

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2006

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 193,117 (U.S. Census 2000) 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 #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 #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.

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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 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/County_Auditor/Financial_Reports/CAFR/cafr.html

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.

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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 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 fund is 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.

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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.). 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, pension trust fund, 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.

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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 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 #33, the provider should recognize liabilities and expenses and the recipient should recognize receivables and revenues when the applicable eligibility requirements including time requirements, are met. Resources transmitted before the eligibility requirements are met should under most circumstances, be reported as advances by the provider and deferred revenues by the recipient.

2. FINANCIAL STATEMENT PRESENTATION

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

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

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.

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Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The Head Start Program Fund, which is one of the special revenue funds, is presented as a major fund. Head Start revenues are received from the U. S. Department of Health and Human Services –Administration for Children and Families. Eligible participants are provided with education, nutrition, physical and mental health, disability and medical services. Head Start revenues are also used to provide literacy services for eligible parents. In addition to this, Webb County provides in-kind contributions as non-federal share. Other non-major special revenues funds are created as deemed appropriate.

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

Capital Projects Funds are used to account for the financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by Business-type/Proprietary Funds). The Juvenile Youth Village fund is a major fund for land acquisition and the construction of a juvenile facility to be used for detention and probation purposes and benefit of the troubled youth of our community, funded by Limited Tax Improvements Bonds, Series 2002. Other non-major capital projects are created as deemed appropriate.

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 enterprise, Water Utility Company 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 major fund (Water Utility Fund) represents the County's current business-type activity.

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

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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.

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, Other Employee Benefit Trust Fund and Agency Funds The County reports three trust funds and seven agency funds as Nonmajor 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 Court approved before the year end to make \$ 16,121,040 distribution and \$ 22,105 from the Available School Fund except for one million dollars from the Permanent School Fund to the various school districts. The distributions are restricted to the district's capitalization projects and/or debt service payments requirements.

The Employees Retiree Insurance Trust Fund accounts for retirees' insurance benefits. The County's risk management department has contracted to prepare the actuarial for 2006 to determine its actuarial liability although is not obligated to comply with GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post employment Benefits Other Than Pensions until 2007. The actuarial report will provide assistance in also determining the extend benefits are offered for booking next year's liability.

Non-Current Governmental Assets/Liabilities:

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

D. ASSETS, LIABILITIES AND FUND EQUITY

1. 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.

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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.

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 – Capital assets, which include property, plant, equipment and infrastructure assets (e.g. roads, bridges, dam, and similar immovable items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements.

The County elected early implementation of the infrastructure reporting requirements of GASB Statement 34.

Capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at

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estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset's lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

Buildings and improvements	15 to 40 years
Equipment (computer, office and vehicles)	5 years
Infrastructure - roads (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

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 contributed capital.

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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.

Governmental Activities:

Unamortized Bond Issuance Costs	1,309,486
Prepaid Expenses	6,650
Deposits	8,955
Total	\$ <u>1,325,091</u>

Business Activities:

Proprietary Fund:

Enterprise Fund	
Unamortized Bond Issuance Costs	356,389
Total	\$ <u>356,389</u>

9. RECLASSIFICATION

Certain September 30, 2005 accounts balances have been reclassified in this report to conform to the financial statement presentation used in 2006.

10. ADJUSTMENTS TO NET ASSETS AND FUND BALANCE

Governmental Activities

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

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The governmental activities beginning fund balance was adjusted \$ (4,099,802) for the construction of the Rio Bravo, Texas wastewater treatment plant and sanitary sewer collection system capital grant reported in infrastructure and infrastructure in progress that should have been transferred at completion to the business-type activities during prior years.

The governmental activities beginning fund balance was adjusted \$ (13,558) for the Larga Vista building expansion previously reported in construction in progress that should have been placed in service during prior years have been reclassified and depreciated, accordingly.

The General Fund's fund balance was adjusted \$ (12,629) for accounts payables for the estimated amount due to the delinquent tax attorneys reported as a restatement of the beginning fund balance and the beginning governmental activities net assets for 2005.

The Help America Vote Act special revenue fund was adjusted \$ (2,984) for travel expenditures that were determined eligible and a credit for \$ 2,984 was adjusted for the Election Contract Service special revenue fund both reported as a restatement of the beginning fund balance and the beginning governmental activities net assets for 2005.

The CJD Laredo Multi-Agency Narcotics Task Force special fund was adjusted \$ (1,540) for a portion of annual leave not determine eligible reported as a restatement of the beginning fund balance and the beginning governmental activities net assets for 2005.

The Community Justice Assistance Division (CJAD) special revenues funds was adjusted for a total \$(11,145); CJAD Day Reporting Center \$ (4,028), CJAD Treatment Incarceration Program \$(4,712), CJAD Mentally Impaired Caseload \$(2,645) grants refund payable and \$240 for CJAD Basic Supervision Program for corrections to payroll fringe benefits reported as a restatement of the beginning fund balances and the beginning governmental activities net assets for 2005.

The Juvenile Justice Alternative Education Program special fund was adjusted \$ 14,749 to correct grant receivable and revenues for the previous year reported as a restatement of the beginning fund balance and the beginning governmental activities net assets for 2005.

The total effect to governmental activities was a decrease of \$ (4,123,924) to the beginning fund balance as of October 1, 2005.

Business-type Activities

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

The business-type activities beginning fund balance was adjusted \$ 4,099,802 for the construction of the Rio Bravo, Texas wastewater treatment plant and sanitary sewer collection system for a capital grant reported in infrastructure and infrastructure in progress that should have been transferred at completion from the governmental activities during prior years.

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The business-type activities beginning fund balance was adjusted \$ (356,363) for depreciation for the Rio Bravo, Texas wastewater treatment plant and sanitary sewer collection system for a capital grant previously reported in infrastructure in progress that should have been placed in service during prior years that have been reclassified and depreciated accordingly.

The business-type activities beginning fund balance was adjusted \$ (99,952) for deprecation for the Rio Bravo, Texas Water Storage Tank and engineering services previously reported in infrastructure in progress that should have been placed in service during prior years that have been reclassified and depreciated accordingly.

The total effect to business-type activities was an increase of \$ 3,643,487 to the beginning fund balance as of October 1, 2005.

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 \$ 53,062 difference are as follows:

Internal receivable representing charges in excess of cost to business-type activities – prior years	\$ 36,651
Internal receivable representing charges in excess of cost to business-type activities – current year	<u>16,411</u>
Net adjustment to increase net assets – total enterprise fund to arrive at net assets – business-type activities	<u>\$ 53,062</u>

III. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

A. EXCESS EXPENDITURES OVER APPROPRIATIONS

An excess of expenditures / expenses over appropriations were incurred for the following governmental funds as of September 30, 2006:

	Governmental Accounts	Appropriations	Expenses / Expenditures	Excesses
Proprietary Funds:				
Internal Service Funds:				
Webb County Worker's Compensation Reserve Fund	\$ 935,160	996,300	61,140	
Total	<u>\$ 935,160</u>	<u>\$ 996,300</u>	<u>\$ 61,140</u>	

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The \$ 61,140 excess for the Webb County Workers Compensation resulted from claims paid. The Workers Compensation fund transfer out \$ 12,640 to eliminate the Webb County Employees Health Benefits Fund deficit at year end. Revenues and the fund balance absorbed the excess expenses.

B. DEFICIT FUND EQUITY

The Community Justice Assistance Division – Basic Supervision Program Special Revenue Fund had a deficit fund balance as of September 30, 2006:

The Special Revenue Fund – The Community Justice Assistance Division – Basic Supervision Program had a fund balance deficit of \$ 203,218 which exists due to expenditures exceeding revenues. The state funded program is in the first year of its biennial budget. The program director has implemented personnel hiring freezes and monitoring expenditures for the second half of the biennial budget to eliminate the deficit fund balance.

The Enterprise Fund - Webb County Water Utility had a deficit fund balance as of September 30, 2006:

The Enterprise Fund – Webb County Water Utility had an unreserved retained earning fund balance deficit of \$ 109,784 which exists due to expenses exceeding revenues. The County conducted a water and sewer rate study by the NADBank in order to meet the fund's expenses, capital improvements, debt service requirements and the Texas Water Development Board's bond order covenants. The commissioners' court approved a \$ 120,000 transfer from the General Fund in the 2007 budget. The Webb County Commissioners' Court approved a rate increase on October 10, 2006 effective January 1, 2007.

IV. DETAILED NOTES ON ALL FUNDS

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

CASH - At September 30, 2006 the carrying amount of the County's deposits was \$ 4,949,657 and the bank balance was \$ 5,530,918 for governmental activities. The fiduciary funds carrying amount of the County's deposits was \$ 6,222,091 and bank balance was \$ 6,448,107. 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.

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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 \$ 68,589,132 (\$ 45,065,932 for governmental activities, \$ 1,659,502 for business-type activities, and 21,863,698 for fiduciary funds) are reported as cash equivalent. Texpool's net assets value is 1.00002% of the County's carrying value as of September 30, 2006. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

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. 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 \$325,871 is also reported as cash equivalent. TexSTAR's net asset value is 1.000249% of the County's carrying value as of September 30, 2006. 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 1.005, 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.

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

<u>Financial Statements</u>	<u>Primary Government</u>		<u>Fiduciary Funds</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
Cash on hand	\$ 12,893	149	
Deposits	4,965,162		6,222,091
Money market accounts			18,781
Certificates of deposit			3,068,788
Texpool State Investment Pool	45,065,932	1,659,502	21,863,698
TexStar Investment Pool	325,871		
Total Cash and Cash Equivalents	\$ 50,369,858	1,659,651	31,173,358

<u>Reconciliation of Bank overdraft Per Fund Type</u>	<u>Negative Pooled Cash</u>
Internal Service Funds	
Hammerman & Gainer	\$ 15,505
Total Bank Overdraft Balance	\$ 15,505

The Webb County Workers Compensation Funds bank account had a negative cash balance as of September 30, 2006.

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).

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, 2006 the County was in compliance with all its investment guidelines to manage interest rate risk.

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2006

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

Primary Government

Investment Type	Governmental Activities	Business-type Activities	Fiduciary Funds	Weighted Average Days to Maturity	Standard & Poor's Credit Rating
Money market accounts	\$		18,781	Less than 90	
Certificates of deposits			100,449	Less than 90	
Certificates of deposits			2,858,424	Less than 365	
Certificates of deposits			109,915	More than 1 year and Less than 2 years	
TexPool Investment Pool	45,065,932	1,659,502	21,863,698	34 (1) 54 (2)	AAAm
TexStar Investment Pool	325,871			10 (1) 28 (2)	AAAm
Total \$	<u>45,391,803</u>	<u>1,659,502</u>	<u>24,951,267</u>		

(1) This weighted average maturity calculation uses the SEC Rule 2A-7 definition for stated maturity for any floating rate instrument held in the portfolio to determine the weighted maturity for the pool.

(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 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 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 Fund, Internal Service Funds and Fiduciary Funds.

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2006

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 by Issuer	Market Value of Collateral	Primary Government		Fiduciary Funds	Percentage of Portfolio
		Governmental Activities	Business-type Activities		
Laredo National Bank		\$		1,457,601	2.02%
International Bank of Commerce				259,833	0.36%
Commerce Bank				490,287	0.68%
Well Fargo Bank NA				46,451	0.06%
Falcon International Bank				720,620	1.00%
First National Bank				112,777	0.16%
TexPool Investment Pool					
Government Securities - Agencies		9,508,912	350,155	4,613,240	20.10%
Repurchase Agreements	1.02% of book value	35,557,020	1,309,347	17,250,458	75.16%
TexStar Investment Pool					
Government Securities - Agencies		97,142			0.13%
Repurchase Agreements	1.02% of book value	228,729			0.32%
Total Investment by Issuer		\$ 45,391,803	1,659,502	24,951,267	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, 2006 all of the County's investments are held in the County's name.

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 \$100,000. 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

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2006

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:

<u>Receivables</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Tax Receivable - Delinquent	7,612,967	
Billings Receivable		224,292
Accounts Receivable	239,623	3,225
Fines Receivable	2,749,141	
Probation Fees Receivable	381,538	
Notes Receivable	72,099	
Accrued Interest Income	1,312	
Total Receivables	<u>\$ 11,056,680</u>	<u>\$ 227,517</u>

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:

	<u>Unavailable</u>	<u>Unearned</u>
Properties taxes receivables – General Fund	\$ 6,626,984	
Properties taxes receivables – Road and Bridge Fund	185,971	
Properties taxes receivables – Debt Service Fund	1,088,104	
Grant drawdown prior to meeting all eligibility requirements		489,494
Total	<u>\$ 7,901,059</u>	<u>\$ 489,494</u>

C. CAPITAL ASSETS

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2006

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

	Ending Balance 9/30/2005	Increases	Decreases	Ending Balance 9/30/2006
Governmental activities:				
Capital assets, not being depreciated:				
Land and improvements	\$ 6,577,370			\$ 6,577,370
Infrastructure in progress	31,945,151	7,248,361	9,383,265	29,810,248
Construction In progress	1,636,502	2,805,936	670,417	3,772,022
Total capital assets, not being depreciated	<u>40,159,024</u>	<u>10,054,298</u>	<u>10,053,682</u>	<u>40,159,640</u>
Capital assets, being depreciated:				
Infrastructure	52,991,866	6,242,684	421,175	58,813,375
Buildings	73,336,597	1,115,985		74,452,581
Furniture, fixtures, and equipment	26,819,703	2,160,391	39,683	28,940,411
Total capital assets, depreciated	153,148,165	9,519,059	460,858	162,206,367
Less accumulated depreciation for:				
Infrastructure	(39,930,099)	(739,283)	39,948	(40,629,434)
Buildings	(24,505,377)	(1,974,168)		(26,479,545)
Furniture, fixtures, and equipment	(21,398,034)	(1,988,203)	39,683	(23,346,553)
Total accumulated depreciation	<u>(85,833,510)</u>	<u>(4,701,654)</u>	<u>79,631</u>	<u>(90,455,532)</u>
Total capital assets, being depreciated, net	<u>67,314,656</u>	<u>4,817,406</u>	<u>381,227</u>	<u>71,750,835</u>
Governmental activities capital assets, net	<u>\$107,473,679</u>	<u>14,871,704</u>	<u>10,434,909</u>	<u>\$111,910,475</u>
Business-type activities:				
Capital assets, not being depreciated:				
Land and improvements	\$ 216,295			\$ 216,295
Infrastructure in progress	5,452,414	596,397	2,184,559	3,864,252
Total capital assets, not being depreciated	<u>5,668,709</u>	<u>596,397</u>	<u>2,184,559</u>	<u>4,080,547</u>
Capital assets, being depreciated:				
Infrastructure	405,135	6,374,813		6,779,948
Buildings	496,623			496,623
Furniture, fixtures, and equipment	378,885			378,885
Total capital assets, depreciated	1,280,643	6,374,813		7,655,456
Less accumulated depreciation for:				
Infrastructure	(41,322)	(764,124)		(805,446)
Buildings	(91,568)	(12,416)		(103,984)
Furniture, fixtures, and equipment	(372,623)	(5,669)		(378,292)
Total accumulated depreciation	<u>(505,513)</u>	<u>(782,209)</u>		<u>(1,287,722)</u>
Total capital assets, being depreciated, net	<u>775,129</u>	<u>5,592,604</u>		<u>6,367,734</u>
Business-type activities capital assets, net	<u>\$ 6,443,839</u>	<u>6,189,001</u>	<u>2,184,559</u>	<u>\$ 10,448,282</u>

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2006

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

Governmental activities:

General Government	\$ 1,044,490
Public Safety	561,230
Justice System	583,946
Health and Human Service	262,967
Infrastructure and Environmental Services	1,443,063
Correction and Rehabilitation	404,160
Community and Economic Development	395,859
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>5,938</u>
Total depreciation expense - governmental activities	<u>\$ 4,701,654</u>

Business-type activities:

Total depreciation expense - business-type activities	<u>\$ 782,209</u>
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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	\$ 15,505	\$
Accounts payable	7,669,291	66,003
Accrued wages	2,258,500	23,095
Other liabilities	1,233,436	11,448
Restitution payable	130,462	
Retainage payable	783,941	115,175
Customer deposits		<u>45,446</u>
Total Accounts Payable and Accrued Liabilities	<u>\$ 12,091,134</u>	<u>\$ 261,166</u>

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2006

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, 2006 were:

<u>Primary Government</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Governmental Funds		
General Fund	\$ 12,746,335	\$ 9,938,737
Head Start	355	32,176
Nonmajor Governmental Funds	4,460,068	3,243,667
Governmental Funds Subtotals	<u>17,206,759</u>	<u>13,214,580</u>
Proprietary Funds		
Enterprise Fund	2,056,146	3,752,057
Internal Service Funds		
Employee Health Benefits	134,646	168,368
Workers Compensation Reserve	168,368	2,430,916
Internal Service Funds Subtotals	<u>303,014</u>	<u>2,599,284</u>
Total	<u>\$ 19,565,920</u>	<u>\$ 19,565,920</u>

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, 2006, transfers were as follows:

Interfund transfers:

	<u>Transfers In:</u>					<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Water Utilities Enterprise Funds</u>	<u>Internal Service Funds</u>	<u>Fiduciary Funds</u>	
Transfers Out:						
General Fund	\$	\$ 675,780	\$ 166,414	\$	\$	\$ 842,194
Nonmajor Governmental Funds	225,000	934,122				1,159,122
Internal Service Funds	200,000			12,640	150,000	362,640
Fiduciary Funds					16,121,040	16,121,040
Total	<u>\$ 425,000</u>	<u>\$ 1,609,902</u>	<u>\$ 166,414</u>	<u>\$ 12,640</u>	<u>\$ 16,271,040</u>	<u>\$ 18,484,996</u>

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2006

The Court approved the general fund transfers \$ 80,000 and \$ 86,414 to the Utility Company to fund a partial portion of the debt service requirements and to eliminate fund's deficit, respectively. The Court also approved the \$ 12,640 transfer from the Worker's Compensation Reserve Fund to the Webb County Employees' Health Benefit internal service fund to eliminate the fund's deficit

F. LEASES

The County entered into contractual lease agreements for equipment, heavy equipment, vehicles, and portable buildings for the General Fund, Road and Bridge Fund, and the U.S. Department of Health and Human Service - Head Start Program. 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	3,137,056
Less: Accumulated Depreciation	(2,310,930)
Total	\$ 909,030

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, 2006, were as follows:

Year Ending September 30	Governmental Activities
2007	\$ 103,462
2008	96,807
2009	62,979
2010	62,979
2011	62,979
2012 - 2013	78,282
Total minimum lease payments	467,488
Less: amount representing interest	(63,854)
Present value of minimum lease payments	\$ 403,634

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2006

G. LONG-TERM DEBT

The following is a summary of long-term debt activity for the year ended September 30, 2006. The Certificates of Obligations, General Obligation Refunding, Limited Tax Improvements, and Limited Tax Refunding bonds pertain to governmental funds. The LoanSTAR Loan and capital leases pertain also to governmental funds. The governmental bond debt is retired from the Debt Service Fund; primarily ad valorem taxes, and the LoanSTAR Loan and capital leases are retired from General Fund and Road and Bridge Fund transfers. The Head Start Program pays for its capital lease from its own special revenue fund.

The TWDB Water and Sewer DFUNDII Loan series 2000, a portion of the Certificates of Obligations non-refunded, series 1999 and 2000, Certificates of Obligations, series 2006, Limited Tax Refunding Bonds, Series 2005 and TWDB EDAP Loan (series 2004 & series 2004A) are retired by the Webb County Water Utility Fund.

Long-term liabilities activity for the fiscal year ended September 30, 2006, was as follow:

	Original Amount	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Governmental Activities:						
Certificates of Obligations & Bonds						
Certificates of Obligations, Series 1996	7,500,000	95,000		95,000		
General Obligations Refunding Bonds, Series 1998	8,020,000	7,540,000		75,000	7,465,000	175,000
Certificates of Obligations, Series 1999	13,664,700	2,395,963		553,980	1,841,983	586,296
Certificates of Obligations, Series 2000	5,995,000	1,430,525		153,820	1,276,705	203,812
Certificates of Obligations, Series 2001	7,000,000	6,575,000		130,000	6,445,000	135,000
Limited Tax Improvement Bonds, Series 2002	11,300,000	10,095,000		425,000	9,670,000	440,000
Certificates of Obligations, Series 2002	4,300,000	3,620,000		155,000	3,465,000	160,000
Limited Tax Refunding Bonds, Series 2002	6,275,000	4,565,000		1,055,000	3,510,000	1,110,000
Limited Tax Refunding Bonds, Series 2003	6,335,000	6,010,000		425,000	5,585,000	425,000
Certificates Of Obligation, Series 2003	10,000,000	9,620,000		60,000	9,560,000	90,000
Limited Tax Refunding Bonds, Series 2005	12,716,562	12,716,562		34,944	12,681,618	34,822
Certificates Of Obligation, Series 2006			11,684,975		11,684,975	492,000
	93,106,262	64,663,050	11,684,975	3,162,744	73,185,281	3,851,929
Bond premiums		868,649	80,302	139,900	809,051	
Bond discounts		(75,232)	(142,164)	(7,915)	(209,481)	
Less deferred amount on refundings		(901,814)		(152,206)	(749,608)	
Total Certificates of Obligations & Bonds	93,106,262	64,554,653	11,623,113	3,142,523	73,035,243	3,851,929
Loans						
LoanSTAR Revolving Loan Program	1,124,039	570,281		144,124	426,157	150,107
Total Loans	1,124,039	570,281		144,124	426,157	150,107

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2006

Lease Purchases

Lease Purchases	1,719,665	679,620	37,790	313,776	403,634	83,043
Total Lease Purchases	1,719,665	679,620	37,790	313,776	403,634	83,043

Governmental activities long-term

Liabilities	<u>95,949,966</u>	<u>65,804,554</u>	<u>11,660,903</u>	<u>3,600,424</u>	<u>73,865,033</u>	<u>4,085,079</u>
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Business-type Activities:

Certificates of Obligations, Series 1999	1,135,300	199,037		46,020	153,017	48,704
Certificates of Obligations, Series 2000	1,800,000	429,475		46,180	383,295	61,189
Limited Tax Refunding Bonds, Series 2005	2,058,438	2,058,438		5,056	2,053,382	5,178
Certificates of Obligations, Series 2006			720,025		720,025	23,000
	4,993,738	2,686,950	720,025	97,256	3,309,719	138,071
Bond premiums		113,121	4,969	17,482	100,607	
Bond discounts			(8,796)	(78)	(8,718)	
Less deferred amount on refundings		(222,951)		(34,089)	(188,862)	
Total Certificates of Obligations	4,993,738	2,577,119	716,198	80,571	3,212,746	138,071

Loans

TWDB Water & Sewer DFUNDII, Series 2000	1,958,000	1,900,000		40,000	1,860,000	50,000
TWDB EDAP Loan, Series 2004	1,102,000	1,102,000		10,000	1,092,000	25,000
TWDB EDAP Loan, Series 2004A	588,000	578,000		10,000	568,000	15,000
Total Loans	3,648,000	3,580,000		60,000	3,520,000	90,000

Business-type Activity Long-term Liabilities	<u>8,641,738</u>	<u>6,157,119</u>	<u>716,198</u>	<u>140,571</u>	<u>6,732,746</u>	<u>228,071</u>
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Description of Individual Bond Issues and Loans Outstanding

Summarized below are the County's individual bond and loan issues which are outstanding at September 30, 2006.

Purpose of Issue	Amount Issued	Amount Outstanding	Interest Rate	Maximum Annual Debt Service
PRIMARY GOVERNMENT:				
Governmental Activities				
Certificates of Obligations, Series 1996 courthouse restoration; land acquisition at 1100 Washington; remodeling of building at 1100 Washington; air conditioning equipment for the jail; juvenile detention facility; regional sewer plant land acquisition and professional services; gas depot and vehicle wash racks at road and bridge department; 911 program engineering services; IBM AS-400 upgrade for county networking; costs incurred in connection with issuance of the bonds	7,500,000		7.30%	98,468
General Obligation Refunding Bonds, Series 1998 refund a portion of the County's currently outstanding Certificates of Obligation, Series 1996; costs incurred in connection with issuance of the bonds	8,020,000	7,465,000	3.50%-4.45%	2,034,278

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2006

<p>Certificates of Obligations, Series 1999 a new County administration building; a new courtroom for the 406th District Court; a chiller to serve County buildings; automobiles, trucks, and road equipment; computer and software equipment for County departments including Y2K compliance; and elevated storage tank in Rio Bravo; water transmission lines in the El Cenizo area; water utility equipment, including pumps and related equipment and buildings and improvements for the the County Water Utilities Department; vehicle maintenance equipment for County garages; and the payment of contractual obligations for professional services in connection with the above projects</p>	13,664,700	1,841,983	5.00%-6.00%	715,416
<p>Certificates of Obligations, Series 2000 completion of the new county administration building; purchase 7,084 square feet of land adjoining the administration building; construction of improvements to the Webb County Jail; improvements to the computer network; purchase of 2000 Hawk fire apparatus; construction of building modifications; road rehabilitation; right-of-way acquisition; construction of a water treatment plant, raw water delivery system, and raw water storage tank; purchase of vehicles, computers, laboratory equipment, backhoes, water and wastewater pumps, generators, and other equipment for water treatment plant and general county operations; and the payment of contractual obligations for professional services in connection with the above projects</p>	5,995,000	1,276,705	4.55%-6.00%	707,595
<p>Certificates of Obligations, Series 2001 acquisition and renovation of the land and buildings for the downtown Villa Antigua project; replacement or upgrade of the County's main computer system and purchase of additional computer equipment; acquisition of land and construction of the County's morgue; expansion or rehabilitation of existing County buildings; construction, renovation, and improvements to various County parks; right-of-way acquisition in the colonias area; construction of an international bridge; purchase of computers, printers, copiers, furniture, and vehicles for various County departments; and the payment of contractual obligations for professional services in connection with such projects</p>	7,000,000	6,445,000	4.55%-5.73%	860,331
<p>Limited Tax Improvement Bonds, Series 2002 design, planning, acquisition, construction, capital outlay, and equipping of juvenile detention facility; and the payment of contractual obligations for professional services in connection with such project</p>	11,300,000	9,670,000	3.00%-4.80%	850,900
<p>Certificates of Obligations, Series 2002 design, planning, acquisition, construction, capital outlay, and equipping of community centers, other County buildings, improvements to the County parks, construction of bridges, acquisition of water supply and general equipment and other projects; and paying the costs of issuance thereof</p>	4,300,000	3,465,000	3.00%-5.03%	305,919
<p>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.</p>	6,275,000	3,510,000	5.00%	1,260,750
<p>Limited Tax Refunding Bonds, Series 2003 refund the outstanding obligations of the County on Schedule 1 hereto (the "Refunded Obligations") on March 1, 2004.</p>	6,335,000	5,585,000	2.50%-3.00%	948,600
<p>LoanStar Loan revenues are from the State Energy Conservation Office in the form of a loan. Funds are to be used for the energy conservation retrofit measures of the Law Enforcement Center and the Justice Center.</p>	1,197,256	426,157	4.04%	165,134
<p>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</p>	10,000,000	9,560,000	2.50%-5.00%	1,158,956

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2006

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 purposes in the area known as "LIFE Downs"; and the payment of contractual obligations for professional services in connection with such projects

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	12,681,618	3.00%-5.00%	1,617,099
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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.	11,684,975	11,684,975	4.30%-5.00%	1,080,692
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Total Governmental Activities	<u>94,303,518</u>	<u>61,926,463</u>		
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Purpose of Issue	Amount Issued	Amount Outstanding	Interest Rate	Annual Debt Service
Business-Type Activities				
Certificates of Obligations, Series 1999 completion of the new county administration building; elevated water tank; capital outlay; and the payment of contractual obligations for professional services in connection with the above projects	1,135,300	153,017	5.00%-6.00%	94,199
Certificates of Obligations, Series 2000 financing the water supply portion of the Waterworks and Sewer System Project and paying the costs of issuance of the bonds	1,800,000	383,295	4.55%-6.00%	231,518
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	1,860,000	5.59%	207,915
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 Cenizo	1,102,000	1,092,000	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 Cenizo	588,000	568,000	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	2,053,382	3.00%-5.00%	314,750

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2006

Certificates Of Obligations, Series 2006

720,025

720,025

56,183

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.

Total Business-Type Activities

8,641,738 6,109,694

Governmental Activities:

Fiscal Year	Certificates of Obligations & Bonds			LoanSTAR			Contract Payable		
	Total for all Series			Loan			(Lease Obligation)		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2007	3,851,930	3,914,914	7,766,844	150,107	15,027	165,134	83,043	20,419	103,462
2008	3,875,173	3,714,351	7,589,524	156,264	8,870	165,134	81,268	15,539	96,807
2009	4,287,415	3,526,545	7,813,960	119,787	2,460	123,849	51,753	11,226	62,979
2010	4,281,647	2,881,729	7,163,375				54,506	8,473	62,979
2011	4,696,356	2,476,759	7,173,115				57,411	5,568	62,979
2012	4,692,079	2,305,865	6,997,944				60,477	2,502	62,979
2013	4,988,477	2,099,663	7,088,140				15,176	127	15,303
2014	5,216,771	1,876,285	7,093,056						
2015	5,565,817	1,635,139	7,200,957						
2016	3,945,455	1,416,518	5,361,973						
2017	4,139,608	1,229,079	5,368,687						
2018	4,332,167	1,032,269	5,364,436						
2019	4,542,858	823,786	5,366,644						
2020	3,966,558	614,684	4,581,241						
2021	3,162,000	440,733	3,602,733						
2022	2,731,000	296,375	3,027,375						
2023	1,878,000	183,548	2,061,548						
2024	966,000	116,026	1,082,026						
2025	1,009,000	71,589	1,080,589						
2026	1,056,975	24,443	1,081,418						
Total Debt	73,185,285	30,680,300	103,865,585	426,158	26,357	454,117	403,634	63,854	467,488

Business-Type Activities:

Fiscal Year	Certificates of Obligations,			TWDB EDAP Loan			TWDB EDAP Loan		
	Total for all Series			Series 2004			Series 2004A		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2007	138,072	149,183	287,255	25,000	53,181	78,181	15,000	30,031	45,031
2008	154,828	141,870	296,698	25,000	52,356	77,356	15,000	29,419	44,419
2009	172,587	135,304	307,891	50,000	50,988	100,988	15,000	28,770	43,770
2010	298,353	132,585	430,938	50,000	49,038	99,038	25,000	27,859	52,859

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2006

2011	248,644	120,480	369,124	55,000	46,843	101,843	25,000	26,682	51,682
2012	147,921	95,383	243,304	55,000	44,450	99,450	30,000	25,353	55,353
2013	171,523	91,261	262,784	55,000	41,989	96,989	30,000	23,874	53,874
2014	183,229	83,181	266,410	60,000	39,343	99,343	30,000	22,365	52,365
2015	204,183	75,121	279,304	60,000	36,508	96,508	35,000	20,696	55,696
2016	234,545	66,055	300,600	65,000	33,459	98,459	35,000	18,857	53,857
2017	250,392	54,418	304,810	65,000	30,193	95,193	35,000	16,974	51,974
2018	262,833	41,836	304,669	75,000	26,585	101,585	35,000	15,056	50,056
2019	272,142	28,518	300,660	80,000	22,535	102,535	40,000	12,962	52,962
2020	283,442	19,986	303,429	85,000	18,161	103,161	40,000	10,690	50,690
2021	43,000	12,025	55,025	91,000	13,408	104,408	40,000	8,388	48,388
2022	44,000	10,056	54,056	96,000	8,264	104,264	41,000	6,037	47,037
2023	47,000	8,009	55,009	100,000	2,800	102,800	41,000	3,637	44,637
2024	49,000	5,849	54,849				41,000	1,216	42,216
2025	51,000	3,599	54,599						
2026	53,025	1,226	54,251						
Total Debt	3,309,720	1,275,941	4,585,661	1,092,000	570,098	1,662,098	568,000	328,867	896,867

Fiscal Year	TWDB DFUNDII Loan		
	Principal	Interest	Total
2007	50,000	102,203	152,203
2008	70,000	99,198	169,198
2009	90,000	95,113	185,113
2010	100,000	90,170	190,170
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
Total Debt	1,860,000	877,457	2,737,457

Governmental Activities:

Fiscal Year	General Obligation Refunding Bonds, Series 1998			Certificates of Obligations, Series 1999			Certificates of Obligations, Series 2000		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2007	175,000	318,478	493,478	586,296	545,766	1,132,062	203,812	286,515	490,327
2008	185,000	310,918	495,918	613,995	509,757	1,123,752	246,112	275,267	521,379
2009	190,000	303,043	493,043	641,694	472,488	1,114,182	296,104	261,563	557,667
2010	905,000	280,048	1,185,048				530,679	240,480	771,159
2011	945,000	241,198	1,186,198						
2012	985,000	200,421	1,185,421						
2013	1,025,000	157,453	1,182,453						
2014	1,065,000	111,985	1,176,985						
2015	1,990,000	44,278	2,034,278						
Total	7,465,000	1,967,822	9,432,822	1,841,985	1,528,011	3,369,996	1,276,707	1,063,825	2,340,532

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2006

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
2007	135,000	304,840	439,840	440,000	406,650	846,650	160,000	145,213	305,213
2008	160,000	294,515	454,515	460,000	390,900	850,900	165,000	139,525	304,525
2009	180,000	282,615	462,615	475,000	374,538	849,538	170,000	133,663	303,663
2010	215,000	272,015	487,015	490,000	357,405	847,405	175,000	127,538	302,538
2011	230,000	263,058	493,058	510,000	339,023	849,023	185,000	120,919	305,919
2012	615,000	245,331	860,331	530,000	319,390	849,390	190,000	113,840	303,840
2013	570,000	219,865	789,865	550,000	298,320	848,320	195,000	106,330	301,330
2014	575,000	194,674	769,674	575,000	275,461	850,461	205,000	98,202	303,202
2015	440,000	171,870	611,870	600,000	250,851	850,851	215,000	89,405	304,405
2016	495,000	150,351	645,351	625,000	224,429	849,429	225,000	79,914	304,914
2017	510,000	126,730	636,730	650,000	196,133	846,133	235,000	69,705	304,705
2018	535,000	101,644	636,644	685,000	165,753	850,753	245,000	58,783	303,783
2019	580,000	74,460	654,460	715,000	133,374	848,374	255,000	47,219	302,219
2020	595,000	45,375	640,375	750,000	98,750	848,750	270,000	34,810	304,810
2021	610,000	15,250	625,250	785,000	61,125	846,125	280,000	21,540	301,540
2022				830,000	20,750	850,750	295,000	7,375	302,375
Total	6,445,000	2,762,593	9,207,593	9,670,000	3,912,852	13,582,852	3,465,000	1,393,981	4,858,981

Fiscal Year	Limited Tax Refunding Bonds, Series 2002			Limited Tax Refunding Bonds, Series 2003			Certificates of Obligations, Series 2003		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2007	1,110,000	147,750	1,257,750	425,000	192,725	617,725	90,000	422,104	512,104
2008	1,170,000	90,750	1,260,750	435,000	180,888	615,888	220,000	417,760	637,760
2009	1,230,000	30,750	1,260,750	450,000	167,613	617,613	385,000	408,341	793,341
2010				790,000	147,531	937,531	130,000	399,810	529,810
2011				820,000	119,338	939,338	260,000	392,595	652,595
2012				850,000	88,538	938,538	210,000	383,455	593,455
2013				885,000	54,900	939,900	250,000	374,255	624,255
2014				930,000	18,600	948,600	310,000	363,055	673,055
2015							625,000	344,355	969,355
2016							780,000	315,865	1,095,865
2017							815,000	282,760	1,097,760
2018							840,000	247,585	1,087,585
2019							875,000	210,275	1,085,275
2020							940,000	167,525	1,107,525
2021							810,000	123,775	933,775
2022							890,000	80,719	970,719
2023							1,130,000	28,956	1,158,956
Total	3,510,000	269,250	3,779,250	5,585,000	970,133	6,555,133	9,560,000	4,963,190	14,523,190

Fiscal Year	Limited Tax Refunding Bonds, Series 2005			Certificates of Obligations, Series 2006			LoanSTAR Loan		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2007	34,822	608,361	643,183	492,000	536,512	1,028,512	150,107	15,027	165,134
2008	39,066	605,569	644,635	181,000	498,502	679,502	156,264	8,870	165,134
2009	34,617	602,529	637,146	235,000	489,402	724,402	119,787	2,460	122,247
2010	656,968	581,150	1,238,118	389,000	475,752	864,752			
2011	1,293,356	543,295	1,836,650	453,000	457,333	910,333			
2012	895,079	516,588	1,411,667	417,000	438,302	855,302			
2013	1,003,477	470,517	1,473,994	510,000	418,024	928,024			
2014	1,067,771	418,137	1,485,909	489,000	396,171	885,171			
2015	1,172,817	360,674	1,533,491	523,000	373,706	896,706			
2016	1,309,455	296,795	1,606,250	511,000	349,164	860,164			
2017	1,385,608	229,058	1,614,666	544,000	324,693	868,693			
2018	1,459,167	157,932	1,617,099	568,000	300,572	868,572			

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2006

2019	1,521,858	83,572	1,605,430	596,000	274,886	870,886			
2020	807,558	20,189	827,747	604,000	248,035	852,035			
2021				677,000	219,043	896,043			
2022				716,000	187,531	903,531			
2023				748,000	154,591	902,591			
2024				966,000	116,026	1,082,026			
2025				1,009,000	71,589	1,080,589			
2026				1,056,975	24,443	1,081,418			
Total	12,681,618	5,494,367	18,175,985	11,684,975	6,354,276	18,039,251	426,158	26,357	452,515

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
2007	48,705	7,653	56,358	61,189	17,883	79,072	50,000	102,203	152,203
2008	51,006	4,662	55,668	73,888	14,506	88,394	70,000	99,198	169,198
2009	53,307	1,566	54,873	88,897	10,392	99,289	90,000	95,113	185,113
2010				159,321	4,063	163,384	100,000	90,170	190,170
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
Total	153,018	13,881	166,899	383,295	46,844	430,139	1,860,000	877,457	2,737,457

Fiscal Year	TWDB EDAP Loan Series 2004			TWDB EDAP Loan Series 2004A			Limited Tax Refunding Bonds, Series 2005		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2007	25,000	53,181	78,181	15,000	30,031	45,031	5,178	90,464	95,642
2008	25,000	52,356	77,356	15,000	29,419	44,419	5,934	91,981	97,915
2009	50,000	50,988	100,988	15,000	28,770	43,770	5,383	93,696	99,079
2010	50,000	49,038	99,038	25,000	27,859	52,859	113,032	99,988	213,020
2011	55,000	46,843	101,843	25,000	26,682	51,682	221,644	93,105	314,750
2012	55,000	44,450	99,450	30,000	25,353	55,353	119,921	69,212	189,133
2013	55,000	41,989	96,989	30,000	23,874	53,874	141,523	66,358	207,881
2014	60,000	39,343	99,343	30,000	22,365	52,365	152,229	59,613	211,841
2015	60,000	36,508	96,508	35,000	20,696	55,696	172,183	52,951	225,134
2016	65,000	33,459	98,459	35,000	18,857	53,857	200,545	45,455	246,000
2017	65,000	30,193	95,193	35,000	16,974	51,974	214,392	35,442	249,834
2018	75,000	26,585	101,585	35,000	15,056	50,056	225,833	24,443	250,276
2019	80,000	22,535	102,535	40,000	12,962	52,962	233,142	12,803	245,945
2020	85,000	18,161	103,161	40,000	10,690	50,690	242,442	6,061	248,503
2021	91,000	13,408	104,408	40,000	8,388	48,388			
2022	96,000	8,264	104,264	41,000	6,037	47,037			
2023	100,000	2,800	102,800	41,000	3,637	44,637			
2024				41,000	1,216	42,216			
Total	1,092,000	570,098	1,662,098	568,000	328,867	896,867	2,053,382	841,571	2,894,953

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2006

Fiscal Year	Certificates of Obligations, Series 2006		
	Principal	Interest	Total
2007	23,000	33,183	56,183
2008	24,000	30,721	54,721
2009	25,000	29,649	54,649
2010	26,000	28,534	54,534
2011	27,000	27,374	54,374
2012	28,000	26,171	54,171
2013	30,000	24,903	54,903
2014	31,000	23,568	54,568
2015	32,000	22,170	54,170
2016	34,000	20,600	54,600
2017	36,000	18,976	54,976
2018	37,000	17,393	54,393
2019	39,000	15,716	54,716
2020	41,000	13,925	54,925
2021	43,000	12,025	55,025
2022	44,000	10,056	54,056
2023	47,000	8,009	55,009
2024	49,000	5,849	54,849
2025	51,000	3,599	54,599
2026	53,025	1,226	54,251
Total	720,025	373,645	1,093,670

H. BONDS DEFEASED - PRIOR YEARS DEFEASANCE OF DEBT

Governmental Activities

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

As of September 30, 2006, the \$ 8,625,000 outstanding bonds, series 1989A are considered defeased. The next scheduled bond payment for February 15, 2009 for \$ 8,625,000.

During 1998, the County defeased \$ 7,030,000 of its Certificates of Obligation, Series 1996 by issuing \$ 8,020,000 General Obligation 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 are scheduled to mature February 1, 2007 through February 1, 2015. Accordingly, the escrow fund assets and liabilities for the defeased bonds are not included in the financial statements. As of September 30, 2006, the amount of Certificates of Obligation Series 1996 that are outstanding but considered defeased is \$ 7,030,000. The next scheduled bond payment for February 1, 2007 is \$ 100,000.

During 2005, the County defeased \$ 8,619,005 of its Certificates of Obligation, Series 1999 and defeased \$ 4,053,157 of its Certificates of Obligation, Series 2000 by issuing \$ 12,716,562

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2006

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 are scheduled to mature February 1, 2010 through February 1, 2020. Accordingly, the escrow fund assets and liabilities for the defeased bonds are not included in the financial statements. As of September 30, 2006, the amount of refunded Certificates of Obligation Series 1999 and 2000 that are outstanding but considered defeased is \$ 12,672,213. The next scheduled bond payment for February 1, 2010 is \$ 674,009.

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

Proprietary Fund

During 2005, the County defeased \$ 715,995 of its Certificates of Obligation, Series 1999 and 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 fund to provide for all future debt service payments on the old bonds. The defeased bonds are scheduled to mature February 1, 2010 through February 1, 2020. Accordingly, the escrow fund assets and liabilities for the defeased bonds are not included in the financial statements. As of September 30, 2006, the amount of refunded Certificates of Obligation Series 1999 and 2000 that are outstanding but considered defeased is \$ 1,932,787. The next scheduled bond payment for February 1, 2010 is \$ 55,991.

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

I. CONDUIT DEBT

Certificates of Participation, Series 1997

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

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

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

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2006

The outstanding balance of the 1997 Certificates is \$ 1,285,000 as of September 30, 2006.

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

The Webb County Court Residential Treatment Center program was not funded by the State of Texas beyond August 31, 2003. This program was being housed in the facilities described above, and its funding included an amount that was used by the County to make rent payments to the PBCF, which in turn used the funds to make the debt payments on the Certificates of Participation, Series 1997 described above. Upon termination of State funding, the Court Residential Treatment Center ceased to operate. Consequently, the County authorized appropriations in the 2005-2006 annual's budget to provide for the rent payments for that fiscal year.

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

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

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

The sale of the October 1, 1997 \$ 22,470,000 Certificates of Participation Series 1997A (1997A Certificates), evidencing proportionate interests of the owners thereof in a Lease Agreement with option to purchase with Webb County, Texas as Lessee. The Lessor will transfer its rights and interest in, and duties and obligations regarding the project including the title to the real property portion of the project to the Corporation, subject to the mortgage and assignments made to the Trustee for the benefit of the Certificate owners. The outstanding balance of the 1997A Certificates is \$ 18,820,000 as of September 30, 2006.

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

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2006

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

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 2005 was \$ 9,669,475,236 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 2005, and designation of tax rates are as follows for fiscal 2006:

	<u>Taxable Value</u>	<u>Tax Rate Per \$100 of Taxable Value</u>
General Fund:	\$ 9,669,475,236	0.366386
Special Revenue Fund: Road and Bridge Maintenance	9,674,702,139	0.005942
Debt Service Fund:	9,669,475,236	<u>0.065595</u>
Total Tax Rate		<u>0.437923</u>

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.

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2006

The County is permitted to levy taxes up to \$.80 per \$100 of assessed valuation for general governmental services including the payment of principal and interest on general obligation long-term debt and an additional \$.15 per \$100 of assessed valuation for maintenance of public roads and bridges.

The County thus has legal margins of \$.369895 and \$.142182 respectively, per \$100 valuation and could levy approximately \$ 34,459,822 and \$ 13,511,719 in additional taxes for those purposes before that exceeds the tax rate calculated in accordance with the Texas Property Tax Code by more than 3% without holding a public hearing. The Property Tax Code subjects an increase in the effective tax rate to a referendum election when the increase in the effective tax rate is 8% or more of the previous year's effective tax rate.

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

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, 2006, the statutory limit of the County was approximately \$ 2,451,574,719 providing a legal debt margin of \$ 2,379,329,967.

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.

Webb County, Texas
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For the Fiscal Year Ended September 30, 2006

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, 2005	Earned	Taken/ Paid	Balance Outstanding September 30, 2006	Amount Due Within One Year
Governmental Activities	\$ 2,113,796	1,661,131	1,335,073	2,439,854	1,217,418
Business-type Activities	40,697	16,081	16,658	40,120	15,881
Total Primary Government	<u>\$ 2,154,493</u>	<u>1,677,212</u>	<u>1,351,731</u>	<u>2,479,974</u>	<u>1,233,299</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.

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 575 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P. O. Box 2034, Austin, Texas 78768.

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

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2006

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 7.07% for the months of the accounting year in 2005, and 6.99% for the months of the accounting year in 2006.

The contribution rate payable by the employee members for calendar year 2005 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.

3. ANNUAL PENSION COST

For the 2006 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 \$ 3,121,630.

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, 2003 and December 31, 2004, the basis for determining the contribution rates for calendar years 2004 and 2005. The December 31, 2005 actuarial valuation is the most recent valuation.

Actuarial Valuation Methods and Assumptions			
Actuarial Valuation Date	12/31/2003	12/31/2004	12/31/2005
Actuarial Cost Method	entry age	entry age	entry age
Amortization Method	level percentage of payroll, opened	level percentage of payroll, opened	level percentage of payroll, opened
Amortization Period in Years	20.0	20.0	20.0
Asset Valuation Method	long-term appreciation with adjustment	long-term appreciation with adjustment	long-term appreciation with adjustment

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2006

Actuarial Assumptions:			
Investment Return (1)	8.00%	8.00%	8.00%
Projected Salary Increases (1)	5.5%	5.5%	5.3%
Inflation	3.5%	3.5%	3.5%
Cost-Of-Living Adjustments	0.0%	0.0%	0.0%
(1) Includes inflation at the stated rate			

Trend Information			
Accounting Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2003	3,002,132	100%	- 0 -
2004	2,987,721	100%	- 0 -
2005	3,121,630	100%	- 0 -

Schedule Funding Progress						
Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded AAL (UALL)	(a/b) Funded Ratio	(c) Annual Covered Payroll (1)	((b-a)/c) UAAL as a Percentage of Covered Payroll
2003	61,170,816	65,788,256	4,617,441	92.98%	38,726,678	11.92%
2004	67,619,064	72,608,411	4,989,347	93.13%	40,618,825	12.28%
2005	73,726,548	77,070,531	3,343,983	95.66%	41,396,419	8.08%

4. TRANSITION DISCLOSURE

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

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

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2006

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 number 32, "Deferred Compensation Plans Under Internal Revenue Code Section 457", the County is not including the activity related to the deferred compensation plan in its financial statements.

The implementation of GASB Statement 32 did not have an effect on the financial statements of the County, which would require an adjustment to the equity section of the County in order to comply with Generally Accepted Accounting Principles.

F. RISK MANAGEMENT

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

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, 2006 the claims liability of \$ 555,891 and \$ 52,894 are reported in the internal service funds. Changes in the respective funds claims liability amount for 1997 through 2006 fiscal years were:

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2006

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
1997	309,426	3,612,896	(3,575,115)	347,207
1998	347,207	3,693,971	(3,643,327)	397,851
1999	397,851	3,645,681	(3,712,874)	330,658
2000	330,658	4,073,510	(4,042,243)	361,925
2001	361,925	3,903,435	(3,914,680)	350,680
2002	350,680	3,986,143	(3,815,008)	521,815
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

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
1997	513,259	488,936	(488,936)	513,259
1998	418,496	208,678	(138,360)	488,814
1999	488,814	(268,981)	(202,854)	16,979
2000	16,979	612,703	(573,828)	55,854
2001	55,854	750,234	(737,226)	68,862
2002	68,962	646,695	(601,534)	114,123
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

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

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2006

liability is \$ 615,692 and \$ 511,935 for the respective funds. Changes in the respective funds reserve amount in the fiscal year were as follows:

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
1997	- 0 -	510,540	- 0 -	510,540
1998	510,540	82,870	- 0 -	593,410
1999	593,410	22,282	- 0 -	615,692
2000	615,692	- 0 -	- 0 -	615,692
2001	615,692	- 0 -	- 0 -	615,692
2002	615,692	- 0 -	- 0 -	615,692
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

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
1997	- 0 -	183,176	- 0 -	183,176
1998	183,176	(25,677)	- 0 -	157,499
1999	157,499	59,661	- 0 -	217,160
2000	217,160	254,049	- 0 -	471,209
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

Webb County, Texas
Notes to the Financial Statements
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In addition to the mentioned claims and judgments liabilities, if the County would cancel its health insurance policy it would be liable an estimated \$ 891,956. This amount includes \$ 157,500 in administration fees and \$ 734,456 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.

G. COMMITMENTS AND CONTINGENCIES

The County has several purchase commitments outstanding at September 30, 2006. These commitments are as follows:

General Fund	\$ 31,566
Special Revenue Funds	28,632
Capital Projects Funds	107,445
Total	<u>\$ 167,643</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.

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. 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. The amount, if any, of expenditures which may be disallowed by the grantors cannot be determined at this time, although the County expects such amount, if any, to be immaterial.

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

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 cumulative rebate amount, which is recorded as a liability in governmental activities on the government-wide financial statements for bonds issued in 2002 is \$ 24,616 at September 30, 2006.

Webb County, Texas
Notes to the Financial Statements
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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 th Regular Legislature's Session Texas Task Force on Indigent Defense - Formula Grant		120,076
Texas Department of Family and Protective Services Title IV-E County Legal Services To Foster Care Children	23358109	65,000
Texas Department of Family and Protective Services Title IV Child Welfare Services Contract	23358108	18,250

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 \$ 120,076.

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 \$ 136,788.

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 \$ 7,869.

I. OTHER POST RETIREMENT HEALTH CARE BENEFITS

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

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

Webb County, Texas
Notes to the Financial Statements
For the Fiscal Year Ended September 30, 2006

The County established in January 2003 an Employees Retirees Insurance Trust Fund for health insurance and funded the first year from an internal fund transfer. Employees who meet one of the following are eligible to participate in the retirement health insurance program:

1. Must not have already retired from the County nor have already been enrolled or received benefits under this plan.
2. Must have four years of continuous employment with the County prior to retirement; and
3. Must be covered as an active employee under the County health insurance plan at the time of retirement; and
4. The employee must meet one of the following 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.

Cost to retirees younger than 59 years of age up to the age of 64 is \$100 per-month and cost for dependent coverage is \$200. The retiree's cost at age 65 (silver choice) is 100% less \$ 100 county contribution and 100% cost of coverage. As of September 30, 2006 there are 15 in the group and 7 in the silver choice plan.

The County's risk management department has contracted to prepare the actuarial for 2006 to determine its actuarial liability although is not obligated to comply with GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post employment Benefits Other Than Pensions until 2007. The actuarial report will provide assistance in also determining the extend benefits are offered for booking next year's liability.

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.

J. SUBSEQUENT EVENTS

On January 23, 2007, the County issued \$ 1,680,000 Webb County, Texas Tax Notes, series 2007. These bonds are for the purpose of financing the cost of purchasing Casa Ortiz. The acquisition of Casa Ortiz will preserve an historical building bearing market number 744 of the Texas Historical Commission, which will be used as a cultural center as part of the Villa Antigua Cultural Center, a museum site, for community meeting, and for educational outreach in cooperation with Texas A&M University International.