0	29,977	26,716
	0	28,027	1,950	0	29,977	26,716
<b>Business-type Activity Long-term Liabilities</b>	<b>4,893,300</b>	<b>4,802,351</b>	<b>1,950</b>	<b>53,367</b>	<b>4,750,935</b>	<b>90,384</b>

**Webb County, Texas**  
**Notes to the Basic Financial Statements**  
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**Description of Individual Bond Issues and Loans Outstanding**

Summarized below are the County's individual bond and loan issues which are outstanding at September 30, 2002.

Purpose of Issue	Amount Issued	Amount Outstanding	Interest Rate	Maximum Annual Debt Service
<b>PRIMARY GOVERNMENT:</b>				
<b>Governmental Activities</b>				
Limited Tax Refunding Bonds, Series 1993 refund the County's Juvenile Justice Center CO's, Series 1987; refund the County's Limited Tax Bonds, Series 1989; cost incurred in connection with issuance of the bonds	11,280,000	7,390,000	2.50%-5.40%	1,263,210
Combination Tax & Revenues, CO's Series 1994 restoring, renovating, equipping and otherwise improving the county courthouse; construction of additions and improvements to the county golf course; construction, additions, and improvements relating to extension of county roads, including Wormster Road, McPherson Road, Del Mar Road, and the Inter Loop; purchase of machinery, materials, and equipment for authorized needs and purposes relating to the improvement of the county's detention center and juvenile detention center, including the extension of a sewer line and the erection of a security fence; construction, additions, and improvements to the county agricultural and ranching service center and road and bridge shops; purchase of equipment, materials and supplies for authorized needs and purposes relating to improvements to the county's computer and 911 systems; payment for engineering, consulting, and other professional services in connection with the acquisition of the Rio Bravo Wastewater Treatment Plant costs incurred in connection with issuance of the bonds	8,700,000	6,515,000	5.125%- 6.625%	948,703
Certificates of Obligations, Series 1996 courthouse restoration; land acquisition at 1100 Washington; remodeling of building at 1100 Washington; air conditioning equipment for the jail; juvenile detention facility; regional sewer plant land acquisition and professional services; gas depot and vehicle wash racks at road and bridge department; 911 program engineering services; IBM AS-400 upgrade for county networking; costs incurred in connection with issuance of the bonds	7,500,000	325,000	7.30%	98,468
General Obligation Refunding Bonds, Series 1998 refund a portion of the County's currently outstanding Certificates of Obligation, Series 1996; costs incurred in connection with issuance of the bonds	8,020,000	7,745,000	3.50%-4.45%	2,034,278
Certificates of Obligations, Series 1999 a new County administration building; a new courtroom for the 406th District Court; a chiller to serve County buildings; automobiles, trucks, and road equipment; computer and software equipment for County departments including Y2K compliance; and elevated storage tank in Rio Bravo; water transmission lines in the El Cenizo area; water utility equipment, including pumps and related equipment and buildings and improvements for the the County Water Utilities Department; vehicle maintenance equipment for County garages; and the payment of contractual obligations for professional services in connection with the above projects	13,664,700	12,496,866	5.00%-6.00%	1,138,663

**Webb County, Texas**  
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<p>Certificates of Obligations, Series 2000  completion of the new county administration building; purchase 7,084 square feet of land adjoining the administration building; construction of improvements to the Webb County Jail; improvements to the computer network; purchase of 2000 Hawk fire apparatus; construction of building modifications; road rehabilitation; right-of-way acquisition; construction of a water treatment plant, raw water delivery system, and raw water storage tank; purchase of vehicles, computers, laboratory equipment, backhoes, water and wastewater pumps, generators, and other equipment for water treatment plant and general county operations; and the payment of contractual obligations for professional services in connection with the above projects</p>	5,995,000	5,745,177	4.55%-6.00%	862,421
<p>Certificates of Obligations, Series 2001  acquisition and renovation of the land and buildings for the downtown Villa Antigua project; replacement or upgrade of the County's main computer system and purchase of additional computer equipment; acquisition of land and construction of the County's morgue; expansion or rehabilitation of existing County buildings; construction, renovation, and improvements to various County parks; right-of-way acquisition in the colonias area; construction of an international bridge; purchase of computers, printers, copiers, furniture, and vehicles for various County departments; and the payment of contractual obligations for professional services in connection with such projects</p>	7,000,000	6,860,000	4.55%-5.73%	860,331
<p>Limited Tax Improvement Bonds, Series 2002  design, planning, acquisition, construction, capital outlay, and equipping of juvenile detention facility; and the payment of contractual obligations for professional services in connection with such project</p>	11,300,000	11,300,000	3.00%-4.80%	850,900
<p>Certificates of Obligations, Series 2002  design, planning, acquisition, construction, capital outlay, and equipping of community centers, other County buildings, improvements to the County parks, construction of bridges, acquisition of water supply and general equipment and other projects; and paying the costs of issuance thereof</p>	4,300,000	4,300,000	3.00%-5.03%	305,919
<p>LoanStar Loan  revenues are from the State Energy Conservation Office in the form of a loan. Funds are to be used for the energy conservation retrofit measures of the Law Enforcement Center and the Justice Center.</p>	1,197,256	970,558	4.04%	165,134
<b>Total Governmental Activities</b>	<u>78,956,956</u>	<u>63,647,601</u>		
 <b>Business-Type Activities</b>				
<p>Certificates of Obligations, Series 1999  completion of the new county administration building; elevated water tank; capital outlay; and the payment of contractual obligations for professional services in connection with the above projects</p>	1,135,300	1,038,135	5.00%-6.00%	94,591
<p>Certificates of Obligations, Series 2000  financing the water supply portion of the Waterworks and Sewer System Project and paying the costs of issuance of the bonds</p>	1,800,000	1,724,823	4.55%-6.00%	258,917
<p>TWDB DFUND II Loan  financing the water supply portion of the Waterworks and Sewer System Project and paying the costs of issuance of the bonds</p>	1,958,000	1,958,000	5.59%	207,915
<b>Total Business-Type Activities</b>	<u>4,893,300</u>	<u>4,720,958</u>		

**Webb County, Texas**  
**Notes to the Basic Financial Statements**  
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**Governmental Activities:**

Fiscal Year	Certificates of Obligations, Total for all Series			LoanSTAR Loan			Contract Payable (Lease Obligation)		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2003	2,699,333	3,005,628	5,704,961	127,257	37,877	165,134	438,196	55,764	493,960
2004	2,612,413	2,875,275	5,487,688	133,055	32,079	165,134	340,411	35,093	375,504
2005	2,791,646	2,738,463	5,530,109	138,512	26,622	165,134	127,352	22,476	149,828
2006	2,972,800	2,590,416	5,563,216	144,193	20,941	165,134	63,493	17,005	80,498
2007	3,155,108	2,433,763	5,588,871	150,107	15,027	165,134	43,812	13,979	57,791
2008	3,365,107	2,268,231	5,633,338	156,264	8,870	165,134	46,058	11,733	57,791
2009	3,572,798	2,090,508	5,663,306	121,170	2,680	123,850	48,419	9,372	57,791
2010	3,729,688	1,912,587	5,642,275				50,901	6,890	57,791
2011	3,915,848	1,735,032	5,650,880				53,510	4,281	57,791
2012	4,044,002	1,551,403	5,595,405				56,254	1,537	57,791
2013	4,218,999	1,361,354	5,580,353						
2014	4,417,466	1,159,095	5,576,561						
2015	4,421,314	951,798	5,373,112						
2016	2,660,541	783,336	3,443,877						
2017	2,795,161	648,080	3,443,241						
2018	2,947,478	502,516	3,449,994						
2019	3,104,029	346,623	3,450,652						
2020	2,453,312	203,044	2,656,356						
2021	1,675,000	97,915	1,772,915						
2022	1,125,000	28,125	1,153,125						
<b>Total Debt</b>	<b>62,677,043</b>	<b>29,283,192</b>	<b>91,960,235</b>	<b>970,558</b>	<b>144,096</b>	<b>1,114,654</b>	<b>1,268,406</b>	<b>178,130</b>	<b>1,446,536</b>

**Business-Type Activities:**

Fiscal Year	Certificates of Obligations, Total for all Series			TWDB DFUNDII Loan		
	Principal	Interest	Total	Principal	Interest	Total
2003	55,668	148,995	204,663	8,000	107,905	115,905
2004	67,589	145,564	213,153	20,000	107,265	127,265
2005	78,354	141,545	219,899	30,000	106,093	136,093
2006	92,200	136,869	229,069	40,000	104,410	144,410
2007	109,894	131,356	241,250	50,000	102,203	152,203
2008	124,894	124,987	249,881	70,000	99,198	169,198
2009	142,204	117,777	259,981	90,000	95,113	185,113
2010	215,312	108,482	323,794	100,000	90,170	190,170
2011	224,153	97,221	321,374	110,000	84,603	194,603
2012	105,998	88,660	194,658	120,000	78,390	198,390
2013	131,002	82,459	213,461	130,000	71,545	201,545
2014	142,535	75,241	217,776	140,000	64,085	204,085
2015	163,688	67,056	230,744	150,000	56,000	206,000
2016	194,459	57,350	251,809	160,000	47,280	207,280
2017	209,839	46,340	256,179	170,000	37,915	207,915
2018	222,516	34,216	256,732	180,000	27,895	207,895
2019	230,972	21,130	252,102	190,000	17,210	207,210
2020	251,681	7,236	258,917	200,000	5,850	205,850
2021						
2022						
<b>Total Debt</b>	<b>2,762,958</b>	<b>1,632,484</b>	<b>4,395,442</b>	<b>1,958,000</b>	<b>1,303,128</b>	<b>3,261,128</b>

**Webb County, Texas**  
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**Governmental Activities:**

Fiscal Year	Limited Tax Refunding Bonds, Series 1993			Combination Tax & Revenues, CO's Series 1994			Certificates of Obligations, Series 1996		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2003	905,000	356,695	1,261,695	285,000	349,889	634,889	70,000	21,170	91,170
2004	945,000	311,823	1,256,823	305,000	330,346	635,346	75,000	15,878	90,878
2005	995,000	263,795	1,258,795	320,000	309,643	629,643	85,000	10,038	95,038
2006	1,045,000	212,273	1,257,273	340,000	288,928	628,928	95,000	3,468	98,468
2007	1,105,000	156,895	1,261,895	350,000	269,406	619,406			
2008	1,165,000	97,293	1,262,293	370,000	250,056	620,056			
2009	1,230,000	33,210	1,263,210	390,000	229,388	619,388			
2010				740,000	198,313	938,313			
2011				785,000	156,375	941,375			
2012				830,000	113,519	943,519			
2013				875,000	69,828	944,828			
2014				925,000	23,703	948,703			
2015									
2016									
2017									
2018									
2019									
2020									
2021									
2022									
<b>Total</b>	<b>7,390,000</b>	<b>1,431,984</b>	<b>8,821,984</b>	<b>6,515,000</b>	<b>2,589,393</b>	<b>9,104,393</b>	<b>325,000</b>	<b>50,553</b>	<b>375,553</b>

  

Fiscal Year	General Obligation Refunding Bonds, Series 1998			Certificates of Obligations, Series 1999			Certificates of Obligations, Series 2000		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2003	65,000	332,378	397,378	461,650	671,658	1,133,308	57,683	310,435	368,117
2004	70,000	329,643	399,643	493,966	642,990	1,136,955	88,447	306,942	395,389
2005	70,000	326,755	396,755	526,281	612,382	1,138,663	115,365	302,022	417,387
2006	75,000	323,728	398,728	553,980	579,974	1,133,954	153,820	295,417	449,237
2007	175,000	318,478	493,478	586,296	545,766	1,132,062	203,812	286,515	490,326
2008	185,000	310,918	495,918	613,995	509,757	1,123,752	246,112	275,267	521,379
2009	190,000	303,043	493,043	641,694	472,488	1,114,181	296,104	261,563	557,667
2010	905,000	280,048	1,185,048	674,009	436,788	1,110,797	530,679	240,480	771,159
2011	945,000	241,198	1,186,198	710,941	401,809	1,112,750	549,907	212,650	762,557
2012	985,000	200,421	1,185,421	747,873	364,422	1,112,295	146,129	194,480	340,609
2013	1,025,000	157,453	1,182,453	784,805	324,759	1,109,564	219,194	184,799	403,993
2014	1,065,000	111,985	1,176,985	826,354	282,663	1,109,016	246,112	172,407	418,519
2015	1,990,000	44,278	2,034,278	872,519	237,849	1,110,368	303,795	157,545	461,340
2016				923,300	190,260	1,113,560	392,241	138,382	530,623
2017				969,465	139,859	1,109,324	430,696	115,653	546,349
2018				1,024,863	86,255	1,111,118	457,615	90,081	547,695
2019				1,084,878	29,292	1,114,169	469,151	62,278	531,429
2020							838,319	24,102	862,421
2021									
2022									
<b>Total</b>	<b>7,745,000</b>	<b>3,280,321</b>	<b>11,025,321</b>	<b>12,496,866</b>	<b>6,528,970</b>	<b>19,025,836</b>	<b>5,745,177</b>	<b>3,631,019</b>	<b>9,376,196</b>

**Webb County, Texas**  
**Notes to the Basic Financial Statements**  
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Fiscal Year	Certificates of Obligations, Series 2001			Limited Tax Improvement Bonds, Series 2002			Certificates of Obligations, Series 2002		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2003	80,000	335,815	415,815	390,000	459,525	849,525	385,000	168,063	553,063
2004	90,000	329,865	419,865	400,000	447,675	847,675	145,000	160,113	305,113
2005	115,000	322,690	437,690	415,000	435,450	850,450	150,000	155,688	305,688
2006	130,000	314,115	444,115	425,000	421,788	846,788	155,000	150,725	305,725
2007	135,000	304,840	439,840	440,000	406,650	846,650	160,000	145,213	305,213
2008	160,000	294,515	454,515	460,000	390,900	850,900	165,000	139,525	304,525
2009	180,000	282,615	462,615	475,000	374,538	849,538	170,000	133,663	303,663
2010	215,000	272,015	487,015	490,000	357,405	847,405	175,000	127,538	302,538
2011	230,000	263,058	493,058	510,000	339,023	849,023	185,000	120,919	305,919
2012	615,000	245,331	860,331	530,000	319,390	849,390	190,000	113,840	303,840
2013	570,000	219,865	789,865	550,000	298,320	848,320	195,000	106,330	301,330
2014	575,000	194,674	769,674	575,000	275,461	850,461	205,000	98,202	303,202
2015	440,000	171,870	611,870	600,000	250,851	850,851	215,000	89,405	304,405
2016	495,000	150,351	645,351	625,000	224,429	849,429	225,000	79,914	304,914
2017	510,000	126,730	636,730	650,000	196,133	846,133	235,000	69,705	304,705
2018	535,000	101,644	636,644	685,000	165,753	850,753	245,000	58,783	303,783
2019	580,000	74,460	654,460	715,000	133,374	848,374	255,000	47,219	302,219
2020	595,000	45,375	640,375	750,000	98,750	848,750	270,000	34,810	304,810
2021	610,000	15,250	625,250	785,000	61,125	846,125	280,000	21,540	301,540
2022				830,000	20,750	850,750	295,000	7,375	302,375
<b>Total</b>	<b>6,860,000</b>	<b>4,065,078</b>	<b>10,925,078</b>	<b>11,300,000</b>	<b>5,677,290</b>	<b>16,977,290</b>	<b>4,300,000</b>	<b>2,028,570</b>	<b>6,328,570</b>

Fiscal Year	LoanSTAR Loan		
	Principal	Interest	Total
2003	127,257	37,877	165,134
2004	133,055	32,079	165,134
2005	138,512	26,622	165,134
2006	144,193	20,941	165,134
2007	150,107	15,027	165,134
2008	156,264	8,870	165,134
2009	121,170	2,680	123,850
2010			
2011			
2012			
2013			
2014			
2015			
2016			
2017			
2018			
2019			
2020			
2021			
2022			
<b>Total</b>	<b>970,558</b>	<b>144,096</b>	<b>1,114,654</b>

**Webb County, Texas**  
**Notes to the Basic Financial Statements**  
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Business-Type Activities:

Fiscal Year	Certificates of Obligations, Series 1999			Certificates of Obligations, Series 2000			TWDB DFUNDII Loan		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2003	38,350	55,796	94,146	17,318	93,199	110,517	8,000	107,905	115,905
2004	41,035	53,414	94,449	26,554	92,150	118,704	20,000	107,265	127,265
2005	43,719	50,872	94,591	34,635	90,673	125,308	30,000	106,093	136,093
2006	46,020	48,179	94,199	46,180	88,690	134,870	40,000	104,410	144,410
2007	48,705	45,338	94,042	61,189	86,018	147,206	50,000	102,203	152,203
2008	51,006	42,346	93,352	73,888	82,641	156,529	70,000	99,198	169,198
2009	53,307	39,250	92,557	88,897	78,527	167,423	90,000	95,113	185,113
2010	55,991	36,285	92,276	159,321	72,197	231,518	100,000	90,170	190,170
2011	59,059	33,379	92,438	165,094	63,842	228,936	110,000	84,603	194,603
2012	62,127	30,273	92,400	43,871	58,387	102,258	120,000	78,390	198,390
2013	65,195	26,978	92,173	65,807	55,481	121,287	130,000	71,545	201,545
2014	68,647	23,481	92,128	73,888	51,760	125,648	140,000	64,085	204,085
2015	72,482	19,758	92,240	91,206	47,298	138,504	150,000	56,000	206,000
2016	76,700	15,805	92,505	117,759	41,545	159,304	160,000	47,280	207,280
2017	80,535	11,618	92,153	129,304	34,722	164,026	170,000	37,915	207,915
2018	85,137	7,165	92,302	137,386	27,044	164,430	180,000	27,895	207,895
2019	90,123	2,433	92,556	140,849	18,697	159,546	190,000	17,210	207,210
2020				251,681	7,236	258,917	200,000	5,850	205,850
2021									
2022									
Total	1,038,135	542,372	1,580,506	1,724,823	1,090,108	2,814,931	1,958,000	1,303,128	3,261,128

Total Net Present Value of the Road and Bridge fund's capital lease obligations is \$ 1,268,406. Available in debt service is \$ 577,819 for general long term debt.

**H. BONDS DEFEASED - PRIOR YEAR DEFEASANCE OF DEBT**

During 1993, the County defeased \$ 595,000 of its Certificates of Obligation, Series 1987 maturing in the years 1997 through 1999 and \$ 9,280,000 of its Limited Tax Bonds, Series 1989A maturing in the years 2000 through 2009 bonds and issued \$ 11,280,000 Limited Tax Refunding Bond, Series 1993 by placing the refunding proceeds in an irrevocable trusts with an escrow agents to provide for all future debt service payments on the refunded bonds. Series 1987 was payoff as of September 30, 1999.

As of September 30, 2002, the \$ 8,625,000 outstanding bonds, series 1989A are considered defeased. The next schedule bond payment is in 2009 for \$ 8,625,000.

During 1998 the County defeased \$ 7,030,000 of its Certificate of Obligations, Series 1996 maturing in the years 2007 through 2015 bonds series and issued \$8,020,000 General Obligation Refunding Bonds, Series 1998 by also placing the refunding proceeds in an irrevocable trusts with an escrow agents to provide for all future debt service payments on the refunded bonds.

**Webb County, Texas**  
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As of September 30, 2002, the \$ 7,030,000 outstanding bonds, series 1996 are considered defeased. The next schedule bond payment is in 2007 for \$ 100,000.

As a result, the refund bonds are considered to be defeased and the liability for those bonds has been removed from the County's general long-term debt.

**I. CONDUIT DEBT**

**Certificates of Participation, Series 1997**

The PBCF Webb Texas, Inc. (Lessor) is a Texas Corporation organized and existing under the laws of the State of Texas. The lessor by proper corporate action duly authorized the execution and delivery of and the due performance of lease purchase agreement between Webb County, Texas ("Lessee").

The sale of July 15, 1997 \$1,530,000 Certificates of Participation, Series 1997 (the "1997 Certificates") evidencing interests of the owners thereof in certain obligations of Webb County, Texas due under its lease purchase agreement with PBCF Webb Texas, Inc. The 1997 Certificates represent proportionate interests in the basis rent payable by Webb County, Texas.

The project consists of approximately .95 acre tract, and approximately 15,000 square feet Restitution/Court Residential Treatment facility, including sleeping quarters, laundry facilities, dining facilities, a kitchen, educational classrooms space, administrative space, parking areas and recreational areas.

As of September 30, 2002 the outstanding balance of the 1997 Certificates are \$ 1,455,000.

Neither the lease, the County's obligation to pay basic rent nor the 1997 certificates are general obligations of the County. The County's obligation to make basic rent payments and any other obligation of the County under the lease are subject to and dependent upon yearly appropriations being made by the County for such purpose. However, the County is not legally required to appropriate or otherwise provide monies for this purpose.

**Certificates of Participation, Series 1997A (Sale During Fiscal Year and Defeasance Date of Record December 28, 1998)**

**Webb County, Texas**  
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The Webb County Correctional Center Public Facility Corporation is a newly-formed nonprofit corporation created by the County in accordance with Article 717s, Vernon's Texas Civil Statutes, as amended ("Article 717s") for the purpose of assisting the County with the financing, refinancing, or providing for public facilities for the County.

The Webb County Correctional Center Public Facility Corporation has the broadest possible powers to finance the acquisition of county obligations issued or incurred in accordance with the existing law, and to provide for the acquisition, construction, rehabilitation, renovation, repair, equipping, furnishing, and placement in service of public facilities of the County under Article 717s. All powers of the Corporation are vested in a Board of Directors, each of whom is a member of the Commissioners Court.

The sale of the October 1, 1997 \$ 22,470,000 Certificates of Participation Series 1997A (the "1997A Certificates"), evidencing proportionate interests of the owners thereof in a Lease Agreement with option to purchase with Webb County, Texas as Lessee. The Lessor will transfer its rights and interest in, and duties and obligations regarding the project including the title to the real property portion of the project to the Corporation, subject to the mortgage and assignments made to the Trustee for the benefit of the Certificate owners. As of September 30, 2002 the outstanding balance of the 1997A Certificates are \$ 21,360,000.

The new Webb County Correctional Center consists of 98,000 square feet which will include a 500-bed multi-classification detention center with all necessary ancillary spaces, including education building, guard towers, segregated recreation yard, kitchen, program space medical facilities, wastewater treatment plant and associated utilities. There will be 150 single cells, 96 double cells, 19 eight-bed dormitories and 1 six-bed dormitory.

On December 29, 1998 a closing memorandum by bond counsel and the revised purchase structure for request for Repurchase Agreement and Defeasance Escrow CCA PRT broker, the County entered into an incarceration agreement with CCA PRT. This transaction provides for the defeasance of the Webb County Correctional Public Facility Corporation \$ 22,470,000 1997A Certificates. The Verification Agent of record provided a Defeasance Verification Report for the mathematical accuracy on the transaction. The transfer of ownership will occur in October 1, 2007 to CCA PRT, the purchaser. In the meantime, the County will have entered into a sublease agreement with CCA PRT providing incarceration agreements for County inmates.

**Webb County, Texas**  
**Notes to the Basic Financial Statements**  
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**J. SEGMENT INFORMATION - ENTERPRISE FUND**

The County maintains at the end of the fiscal year one enterprise fund. The Webb County Water Utility started its operations on August 1, 1994 and is located in the community of Rio Bravo, Texas. The plant was purchased from Rio Bravo Water Company, Inc. with grant funds. The State of Texas authorized the County to administer this water utility operation.

<u>Enterprise Fund</u>	
Webb County Water Utility Fund <u>Oct. 1, 2001 Through Sept. 30, 2002</u>	
Charges and Fees	\$ 1,039,133
Depreciation and amortization	92,167
Operating Income (Loss)	196,893
Operating Transfers In (out)	54,652
Net Income (Loss)	(24,377)
Current Year Capital Contributions	- 0 -
Property, Plant & Equipment Additions (Retirements)	3,321
Infrastructure Additions (Retirements)	1,570,584
Reductions - Capital Grant Depreciation	(6,823)
Net Working Capital	2,082,772
Total Assets	7,235,147
Bonds and Other Long Term Debt	4,657,289
Total Equity	\$ 452,150

**IV. OTHER INFORMATION**

**A. PROPERTY TAXES**

Property subject to taxation is real property and certain personal property situated in the County. The County's property tax is levied and becomes collectible on October 1, based on values assessed by the Webb County Appraisal District as of the preceding January 1, which is the date a tax lien is attached to the property.

**Webb County, Texas**  
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Such taxes become delinquent on February 1 after the levy date. Discounts of 3%, 2%, and 1% are offered on payments of current taxes made by the last day of October, November and December, respectively. Interest and penalties of 7% plus 2% a month are added for payments received in February, March, April, May, and June. The assessed valuation of taxable property for year 2001 was \$ 6,514,365,725 representing 100% of appraised value.

The County grants exemptions authorized by state law for disabled veterans, and homestead productivity of open space land. Therefore, the taxable values to which the tax rates are applied are less than the 100% valuation. The taxable values for year 2001, and designation of tax rates are as follows for fiscal 2002:

	<u>Taxable Value</u>	<u>Tax Rate Per \$100 of Taxable Value</u>
General Fund:	6,514,364,725	0.365948
Debt Service Fund:	6,514,364,725	0.075708
Special Revenue Fund for Maintenance of Road and Bridges	6,447,838,574	0.003567
<b>Total Tax Rate</b>		<b>0.445223</b>

Taxes receivable are reduced by an allowance for estimated uncollectible taxes. Revenues from property taxes are recognized in the current year to the extent they are available to finance current year expenditures.

The County is permitted to levy taxes up to \$.80 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt and an additional \$.15 per \$100 of assessed valuation for maintenance of public roads and bridges. The County thus has legal margins of \$.363664 and \$.141113 respectively, per \$100 valuation and could levy approximately \$ 24,979,238 and \$ 8,864,027 in additional taxes for those purposes before that exceeds the tax rate calculated in accordance with the Texas Property Tax Code by more than 3% without holding a public hearing. The Property Tax Code subjects an increase in the effective tax rate to a referendum election when the increase in the effective tax rate is 8% or more of the previous year's effective tax rate.

Because of limitations imposed by state law, cases in which accumulated taxes exceed property value and other problems in tax collection, allowances have been provided for uncollectible accounts.

**Webb County, Texas**  
**Notes to the Basic Financial Statements**  
**September 30, 2002**

**B. DEBT LIMIT**

The County is subject to certain statutes of the Texas Constitution which limit the amount of net bonded debt (exclusive of revenue bonds). The County may have outstanding up to 25 percent of the assessed value of real property. At September 30, 2002, the statutory limit of the County was approximately \$ 1,666,724,778 providing a legal debt margin of \$ 1,604,457,808.

**C. COMPENSATED ABSENCES**

County employees earn vacation in varying amounts which are based on years of service. Upon separation from county employment, employees will be paid for any unused vacation up to a maximum of twenty-two days. Vacation costs are budgeted annually for amounts expected to be paid. Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as expenditure and a fund liability of the governmental fund that will pay it. Other accruals for compensated absences are recorded as general long-term obligations and in the proprietary funds.

Accrued compensated absences increased (decreased) approximately \$ 24,189 for Webb County, \$ (14,259) for CAA, \$ 6,843 for the internal service funds, \$ 1,950 for the enterprise fund during 2002 to \$ 1,565,044, \$ 129,257 \$ 18,015 and \$ 29,977 respectively.

**D. RETIREMENT PLAN**

**1. Plan Description**

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the state-wide 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 517 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 employer, within the options available in the Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with 8 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.

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Members are vested after 8 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 contribution to the plan, with interest and employer -financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employees' accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

## **2. Funding Policy**

The employer 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 employer contributed using the actuarially determined rate of 5.79% for the months of the accounting year in 2001, and 5.75% for the months of the accounting year in 2002.

The contribution rate payable by the employee members for calendar year 2002 is the rate of 5% as adopted by the governing body of the employer. 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.

## **3. Annual Pension Cost**

For the 2002 fiscal year, the County's annual pension cost was equal to the County's required contributions. The employers are required to contribute at an actuarially determined rate; the current required contribution is \$ 2,061,148.

The annual required contributions were actuarially determined as a percent of the covered payroll of the participating employees, and were in compliance with the Governmental Accounting Standards Board Statement Number 27 "Accounting for Pension by State and Local Governmental Employers" parameters based on the actuarial valuations as of December 31, 1999 and December 31, 2000, the basis for determining the contribution rates for calendar years 2000 and 2001. The December 31, 2001 actuarial valuation is the most recent valuation.

**Webb County, Texas**  
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**4. Transition Disclosure**

It was determined in accordance with GASB Statement No. 27 that the pension liability was zero at transition to that statement effective at the beginning of the accounting year, because all actuarially required contributions for the accounting years beginning in 1987 up to the beginning of this accounting year have been paid.

There was no previously reported pension liability before the transition. Therefore, the difference between the pension liability at transition and the previously reported pension liability is zero.

**E. DEFERRED COMPENSATION**

In accordance with Internal Revenue Code (IRC) Section 457, the County offers all employees a deferred compensation plan. Under this plan, employees are permitted to defer a portion of their current salary until future years. The deferred compensation is not available to employees until termination, retirement, death or unforeseeable emergency. The plan is administered by Public Employees Benefit Services Corporation (PEBSCO).

During the fiscal year ended September 30, 1998, the County exercised its option and transferred the assets of the deferred compensation plan created under Internal Revenue Code Section 457 to a trust held for the exclusive benefit of the participating employees and not accessible by the County or its creditors. For this reason and as required by Government Accounting Standard Board (GASB) Statement number 32, "Deferred Compensation Plans Under Internal Revenue Code Section 457", the County is not including the activity related to the deferred compensation plan in its financial statements. The implementation of GASB Statement 32 did not have an effect on the financial statements of the County, which would require an adjustment to the equity section of the County in order to comply with Generally Accepted Accounting Principles.

**F. RISK MANAGEMENT**

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omission; injuries to employees; and natural disasters. The County established a department within the General Fund to account for property / casualty and liability insurance premium reserves and uninsured risks of loss up to \$50,000 per occurrence. In 1992, a Workers' Compensation Fund was created to finance worker's compensation claims for uninsured losses up to \$100,000 per employee claim, this enabled the County to account for and record losses and maintain reserves for on-the-job employee injuries.

**Webb County, Texas**  
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In addition, the County continues to maintain an Employees' Health Benefits Fund for uninsured risk of loss for health insurance coverage for employees up to \$50,000 per employee per year. The Court set the rates for the County's funding plan levels, contributions and employees deductions. All funds with personnel cost participate in both the employees' health benefits and workers' compensation funds.

There was no significant reduction in insurance coverage from coverage in the prior year by category. The County purchases commercial insurance for claims in excess of coverage provided by each Fund and for all other risks of loss. Settled claims resulting from general liability exposure have not exceeded this commercial coverage in any of the past ten fiscal years.

As of September 30, 2002, the claims liability of \$ 521,815 and \$ 114,023 are reported in the internal service funds. Changes in the respective funds claims liability amount for 1992 through 2002 fiscal years were:

<u>Webb County Employees' Health Benefits Fund</u>				
	Beginning of Fiscal Year Liability	Claims and Changes In Estimates	Claims Payments	Balance at Fiscal Year End
1992	126,597	1,667,187	(1,657,697)	136,087
1993	136,087	2,177,776	(1,998,112)	315,751
1994	315,751	1,537,976	(1,682,784)	170,943
1995	170,943	2,223,483	(1,825,237)	569,189
1996	569,189	1,652,880	(1,912,643)	309,426
1997	309,426	3,612,896	(3,575,115)	347,207
1998	347,207	3,693,971	(3,643,327)	397,851
1999	397,851	3,645,681	(3,712,874)	330,658
2000	330,658	4,073,510	(4,042,243)	361,925
2001	361,925	3,903,435	(3,914,680)	350,680
2002	350,680	3,986,143	(3,815,008)	521,815

**Webb County, Texas**  
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<u>Webb County Workers' Compensation Reserve Fund</u>				
	Beginning of Fiscal Year Liability	Claims and Changes In Estimates	Claims Payments	Balance at Fiscal Year End
1992	- 0 -	199,318	(167,563)	31,755
1993	31,755	578,383	(465,781)	144,357
1994	144,357	405,395	(448,694)	101,058
1995	101,058	288,955	(307,402)	82,611
1996	82,611	721,747	(291,099)	513,259
1997	513,259	488,936	(488,936)	418,496
1998	418,496	208,678	(138,360)	488,814
1999	488,814	(268,981)	(202,854)	16,979
2000	16,979	612,703	(573,828)	55,854
2001	55,854	750,234	(737,226)	68,862
2002	68,962	646,695	(601,534)	114,023

The Long-term risk liability is based on the requirements of Governmental Accounting Standards Board Statement No. 30, which require that a liability be reported if information prior to the issuance of the financial statements indicate that it is probable that a liability has been incurred at the date of the financial statements and that the amount of the loss can be reasonably estimated. Changes in the respective funds reserve amount in the fiscal year were as follows:

<u>Webb County Employees' Health Benefits Fund</u>				
	Beginning of Fiscal Year Liability	Changes In Estimates	Claims Payments	Balance at Fiscal Year End
1997	- 0 -	510,540	- 0 -	510,540
1998	510,540	82,870	- 0 -	593,410
1999	593,410	22,282	- 0 -	615,692
2000	615,692	- 0 -	- 0 -	615,692
2001	615,692	- 0 -	- 0 -	615,692
2002	615,692	- 0 -	- 0 -	615,692

**Webb County, Texas**  
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Webb County Workers' Compensation Reserve Fund				
	Beginning of Fiscal Year Liability	Changes In Estimates	Claims Payments	Balance at Fiscal Year End
1997	- 0 -	183,176	- 0 -	183,176
1998	183,176	(25,677)	- 0 -	157,499
1999	157,499	59,661	- 0 -	217,160
2000	217,160	254,049	- 0 -	417,209
2001	417,209	258,272	- 0 -	729,481
2002	729,481	15,409	- 0 -	744,890

In addition to the mentioned claims liability, if the County would cancel its health insurance policy it would be liable for \$ 1,318,371. This included \$82,318 in estimated administration fees and \$ 1,236,053 in runoff medical, prescriptions and dental claims. This event is not considered probable; and therefore, is not accrued in the internal service fund.

**G. COMMITMENTS AND CONTINGENCIES**

The County has several purchase commitments outstanding at September 30, 2002. These commitments are as follows:

General Fund	\$	131,116
Special Revenue Funds		405,410
Capital Projects Funds		<u>145,242</u>
<b>Total</b>	<b>\$</b>	<b>681,768</b>

The County is subject to various litigation and claims (some of which are for substantial amounts) arising out of the course of its operations. The County Attorney and independent counsel assisting with several cases have reviewed the cases to arrive at estimates of the range of potential loss, if any, to the County. Loss contingencies considered probable were immaterial and required no accrual.

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The County is the recipient of federal and state financial assistance and is subject to various laws and regulations governing the use of this funding. Should grantor agencies determine such programs were not operated in accordance with the related laws and regulations, the County could be required to refund assistance received for such ineligible expenditures. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although the County expects such amount, if any, to be immaterial.

While the results of lawsuits or other proceedings cannot be predicted with certainty, the administration does not believe these matters will have a material adverse effect on the County's financial position.

An estimated liability for arbitrage rebate for the certificate of obligation, series 1999 was included in long term claims and judgments for \$ 44,414 in additions to the internal service liabilities.

**H. GENERAL FUND - FEDERAL / STATE REVENUE SOURCE**

<u>Program or Source</u>	<u>CFDA Number</u>	<u>Total Grant or Entitlement</u>
U.S. Department of Transportation		
Pass Through Grant Texas Department of Highways and Public Transportation		<u>5,000</u>
State and Community Highway Safety - Step Wave	20.600	5,000

**State and Community Highway Safety - Step Wave**

The purpose of this grant is to pay for patrol personnel overtime during the holidays for the grant period October 1, 2001 through September 30, 2002. The grant revenue earned through the fiscal year was \$4,800.

**I. OTHER POST RETIREMENT HEALTH CARE BENEFITS**

In addition to pension benefits described in Note K, the County, as required by the Consolidated Omnibus Budget Reconciliation Act (C.O.B.R.A.), provides the option of post-employment health care coverage to all retired and terminated employees less than sixty-five years old with 100% of the premium paid by the employee.

**Webb County, Texas**  
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There is no liability to the County associated with post-employment benefits provided unless the County fails to notify the eligible employee of said benefit by mail. Retired and/or terminated employees more than sixty-five years old are eligible for Medicare and do not qualify for benefits under C.O.B.R.A. The premiums collected and paid from ex-employees are accounted for through the Employees Health Benefit Fund.

**J. CHANGES IN CONTRIBUTED CAPITAL**

The Webb County Water Utility was established on August 1, 1994. The plant was acquired through the Texas Department of Housing and Community Affairs grant from the Rio Bravo Water Company, Inc.

The Webb County Employees' Health Benefits Fund was established on October 1, 1989. The fund accounts for the major medical and dental expenses.

The following changes occurred in the proprietary funds' contributed capital for depreciation during the fiscal year ended September 30, 2002:

	Enterprise Fund	Internal Service Fund
	Webb County Water Utility Fund	Webb County Employees' Health Benefits Fund
Balance at October 1, 2001	\$ 497,921	17,473
Contributing Sources:		
Capital Projects Funds		29,691
Reductions:		
Re-establish Liability for Certificates of Obligation, Series 1999	(135,300)	
Deprecation on Capital Grant	(6,822)	(6,285)
<b>Balance at September 30, 2002</b>	<b>\$ 355,799</b>	<b>40,879</b>

**Webb County, Texas**  
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**K. PRIOR PERIOD ADJUSTMENTS**

The special revenue funds were adjusted \$ (8,116), capital project funds (6,679,746) and 6,679,746, debt service fund \$ 28,588 and the Water Utility Fund enterprise fund for \$ (28,588) for prior period adjustments respectively as of October 1, 2001.

The special revenue funds Child Welfare Unit Fund was adjusted for \$ 3,580. The Child Welfare Unit adoption bank account was not originally established in fund.

The special revenue fund Texas Water Development Board Colonia Assistance and Management Program System (CAMPS) was adjusted for \$ (11,696) for payroll and travel costs from prior years not charged to grant.

The following capital projects funds were adjusted for prior period adjustments as of October 1, 2001 for the capital projects bonds series 2001. These capital projects funds were originally established in one fund with eight departments. Subsequently, each project was established with its own fund for reporting purposes.

Webb County Capital Project Funds	
County Morgue Fund	\$ 1,471,071
Villa Antigua Project Fund	1,285,867
County Parks Development Fund	1,471,071
County Building Renovation Fund	490,357
AS/400 Computer Fund	294,215
Road Highway Acquisition Fund	196,094
Capital Outlay, Series 2001 Fund	490,357
International Bridge Fund	980,714
Certificates of Obligation, Series 2001 Fund	(6,679,746)
Net Change in Capital Projects, Series 2001	- 0 -

The debt service fund was adjusted for \$ 28,588 for principle and interest due from the Webb County Water Utility for the Certificate of Obligations, series 1999 and 2000.

**Webb County, Texas**  
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The Webb County Utility Fund was adjusted for \$ (28,588) for principle and interest due to the debt service fund for the Certificates of Obligations, series 1999 and 2000.

**L. NEW ACCOUNTING PRONOUNCEMENTS**

For fiscal year 2002, the County has implemented GASB No. 33, *“Accounting and Financial Reporting for Non-Exchange Transactions,”* GASB No. 34, *“Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments,”* GASB Statement No. 36, *“Recipient Reporting for Certain Shared Non-Exchange Revenues,”* GASB Statement No. 37, *“Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments: Omnibus,”* and GASB Interpretation No. 6, *“Recognition and Measurement of Certain Liabilities and Expenditures in Governmental Fund Financial Statements.”*

As restatement of prior financial statements is not practical, the cumulative effect of applying these statements is reported as a restatement of beginning fund balance or fund net assets for 2002. The total effect was an addition of \$ 10,032,569 to governmental fund balances at September 30, 2001 to arrive at beginning governmental activities net assets at October 1, 2001.

**M. SUBSEQUENT EVENT**

On November 21, 2002, the County issued \$ 6,275,000 Limited Tax Refunding Bonds, Series 2002. These bonds were used to defeased \$ 6,485,000 of the Limited Tax Refunding Bonds, Series 1993. The Series 1993 were originality used to refund the Juvenile Justice Center Certificates of Obligation, Series 1987 and the Limited Tax Bonds, Series 1989. The refunded 1989 Series is the only portion outstanding for the Series 1993. A principle balance of the Series 1993 \$ 905,000 remained and is due February 15, 2003 plus the semi annual interest payment. The Limited Tax Refunding Bonds, Series 2002 resulted in an economic gain of \$ 280,227 and net present value saving to the County of \$ 267,814. The Series 2002 is also scheduled to start payments in February 15, 2003.

Refunding Escrow Agent		
Limited Tax Refunding Bonds, Series 2002	\$	6,275,000
Less Issuance Cost		<u>(138,077)</u>
Net Series 2002 Bond Proceeds		6,136,923
Plus Premium		430,011
Debt Service Cash Contribution		89,327
Less Accrued Interest to Debt Service Fund		<u>____(3,772)</u>
<b>Total Deposit with Refunding Escrow Agent</b>	<b>\$</b>	<b>6,652,488</b>