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INDEPENDENT AUDITOR'S REPORT

To the Honorable Judge Louis H. Bruni and
the Honorable County Commissioners
Webb County, Texas

We have audited the accompanying basic financial statements of Webb County, Texas, as of and for the year ended September 30, 2002, as listed in the table of contents. These basic financial statements are the responsibility of Webb County, Texas' management. Our responsibility is to express an opinion on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the provisions of the U. S. Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*; and the provisions of the State of Texas *Uniform Grant and Contract Management Standards (UGCMS)*. Those standards, OMB Circular A-133 and UGCMS, require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the basic financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of Webb County, Texas, as of September 30, 2002, and the results of its operations and the cash flows of its proprietary funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note L to the basic financial statements, Webb County, Texas adopted the provisions of Governmental Accounting Standards Board Statement Nos. 33, 34, 36, 37 and 38 and GASB Interpretation No. 6 as of October 1, 2001. This results in a change in the format and content of the basic financial statements.

In accordance with *Government Auditing Standards* and *UGCMS*, we have also issued our report dated February 21, 2003 on our consideration of Webb County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an

audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The Management's Discussion and Analysis (MD&A) and the required supplementary information other than MD&A, are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying information identified in the table of contents as combining and individual fund statements and schedules is presented for purposes of additional analysis and is not a required part of the basic financial statements of Webb County, Texas. The accompanying schedule of expenditures of federal and state awards is also presented for purposes of additional analysis as required by OMB Circular A-133 and UGCMS, and is not a required part of the basic financial statements of Webb County, Texas. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the introductory and statistical sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of Webb County, Texas. Such additional information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion thereon.

Baum, Mejia & Co., P.L.L.C.

Laredo, Texas
February 21, 2003