

**Webb County, Texas**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Webb County, Texas (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 250,304 (U.S. Census 2010) living within an area of 3,366 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 a four-year term from four election precincts. 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 enterprise fund in accordance with the election made by the County under GASB Statement No. 20. The GASB periodically updates its codification of 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 No. 34, "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments."

**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.

The 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.

Additional, 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 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

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included in the special revenue funds section of the County's Comprehensive Annual Financial Report (CAFR). These component units do not issue separately audited financial statements. 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 or through the County's Website.

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

<http://www.webbcountytexas.gov/CountyAuditor/FinancialReports/CAFR/2010CAFR>

**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 that 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 and fund financial statements on all of non-fiduciary activities of the primary government and its components units. 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 as major individual funds (within the fund financial statements).

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 categories (general government, public safety, justice system, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, intergovernmental revenues, and miscellaneous, 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

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revenues from fees, fines, and forfeitures, licenses and permit fees, 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.

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.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes where the amounts are reasonably equivalent in value to the interfund service provided and other charges between the government's water and sewer function and various other functions of the government. Elimination of these charges would distort the direct cost and program revenues reported for the variance functions concerned.

Unless an internal service funds are combined with the business-type activities (deemed to be an infrequent event), totals on the business-type activity fund statements 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.

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 (that 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 (general government, public safety, justice system, etc.).

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The County's fiduciary funds (which have been redefined and narrowed in scope) are presented in the fund financial statements by type (investment trust funds 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 County, these funds are not incorporated in the government-wide statements.

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

**C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL 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.

**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. Property taxes, sale taxes, bingo taxes, mixed drink taxes, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenues items are considered to be measurable and available only when the County receives cash.

**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. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Property taxes, sales taxes and mixed drink taxes and bingo taxes associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County. Expenditures are generally recognized

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under the modified accrual basis of accounting when the related liability is incurred. The exceptions to this general rule is that debt service expenditure, compensated absences and claims and judgments, are recognized when due.

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement No. 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 No. 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.

**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 County's governmental funds.

**General Fund** is the general operating fund of the County. It is used to account for all financial resources except those require 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 County did not have major special revenues funds as of September 30, 2010. The County special revenues funds were deemed appropriately created as other non-major funds.

**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

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acquisition and construction of major capital facilities (other than those financed by Business-type/Proprietary Funds). The County did not have major capital projects funds as of September 30, 2010. The County capital projects funds were deemed appropriately created as other non-major funds.

**PROPRIETARY FUND TYPES:**

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County enterprises, Water Utility, Casa Blanca Course Enterprise Funds, and the County internal service funds are charges to customers for sales and services. The County also recognizes as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise fund and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets.

All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The following is the description of the Proprietary Funds of the County:

**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 Water Utility Fund is a major fund reported in the County's 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.

The Webb County Employees Health Benefit internal service fund accounts for the County employees' medical and dental premiums and claim payments. The Worker's Compensation Reserve internal service fund accounts for the County's self insurance of workmen's compensation premiums and claim payments.

The Employees Retiree OPEB Fund accounts for retirees (other post employment benefits) healthcare benefits. The County's contracted a consultant to prepare the actuarial report to early implement GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post employment Benefits Other Than Pensions as of September 30, 2007. Another actuarial report was prepared as of September 30, 2009 and updated as of September 30, 2010 to consider the employer contributions made, increase (decrease) in the net OPEB obligation, percentage of OPEB cost contributed, net OPEB obligation. A new actuarial study report is schedule for September 30, 2011.

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**FIDUCIARY FUNDS:**

Fiduciary Funds are used to report assets held in a trustee or agency capacity for others and therefore cannot be used to support the government's own programs. The reporting focus is upon net assets and changes in net assets and employs accounting principles similar to proprietary funds. Fiduciary funds are excluded in the government-wide presentation of the financial statements.

**Investment Trust Funds and Agency Funds** The County reports two trust funds and eight agency funds as Non-major fiduciary funds. Agency funds are used account for assets held by the County as an agent on behalf of various third parties outside the primary government.

The Permanent School Investment Trust Fund accounts for interest income and other revenues earned for the benefits of various independent school districts in the County. The Available School Investment Trust Fund accounts for the annual distribution to the independent school districts earned by the Permanent School Fund. The County declared an \$ 606,216 distribution as of September 30, 2010 from these trust funds. The Court declared one million dollars to remain in the Permanent School Fund as fund balance.

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

GASB Statement No. 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. DEPOSITS AND INVESTMENTS**

The County's cash and cash equivalents include cash on hand, demand deposits, certificate of deposits and money market with a maturity date of 90 days or less from the date of purchase. Additionally, each fund's equity in the State investment pools is considered to be cash equivalent since the funds can deposit or effectively withdraw cash at any time without prior notice or penalty. State statutes and the County's official Investment Policy authorize the County to invest in obligations of or guaranteed by the United States government, certificates of deposit, investment pools authorized by the Public Funds Investments Act, mutual funds and money market mutual funds and repurchase agreements.

The County records investments at fair value in accordance with provisions of GASB Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. All investment income is recognized as revenues in the appropriate fund's statement of revenues, expenditures and changes in fund balance. Deposit and Investments Risk Disclosures are in accordance with GASB Statement No. 40.

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**Pooled Cash** - The County maintains pooled cash accounts for funds not require to be segregated. Some funds incur negative cash balances that 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.

**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 or capital projects' grant funds on a reimbursement basis.

## **2. INVENTORIES**

Inventories are valued at cost, which approximates fair 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** – The County's capital assets include land, buildings and improvements, machinery, easements, water rights, infrastructure purchased or constructed (e.g. roads, bridges, dam, and similar immovable items) after 1980 and construction-in-progress. Capital assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the proprietary funds in the fund financial statements. The County elected early implementation of the infrastructure reporting requirements of GASB Statement No. 34.

The County adopted a new statement issued by the GASB: GASB No. 51 that establishes guidelines related to amortization of intangible assets. GASB requires intangible assets to be classified as capital assets and should be recognized in the statement of net assets. The accounting and reporting requirements for intangible assets including easements, water rights, timber rights, patents, trademarks, and computer software.

The requirements of GASB No. 51 became effective for fiscal period after June 15, 2009. The financial impact resulting from the implementation of GASB 51 in the fiscal year 2010 was the recognition of \$ 329,067 intangible assets in the statements of net assets for the District Attorney New Dawn Prosecutor software for the criminal courts and judicial collections. The County capitalization policy was modified for the software purchased or internally generated thresholds and depreciation basis.

Intangible assets, which include computer software purchased or internally generated are reported in the applicable governmental or business-type activities columns in the government-wide

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financial statements. Intangible assets for the County are defined as assets with an initial, individual cost more than \$ 25,000 and with an estimated useful life in excess of one year. Subsequent additions, modification or upgrades to computer software are capitalized only to the extent that they allow the software to perform a task it previously did not perform. Software maintenance and training cost are expensed in the period in which they are incurred. Interest incurred during the development of intangible assets of business-type activities is included as part of the capitalized value of the asset developed. Capitalized computer software are amortized using straight line method over a period of 5 years.

The County defines as capital assets as an asset with an expected useful life of two years or more. The capitalization thresholds for the assets of the governmental activities are as follows:

<u>Asset</u>	<u>Threshold</u>
Buildings	\$25,000
Improvements	\$25,000
Infrastructure	\$25,000
Software purchased or internally generated	\$25,000
Machinery and Equipment	\$5,000

The capitalization thresholds for capital assets of the business-type activities for the Water Utility and Casa Blanca Golf Course Enterprise Funds are as follows:

<u>Asset</u>	<u>Threshold</u>
Buildings	\$2,500
Improvements	\$2,500
Infrastructure	\$2,500
Machinery and Equipment	\$2,500
Software purchased or internally generated	\$2,500

Capital 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.

An expenditure that does not increase the capacity, efficiency, effectiveness, or useful life of an existing capital asset, or an expenditure that only serves to restore an existing capital asset to its normal working condition, is recorded as a repair and maintenance expense and is not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed.

Interest incurred during the construction phase of the capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Capital assets of the governmental and business-type activities are depreciated using the straight-line method over the following estimated useful life of the assets:

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Buildings and improvements	15 to 40 years
Equipment (computer, office and vehicles)	5 years
Infrastructure - roads (paved, caliche, or dirt)	15 to 40 years
Infrastructure - bridges	25 to 35 years
Infrastructure - dam	40 years
Infrastructure - cattle guards and culverts	20 years
Infrastructure - water and wastewater lines and pump stations	40 years

Land, easements, and water rights assets are non-depreciable.

#### **4. INTERFUND TRANSACTIONS**

During the course of normal operations, the County has many transactions between funds. The accompanying fund level financial statements reflect as transfer the expenditures and transfers of resources to provide services construct assets and meet debt service requirements. The effect of interfund activity has been eliminated in the Government-wide financial statements, except for transactions between the governmental and business-type activities.

#### **5. 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 that 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.

#### **6. 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.

#### **7. 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 net assets category.

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

Other assets held are recorded and accounted for at cost. In the governmental funds, premiums discounts and issuance costs are treated as period costs in the year of issue. Bond issuance costs are shown as debt service expenditures. Bond premiums and discounts 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 that 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. As part of the reconciliation and presentation at the government-wide level these costs are adjusted and reflected similarly to proprietary funds.

<b>Governmental Activities:</b>	
Unamortized Bond Issuance Costs	805,023
Prepaid Expenses	23,601
Deposits	17,410
Total \$	846,034
<b>Business Activities:</b>	
<b>Proprietary Fund:</b>	
Enterprise Fund	
Unamortized Bond Issuance Costs	293,423
Total \$	293,423

**9. RECLASSIFICATION**

Certain September 30, 2009 accounts balances have been reclassified in this report to conform to the financial statement presentation used in 2010.

**10. USE OF ESTIMATES**

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimate and assumptions that affect the amounts reported in the financial statements and related notes. Actual results could differ from the those estimates.

**11. IMPLEMENTATION OF NEW GASB PRONOUNCEMENT**

The County will implement the following standard in fiscal year 2011:

GASB Statement No. 54 Fund Balance Reporting and Governmental Type Definitions (GASB 54), is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types.

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**12. ADJUSTMENTS TO FUND BALANCE AND NET ASSETS**

**Governmental Activities**

The following prior period restatements were made to the governmental activities and governmental funds:

**Governmental Activities**

Government Wide Statements of Activities reflect a prior period adjustment \$ 214,842 due to the beginning balance of the County and District Clerk Fines Receivable for fiscal year ended September 30, 2009, an understatement of Net Assets.

Government Wide Statements of Activities required no prior period adjustment for the previous year non-recognition of the OPEB liability \$ 1,205,123 that was merged with the Employees Retiree OPEB internal service fund.

**Special Revenues Funds**

The Community Justice Assistance Division (CJAD) special revenue funds was adjusted for (\$151,114); CJAD Substance Abuse Felony Program (\$ 128,062) and CJAD Basic Supervision Program (\$23,052) for grant refund payable for the end of their biennium funding restatement at the beginning fund balances and the beginning governmental activities net assets for 2009.

**Business-type Activities**

The following prior period restatements were made to the business-type activities:

The Statement of Revenues, Expenses, and Changes in Fund Assets Proprietary Funds required no prior period adjustment for the fiscal year ended September 30, 2009. The previous year non-recognition of the OPEB liability \$ 16,860 that was offset interfund receivable.

**II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS**

**A. Explanation of certain differences between the proprietary fund statement of net assets and the government-wide statements of net assets**

The proprietary fund statement of net assets include a reconciliation between net asset – total enterprise fund and net assets of business-type activities as reported in the government-wide statements of net assets. The description of the sole elements of that reconciliation is “Adjustment to reflect the consolidation of internal service funds activities related to enterprise funds.” The details of the \$ 131,114 difference are as follows:

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Internal receivable representing charges in excess of cost to business-type activities – prior years	\$ 110,239
Internal receivable representing charges in excess of cost to business-type activities – current year	<u>20,775</u>
Net adjustment to increase net assets – total enterprise fund to arrive at net assets – business-type activities	<u>\$ 131,014</u>

**III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**A. EXCESS EXPENDITURES OVER APPROPRIATIONS**

The County had excess expenditures / expenses over appropriations to be reported as of September 30, 2010.

The \$ 520,988 excesses for Webb County Employees Health Benefits resulted from an increase in major medical claims over the total original budget. The increase was due catastrophic medical claims for premature births and organs transplants.

The \$ 687,484 excesses for the Webb County Workers Compensation resulted from the required transfers out to the Webb County Employees Health Benefits for the projected fund deficit. Revenues and the fund balance absorbed the excess expenses.

**B. DEFICIT FUND EQUITY**

The County's Water Utility System Fund is an Enterprise Fund that had a negative unreserved retained fund balance of \$ 1,682,722 at the end of September 2010. The population in the area serviced by the System has not grown as expected. As a result, revenues from water and sewer sales are less than projected. The County is committed to make transfers from its general fund until such time the utility system becomes self-supporting. Transfers from the General Fund to assure the Utility System meet its debt service obligations and operations. The 2011 adopted budget reflect a \$ 475,000 transfer out from the General Fund.

The County's Casa Blanca Golf Course Fund is an Enterprise Fund that had a negative unreserved retained fund balance of \$ 605,489 at the end of September 2010. The County has two golf courses; our own and a privately owned club. Our golf course is managed by a regional golf course operator who maintains the facility and greens for a set management fee. Operator is also entitled to profit sharing in 2011 once golf rounds exceed 37,500. The County pays for all investments and related obligations. The Court will entertain rate increases until after 2011 renovations are completed.

**IV. DETAILED NOTES ON ALL FUNDS**

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

**CASH** - At September 30, 2010, the County's cash on hand is \$ 17,897 and \$ 900 for

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governmental activities and business type activities respectively. The carrying amount of the County deposits was \$ 18,865,824 and the bank balance was \$19,464,770 for the governmental activities. The carrying amount of the County's deposits for the business-type activities was \$5,749 and the bank balance was \$ 1,007. The fiduciary funds carrying amount of the County's deposits was \$ 9,644,704 and bank balance was \$ 9,529,883. Of the bank amounts, 100 percent was insured or collateralized with securities held by the County's agent in the County's name.

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

The Interlocal Cooperation Act, chapter 791 of the Texas Government Code, and the Public Funds Investment Act, chapter 2256 of the Texas Government Code provide for the creation of public funds investment pools through which political subdivisions and other entities may invest public funds.

Pursuant to subchapter G of chapter 404, the Comptroller of Public Accounts administers the Texas Local Government Investment Pools (the TexPool Portfolios) as public funds investment pools through the Texas Treasury Safekeeping Trust Company. The TexPool portfolio is designed and managed to ensure that it maintain its AAAm rating (or the equivalent) by a nationally recognized statistical rating organization. There is a twenty-four hour fund availability of these funds; therefore, the Texpool's investment total \$ 11,877,068 (\$ 5,882,635 for governmental activities, \$ 756,225 for business-type activities, and 5,238,208 for fiduciary funds) are reported as cash equivalent. Texpool's net assets value is 1.00003% of the County's carrying value as of September 30, 2010. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

In June 2008, GASB issued Statement No. 53 Accounting and Financial Reporting for Derivative Instruments (GASB 53). The statement established standards for recognizing, measuring and disclosing information regarding derivative instruments entered into by state of local governments. A key tenet of GASB 53 is that derivative instruments be reported on the financial statements at fair value. The requirements of the new Statement become effective for fiscal periods after June 15, 2009. The County adopted GASB No. 53 during the year ended September 30, 2010. The implementation of this new standard had no impact on the County fiscal year 2010 financial statements.

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.

The Texas Short Term Asset Reserve Fund (TexSTAR) is a local government investment pool organized under the authorized of the Interlocal Cooperation Act, Chapter 791, Texas Government Code, and the Public Investment Act, Chapter 2256, Texas Government Code. TexSTAR was created in April 2002 by contract among its participating governmental units and is governed by a board of directors JPMorgan Fleming Asset Management, Inc. and First Southwest Asset Management, Inc. act as co-administrators, providing investment management services and participant services and marketing, respectively.

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JPMorgan Chase Bank and/or its subsidiary, J.P. Morgan Investor Service Inc., provide custodial, transfer agency, fund accounting, and depository services. TexSTAR portfolio shall be designed and managed to ensure that it will meet all the requirements necessary to maintain an AAAM rating (or the equivalent) by a nationally recognized investment rating firm. There is twenty-four hour fund availability of these funds; therefore, the investment of \$ 208,633 is also reported as cash equivalent. TexSTAR's net asset value is 1.000099% of the County's carrying value as of September 30, 2010. Accordingly, the fair value of the position in TexSTAR is the same as the value of TexSTAR shares. All securities in the portfolio shall be marked to market daily, and if the ratio of the market value of the Fund portfolio divided by the book value of the portfolio is less than .995 or greater than 1.0005, TexSTAR shall sell portfolio holding as required to maintain the ratio between .995 and 1.0005. However, the \$1.00 per unit value is not guaranteed or insured by TexSTAR or the co-administrators.

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

Cash and cash equivalents and investments are combined in the Financial Statements as follows:

Financial Statements	Primary Government		Fiduciary Funds
	Governmental Activities	Business-type Activities	
Cash on hand	\$ 17,937	900	
Deposits	18,865,824	5,749	9,644,704
Certificates of deposit	12,750,275		4,312,346
Texpool State Investment Pool	5,882,635	756,225	5,238,208
TexStar Investment Pool	208,633		
Total Cash and Cash Equivalents	\$ 37,725,304	762,874	19,195,258

The Webb County General Fund operating bank account did not have any overdraft cash balance as of September 30, 2010.

### 1. Investments

The investment policies adopted by the Court are in accordance with the laws of the State of Texas. The policies identify investment policy, investment strategies, investment guidelines and investment management.

The County demand deposits and bank certificates of deposits are fully covered by collateral held in the County name by the County's agent, the Federal Reserve Bank of Dallas. The County's collateral agreements require the fair value of securities held by its agents to exceed the total amount of cash and investments held by International Bank of Commerce (depository bank).

**Webb County, Texas**  
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**2. Interest Rate Risk**

All investments carry the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment the greater the sensitivity of its fair value to changes in market interest rates. The County manages its exposure to interest rate risk by limiting the weighted average days to having the majority of the investments portfolio in external investment pools. As of September 30, 2010 the County was in compliance with all its investment guidelines to manage interest rate risk.

At year end, the County investment balances were as follows:

Investment Type	Primary Government			Average Weighted Average Maturity	Standard & Poor's Credit Rating
	Governmental Activities	Business-type Activities	Fiduciary Funds		
Certificates of deposits			94,997	Less than 90	
Certificates of deposits			4,207,349	Less than 365	
Texpool Investment Pool	5,882,635	756,225	5,238,208	42 (1) 79 (2)	AAAm
TexStar Investment Pool	208,633			48 (1)	AAAm
Total \$	<u>6,091,268</u>	<u>756,225</u>	<u>9,540,554</u>		

Definition of weighted average maturity (1) & (2)

(1) This weighted average maturity calculation uses the SEC Rule 2A-7 definition for slated maturity for any floating rate instrument held in the portfolio to determine the weighted maturity for the pool. This rule specifies that a variable rate instrument to be paid in 397 calendar days or less shall be deemed to have a maturity equal to the period remaining until the next readjustment of the interest rate.

(2) This weighted average maturity calculation uses the final maturity of any floating rate instrument held in the portfolio to calculate the weighted average maturity for the pool.

**3. Credit Risk and Concentration of Credit Risk**

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Concentration of credit risk is the risk of loss attributed to the magnitude of an investment in a single issuer.

The County is authorized by statute and its investment policy to invest in obligations of, or guaranteed by the United States Government (investments shall not constitute more than 75% of the portfolio), certificates of deposits (investments shall not constitute more than 20% of the portfolio), investment pools (investments may constitute up to 100% of the portfolio), mutual funds

**Webb County, Texas**  
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and money market mutual funds (investments not more than 80% the County's monthly average fund balance may be invested in the aggregate separately or collectively of the portfolio) and repurchase agreements (investments shall not constitute more than 50% of the portfolio). The County and District Clerk four percent of certificates of deposits are mandates by the court orders.

In addition investments will not have a maturity greater than twelve months from date of purchase, unless the Commissioners Court authorizes an investment with a longer maturity and the investment will not constitute more than 15% of the portfolio of the General fund, Special Revenue Funds, Enterprise Funds, Internal Service Funds and Fiduciary Funds.

Capital Projects Funds investments will not have a maturity greater than twelve months from date of purchase, unless the Commissioners Court authorizes an investment with a longer maturity and the investment will not constitute more than 25% of the portfolio.

Investment Issuer	Market Value of Collateral	Primary Government		Fiduciary Funds	Percentage of Portfolio
		Governmental Activities	Business-type Activities		
Compass Bank		\$		710,076	4.33%
International Bank of Commerce				186,435	1.14%
Commerce Bank				1,842,778	11.24%
Well Fargo Bank NA				27,044	0.16%
Falcon International Bank				904,384	5.52%
First National Bank				641,630	3.91%
TexPool Investment Pool					
Government Securities - Agencies		2,358,937	303,246	2,100,521	29.04%
Treasuries		82,357	10,587	73,335	1.01%
Repurchase Agreements	1.00042% of book value	3,441,342	442,392	3,064,352	42.37%
TexStar Investment Pool					
Government Securities - Agencies		112,703			0.69%
Treasuries		1,043			0.01%
Repurchase Agreements	1.000419% of book value	94,886			0.58%
Total Investment by Issuer		\$ 6,091,268	756,225	9,550,554	100.00%

**4. Custodial Credit Risk**

Investments are exposed to custodial credit risk if the investments are uninsured, are not registered in the County's name and are held by the counterparty. In the event of the failure of the counterparty, the County may not be able to recover the value of its investments that are held by the counterparty. As of September 30, 2010 all of the County's investments are held in the County's name.

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In accordance with the County's investment policy, all funds held by an insured state or national bank domiciled in Texas in demand deposits or in certificates of deposits shall be secured by the FDIC and/or by 102% in pledged collateral. All funds held in certificates of deposits by a saving bank domiciled in Texas must be fully secured by the FDIC. The County recognizes that The FDIC insurance is only available up to maximum per account of \$ 250,000. Funds held by banks domiciled in Texas are not insured by the FDIC shall be pledged as collateral for at a rate of 102% collateral, any of the following book entry securities: 1) government securities or obligations issued by the State of Texas, its agencies or political subdivisions approved by the Attorney General of Texas, 2) obligations of the United States or its agencies and instrumentalities, excluding mortgage securities or 3) any other obligation or securities authorized to be collateral securing the funds of counties under the laws of the State of Texas. All collateral shall be placed with an independent third party financial institution for safekeeping, with original safekeeping receipts issued to the County.

**B. RECEIVABLES**

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

Receivables	Governmental Activities	Business-type Activities
Tax Receivable - Delinquent	9,385,667	
Billings Receivable		191,803
Accounts Receivable	2,385,821	3,351
Fines Receivable	455,723	
Probation Fees Receivable	80,551	
Notes Receivable		
Accrued Interest Income	1,896	
Total Receivables \$	12,309,658	\$ 195,154

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. For the governmental statements, property taxes expected to be collected are reported as deferred. 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:

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	<u>Unavailable</u>	<u>Unearned</u>
Properties taxes receivables – General Fund	8,141,574	
Properties taxes receivables – Road and Bridge Fund	156,453	
Properties taxes receivables – Debt Service Fund	1,193,521	
Grant drawdown prior to meeting all eligibility requirements		323,748
Subtotal	9,491,548	323,748
Memberships dues paid in advance - Golf Course		3,585
Subtotal		3,585
Total \$	9,491,548	\$ 327,333

**C. CAPITAL ASSETS**

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

	<u>Balance</u> <u>September 30, 2009</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance</u> <u>September 30, 2010</u>
<b>Governmental and Internal Services activities:</b>					
Capital assets, not being depreciated:					
Land and improvements	\$ 8,646,778	\$ 5,450	\$ -	\$ -	\$ 8,652,228
Infrastructure in progress	9,717,048	466,100	-	(2,643,357)	7,539,791
Construction In progress	14,783,629	433,023	-	(13,419,645)	1,797,007
Total capital assets, not being depreciated	33,147,455	904,573	-	(16,063,002)	17,989,026
Capital assets, being depreciated:					
Infrastructure	85,430,663	2,924,043	-	2,643,357	90,998,063
Buildings	84,313,198	1,448,301	-	13,419,645	99,181,143
Furniture, fixtures, and equipment	34,820,736	4,755,312	(160,217)	-	39,415,831
Intangible	-	329,067	-	-	329,067
Total capital assets, depreciated	204,564,597	9,456,723	(160,217)	16,063,002	229,924,104
Less accumulated depreciation for:					
Infrastructure	(43,882,076)	(1,482,799)	-	-	(45,364,875)
Buildings	(32,271,678)	(2,519,714)	-	-	(34,791,392)
Furniture, fixtures, and equipment	(28,432,291)	(1,991,129)	160,217	-	(30,263,202)
Total accumulated depreciation	(104,586,046)	(5,993,641)	160,217	-	(110,419,469)
Total capital assets, being depreciated, net	99,978,551	3,463,082	-	16,063,002	119,504,635

**Webb County, Texas**  
**Notes to the Financial Statements**  
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	Balance September 30, 2009	Additions	Deletions	Transfers	Balance September 30, 2010
<b>Business-type activities:</b>					
Capital assets, not being depreciated:					
Land and improvements	\$ 1,791,061	\$ -	\$ -	\$ -	\$ 1,791,061
Infrastructure in progress	576,206	3,588	-	(579,794)	-
Construction In progress	-	-	-	-	-
Total capital assets, not being depreciated	<u>2,367,267</u>	<u>3,588</u>	<u>-</u>	<u>(579,794)</u>	<u>1,791,061</u>
Capital assets, being depreciated:					
Infrastructure	13,004,700	10,012	-	579,794	13,594,506
Buildings	879,672	-	-	-	879,672
Furniture, fixtures, and equipment	1,605,948	30,274	-	-	1,636,222
Total capital assets, depreciated	<u>15,490,320</u>	<u>40,286</u>	<u>-</u>	<u>579,794</u>	<u>16,110,400</u>
Less accumulated depreciation for:					
Infrastructure	(1,585,579)	(314,992)	-	-	(1,900,571)
Buildings	(296,990)	(24,536)	-	-	(321,526)
Furniture, fixtures, and equipment	(816,059)	(148,931)	-	-	(964,990)
Total accumulated depreciation	<u>(2,698,627)</u>	<u>(488,459)</u>	<u>-</u>	<u>-</u>	<u>(3,187,086)</u>
Total capital assets, being depreciated, net	<u>12,791,693</u>	<u>(448,173)</u>	<u>-</u>	<u>579,794</u>	<u>12,923,314</u>
Business-type activities capital assets, net	<u>\$ 15,158,960</u>	<u>\$ (444,585)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,714,375</u>

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

**Governmental activities:**

General Government	\$ 759,808
Public Safety	1,073,805
Justice System	900,630
Health and Human Service	463,166
Infrastructure and Environmental Services	298,400
Correction and Rehabilitation	564,864
Community and Economic Development	<u>1,932,967</u>

Total depreciation expense - governmental activities \$ 5,993,641

**Business-type activities:**

Total depreciation expense - business-type activities \$ 488,459

**Webb County, Texas**  
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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>Accounts Payable and Accrued Liabilities</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Bank overdraft	\$ -	\$
Accounts payable	7,064,698	92,987
Accrued wages	4,055,281	45,422
Other liabilities	1,954,671	48,467
Restitution payable	139,539	
Retainage payable	155,206	604
Customer deposits		66,670
<b>Total Accounts Payable and Accrued Liabilities</b>	<b>\$ 13,369,395</b>	<b>\$ 254,150</b>

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

The County has numerous transactions between funds that involve receipts and disbursements by one fund for amounts of another fund. Those transactions that 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.

Individual interfund receivable and payable balances at September 30, 2010 were:

<u>Primary Government</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<b>Governmental Funds</b>		
General Fund	\$ 16,877,866	\$ 13,098,668
Nonmajor Governmental Funds	8,992,616	9,557,237
Governmental Funds Subtotals	25,870,482	22,655,905
<b>Proprietary Funds</b>		
Enterprise Fund	57,817	2,664,759
<b>Internal Service Funds</b>		
Employee Health Benefits	1,736,414	500,662
Workers Compensation Reserve	4,436	1,850,546
OPEB Employees Retiree Fund	86,313	83,590
Internal Service Funds Subtotals	1,827,163	2,434,798
<b>Total</b>	<b>\$ 27,755,462</b>	<b>\$ 27,755,462</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, 2010, transfers were as follows:

Transfers Out:	Transfers In:				Total
	General Fund	Nonmajor Governmental Funds	Enterprise Funds	Internal Service Funds	
General Fund	\$	\$ 126,000	\$ 475,000	\$	\$ 601,000
Nonmajor Governmental Funds	470,248	4,690,802	446		5,161,496
Water Utilities Enterprise Funds		496			496
Internal Service Funds	1,000,000			2,132,056	3,132,056
Fiduciary Funds					-
Total	<u>\$ 1,470,248</u>	<u>\$ 4,817,298</u>	<u>\$ 475,446</u>	<u>\$ 2,132,056</u>	<u>\$ 8,895,048</u>

Transfer in \$ 1,470,248 to the General Fund consists of \$ 85,000 from the Webb County Courthouse Security Fund for the Sheriff's security personnel, \$ 65,000 from the Webb County Courthouse Security for the enforcement personnel with the Justice of Peace and PCT 1 PL 1 and PCT 4, \$ 320,248 each member of the Court from the Building Maintenance and Construction Fund 2007 - 2008 designed for the County Judge and each Commissioners project and \$1,000,000 from the Workers Compensation Fund to for the decrease in estimated revenues.

Transfers out \$ 601,000 from the General Fund consisted of \$ 76,000 for debt service payments for capital leases, \$ 50,000 for Webb County Record Preservation Fund for personnel and operations. The Court also approved the general fund transfers out \$ 475,000 to fund a debt service requirements and operations.

The Water Utility Fund transfers out \$ 496 for the interest income earned to the Certificate of Obligation, Series 2006 capital project interest income fund.

The noted different between the enterprise funds statement of revenues, expenses and changes in fund net assets and the business-type activities consist of \$ 1,773,865 for the net book value for assets transferred from the by governmental activities to establish the Casa Blanca Golf Course Enterprise Fund.

The Court approved \$ 3,132,056 transfers from the Worker's Compensation Reserve Fund to the Webb County Employees' Health Benefit internal service fund to eliminate \$ 1,692,964 the projected fund's deficit and the Webb County Employees Retiree OPEB Fund to fund \$ 439,092; \$350,559 for OPEB costs and \$ 88,533 for additional medical claims and eliminate the projected fund's deficit.

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**F. LEASES**

The County entered into contractual lease agreements for Mitel telephone network system and District Attorney judicial prosecutor software for the governmental activities. The Golf Course Enterprise also entered into an contractual agreement for golf carts and turf equipment for the business type activities. The leases 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 these capital leases, the County records capital outlay and other financing sources for governmental funds equal to the capitalization amounts of the equipment in the fund that accounts for the acquiring governmental funds. The County records the asset and the related liability for the enterprise fund.

The assets acquired through capital lease are as follows:

		Governmental Activities
Asset:		
Buildings	\$	82,905
Equipment		3,466,123
Less: Accumulated Depreciation		<u>(2,913,506)</u>
Total	\$	<u><u>635,522</u></u>
		Business-type Activities
Asset:		
Equipment	\$	550,491
Less: Accumulated Depreciation		<u>(201,847)</u>
Total	\$	<u><u>348,645</u></u>

Lease payments are reported in the Debt Service Fund for governmental funds as taxes that have been levied for that specific purpose. The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2010, were as follows:

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<u>Year Ending September 30</u>	<u>Governmental Activities</u>
2011	127,099
2012	127,099
2013	79,426
2014	64,119
2015	64,119
Total minimum lease payments	461,862
Less: amount representing interest	(49,728)
Present value of minimum lease payments	<u>\$ 412,134</u>

<u>Year Ending September 30</u>	<u>Business-type Activities</u>
2011	123,816
2012	123,816
2013	123,816
2014	20,636
Total minimum lease payments	392,084
Less: amount representing interest	(28,558)
Present value of minimum lease payments	<u>\$ 363,526</u>

**G. LONG-TERM DEBT**

The following is a summary of long-term debt activity for the year ended September 30, 2010. The Certificates of Obligations, Limited Tax Improvements, Limited Tax Refunding bonds and Tax Notes pertain to governmental funds. The governmental bond debt is retired from the Debt Service Fund; primarily ad valorem taxes. A capital lease for the Mitel telephone network system is for the administration building retired from General Fund transfers. The District Attorney purchased New Dawn Tech-JustWare Systems for a judicial prosecutor software. The retirement of the capital lease will be from and the District Attorney's state forfeiture fund.

The TWDB Water and Sewer DFUNDII Loan series 2000, a portion of the Certificates of Obligations non-refunded, series 2000, Certificates of Obligations, Series 2006 and Series 2008, Limited Tax Refunding Bonds, Series 2005 and TWDB EDAP Loan (series 2004 & series 2004A) are retired by the Webb County Water Utility Fund.

A portion of The Limited tax Refunding Bonds, Series 2003, Certificate of Obligations, Series 2009, Limited Tax Refunding Bonds, Series 2007 are retired by the Webb County Casa Blanca Golf Course Fund. In addition golf course fund pays also for the capital lease for the golf carts and turf equipment.

**Webb County, Texas**  
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**Changes in Long-Term Liabilities**

Long-term liabilities activity for the fiscal year ended September 30, 2010, was as follows:

	Original Amount	Beginning Balance	Additions	Refunded	Reductions	Ending Balance	Amount Due Within One Year
<b>Governmental Activities:</b>							
<b>Certificates of Obligations &amp; Bonds</b>							
Certificates of Obligations, Series 2000	5,995,000	530,678			530,678		
Certificates of Obligations, Series 2001	7,000,000	4,765,000			215,000	4,550,000	230,000
Limited Tax Improvement Bonds, Series 2002	11,300,000	6,680,000			490,000	6,190,000	510,000
Certificates of Obligations, Series 2002	4,300,000	2,970,000			175,000	2,795,000	185,000
Limited Tax Refunding Bonds, Series 2003	5,440,004	3,671,036			678,390	2,992,646	704,152
Certificates Of Obligation, Series 2003	9,700,000	4,942,150			126,100	4,816,050	252,200
Limited Tax Refunding Bonds, Series 2005	12,716,562	12,573,114			656,968	11,916,146	1,293,356
Certificates Of Obligation, Series 2006	11,685,000	10,777,000			389,000	10,388,000	453,000
Limited Tax Refunding Bonds, Series 2007	6,865,123	6,806,153			24,571	6,781,582	29,485
Limited Tax Refunding Bonds, Series 2008	7,105,000	6,885,000			925,000	5,960,000	960,000
Certificates of Obligations, Series 2008A	5,575,000	5,575,000			190,000	5,385,000	200,000
	<u>87,681,689</u>	<u>66,175,131</u>			<u>4,400,707</u>	<u>61,774,424</u>	<u>4,817,193</u>
Bond premiums		362,234			107,371	254,863	
Bond discounts		(144,900)			(9,716)	(135,184)	
Less deferred amount on refundings		(645,129)			(136,192)	(508,937)	
<b>Total Certificates of Obligations &amp; Bonds</b>	<b>87,681,689</b>	<b>65,747,336</b>			<b>4,362,170</b>	<b>61,385,166</b>	<b>4,817,193</b>
<b>Tax Notes</b>							
Tax Notes, Series 2007	1,680,000	1,045,000			335,000	710,000	350,000
Tax Notes, Series 2007A	1,125,000	875,000			150,000	725,000	165,000
<b>Total Notes</b>	<b>2,805,000</b>	<b>1,920,000</b>			<b>485,000</b>	<b>1,435,000</b>	<b>515,000</b>
<b>Lease Purchases</b>							
Mitel Networks-Admin Bldg Telephone System	488,535	187,569			54,502	133,067	57,412
New Dawn - District Attorney Prosecutor	329,067		329,067		50,000	279,067	50,696
<b>Total Lease Purchases</b>	<b>817,602</b>	<b>187,569</b>	<b>329,067</b>		<b>104,502</b>	<b>412,134</b>	<b>108,108</b>
<b>Governmental activities long-term liabilities</b>	<b>91,304,291</b>	<b>67,854,905</b>	<b>329,067</b>		<b>4,951,672</b>	<b>63,232,300</b>	<b>5,440,301</b>
<b>Business-type Activities:</b>							
<b>Certificates of Obligations &amp; Bonds</b>							
Certificates of Obligations, Series 2000	1,800,000	159,322			159,322	-	
Limited Tax Refunding Bonds, Series 2003	894,996	603,964			111,610	492,354	115,848
Certificates Of Obligation, Series 2003	300,000	152,850			3,900	148,950	7,800
Limited Tax Refunding Bonds, Series 2005	2,058,438	2,036,886			113,032	1,923,854	221,644
Limited Tax Refunding Bonds, Series 2007	119,877	118,847			429	118,418	515
Certificates of Obligations, Series 2006	720,000	648,000			26,000	622,000	27,000
Certificates of Obligations, Series 2008	648,000	644,000			5,000	639,000	10,000
	<u>6,541,311</u>	<u>4,363,869</u>			<u>419,293</u>	<u>3,944,576</u>	<u>382,807</u>
Bond premiums		53,143			15,395	37,748	
Bond discounts		(7,911)			(252)	(7,659)	
Less deferred amount on refundings		(110,300)			(32,608)	(77,692)	
<b>Total Certificates of Obligations &amp; Bonds</b>	<b>6,541,311</b>	<b>4,298,801</b>			<b>401,829</b>	<b>3,896,972</b>	<b>382,807</b>
<b>Loans</b>							
TWDB Water & Sewer DFUNDII, Series 2000	1,958,000	1,650,000			100,000	1,550,000	110,000
TWDB EDAP Loan, Series 2004	1,102,000	992,000			50,000	942,000	55,000
TWDB EDAP Loan, Series 2004A	588,000	523,000			25,000	498,000	25,000
<b>Total Loans</b>	<b>3,648,000</b>	<b>3,165,000</b>			<b>175,000</b>	<b>2,990,000</b>	<b>190,000</b>
<b>Lease Purchases</b>							
Golf Course Lease	550,491	467,506			103,980	363,526	108,996
<b>Total Lease Purchases</b>	<b>550,491</b>	<b>467,506</b>			<b>103,980</b>	<b>363,526</b>	<b>108,996</b>
<b>Business-type Activity Long-term Liabilities</b>	<b>10,739,802</b>	<b>7,931,307</b>			<b>680,809</b>	<b>7,250,498</b>	<b>681,803</b>

**Webb County, Texas**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

**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, 2009.

Purpose of Issue	Amount Issued	Amount Outstanding	Interest Rate	Maximum Annual Debt Service
<b>PRIMARY GOVERNMENT:</b>				
<b>Governmental Activities</b>				
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	7,000,000	4,550,000	4.55%-5.73%	860,331
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	11,300,000	6,190,000	3.00%-4.80%	850,851
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	4,300,000	2,795,000	3.00%-5.03%	305,919
Limited Tax Refunding Bonds, Series 2002 refund the outstanding obligations of the County listed on Schedule 1 hereto (the "Refunded Obligations") on February 15, 2003 on a current basis with a delivery date for the Refunding Bonds of November 21, 2002.	-	-	5.00%	-
Limited Tax Refunding Bonds, Series 2003 refund the outstanding obligations of the County on Schedule 1 hereto (the "Refunded Obligations") on March 1, 2004.	5,440,004	2,992,646	2.50%-3.00%	814,583
Certificates Of Obligations, Series 2003 for the design, planning, acquisition, construction, and equipping of golf course improvements; purchase and renovation of the site and building called "Tex-Mex" building at 1202 Washington Street; sites for and construction of ionization towers and monitoring station for rain enhancement; construction, renovation, equipment, and improvement to various County parks and community centers; right-of-way acquisition and road improvements in the colonias areas; construction of an international bridge; acquisition of a secondary County water source; purchase computers, copiers, fax machines, furniture, vehicles, heavy equipment and other equipment for the County courts, the Sheriff's department, and other various County departments; Casa Blanca Lake rehabilitation; development of recreational facilities through Interlocal agreements with LISD, UISD, and City of Laredo; development of the North Shiloh Community Center in Precinct 3 of the County; land acquisition and developments and/or rehabilitation of the recreational and community centers in the Rio Bravo and El Cenizo areas of Southern Webb County; improvements to County property used for recreational purposed in the area known as "LIFE Downs"; and the payment of contractual obligations for professional services in connection with such projects	9,700,000	4,816,050	2.50%-5.00%	1,070,558
Limited Tax Refunding Bonds, Series 2005 refund a portion of the County's outstanding debt for Certificates of Obligation, Series 1999 and Series 2000; costs incurred in connection with issuance of the bonds	12,716,562	11,916,146	3.00%-5.00%	1,836,650

**Webb County, Texas**  
**Notes to the Financial Statements**  
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<p>Certificates Of Obligations, Series 2006  for the payment of contractual obligations to be incurred for the design, planning, acquisition, construction, and equipping of right-of-way and drainage facilities in the Colonias areas; two tanker trucks for fire protection; permitting an international railroad bridge; permitting an international bridge; right-of-way and utilities relocation for Cuatro Vientos Road; engineering design and repairs to Casa Blanca Dam; water well and tests in Carrizo Wilcox Aquifer; a morgue; a veterans building and museum; studies for reconstruction and preservation of the courthouse annex and other County buildings; purchase of vehicles, computers, copiers, fax machines, furniture, and other equipment for all departments; development of facilities including county parks, community centers land acquisition and the construction and/or rehabilitation of parks, community centers, and other buildings, constructed either independently or through Interlocal agreement with other public and/or private entities; communication tower and radio equipment; improvement for the renovation of the Villa Antigua project; raw water intake and pond cleaning at water treatment plant; and vehicles and road and bridge heavy equipment; and the payment of contractual obligations for professional services in connection with such projects (including, but not limited to, financial advisory, legal, architectural, and engineering), and to pay costs of issuance related to the Certificates.</p>	11,685,000	10,388,000	4.30%-5.00%	1,082,026
<p>Tax Notes, Series 2007  Acquisition, design, planning, construction, equipping, and/or renovation of Casa Ortiz.</p>	1,680,000	710,000	3.66%-3.76%	370,029
<p>Tax Notes, Series 2007A  Defeased Certificate of Participation, Series 1997; costs incurred in connection with issuance of the bonds</p>	1,125,000	725,000	3.77%	206,027
<p>Limited Tax Refunding Bonds, Series 2007  refund a portion of the County's outstanding debt for Certificates of Obligation, Series 2001 and Series 2003 and Limited Tax Improvement Bonds, Series 2002; costs incurred in connection with issuance of the bonds</p>	6,865,123	6,781,582	3.99%	2,335,823
<p>Limited Tax Refunding Bonds, Series 2008  refund the County's outstanding debt for General Obligation Refunding Bonds, Series 1998; costs the bonds</p>	7,105,000	5,960,000	3.20%	1,981,200
<p>Certificates Of Obligations, Series 2008A  for paying contractual obligations of the County to be incurred for engineering and architectural studies to repair or construct a new building on the County property known as the "Tex-Mex" building at 1202 Washington Street; providing financing for additional cost of construction and equipping the Youth Village juvenile justice center; acquisition of land and/or property for an administration annex in the downtown area; expansion, repair, and renovation of the county buildings in the Quad City area being the Justice of the Peace/Constable Office located off Highway 359 in Bruni, TX and the Community Center located on FM 649 in Mirando, Texas; the purchase of computers, copiers, fax machines, furniture, vehicles, heavy equipment, and other equipment for the County Courts, the Sheriff Department, and other various County departments; and the payment if contractual obligations for professional services in connection with such projects (including, but limited to,</p>	5,575,000	5,385,000	4.50%	438,675
<b>Total Governmental Activities</b>	<u>84,491,689</u>	<u>63,209,424</u>		

**Webb County, Texas**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

Purpose of Issue	Amount Issued	Amount Outstanding	Interest Rate	Maximum Annual Debt Service
<b>Business-Type Activities</b>				
TWDB DFUND II Loan, Series 2000 financing the water supply portion of the Waterworks and Sewer System Project and paying the costs of issuance of the bonds	1,958,000	1,550,000	5.59%	207,915
Limited Tax Refunding Bonds, Series 2003 refund the outstanding obligations of the County on Schedule 1 hereto (the "Refunded Obligations") on March 1, 2004.	894,996	492,354	2.50%-3.00%	134,017
Certificates Of Obligations, Series 2003 for the design, planning, acquisition, construction, and equipping of golf course improvements;	300,000	148,950	2.50%-5.00%	27,202
TWDB EDAP Loan Series 2004 design and construction of water treatment and distribution and wastewater collection and treatment facilities to serve the economically distressed areas of Webb County known as the City of Rio Bravo and the City of El Comizo	1,102,000	942,000	2.75%-5.60%	104,408
TWDB EDAP Loan Series 2004A design and construction of water treatment and distribution and wastewater collection and treatment facilities to serve the economically distressed areas of Webb County known as the City of Rio Bravo and the City of El Comizo	588,000	498,000	3.33%-5.93%	55,696
Limited Tax Refunding Bonds, Series 2005 refund a portion of the County's outstanding debt for Certificates of Obligation, Series 1999 and Series 2000; costs incurred in connection with issuance of the bonds	2,058,438	1,923,854	3.00%-5.00%	314,750
Certificates Of Obligations, Series 2006 for the payment of contractual obligations to be incurred for the design, planning, acquisition, construction, and equipping of right-of-way and drainage facilities in the Colonias areas; two tanker trucks for fire protection; permitting an international railroad bridge; permitting an international bridge; right-of-way and utilities relocation for Cuatro Vientos Road; engineering design and repairs to Casa Blanca Dam; water well and tests in Carrizo Wilcox Aquifer; a morgue; a veterans building and museum; studies for reconstruction and preservation of the courthouse annex and other County buildings; purchase of vehicles, computers, copiers, fax machines, furniture, and other equipment for all departments; development of facilities including county parks, community centers land acquisition and the construction and/or rehabilitation of parks, community centers, and other buildings, constructed either independently or through Interlocal agreement with other public and/or private entities; communication tower and radio equipment; improvement for the renovation of the Villa Antigua project; raw water intake and pond cleaning at water treatment plant; and vehicles and road and bridge heavy equipment; and the payment of contractual obligations for professional services in connection with such projects (including, but not limited to, financial advisory, legal, architectural, and engineering), and to pay costs of issuance related to the Certificates.	720,000	622,000	4.30%-5.00%	55,025
Limited Tax Refunding Bonds, Series 2007 refund a portion of the County's outstanding debt for Certificates of Obligation, Series 2003; costs incurred in connection with issuance of the bonds	119,877	118,418	3.99%	40,788
Certificates Of Obligations, Series 2008 for the design and construction of Rio Bravo Waterline Replacement Phase II	648,000	639,000	4.21% -5.31%	55,196
<b>Total Business-Type Activities</b>	<b>8,389,311</b>	<b>6,934,576</b>		

**Webb County, Texas**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

**Governmental Activities:**

Fiscal Year	Certificates of Obligations & Bonds			Total for all Tax Notes			Contract Payable (Lease Obligation)		
	Total for all Series			Total for all Tax Notes					
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2011	4,817,193	2,895,657	7,712,850	515,000	44,251	559,251	108,107	18,991	127,099
2012	4,810,178	2,728,567	7,538,745	530,000	24,676	554,676	113,611	13,487	127,099
2013	5,090,431	2,527,463	7,617,894	195,000	11,027	206,027	70,870	8,556	79,426
2014	5,310,567	2,310,902	7,621,469	195,000	3,676	198,676	58,369	5,750	64,119
2015	5,776,552	2,081,095	7,857,647				61,177	2,943	64,119
2016	4,206,454	1,864,109	6,070,563						
2017	4,409,557	1,664,817	6,074,374						
2018	4,611,366	1,455,765	6,067,131						
2019	4,840,921	1,234,446	6,075,367						
2020	4,269,700	768,428	5,038,128						
2021	3,448,900	519,381	3,968,281						
2022	3,021,567	382,357	3,403,924						
2023	2,174,039	271,855	2,445,894						
2024	1,321,000	196,014	1,517,014						
2025	1,384,000	135,151	1,519,151						
2026	1,447,000	70,793	1,517,793						
2027	410,000	28,350	438,350						
2028	425,000	9,563	434,563						
2029									
<b>Total Debt</b>	<b>61,774,424</b>	<b>21,144,714</b>	<b>82,919,138</b>	<b>1,435,000</b>	<b>83,629</b>	<b>1,518,629</b>	<b>412,134</b>	<b>49,727</b>	<b>461,862</b>

**Business-Type Activities:**

Fiscal Year	Certificates of Obligations & Bonds			TWDB EDAP Loans Series 2000 DFUNDII, 2004, 2004A			Contract Payable (Lease Obligation)		
	Total for all Series			Series 2000 DFUNDII, 2004, 2004A					
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2011	382,807	179,665	562,472	190,000	158,128	348,128	108,995	14,821	123,816
2012	288,822	149,407	438,229	205,000	148,193	353,193	114,253	9,563	123,816
2013	322,569	139,538	462,107	215,000	137,408	352,408	119,763	4,053	123,816
2014	349,433	125,012	474,445	230,000	125,792	355,792	20,515	121	20,636
2015	249,448	112,587	362,034	245,000	113,204	358,204			
2016	286,546	101,404	387,950	260,000	99,596	359,596			
2017	304,443	87,422	391,865	270,000	85,082	355,082			
2018	318,634	72,357	390,992	290,000	69,536	359,536			
2019	331,079	56,388	387,467	310,000	52,707	362,707			
2020	344,300	45,100	389,401	325,000	34,702	359,702			
2021	116,100	34,125	150,225	131,000	21,796	152,796			
2022	110,433	29,007	139,440	137,000	14,301	151,301			
2023	104,961	24,082	129,043	141,000	6,437	147,437			
2024	90,000	19,509	109,509	41,000	1,216	42,216			
2025	94,000	15,102	109,102						
2026	99,000	10,422	109,422						
2027	48,000	6,747	54,747						
2028	51,000	4,156	55,156						
2029	53,000	1,407	54,407						
<b>Total Debt</b>	<b>3,944,576</b>	<b>1,213,437</b>	<b>5,158,013</b>	<b>2,990,000</b>	<b>1,068,097</b>	<b>4,058,097</b>	<b>363,526</b>	<b>28,558</b>	<b>392,084</b>

**Webb County, Texas**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

**Governmental Activities:**

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
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				750,000	98,750	848,750	270,000	34,810	304,810
2021						-	280,000	21,540	301,540
2022						-	295,000	7,375	302,375
<b>Total</b>	<b>4,550,000</b>	<b>1,547,983</b>	<b>6,097,983</b>	<b>6,190,000</b>	<b>2,301,484</b>	<b>8,491,484</b>	<b>2,795,000</b>	<b>848,042</b>	<b>3,643,042</b>

  

Fiscal Year	Limited Tax Refunding Bonds, Series 2003			Certificates of Obligations, Series 2003			Limited Tax Refunding Bonds, Series 2005		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2011	704,152	102,478	806,630	252,200	386,548	638,748	1,293,356	543,295	1,836,650
2012	729,914	76,030	805,944	203,700	377,682	581,382	895,079	516,588	1,411,667
2013	759,969	47,144	807,113	242,500	368,758	611,258	1,003,477	470,517	1,473,994
2014	798,611	15,972	814,583	300,700	357,894	658,594	1,067,771	418,137	1,485,909
2015				606,250	339,755	946,005	1,172,817	360,674	1,533,491
2016				756,600	312,120	1,068,720	1,309,455	296,795	1,606,250
2017				790,550	280,008	1,070,558	1,385,608	229,058	1,614,666
2018				814,800	245,888	1,060,688	1,459,167	157,932	1,617,099
2019				848,750	209,697	1,058,447	1,521,858	83,572	1,605,430
2020							807,559	20,189	827,748
<b>Total</b>	<b>2,992,646</b>	<b>241,624</b>	<b>3,234,270</b>	<b>4,816,050</b>	<b>2,878,350</b>	<b>7,694,400</b>	<b>11,916,146</b>	<b>3,096,758</b>	<b>15,012,904</b>

  

Fiscal Year	Certificates of Obligations, Series 2006			Limited Tax Refunding Bonds, Series 2007			Certificates of Obligations, Series 2008A		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2011	453,000	457,333	910,333	29,485	269,658	299,143	200,000	237,825	437,825
2012	417,000	438,302	855,302	29,485	268,484	297,969	210,000	228,600	438,600
2013	510,000	418,024	928,024	29,485	267,308	296,793	215,000	219,038	434,038
2014	489,000	396,171	885,171	29,485	266,134	295,619	225,000	209,138	434,138
2015	523,000	373,706	896,706	29,485	264,958	294,443	240,000	198,675	438,675
2016	511,000	349,164	860,164	34,399	263,686	298,085	250,000	187,650	437,650
2017	544,000	324,693	868,693	34,399	262,315	296,714	260,000	176,175	436,175
2018	568,000	300,572	868,572	34,399	260,944	295,343	270,000	164,250	434,250
2019	596,000	274,886	870,886	39,313	259,475	298,788	285,000	151,763	436,763
2020	604,000	248,035	852,035	1,538,141	228,045	1,766,186	300,000	138,600	438,600
2021	677,000	219,043	896,043	2,181,900	153,923	2,335,823	310,000	124,875	434,875
2022	716,000	187,531	903,531	1,685,567	76,864	1,762,431	325,000	110,588	435,588
2023	748,000	154,591	902,591	1,086,039	21,639	1,107,678	340,000	95,625	435,625
2024	966,000	116,026	1,082,026				355,000	79,988	434,988
2025	1,009,000	71,589	1,080,589				375,000	63,563	438,563
2026	1,057,000	24,443	1,081,443				390,000	46,350	436,350
2027							410,000	28,350	438,350
2028							425,000	9,563	434,563
<b>Total</b>	<b>10,388,000</b>	<b>4,354,108</b>	<b>14,742,108</b>	<b>6,781,582</b>	<b>2,863,433</b>	<b>9,645,015</b>	<b>5,385,000</b>	<b>2,470,613</b>	<b>7,855,613</b>

**Webb County, Texas**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

Fiscal Year	Limited Tax Refunding Bonds, Series 2008		
	Principal	Interest	Total
2011	960,000	175,520	1,135,520
2012	990,000	144,320	1,134,320
2013	1,015,000	112,160	1,127,160
2014	1,045,000	79,120	1,124,120
2015	1,950,000	31,200	1,981,200
<b>Total</b>	<b>5,960,000</b>	<b>542,320</b>	<b>6,502,320</b>

Fiscal Year	Tax Notes Series 2007			Tax Notes Series 2007A		
	Principal	Interest	Total	Principal	Interest	Total
2011	350,000	20,029	370,029	165,000	24,222	189,222
2012	360,000	6,768	366,768	170,000	17,908	187,908
2013				195,000	11,027	206,027
2014				195,000	3,676	198,676
<b>Total</b>	<b>710,000</b>	<b>26,797</b>	<b>736,797</b>	<b>725,000</b>	<b>56,833</b>	<b>781,833</b>

**Business-Type Activities:**

Fiscal Year	Certificates of Obligations, Series 1999			Certificates of Obligations, Series 2000			TWDB DFUNDII Loan, Series 2000		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2011							110,000	84,603	194,603
2012							120,000	78,390	198,390
2013							130,000	71,545	201,545
2014							140,000	64,085	204,085
2015							150,000	56,000	206,000
2016							160,000	47,280	207,280
2017							170,000	37,915	207,915
2018							180,000	27,895	207,895
2019							190,000	17,210	207,210
2020							200,000	5,850	205,850
<b>Total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,550,000</b>	<b>490,773</b>	<b>2,040,773</b>

Fiscal Year	Limited Tax Refunding Bonds, Series 2003			Certificates of Obligations, Series 2003			TWDB EDAP Loan Series 2004		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2011	115,848	16,860	132,708	7,800	6,047	13,847	55,000	46,843	101,843
2012	120,086	12,508	132,594	6,300	5,773	12,073	55,000	44,450	99,450
2013	125,031	7,756	132,787	7,500	5,497	12,997	55,000	41,989	96,989
2014	131,389	2,628	134,017	9,300	5,161	14,461	60,000	39,343	99,343
2015			-	18,750	4,600	23,350	60,000	36,508	96,508
2016			-	23,400	3,745	27,145	65,000	33,459	98,459
2017			-	24,450	2,752	27,202	65,000	30,193	95,193
2018			-	25,200	1,697	26,897	75,000	26,585	101,585
2019			-	26,250	578	26,828	80,000	22,535	102,535
2020			-			-	85,000	18,161	103,161
2021			-			-	91,000	13,408	104,408
2022			-			-	96,000	8,264	104,264
2023			-			-	100,000	2,800	102,800
2024			-			-			
<b>Total</b>	<b>492,354</b>	<b>39,752</b>	<b>532,106</b>	<b>148,950</b>	<b>35,850</b>	<b>184,800</b>	<b>942,000</b>	<b>364,536</b>	<b>1,306,536</b>

**Webb County, Texas**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

Fiscal Year	TWDB EDAP Loan Series 2004A			Limited Tax Refunding Bonds, Series 2005			Certificates of Obligations, Series 2006		
	2011	25,000	26,682	51,682	221,644	93,105	314,750	27,000	27,374
2012	30,000	25,353	55,353	119,921	69,212	189,133	28,000	26,171	54,171
2013	30,000	23,874	53,874	141,523	66,358	207,881	30,000	24,903	54,903
2014	30,000	22,365	52,365	152,229	59,613	211,841	31,000	23,568	54,568
2015	35,000	20,696	55,696	172,183	52,951	225,134	32,000	22,170	54,170
2016	35,000	18,857	53,857	200,545	45,455	246,000	34,000	20,600	54,600
2017	35,000	16,974	51,974	214,392	35,442	249,834	36,000	18,976	54,976
2018	35,000	15,056	50,056	225,833	24,443	250,276	37,000	17,393	54,393
2019	40,000	12,962	52,962	233,142	12,803	245,945	39,000	15,716	54,716
2020	40,000	10,690	50,690	242,441	6,061	248,502	41,000	13,925	54,925
2021	40,000	8,388	48,388				43,000	12,025	55,025
2022	41,000	6,037	47,037				44,000	10,056	54,056
2023	41,000	3,637	44,637				47,000	8,009	55,009
2024	41,000	1,216	42,216				49,000	5,849	54,849
2025							51,000	3,599	54,599
2026							53,000	1,226	54,226
2027									
Total	498,000	212,789	710,789	1,923,854	465,442	2,389,296	622,000	251,558	873,558

Fiscal Year	Limited Tax Refunding Bonds, Series 2007			Certificates of Obligations, Series 2008		
	2011	515	4,709	5,224	10,000	31,569
2012	515	4,688	5,203	14,000	31,055	45,055
2013	515	4,668	5,183	18,000	30,356	48,356
2014	515	4,647	5,162	25,000	29,395	54,395
2015	515	4,627	5,142	26,000	28,239	54,239
2016	601	4,604	5,205	28,000	27,001	55,001
2017	601	4,580	5,181	29,000	25,672	54,672
2018	601	4,557	5,158	30,000	24,268	54,268
2019	687	4,531	5,218	32,000	22,761	54,761
2020	26,859	3,982	30,841	34,000	21,132	55,132
2021	38,100	2,688	40,788	35,000	19,412	54,412
2022	29,433	1,342	30,775	37,000	17,608	54,608
2023	18,961	378	19,339	39,000	15,695	54,695
2024				41,000	13,661	54,661
2025				43,000	11,504	54,504
2026				46,000	9,196	55,196
2027				48,000	6,747	54,747
2028				51,000	4,156	55,156
2029				53,000	1,407	54,407
Total	118,418	50,001	168,419	639,000	370,834	1,009,834

## H. BONDS DEFEASSED - PRIOR YEARS DEFEASANCE OF DEBT

### Governmental Activities

During 2005, the County defeased \$4,053,157 of its Certificates of Obligation, Series 2000 by issuing \$ 12,716,562 Limited Tax Refunding Bonds and placing the proceeds of the newly issued bonds in an irrevocable escrow fund to provide for all future debt service payments on the old bonds. The defeased bonds Series 2000 have a call date for February 1, 2010. Accordingly, the escrow fund assets and liabilities for the defeased bonds are not included in the financial statements. As of September 30, 2010, the amount of refunded Certificates of Obligation Series 2000 that are outstanding and considered defeased is considered paid.

During 2008, the County defeased \$ 1,205,000 of its Certificates of Obligation, Series 2001, \$1,615,000 of its Certificates of Obligation, Series 2002 and \$ 3,656,900 of its Certificates of Obligation, Series 2003 by issuing \$ 6,865,123 Limited Tax Refunding Bonds Series 2007 and placing the proceeds of the newly issued bonds in an irrevocable escrow fund to provide for all future debt service payments on the old bonds. The defeased bonds Series 2001, Series 2002 and

**Webb County, Texas**  
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Series 2003 have a call date for February 1, 2011, February 1, 2012 and February 1, 2013 respectively. Accordingly, the escrow fund assets and liabilities for the defeased bonds are not included in the financial statements. As of September 30, 2010, the amount of refunded Certificates of Obligation Series 2001, Series 2002 and Series 2003 outstanding and considered defeased is \$ 6,476,900.

**Proprietary Fund**

During 2005, the County defeased \$1,216,843 of its Certificates of Obligation, Series 2000 by issuing \$ 2,058,438 Limited Tax Refunding Bonds and placing the proceeds of the newly issued bonds in an irrevocable escrow funds to provide for all future debt service payments on the old bonds. The defeased bonds Series 2000 have a call date for February 1, 2010. Accordingly, the escrow fund assets and liabilities for the defeased bonds are not included in the financial statements. As of September 30, 2010, the amount of refunded Certificates of Obligation Series 2000 that are outstanding and considered defeased is considered paid.

During 2008, the County defeased \$ 113,100 of its Certificates of Obligation, Series 2003 by issuing \$ 119,877 Limited Tax Refunding Bonds Series 2007 and placing the proceeds of the newly issued bonds in an irrevocable escrow fund to provide for all future debt service payments on the old bonds. The defeased bonds Series 2003 have a call date for February 1, 2013. Accordingly, the escrow fund assets and liabilities for the defeased bonds are not included in the financial statements. As of September 30, 2010, the amount of the refunded Certificates of Obligation, Series 2003 outstanding and considered defeased is \$ 113,100.

**V 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.

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 2009 was \$ 13,628,665,189 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 2009, and designation of tax rates are as follows for fiscal 2010:

**Webb County, Texas**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

	Taxable Value	Tax Rate Per \$100 of Taxable Value
General Fund:	\$ 13,530,000,000	0.354589
Road and Bridge - Special Revenue Fund	\$ 13,555,000,000	0.008101
Debt Service Fund:	\$ 13,530,000,000	0.057365
<b>Total Tax Rate</b>		<b>0.420055</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 a tax rate up to eighty cents (\$.80) per one hundred dollars (\$ 100) valuation for the four constitutional purposes namely, general fund, permanent improvements fund, road and bridge fund and the jury fund. The Court may levy the tax rate needed for its governmental services as long the Court does not impair any outstanding bonds or other obligations or exceed the \$.80 per \$ 100 maximum valuation for the year.

The legislature may authorize an additional \$.15 ad valorem tax for maintenance of public roads and bridges or a \$.30 ad valorem tax to be levied for road and flood control provided the majority of the qualified voters of the County approve the additional taxes.

The County thus has legal margins of \$.379945, per \$100 valuation and could levy approximately \$51,880,210 in additional taxes for those purposes before exceeding the eighty cents (\$.80) constitutional tax rate calculated in accordance with the Texas Property Tax Code. The Property Tax Code provide for a referendum election if the effective tax rate increase by more than 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.

**B. DEBT LIMIT**

The County is subject to certain statutes of the Texas Constitution that 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, 2010, the statutory limit of the County was approximately \$ 3,465,738,850 providing a legal debt margin of \$ 3,404,786,730.

**Webb County, Texas**  
**Notes to the Financial Statements**  
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**C. COMPENSATED ABSENCES**

Accumulated compensatory leave, vacation and sick leave expected to be liquidated with expendable available financial resources are reported as expenditures during the fiscal year in the respective governmental funds. The governmental funds recognized a liability at year-end only if the compensated absences mature (when due). Accumulated compensated absences not expected to be liquidated with expendable available resources are reported as long-term liabilities in the governmental activities column of the government-wide Statement of Activities. The majority of these have typically been liquidated from the General Fund in previous years. Accumulated compensated absences of Proprietary Funds are recorded as an expense and liability in the respective fund and the business-type column of the government-wide Statement of Activities as the benefit accrues for the employee.

Employees accrue 12 days of sick leave per year. Sick leave taken is recognized as expenditures as used by employees. There is no ceiling for employees to accumulate sick leave. Upon separation or termination, unused sick leave is not paid. Employees earned from twelve to twenty-one vacation days per year, depending on years of service. The County policy provide for a maximum paid out of twenty-two days upon the employee's resignations or retirements.

Non-exempt employees earn compensatory time at one and one-half times their rate of pay times the excess of 40 hours per week worked. The compensatory time balance for non-exempt employees may not exceed 240 hours for non-law enforcement and 480 for law enforcement. Hours in excess of maximum must be paid to the non-exempt employee at the rate of one and one-half times the regular rate. Upon termination, non-exempt employees will be paid for compensatory time at their wage rate at time of termination.

	Balance Outstanding October 1, 2009	Earned	Taken/ Paid	Balance Outstanding September 30, 2010	Amount Due Within One Year
Governmental Activities	3,135,914	1,619,766	1,539,772	3,215,908	1,609,590
Business-type Activities	<u>72,927</u>	<u>6,427</u>	<u>23,433</u>	<u>55,921</u>	<u>18,917</u>
Total Primary Government	<u><u>3,208,841</u></u>	<u><u>1,626,193</u></u>	<u><u>1,563,205</u></u>	<u><u>3,271,829</u></u>	<u><u>1,628,507</u></u>

The County does not have incentives for voluntary terminations (early-retirement incentives) benefits except for the post employment benefit insurance offered by the County for retiree.

**Webb County, Texas**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

**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 statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 602 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768.

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 or above with 8 or more years of service, or with 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more.

Members are vested after 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 8.61% for the months of the accounting year in 2009, and 9.51% for the months of the accounting year in 2010.

The contribution rate payable by the employee members for calendar year 2009 is the rate of 6% 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.

**Webb County, Texas**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

**3. ANNUAL PENSION COST**

The required contribution was determined as part of the December 31, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2009 included (a) 8.0 percent investment rate of return (net of administrative expenses) and (b) projected salary increase of 5.4 percent. Both (a) and (b) included an inflation component of 3.5 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2009 was twenty years.

For the 2010 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 \$ 5,416,278.

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, 2007 and December 31, 2008, the basis for determining the contribution rates for calendar years 2008 and 2009. The December 31, 2009 actuarial valuation is the most recent valuation.

**Webb County, Texas**  
**Notes to the Financial Statements**  
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Actuarial Valuation Methods and Assumptions			
Actuarial Valuation Date	12/31/2007	12/31/2008	12/31/2009
Actuarial Cost Method	entry age	entry age	entry age
Amortization Method	level percentage of payroll, closed	level percentage of payroll, closed	level percentage of payroll, closed
Amortization Period in Years	15.0	20.0	20.0
Asset Valuation Method	SAF:10-yr smoothed value ESF: Fund value	SAF:10-yr smoothed value ESF: Fund value	SAF:10-yr smoothed value ESF: Fund value
<b>Actuarial Assumptions:</b>			
Investment Return (1)	8.00%	8.00%	8.00%
Projected Salary Increases (1)	5.30%	5.30%	5.40%
Inflation	3.50%	3.50%	3.50%
Cost-Of-Living Adjustments	0.00%	0.00%	0.00%
(1) Includes inflation at the stated rate			

Trend Information			
Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2007	4,578,920	100%	- 0 -
2008	4,852,718	100%	- 0 -
2009	5,416,278	100%	- 0 -

**4. FUNDED STATUS AND FUNDING PROGRESS**

As of December 31, 2009, the most recent actuarial valuation date, the plan was 88.40 percent funded. The actuarial accrued liability for benefits was \$ 130,944,638, and the actuarial value of the assets was 115,752,127, resulting in an unfunded actuarial accrued liability UAAL of \$ 15,192,511. The covered payroll (annual payroll of active employees covered by the plan) was \$ 55,451,245, and the ratio of the UAAL to the covered payroll was 27.40 percent.

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

**Webb County, Texas**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

Schedule Funding Progress						
	(a)	(b)	(b-a)	(a/b)	(c)	((b-a)/c)
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unrounded or (Overfunded) Actuarial Accrued Liability UAAL (OAALL)	Funded Ratio	Annual Covered Payroll (Actuarial)	UAAL or (OAAL) as a Percentage of Covered Payroll
12/31/2007	97,378,036	104,655,313	7,277,277	93.05%	49,862,367	14.59%
12/31/2008	100,022,707	115,617,041	15,594,334	86.51%	52,937,767	29.46%
12/31/2009	115,752,127	130,944,638	15,192,511	88.40%	55,451,245	27.40%
(2) Funding information may differ from prior year compliance data due to plan changes effective 1/1/2009.						

**5. 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. Public Employees Benefit Services Corporation (PEBSCO) administers the plan.

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 No. 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 No. 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.

**Webb County, Texas**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

**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. The County self insured retention for our employment practices increased to \$ 75,000 per occurrence. The 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.

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, 2010 the claims liability of \$ 803,923 and \$ 101,950 are reported in the internal service funds. Changes in the respective funds claims liability amount for 2001 through 2010 fiscal years were:

**Webb County, Texas**  
**Notes to the Financial Statements**  
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**Webb County Employees' Health Benefits Fund**

Fiscal Year	Beginning of Fiscal Year Liability	Claims and Changes In Estimates	Claims Payments	Balance at Fiscal Year End
2001	361,925	3,903,435	(3,914,680)	350,680
2002	350,680	3,986,143	(3,815,008)	521,815
2003	521,815	4,972,824	(5,081,217)	413,422
2004	413,422	6,265,616	(6,169,408)	509,630
2005	509,630	6,898,030	(6,503,852)	903,808
2006	903,808	5,777,073	(6,124,990)	555,891
2007	555,891	7,143,918	(7,251,347)	448,462
2008	448,462	7,610,542	(7,441,254)	617,750
2009	617,750	7,856,290	(7,898,792)	575,247
2010	575,247	9,328,116	(9,099,440)	803,923

**Webb County Workers' Compensation Reserve Fund**

Fiscal Year	Beginning of Fiscal Year Liability	Claims and Changes In Estimates	Claims Payments	Balance at Fiscal Year End
2001	55,854	750,234	(737,226)	68,862
2002	68,962	646,695	(601,534)	114,123
2003	114,023	234,081	(316,298)	31,806
2004	31,806	1,021,409	(981,155)	72,060
2005	72,060	190,984	(263,472)	95,920
2006	95,920	762,013	(805,039)	52,894
2007	52,894	644,455	(622,031)	75,318
2008	75,318	370,300	(399,040)	46,578
2009	46,578	505,683	(496,130)	56,131
2010	56,131	472,363	(426,544)	101,950

The 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. The short term liability is \$ 615,692 for the employees' health benefits fund and \$ 425,978 for the workers compensation reserve fund. The long term liability is \$ 206,024 for the workers compensation reserve fund. Changes in the respective funds reserve amount in the fiscal year were as follows:

**Webb County, Texas**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

**Webb County Employees' Health Benefits Fund**

Fiscal Year	Beginning of Fiscal Year Liability	Claims and Changes In Estimates	Claims Payments	Balance at Fiscal Year End
2001	615,692	- 0 -	- 0 -	615,692
2002	615,692	- 0 -	- 0 -	615,692
2003	615,692	- 0 -	- 0 -	615,692
2004	615,692	- 0 -	- 0 -	615,692
2005	615,692	- 0 -	- 0 -	615,692
2006	615,692	- 0 -	- 0 -	615,692
2007	615,692	- 0 -	- 0 -	615,692
2008	615,692	- 0 -	- 0 -	615,692
2009	615,692	- 0 -	- 0 -	615,692
2010	615,692	- 0 -	- 0 -	615,692

**Webb County Workers' Compensation Reserve Fund**

Fiscal Year	Beginning of Fiscal Year Liability	Claims and Changes In Estimates	Claims Payments	Balance at Fiscal Year End
2001	471,209	258,272	- 0 -	729,481
2002	729,481	15,409	- 0 -	744,890
2003	744,890	(158,358)	- 0 -	586,532
2004	586,532	455,442	- 0 -	1,041,974
2005	1,041,974	(360,302)	- 0 -	681,672
2006	681,672	144,212	- 0 -	825,884
2007	825,884	(49,605)	- 0 -	776,279
2008	776,279	(110,397)	- 0 -	665,882
2009	665,882	12,625	- 0 -	678,507
2010	678,507	(46,505)	- 0 -	632,002

**G. COMMITMENTS AND CONTINGENCIES**

In addition to the mentioned claims and judgments liabilities, if the County would cancel its health insurance policy it would be liable an estimated \$ 1,756,318. This amount includes \$ 213,729 in administration fees and \$ 1,542,589 in runoff medical, prescriptions and dental claims. This event is not considered probable; and therefore, is not accrued in the Employees' Health Benefits Internal Service Fund.

**Webb County, Texas**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

The County has several purchase commitments outstanding at September 30, 2010. These commitments are as follows:

General Fund	\$ 18,435
Special Revenue Funds	367,226
Capital Projects Funds	50,990
Total	<u>\$ 436,651</u>

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.

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.

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. Periodic audits of these grants are required and certain costs may be questioned as unallowable expenditures under the grant agreements by the granting agency. If the 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.

Subsequent to the fiscal year end, the county was found to potentially be in violation of certain grant requirement of federal grant funds expended under the U.S. Department of Energy – Weatherization Assistance for Low-Income Persons (ARRA) grant which was administered during the fiscal year. The state pass-through entity, the Texas Department of Housing and Community Affairs, issued a monitoring report on December 22, 2010 which included numerous significant findings regarding the administering of grant funds and possible grant violations. Pursuant to the release of the state monitoring report, a federal investigation was initiated, and the department within Webb County, Texas that administered this grant, Community Action Agency, was closed and employees were terminated. The Federal Bureau of Investigations seized file and other documentation within the Community Action Agency department regarding the affected grant as well as other unaffected grants that were administered by the same department. The grant funds were de-obligated by the state agency in a hearing held on January 20, 2011.

As the federal investigation is undergoing, the possible outcome of this matter is uncertain at this time. Accordingly, no provision has been made for any liabilities that may arise as a result of disallowed expenditures since the amount, if any, cannot be determined at this time.

**Webb County, Texas**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

**Arbitrage Rebate Liability**

The Tax Recovery Act of 1986 established regulations for the rebate to the federal government of arbitrage earning on certain local governmental bonds issued after December 31, 1985, and all local governmental bonds issued after August 31, 1986. Issuing governments must calculate any rebate due on an annual basis and remit the amount due at least every five years. The County's has a cumulative negative rebate amount for its bonds and no liability was recorded at September 30, 2010 for the governmental activities in the government-wide financial statements.

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

<u>Program or Source</u>	<u>CFDA Contract Number</u>	<u>Total Grant or Entitlement</u>
State of Texas, 77 <sup>th</sup> Regular Legislature's Session Texas Task Force on Indigent Defense - Formula Grant		111,827
Texas Department of Family and Protective Services Title IV-E County Legal Services To Foster Care Children	23358109	113,700
Texas Department of Family and Protective Services Title IV Child Welfare Services Contract	23358108	12,000

**Texas Task Force on Indigent Formula Grant**

The purpose of this grant is to assist the County in the implementation of the provisions of the Fair Defense Act and the improvement of the indigent criminal defense services. The grant revenue earned through the fiscal year was \$ 111,827.

**Texas Department of Family and Protective Services Title IV-E County Legal Services to Foster Care for Children**

The purpose of this grant is to provide fair, adequate, and expeditious judicial determinations regarding children eligible for services under subtitle IV-E of the Social Security Act, including the training of county staff in areas necessary for the administration of this portion of the state IV-E plan. The grant revenue earned through the fiscal year was \$ 103,933.

**Title IV Child Welfare Service Contract**

The purpose of this grant is to provide financial assistance for foster care maintenance payments, administrative, and training expenses related to foster care and adoption. The grant revenue earned through the fiscal year was \$ 5,014.

**Webb County, Texas**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

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

**1. PLAN DESCRIPTION**

The County is self insured for employee and retiree healthcare and maintain one plan: Webb County PPO Plan. The County administers a single-employer defined benefit post employment healthcare Plan that covers 29 qualified County retired employees and their dependents, three COBRA participants, and 1,555 of active employees Participation in the Plan is elective by each retiree. The total includes 21 for the Water Utility Enterprise Fund. The plan that provides medical and dental coverage administered by Blue Cross Blue Shield of Texas for eligible employees and retired employees under the age of 65 and their dependents. In addition, eligible retirees over the age of 65 may enroll in County Silver Choice, a Medicare supplement program. The benefits provided are not guaranteed. Additionally, the benefits provisions are subject to change to any time and to annual appropriation of funds by the Commissioners Court.

Employees who meet one of the following are eligible to participate in the plan; must not already retired from the county, must have four years of continuous employment with the county prior to retirement, must be covered as an active employee under the county health insurance plan at the time of retirement and the employee must meet one of the additional criteria:

- a) Age 59 plus 8 years of county employment, or
- b) Obtain rule of 75, based on government employment with the State of Texas, a Texas County, or a Texas City of which a minimum of six years of employment must be with the county,
- c) Twenty years of employment with the county.

Currently the County is accounting for OPEB using an internal service fund. A separate financial report for the healthcare plan is not issued.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The plan's transactions are recorded using the accrual basis of accounting. Plan's members and employer's contributions are recognized in the period in which the contribution are due. Benefits and refunds are recognized when due and payable. Investments, if any are reported in a fair value which is the amount the Plan could reasonably expect to receive for it in a current sale between a willing buyer and willing seller. Fair value, for financial reporting purposes, is measured by the market price unless such prices are not available in which case, fair is estimated.

The County is required by GASB Statement No. 45 to disclose additional information with regard to funding policy, the employers annual OPEB cost and contribution made, the funded status and funding progress for the employer's individual plan, and actuarial methods and assumptions used.

**Webb County, Texas**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

**2. FUNDING POLICY**

Commissioners' Court has the authority to establish and amend contributions requirements of the plan members and the participating employer. The plan is funded on a pay-as-you-go basis and incurred \$ 179,159 in total claims for the fiscal year ended September 30, 2010. The funds to pay these claims are derived from the employer contributions and retirees premiums and transfers in.

The contribution requirements of plan members and the county are established and may be amended by the Court subject to funding availability at the beginning of each budget year. Retiree contributions under the age of 65 is \$100 per month and cost for spouse dependent coverage is \$200. The retiree contribution over the age of 65 (silver choice) is 100% of premium less \$100 county contribution and 100% cost of premium for spouse and dependents.

**3. ANNUAL OPEB COST & NET OPEB OBLIGATION**

For the fiscal year ended September 30, 2010, the County annual \$ 447,627 OPEB cost that was \$443,190 governmental and \$ 4,437 for business type activities which is equal to the Normal Cost plus a 30-year level-percent of payroll amortization of the Actuarial Accrued Liability, adjusted with interest to the end of the fiscal year at the discount rate. The dollar amount contributed by the County toward the OPEB cost was \$ 92,932, the amount required to cover current year expenses. At September 30, 2010, the County has a OPEB obligation of \$ 1,576,978. The governmental and business type activities OPEB liability is \$ 1,555,681 and \$ 21,297 respectively.

	Balance			Balance	
	Outstanding			Outstanding	Amount
	October 1,			September 30,	Due Within
	2009	Additions	Reductions	2010	One Year
Governmental Activities					
OPEB Obligation	1,205,123	350,559		1,555,682	
Business-type Activities					
OPEB Obligation	16,860	4,436		21,296	
Total Primary Government	<u>1,221,983</u>	<u>354,995</u>		<u>1,576,978</u>	

**Webb County, Texas**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

ANNUAL OPEB COST AND NET OPEB OBLIGATION				
	Fiscal Year Ending			
	9/30/2007	9/30/2008	9/30/2009	9/30/2010
Normal Cost	380,958	-	237,113	
Minimum Amortization of Unfunded Actuarial Liability	193,124	-	183,541	**
Interest Adjustment to Year-end	28,704	-	15,564	
Annual Required Contribution	602,786	602,786	436,218	436,218
ARC adjustment	-	(14,410)	(27,027)	(33,804)
Interest Adjustment to Net OPEB Obligation	-	22,835	34,859	45,213
OPEB Cost	602,786	611,211	444,050	447,627
Net OBEB Obligation as of the Beginning of Year	-	456,706	942,128	1,221,983
Employer Contribution Made for the Year	146,080	125,789	164,195	92,632
Increase (Decrease) in the Net OPEB Obligation	456,706	485,422	279,855	354,995
Net OBEB Obligation as of the End of Year	456,706	942,128	1,221,983	1,576,978
Total Expenses	198,088	188,675	240,291	179,159
Retiree Contribution	52,008	62,886	76,095	86,527
Net Employer Contributions	146,080	125,789	164,195	92,632
** = new valuation was not required for the 2010 audit				
actuarial study will be conducted for the 2011 audit				

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the OPEB obligation for 2007 through 2010. Note that this is the four year of implementation of GASB Statement No. 45 which requires years of data in the trend information table.

Fiscal Year End	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation Beginning	Changes to Net OPEB Obligation	Net OPEB Obligation
9/30/2007	602,786	24.2%	-	456,706	456,706
9/30/2008	608,962	20.6%	456,706	485,422	942,128
9/30/2009	444,050	37.0%	942,128	279,855	1,221,983
9/30/2010	447,627	20.7%	1,221,983	354,995	1,576,978

The above table includes information for the County only. There is one other member employers that participates in the County's Retirement System that does not participate in the County's defined benefit healthcare program (Community Supervision and Corrections Department).

The Employees' Retiree OPEB Internal Service Fund for other postemployment employees' benefits obligation was funded as of September 30, 2007 through 2010. The OPEB obligation is reported in the government-wide statement of net assets.

**Webb County, Texas**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

**FUNDED STATUS AND FUNDING PROGRESS**

As of October 1, 2009, the most recent actuarial valuation date, the plan was 0% funded. The actuarial accrued liability for benefits was \$ 6,634,806. The actuarial value of assets was \$ 0 resulting in an unfunded accrued liability (UAAL) of \$ 6,634,806. The covered payroll (annual payroll of active employees covered by the plan) was \$ 44,285,100 and the ratio of the UAAL to the covered payroll was fifteen percent. The schedule of funding progress as RSI included in notes to the financial statement shows the funding status for fiscal year ending September 30, 2007 through 2010.

Actuarial valuations of an ongoing plan involve estimates for the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The actuarial assumptions used in calculating the County's UAAL and ARC are elaborated later in the note. Amounts determined regarding the funded status of the Plan and ARC contributions of the employer are subject to continual revisions as actual results are compared with past expectations and new estimates are made about the future.

**ACTUARIAL METHODS AND ASSUMPTIONS**

Actuarial valuation involve estimates of the values of reported amounts and assumptions about the probability of events far into the future. Actuarially determined amounts are subject to continual revisions as actual results are compared to past expectations and new estimates are made about the future.

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

Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to the point. The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal and contractual funding limitation on the pattern of cost sharing between the employer and plan members in the future.

<b>FUNDED STATUS AND FUNDING PROGRESS</b>		
	October 1, 2006	October 1, 2008
Actuarial Valuation Date	October 1, 2006	October 1, 2008
Actuarial Value of Assets	-	-
Actuarial Accrued Liability	5,793,707	6,634,806
Unfunded Actuarial Liability	5,793,707	6,634,806
Funded Ratio	0.0%	0.0%
Annualized Covered Payroll	40,532,657	44,285,100
Ratio of Unfunded Actuarial Liability to		
Annual Covered Payroll	14.3%	15.0%
Actuarial Cost Method	Unit Credit	Entry Age
Amortization Method	Level % of Pay	Level % of Pay
Amortization Period	30 years	30 years

**Webb County, Texas**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

<b>Actuarial Valuation Methods and Assumptions</b>	
<b>Actuarial Valuation Date</b>	October 1,2008
Actuarial cost method	Entry Age Method
Asset valuation method	No Net Asset as of the Valuation Date "pay as you go"
Amortization method	Level percent of payroll
Amortization period in years	30 years - open period
<b>Actuarial assumptions:</b>	
Discount rate	3.70%
Payroll	Aggregate 5% increase per year
Claim costs	For self insured plans, derived from actual plan experience, trended to the valuation date and adjusted for the risk characteristics of the covered group
Expenses	Administration \$47.20 pepm Stop Loss Premiums Specific \$23.68 pepm Aggregate \$ 3.40 pepm
Medical Trend	see below
Mortality	RP-2000 Combined Health tables, male and female
Employee turnover	Derived from County experience Average rate is 16.3%
Employee retirements	A derivative of the TCDRS retirement rates, from the 2005 annual report, adjusted to reflect County experience
Participation by future retirees	50% of eligible retirees
Dependent status: current retirees	Current status is assumed to persist in all future years, except that dependent children are not assumed after the later of age 63 or three years after the valuation date.
Dependent status: future retirees	Spouse covered; 8% Average children per retiree: .2
Spouse age for future retirees	Husbands are assumed to be two years older than wives.

**Webb County, Texas**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

<b>REQUIRED SUPPLEMENTARY INFORMATION</b>						
<b>SCHEDULES OF FUNDING PROGRESS</b>						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentag e of Covered Payroll
10/1/2006	-	5,793,707	5,793,707	0.0%	40,532,657	14.3%
10/1/2008	-	6,634,806	6,634,806	0.0%	44,285,100	15.0%

**ADDITIONAL DISCLOSURES**

Texas Local Government Code, Chapter 175 requires counties to make available continued health coverage under certain circumstances to retirees and their dependents beyond the end of an individual's employment with the County ("Continuation Coverage") by permitting covered employees to purchase continued health benefits coverage in retirement. Texas Law does not require counties to fund all or any portion of such coverage. Because the County is given the authority to pay OPEB for its retired employees, it may incur a debt obligation to pay for OPEB so long as the County follows the constitutional requirement that it have sufficient taxing authority available at the time such debt is incurred to provide for the payment of the debt and has in fact levied a tax for such purpose concurrently with incurrence of the debt. Any debt incurred in contravention of this constitution requirement is considered void and payment will not be due.

Webb County has incurred a legal debt obligation for OPEB and has not levied a tax for this purpose. The County funds the cost associated with OPEB on a current "pay as you go" basis for a single fiscal year through an annual appropriation authorization by Commissioners' court during the County's annual budget adoption process. GASB Statement No. 45 requires governmental organizations to recognize an actuarially calculated accrued liability for OPEB, even though it may not have a legally enforceable obligation to pay OPEB benefits. Accordingly, information and amounts presented in the County's Comprehensive Annual Financial Report relative to OPEB expense/expenditures, related liabilities (assets) notes disclosures and supplementary information are only intended to achieve compliance with the requirements of generally accepted accounting principles and does not constitute or imply that the County has made a commitment or is legally obligated to provide OPEB benefits.

The County does not have incentives for voluntary terminations (early-retirement incentives) benefits as required for reporting with portions of GASB Statement No. 47, Accounting for Termination Benefits except for the post employment benefit insurance offered to County's retiree.

**Webb County, Texas**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2010**

**J. SUBSEQUENT EVENTS**

On November 30, 2010, the County issued \$ 18,425,000 in Limited Tax Refunding Bonds, Series 2010. These bonds were used to defeased \$ 18,785,000 consisting of the \$ 4,320,000 Certificates of Obligation, Series 2001, \$ 6,190,000 Limited Tax Improvement Bonds, Series 2002, \$ 2,410,000 Certificates of Obligation, Series 2002, \$ 480,000 Certificates of Obligation, Series, 2006, and \$ 5,385,000 Certificate of Obligations, Series 2008A, the refunded bonds.

On November 30, 2010, the County also issued \$ 6,795,000 in Certificates of Obligations, Series 2010. The proceeds from the sale of the certificates will be used as follows: jail improvements (elevator, roof, air conditioning); acquisition of fire and emergency equipment for rural areas; dam improvements; building construction improvements; golf course improvements; purchase of road and bridge equipment; and the purchase of computers, copiers, fax machines, furniture, vehicles, heavy equipment, and other equipment for County Courts, Sheriff's Department, and other various County Departments.