

**Webb County, Texas**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2007**

**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.

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

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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](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.

The government-wide Statement of Activities reflects both the gross and net cost per functional categories (general government, public safety, justice system, etc.) that are otherwise being supported by general government revenues (property, sales and use taxes, intergovernmental revenues, and miscellaneous, etc.). The Statement of Activities reduces gross expenses (including depreciation) by related program revenues, operating and capital grants. The program revenues must be directly associated with the function or a business-type activity. Program revenues include

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revenues from fees, fines, and forfeitures, licenses and permit fees, and charges for services. The operating grants include operating-specific and discretionary (either operating or capital grants while the capital grants columns reflects capital-specific grants.

Historically, the previous model did not summarize or present net cost by function or activity. The County does not currently employ an indirect cost allocation system.

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

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

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

Unless an internal service 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.

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

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The County's fiduciary funds (which have been redefined and narrowed in scope) are presented in the fund financial statements by type (investment trust funds, 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.

**Modified Accrual:**

All governmental funds are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. "Available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal year. Property taxes, sales taxes and mixed drink taxes and bingo taxes associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the County. Expenditures are generally recognized

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

In applying the "susceptible to accrual" concept to intergovernmental revenues pursuant to GASB Statement #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.

**Special Revenue Funds** are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The County did not have major special revenues funds as of September 30, 2007. The County special revenues funds were deemed appropriately created as other non-major funds.

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

**Capital Projects Funds** are used to account for the financial resources to be used for the acquisition and construction of major capital facilities (other than those financed by Business-

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type/Proprietary Funds). The County did not have major capital projects funds as of September 30, 2007. The County capital projects funds were deemed appropriately created as other non-major funds.

**PROPRIETARY FUND TYPES:**

Proprietary Funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County 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.

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

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used account for assets held by the County as an agent on behalf of various third parties outside the primary government.

The Permanent School Investment Trust Fund accounts for interest income and other revenues earned for the benefits of various independent school districts in the County. The Available School Investment Trust Fund accounts for the annual distribution to the independent school districts earned by the Permanent School Fund. The County did not declare a distribution as of September 30, 2007 from these trust funds due to prior year \$ 16,143,145 distribution except for one million dollars kept in the Permanent School Fund.

The Employees Retiree Insurance Trust Fund accounts for retirees' insurance benefits. The County's contracted a consultant to prepare the actuarial report for September 30, 2007 to early implement GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post employment Benefits Other Than Pensions.

**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. 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.

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**Bank Overdraft** - Individual funds with their own bank account incurring cash overdraft balances are the results of payroll interfund bank transfers or transfers from the state investment pool occurring after the year end or special revenues 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 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

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resources to provide services construct assets and meet debt service requirements. The effect of interfund activity has been eliminated in the Government-wide financial statements, except for transactions between the governmental and business-type activities.

**5. DUE FROM OTHER GOVERNMENTAL UNITS**

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

**6. FUND EQUITY**

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

**7. CAPITAL GRANT**

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

**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.

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Governmental Activities:

Unamortized Bond Issuance Costs	1,189,536
Prepaid Expenses	1,036
Deposits	<u>9,480</u>
Total	\$ <u><u>1,200,052</u></u>

Business Activities:

Proprietary Fund:

Enterprise Fund	
Unamortized Bond Issuance Costs	<u>328,159</u>
Total	\$ <u><u>328,159</u></u>

**9. RECLASSIFICATION**

Certain September 30, 2006 accounts balances have been reclassified in this report to conform to the financial statement presentation used in 2007.

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

**Governmental Activities**

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

The governmental activities beginning fund balance was adjusted (\$116,302) for the Oilton water well, Rio Bravo drainage, Los Corralitos water and sewer improvements previously reported in infrastructure 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 (\$389,245) for state liabilities not established at the inception and traffic fines revenues belonging to the Road and Bridge Fund for \$ 50,720 and \$334,799 respectively. In addition (\$ 3,726) was adjusted for the settlement for the delinquent tax attorneys compared in previous year estimated liability.

The Road and Bridge Fund special revenue fund was adjusted \$ 346,178 for traffic fines revenues recorded to the General Fund in for previous years by the County's Justice of Peace(s). An internal audit detected the finding and was corrected between the governmental funds.

The Webb County 49<sup>th</sup> Judicial District Attorney's special revenue fund as adjusted (\$ 10,006) for a seizure receipt that belonged to the Webb County District Attorney Pool Forfeiture Agency Fund.

The Progressive Sanctions JPO (Grant F) special revenue fund was adjusted (\$ 2,549) for a grant refund payable to Texas Juvenile Probation Commission for payroll saving computed from personnel position during vacancies according to this TJPC special terms and conditions.

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The Texas Department of Housing and Community Affairs grant was adjusted (\$ 3,829) for a grant refund payable due over assessed program administrative fees. The grant administration cost must be proportionate to the amount of project funds draws. The project funds were not spent entirely; as a result, 75.57% of the grant program administration fees were reimbursed.

The total effect reported as a restatement to beginning fund balance and beginning governmental activities net assets was a decrease of (\$ 175,753) as of October 1, 2006.

**Business-type Activities**

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

The business-type activities beginning fund balance was adjusted \$ 1,035,922 for interest not capitalized during the construction phase for Rio Bravo and EL Cenizo, Texas water and wastewater system improvements. The total effect reported as a restatement to beginning fund balance and beginning business-type activities net assets was an increase of \$ 1,035,922 as of October 1, 2006.

**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 \$ 69,671 difference are as follows:

Internal receivable representing charges in excess of cost to business-type activities – prior years	\$ 53,063
Internal receivable representing charges in excess of cost to business-type activities – current year	<u>16,608</u>
Net adjustment to increase net assets – total enterprise fund to arrive at net assets – business-type activities	<u>\$ 69,671</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, 2007:

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<u>Governmental Accounts</u>	<u>Appropriations</u>	<u>Expenses / Expenditures</u>	<u>Excesses</u>
Special Revenues Funds:			
Self Help Center Contract #724003	\$ 99,291	146,806	47,515
Total	\$ <u>99,291</u>	\$ <u>146,806</u>	\$ <u>47,515</u>

The Self Help Center Contract # 724003 for excess personnel cost \$ 47,515 will be eliminated in fiscal year 2008 through a budget amendment. The budget amendment will increase certain grant activities in order to reclassify personnel cost into the adjusted grant activities.

**B. DEFICIT FUND EQUITY**

As of September 30, 2007, the County does not have deficit fund balances.

**IV. DETAILED NOTES ON ALL FUNDS**

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

**CASH** - At September 30, 2007 the carrying amount of the County's deposits was \$ 2,095,577 and the bank balance was \$ 2,236,690 for governmental activities. The fiduciary funds carrying amount of the County's deposits was \$ 10,576,019 and bank balance was \$ 10,416,771. Of the bank amounts, 100 percent was insured or collateralized with securities held by the County's agent in the County's name.

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

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

Pursuant to subchapter G of chapter 404, the Comptroller of Public Accounts administers the Texas Local Government Investment Pools (the TexPool Portfolios) as public funds investment pools through the Texas Treasury Safekeeping Trust Company. The TexPool portfolio is designed and managed to ensure that it maintain its AAAM rating (or the equivalent) by a nationally recognized statistical rating organization. There is a twenty-four hour fund availability of these funds; therefore, the Texpool's investment total \$ 37,406,745 (\$ 29,912,954 for governmental activities, \$ 2,569,696 for business-type activities, and 4,924,095 for fiduciary funds) are reported as cash equivalent. Texpool's net assets value is 1.00018% of the County's carrying value as of September 30, 2007. Accordingly, the fair value of the position in TexPool is the same as the value of TexPool shares.

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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.

MBIA Texas Cooperative Liquid Assets Securities System (Texas CLASS) is also a public fund pool for the County permanent school fund. Texas CLASS establishes a trust so long as MBIA Municipal Investors Services Corporation is the Program Administrator organized and existing under the laws of State of Texas. The Board of Trustees shall conduct the Trustees activities, execute all documents and sue or be sue under either of the under the foregoing names. MBIA, Inc. 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 Texas CLASS investment of \$ 16,329,033 is also reported as cash equivalent. MBIA's net asset value is 1.0% of the County's carrying value as of September 30, 2007. The fair value of the position in Texas CLASS is the same as the value of Texas CLASS shares.

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 \$ 343,464 is also reported as cash equivalent. TexSTAR's net asset value is 1.000240% of the County's carrying value as of September 30, 2007. 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.

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

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Financial Statements	Primary Government		
	Governmental Activities	Business-type Activities	Fiduciary Funds
Cash on hand	\$ 13,697	300	
Deposits	2,081,880		10,576,019
Certificates of deposit			2,827,727
Texpool State Investment Pool	29,912,954	2,569,696	4,924,095
MBIA Asset Management Investment Pool	16,329,033		
TexStar Investment Pool	343,464		
Total Cash and Cash Equivalents	\$ <u>48,681,028</u>	<u>2,569,996</u>	<u>18,327,841</u>

Per Fund Type	Negative Pooled Cash
General Fund	
General Operating Bank Account	\$ <u>342,442</u>
Total Bank Overdraft Balance	\$ <u>342,442</u>

The Webb County General Fund Operating bank account had a negative cash balance as of September 30, 2007.

**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

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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, 2007 the County was in compliance with all its investment guidelines to manage interest rate risk.

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

Investment Type	Primary Government			Average Weighted Average Maturity	Standard & Poor's Credit Rating
	Governmental Activities	Business-type Activities	Fiduciary Funds		
Certificates of deposits			228,124	Less than 90	
Certificates of deposits			2,599,603	Less than 365	
Texpool Investment Pool	29,912,954	2,569,696	4,924,095	34 (1) 60 (2)	AAAm
MBIA Asset Management	16,329,033			41 (2)	AAAm
TexStar Investment Pool	343,464			20 (1) 79 (2)	AAAm
Total	\$ 46,585,451	2,569,696	7,751,822		

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

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

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

### 3. Credit Risk and Concentration of Credit Risk

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

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

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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.

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

Investment Issuer	Market Value of Collateral	Primary Government			Percentage of Portfolio
		Governmental Activities	Business-type Activities	Fiduciary Funds	
Laredo National Bank		\$		1,246,071	2.19%
International Bank of Commerce				213,525	0.38%
Commerce Bank				470,190	0.83%
Well Fargo Bank NA				48,427	0.09%
Falcon International Bank				739,633	1.30%
First National Bank				109,881	0.19%
TexPool Investment Pool					
Government Securities - Agencies		6,102,243	524,218	1,004,515	13.41%
Repurchase Agreements	1.00018% of book value	23,810,711	2,045,478	3,919,580	52.32%
MBIA Asset Management Investment Pool					
Government Securities - Agencies		9,634,129	0	0	16.93%
Repurchase Agreements	1.00% of book value	6,694,904	0	0	11.76%
TexStar Investment Pool					
Government Securities - Agencies		74,841	0	0	0.13%
Repurchase Agreements	1.000240% of book value	268,623	0	0	0.47%
<b>Total Investment by Issuer</b>		<b>\$ 46,585,451</b>	<b>2,569,696</b>	<b>7,751,822</b>	<b>100.00%</b>

**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, 2007 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

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domiciled in Texas are not insured by the FDIC shall be pledged as collateral for at a rate of 102% collateral, any of the following book entry securities: 1) government securities or obligations issued by the State of Texas, its agencies or political subdivisions approved by the Attorney General of Texas, 2) obligations of the United States or its agencies and instrumentalities, excluding mortgage securities or 3) any other obligation or securities authorized to be collateral securing the funds of counties under the laws of the State of Texas. All collateral shall be placed with an independent third party financial institution for safekeeping, with original safekeeping receipts issued to the County.

**B. RECEIVABLES**

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

<u>Receivables</u>	<u>Governmental Activities</u>	<u>Business- type Activities</u>
Tax Receivable - Delinquent	7,950,696	
Billings Receivable		230,344
Accounts Receivable	1,207,081	3,804
Fines Receivable	2,774,062	
Probation Fees Receivable	195,465	
Notes Receivable	60,250	
Accrued Interest Income	1,206	
Total Receivables	\$ <u>12,188,759</u>	\$ <u>234,148</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	6,969,178	
Properties taxes receivables – Road and Bridge Fund	165,648	
Properties taxes receivables – Debt Service Fund	1,031,105	
Grant drawdown prior to meeting all eligibility requirements		558,773
Total	\$ <u>8,165,931</u>	\$ <u>558,773</u>

**Webb County, Texas**  
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**C. CAPITAL ASSETS**

Capital asset activity for the fiscal year ended September 30, 2007 was as follows:

	Ending Balance <u>9/30/2006</u>	<u>Increases</u>	<u>Decreases</u>	Ending Balance <u>9/30/2007</u>
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land and improvements	\$ 6,577,370	934,940		\$ 7,512,310
Infrastructure in progress	29,810,248		17,011,253	12,798,995
Construction In progress	<u>3,772,022</u>	<u>6,389,858</u>	<u>1,519,252</u>	<u>8,642,627</u>
Total capital assets, not being depreciated	<u>40,159,640</u>	<u>7,324,798</u>	<u>18,530,505</u>	<u>28,953,932</u>
Capital assets, being depreciated:				
Infrastructure	58,813,375	19,539,699		78,353,076
Buildings	74,452,581	6,292,524	98,422	80,646,684
Furniture, fixtures, and equipment	<u>28,940,411</u>	<u>3,296,951</u>	<u>49,993</u>	<u>32,187,367</u>
Total capital assets, depreciated	162,206,367	29,129,174	148,415	191,187,126
Less accumulated depreciation for:				
Infrastructure	(40,629,434)	(1,074,710)		(41,704,144)
Buildings	(26,479,545)	(2,061,013)		(28,540,558)
Furniture, fixtures, and equipment	<u>(23,346,553)</u>	<u>(1,720,616)</u>	<u>49,993</u>	<u>(25,017,177)</u>
Total accumulated depreciation	<u>(90,455,532)</u>	<u>(4,856,339)</u>	<u>49,993</u>	<u>(95,261,879)</u>
Total capital assets, being depreciated, net	<u>71,750,835</u>	<u>24,272,834</u>	<u>98,422</u>	<u>95,925,248</u>
Governmental activities capital assets, net	<u>\$111,910,475</u>	<u>31,597,632</u>	<u>18,628,927</u>	<u>\$124,879,180</u>
<b>Business-type activities:</b>				
Capital assets, not being depreciated:				
Land and improvements	\$ 216,295			\$ 216,295
Infrastructure in progress	<u>3,864,252</u>	<u>1,308</u>	<u>3,864,252</u>	<u>1,308</u>
Total capital assets, not being depreciated	<u>4,080,547</u>	<u>1,308</u>	<u>3,864,252</u>	<u>217,603</u>
Capital assets, being depreciated:				
Infrastructure	6,779,948	4,966,645		11,746,593
Buildings	496,623	77,734		574,357
Furniture, fixtures, and equipment	<u>378,885</u>			<u>378,885</u>
Total capital assets, depreciated	7,655,456	5,044,380		12,699,835
Less accumulated depreciation for:				
Infrastructure	(805,446)	(219,995)		(1,025,441)
Buildings	(103,984)	(21,808)		(125,792)
Furniture, fixtures, and equipment	<u>(378,292)</u>	<u>(593)</u>		<u>(378,886)</u>
Total accumulated depreciation	<u>(1,287,722)</u>	<u>(242,397)</u>		<u>(1,530,118)</u>
Total capital assets, being depreciated, net	<u>6,367,734</u>	<u>4,801,983</u>		<u>11,169,717</u>
Business-type activities capital assets, net	<u>\$ 10,448,281</u>	<u>4,803,290</u>	<u>3,864,252</u>	<u>\$ 11,387,320</u>

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

<b>Governmental activities:</b>	
General Government	\$ 959,009
Public Safety	744,076
Justice System	601,644
Health and Human Service	255,699
Infrastructure and Environmental Services	1,311,446
Correction and Rehabilitation	424,151
Community and Economic Development	439,247
Capital assets held by the government's internal service funds are charged to the various functions based on their usage of the assets	<u>4,767</u>
Total depreciation expense - governmental activities	<u>\$ 4,740,040</u>
<b>Business-type activities:</b>	
Total depreciation expense - business-type activities	<u>\$ 223,191</u>

The prior period adjustment present the different between the increase in accumulated depreciation and depreciation expense for governmental activities and business-type activities \$ 116,291 and \$ 19,206 respectively.

**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	\$ 342,442	\$
Accounts payable	10,655,480	174,459
Accrued wages	2,715,276	27,458
Other liabilities	1,438,072	41,140
Restitution payable	198,257	
Retainage payable	461,797	14,481
Customer deposits		<u>50,949</u>
Total Accounts Payable and Accrued Liabilities	<u>\$ 15,811,325</u>	<u>\$ 308,486</u>

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**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, 2007 were:

<u>Primary Government</u>	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
<b>Governmental Funds</b>		
General Fund	\$ 6,853,766	\$ 9,238,885
Nonmajor Governmental Funds	8,890,468	3,449,976
Governmental Funds Subtotals	<u>15,744,234</u>	<u>12,688,861</u>
<b>Proprietary Funds</b>		
Enterprise Fund	115,320	2,463,760
<b>Internal Service Funds</b>		
Employee Health Benefits	259,466	461,469
Workers Compensation Reserve		504,930
Internal Service Funds Subtotals	<u>259,466</u>	<u>966,399</u>
<b>Total</b>	<u>\$ 16,119,020</u>	<u>\$ 16,119,020</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, 2007, transfers were as follows:

	<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	\$	3,503,528	157,260			\$ 3,660,788
Nonmajor Governmental Funds	254,398	3,223,947				3,478,345
Internal Service Funds				249,560	361,944	611,504
Fiduciary Funds					345,606	345,606
Total	<u>\$ 254,398</u>	<u>6,727,475</u>	<u>157,260</u>	<u>249,560</u>	<u>707,550</u>	<u>\$ 8,096,243</u>

**Webb County, Texas**  
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The General Fund \$ 254,398 transfer in consist of \$ 225,000 from the Webb County Courthouse Security Fund and \$ 29,398 present interest income due to the general bank accounts from the purchased of the Casa Ortiz acquisition from the available bond proceeds.

The General Fund \$ 3,503,528 transfers out consists of \$ 3,020,000 creation of an capital project (planned and one-time action), \$ 395,684 for certificates of participation bonds, capital leases and LoanSTAR loan, \$ 60,000 for Webb County Record Preservation Fund, \$ 18,601 for the Hotel / Motel Fund, \$ 7,243 for the Road and Bridge Fund and \$ 2,000 for the Emergency Food and Shelter Fund.

The Court approved the general fund transfers \$ 157,260 consisting of \$ 120,000 and \$ 37,260 to fund a partial portion of the debt service requirements and a TNRCC settlement for the Water Utility Company, respectively. The noted different between governmental funds transfers and governmental activities consist of \$ 125,000 transfer by general government departments for additional cost incurred by the construction company settled by the General Fund. The expense was capitalized by the Webb County Water Utility Fund for the related project.

The Court approved \$ 611,504 transfer from the Worker's Compensation Reserve Fund to the Webb County Employees' Health Benefit internal service fund to eliminate \$ 249,560 the fund's deficit and the Webb County Employees Retiree Fund to fund the program for \$ 150,000 and \$211,944 implement GASB Statement 45, OPEB accounting and reporting requirements.

The Permanent School Investment Trust Fund transfers \$ 345, 606 to the Available School Trust Fund for the interest income earned and gazing and hunting lease proceeds. The Court did not declare a distribution in the current year to the County school districts.

**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	(2,531,598)
Total	\$ 688,363

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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, 2007, were as follows:

<u>Year Ending September 30</u>	<u>Governmental Activities</u>
2008	96,807
2009	62,979
2010	62,979
2011	62,979
2012 - 2013	<u>78,282</u>
Total minimum lease payments	364,026
Less: amount representing interest	<u>(43,435)</u>
Present value of minimum lease payments	<u><u>\$ 320,591</u></u>

**G. LONG-TERM DEBT**

The following is a summary of long-term debt activity for the year ended September 30, 2007. 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, 2007, was as follow:

	<u>Original Amount</u>	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Amount Due Within One Year</u>
<b>Governmental Activities:</b>						
<b>Certificates of Obligations &amp; Bonds</b>						
General Obligations Refunding Bonds, Series 1998	8,020,000	7,465,000		175,000	7,290,000	185,000
Certificates of Obligations, Series 1999	13,664,700	1,841,983		586,295	1,255,688	613,995
Certificates of Obligations, Series 2000	5,995,000	1,276,705		203,811	1,072,894	246,112
Certificates of Obligations, Series 2001	7,000,000	6,445,000		135,000	6,310,000	160,000
Limited Tax Improvement Bonds, Series 2002	11,300,000	9,670,000		440,000	9,230,000	460,000
Certificates of Obligations, Series 2002	4,300,000	3,465,000		160,000	3,305,000	165,000
Limited Tax Refunding Bonds, Series 2002	6,275,000	3,510,000		1,110,000	2,400,000	1,170,000
Limited Tax Refunding Bonds, Series 2003	6,335,000	5,585,000		425,000	5,160,000	435,000
Certificates Of Obligation, Series 2003	10,000,000	9,560,000		90,000	9,470,000	220,000
Limited Tax Refunding Bonds, Series 2005	12,716,562	12,681,618		34,821	12,646,797	39,066
Certificates Of Obligation, Series 2006	<u>11,685,000</u>	<u>11,685,000</u>		<u>492,000</u>	<u>11,193,000</u>	<u>181,000</u>
	104,791,262	73,185,306		3,851,927	69,333,379	3,875,173

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Bond premiums		809,074		134,887	674,187
Bond discounts		(209,525)		(14,086)	(195,439)
Less deferred amount on refunding		(749,608)		(131,549)	(618,059)
<b>Total Certificates of Obligations &amp; Bonds</b>	<b>104,791,262</b>	<b>73,035,247</b>		<b>3,841,179</b>	<b>69,194,068</b>
<b>Loans</b>					
LoanSTAR Revolving Loan Program	1,124,039	426,157		150,403	275,754
<b>Total Loans</b>	<b>1,124,039</b>	<b>426,157</b>		<b>150,403</b>	<b>275,754</b>
<b>Tax Notes</b>					
Tax Notes, Series 2007	1,680,000		1,680,000		1,680,000
<b>Total Notes</b>	<b>1,680,000</b>		<b>1,680,000</b>		<b>310,000</b>
<b>Lease Purchases</b>					
Lease Purchases	1,719,665	403,634		83,043	320,591
<b>Total Lease Purchases</b>	<b>1,719,665</b>	<b>403,634</b>		<b>83,043</b>	<b>320,591</b>
<b>Governmental activities long-term liabilities</b>	<b>109,314,966</b>	<b>73,865,037</b>	<b>1,680,000</b>	<b>4,074,624</b>	<b>71,470,413</b>
<b>Business-type Activities:</b>					
Certificates of Obligations, Series 1999	1,135,300	153,017		48,705	104,312
Certificates of Obligations, Series 2000	1,800,000	383,295		61,189	322,107
Limited Tax Refunding Bonds, Series 2005	2,058,438	2,053,382		5,179	2,048,203
Certificates of Obligations, Series 2006	720,000	720,000		23,000	697,000
	5,713,738	3,309,694		138,073	3,171,622
Bond premiums		100,583		16,275	84,308
Bond discounts		(8,674)		(450)	(8,224)
Less deferred amount on refunding		(188,862)		(30,173)	(158,689)
<b>Total Certificates of Obligations</b>	<b>5,713,738</b>	<b>3,212,741</b>		<b>123,725</b>	<b>3,089,017</b>
<b>Loans</b>					
TWDB Water & Sewer DFUNDII, Series 2000	1,958,000	1,860,000		50,000	1,810,000
TWDB EDAP Loan, Series 2004	1,102,000	1,092,000		25,000	1,067,000
TWDB EDAP Loan, Series 2004A	588,000	568,000		15,000	553,000
<b>Total Loans</b>	<b>3,648,000</b>	<b>3,520,000</b>		<b>90,000</b>	<b>3,430,000</b>
<b>Business-type Activity Long-term Liabilities</b>	<b>9,361,738</b>	<b>6,732,741</b>		<b>213,725</b>	<b>6,519,017</b>

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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, 2007.

Purpose of Issue	Amount Issued	Amount Outstanding	Interest Rate	Maximum Annual Debt Service
<b>PRIMARY GOVERNMENT:</b>				
<b>Governmental Activities</b>				
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	7,290,000	3.50%-4.45%	2,034,278
Certificates of Obligations, Series 1999 a new County administration building; a new courtroom for the 406th District Court; a chiller to serve County buildings; automobiles, trucks, and road equipment; computer and software equipment for County departments including Y2K compliance; and elevated storage tank in Rio Bravo; water transmission lines in the El Cenizo area; water utility equipment, including pumps and related equipment and buildings and improvements for the the County Water Utilities Department; vehicle maintenance equipment for County garages; and the payment of contractual obligations for professional services in connection with the above projects	13,664,700	1,255,689	5.00%-6.00%	670,114
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	5,995,000	1,072,895	4.55%-6.00%	544,211
Certificates of Obligations, Series 2001 acquisition and renovation of the land and buildings for the downtown Villa Antigua project; replacement or upgrade of the County's main computer system and purchase of additional computer equipment; acquisition of land and construction of the County's morgue; expansion or rehabilitation of existing County buildings; construction, renovation, and improvements to various County parks; right-of-way acquisition in the colonias area; construction of an international bridge; purchase of computers, printers, copiers, furniture, and vehicles for various County departments; and the payment of contractual obligations for professional services in connection with such projects	7,000,000	6,310,000	4.55%-5.73%	860,331
Limited Tax Improvement Bonds, Series 2002 design, planning, acquisition, construction, capital outlay, and equipping of juvenile detention facility; and the payment of contractual obligations for professional services in connection with such project	11,300,000	9,230,000	3.00%-4.80%	850,900
Certificates of Obligations, Series 2002 design, planning, acquisition, construction, capital outlay, and equipping of community centers, other County buildings, improvements to the County parks, construction of bridges, acquisition of water supply and general equipment and other projects; and paying the costs of issuance thereof	4,300,000	3,305,000	3.00%-5.03%	305,919
Limited Tax Refunding Bonds, Series 2002 refund the outstanding obligations of the County listed on Schedule 1 hereto (the "Refunded Obligations") on February 15, 2003 on a current basis with a delivery date for the Refunding Bonds of November 21, 2002.	6,275,000	2,400,000	5.00%	1,260,750

**Webb County, Texas**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2007**

Limited Tax Refunding Bonds, Series 2003 refund the outstanding obligations of the County on Schedule 1 hereto (the "Refunded Obligations") on March 1, 2004.	6,335,000	5,160,000	2.50%-3.00%	948,600
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.	1,197,256	276,051	4.04%	165,134
Certificates Of Obligations, Series 2003 for the design, planning, acquisition, construction, and equipping of golf course improvements; purchase and renovation of the site and building called "Tex-Mex" building at 1202 Washington Street; sites for and construction of ionization towers and monitoring station for rain enhancement; construction, renovation, equipment, and improvement to various County parks and community centers; right-of-way acquisition and road improvements in the colonias areas; construction of an international bridge; acquisition of a secondary County water source; purchase computers, copiers, fax machines, furniture, vehicles, heavy equipment and other equipment for the County courts, the Sheriff's department, and other various County departments; Casa Blanca Lake rehabilitation; development of recreational facilities through interlocal agreements with LISD, UISD, and City of Laredo; development of the North Shilo 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	10,000,000	9,470,000	2.50%-5.00%	1,158,956
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	12,646,796	3.00%-5.00%	1,617,099
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	11,193,000	4.30%-5.00%	1,081,443
Tax Notes, Series 2007 Acquisition, design, planning, construction, equipping, and/or renovation of Casa Ortiz.	1,680,000	1,680,000	3.66%-3.76	370,029
<b>Total Governmental Activities</b>	<u>100,168,493</u>	<u>71,289,431</u>		

Purpose of Issue	Amount Issued	Amount Outstanding	Interest Rate	Annual Debt Service
<b>Business-Type Activities</b>				
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	104,313	5.00%-6.00%	55,668
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	322,106	4.55%-6.00%	163,384

**Webb County, Texas**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2007**

<p>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</p>	1,958,000	1,810,000	5.59%	207,915
<p>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</p>	1,102,000	1,067,000	2.75%-5.60%	104,408
<p>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</p>	588,000	553,000	3.33%-5.93%	55,696
<p>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</p>	2,058,438	2,048,204	3.00%-5.00%	314,750
<p>Certificates Of Obligations, Series 2006 for the payment of contractual obligations to be incurred for the design, planning, acquisition, construction, and equipping of right-of-way and drainage facilities in the Colonias areas; two tanker trucks for fire protection; permitting an international railroad bridge; permitting an international bridge; right-of-way and utilities relocation for Cuatro Vientos Road; engineering design and repairs to Casa Blanca Dam; water well and tests in Carrizo Wilcox Aquifer; a morgue; a veterans building and museum; studies for reconstruction and preservation of the courthouse annex and other County buildings; purchase of vehicles, computers, copiers, fax machines, furniture, and other equipment for all departments; development of facilities including county parks, community centers land acquisition and the construction and/or rehabilitation of parks, community centers, and other buildings, constructed either independently or through interlocal agreement with other public and/or private entities; communication tower and radio equipment; improvement for the renovation of the Villa Antigua project; raw water intake and pond cleaning at water treatment plant; and vehicles and road and bridge heavy equipment; and the payment of contractual obligations for professional services in connection with such projects (including, but not limited to, financial advisory, legal, architectural, and engineering); and to pay costs of issuance related to the Certificates.</p>	720,000	697,000	4.30%-5.00%	55,025
<b>Total Business-Type Activities</b>	9,361,738		6,601,623	

**Governmental Activities:**

Fiscal Year	Certificates of Obligations & Bonds Total for all Series			LoanSTAR Loan			Contract Payable (Lease Obligation)		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
2008	3,875,173	3,033,765	6,908,938	156,264	8,870	165,134	81,268	15,539	96,807
2009	4,287,415	2,845,960	7,133,375	119,787	2,460	123,849	51,753	11,226	62,979
2010	4,281,647	2,654,781	6,936,427				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	1,057,000	24,443	1,081,443						
<b>Total</b>	69,333,380	25,177,267	94,510,647	276,051	11,330	288,983	320,591	43,435	364,026

**Webb County, Texas**  
**Notes to the Financial Statements**  
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Fiscal Year	Tax Notes Series 2007		
	Principal	Interest	Total
2008	310,000	56,351	366,351
2009	325,000	44,747	369,747
2010	335,000	32,668	367,668
2011	350,000	20,029	370,029
2012	360,000	6,768	366,768
<b>Total</b>	<b>1,680,000</b>	<b>160,563</b>	<b>1,840,563</b>

**Business-Type Activities:**

Fiscal Year	Certificates of Obligations, Total for all Series			TWDB EDAP Loan Series 2004			TWDB EDAP Loan Series 2004A		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
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
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	53,000	1,226	54,226						
<b>Total</b>	<b>3,171,623</b>	<b>1,126,759</b>	<b>4,298,382</b>	<b>1,067,000</b>	<b>516,917</b>	<b>1,583,917</b>	<b>553,000</b>	<b>298,836</b>	<b>851,836</b>

Fiscal Year	TWDB DFUNDII Loan		
	Principal	Interest	Total
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
<b>Total</b>	<b>1,810,000</b>	<b>775,254</b>	<b>2,585,254</b>

**Webb County, Texas**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2007**

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
2008	185,000	310,918	495,918	613,995	56,119	670,114	246,112	48,319	294,431
2009	190,000	303,043	493,043	641,694	18,850	660,544	296,104	34,616	330,720
2010	905,000	280,048	1,185,048				530,679	13,532	544,211
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						
<b>Total</b>	<b>7,290,000</b>	<b>1,649,344</b>	<b>8,939,344</b>	<b>1,255,689</b>	<b>74,969</b>	<b>1,330,658</b>	<b>1,072,895</b>	<b>96,467</b>	<b>1,169,362</b>

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
2008	160,000	294,515	454,515	460,000	390,900	850,900	165,000	139,525	304,525
2009	180,000	282,615	462,615	475,000	374,538	849,538	170,000	133,663	303,663
2010	215,000	272,015	487,015	490,000	357,405	847,405	175,000	127,538	302,538
2011	230,000	263,058	493,058	510,000	339,023	849,023	185,000	120,919	305,919
2012	615,000	245,331	860,331	530,000	319,390	849,390	190,000	113,840	303,840
2013	570,000	219,865	789,865	550,000	298,320	848,320	195,000	106,330	301,330
2014	575,000	194,674	769,674	575,000	275,461	850,461	205,000	98,202	303,202
2015	440,000	171,870	611,870	600,000	250,851	850,851	215,000	89,405	304,405
2016	495,000	150,351	645,351	625,000	224,429	849,429	225,000	79,914	304,914
2017	510,000	126,730	636,730	650,000	196,133	846,133	235,000	69,705	304,705
2018	535,000	101,644	636,644	685,000	165,753	850,753	245,000	58,783	303,783
2019	580,000	74,460	654,460	715,000	133,374	848,374	255,000	47,219	302,219
2020	595,000	45,375	640,375	750,000	98,750	848,750	270,000	34,810	304,810
2021	610,000	15,250	625,250	785,000	61,125	846,125	280,000	21,540	301,540
2022				830,000	20,750	850,750	295,000	7,375	302,375
<b>Total</b>	<b>6,310,000</b>	<b>2,457,753</b>	<b>8,767,753</b>	<b>9,230,000</b>	<b>3,506,202</b>	<b>12,736,202</b>	<b>3,305,000</b>	<b>1,248,768</b>	<b>4,553,768</b>

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
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
<b>Total</b>	<b>2,400,000</b>	<b>121,500</b>	<b>2,521,500</b>	<b>5,160,000</b>	<b>777,408</b>	<b>5,937,408</b>	<b>9,470,000</b>	<b>4,541,086</b>	<b>14,011,086</b>

Fiscal Year	Limited Tax Refunding Bonds, Series 2005			Certificates of Obligations, Series 2006			LoanSTAR Loan		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
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			

**Webb County, Texas**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2007**

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			
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				1,057,000	24,443	1,081,443			
<b>Total</b>	<b>12,646,796</b>	<b>4,886,006</b>	<b>17,532,802</b>	<b>11,193,000</b>	<b>5,817,764</b>	<b>17,010,764</b>	<b>276,051</b>	<b>11,330</b>	<b>287,381</b>

Fiscal Year	Tax Notes Series 2007		
	Principal	Interest	Total
2008	310,000	56,351	366,351
2009	325,000	44,747	369,747
2010	335,000	32,668	367,668
2011	350,000	20,029	370,029
2012	360,000	6,768	366,768
<b>Total</b>	<b>1,680,000</b>	<b>160,563</b>	<b>1,840,563</b>

Business-Type Activities:

Fiscal Year	Certificates of Obligations, Series 1999			Certificates of Obligations, Series 2000			TWDB DFUNDII Loan, Series 2000		
	Principal	Interest	Total	Principal	Interest	Total	Principal	Interest	Total
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
<b>Total</b>	<b>104,313</b>	<b>6,228</b>	<b>110,541</b>	<b>322,106</b>	<b>28,961</b>	<b>351,067</b>	<b>1,810,000</b>	<b>775,254</b>	<b>2,585,254</b>

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
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			
<b>Total</b>	<b>1,067,000</b>	<b>516,917</b>	<b>1,583,917</b>	<b>553,000</b>	<b>298,836</b>	<b>851,836</b>	<b>2,048,204</b>	<b>751,107</b>	<b>2,799,311</b>

**Webb County, Texas**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2007**

Fiscal Year	Certificates of Obligations, Series 2006		
	Principal	Interest	Total
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	53,000	1,226	54,226
<b>Total</b>	<b>697,000</b>	<b>340,463</b>	<b>1,037,463</b>

**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, 2007, 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 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 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 for Series 1999 and February 1, 2011 is \$ 549,906 for Series 2000.

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.

**Webb County, Texas**  
**Notes to the Financial Statements**  
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**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 for Series 1999 and February 1, 2011 is \$ 165,094 for Series 2000.

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.

The outstanding balance of the 1997 Certificates is \$ 1,220,000 as of September 30, 2007.

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,

**Webb County, Texas**  
**Notes to the Financial Statements**  
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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, 2007.

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

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

**Webb County, Texas**  
**Notes to the Financial Statements**  
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**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 2006 was \$ 11,982,316,169 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 2006, and designation of tax rates are as follows for fiscal 2007:

	Taxable Value	Tax Rate Per \$100 of Taxable Value
General Fund:	\$ 11,982,316,169	0.355921
Special Revenue Fund: Road and Bridge Maintenance	\$ 11,993,747,538	0.005593
Debt Service Fund:	\$ 11,982,316,169	0.058541
<b>Total Tax Rate</b>		<b>0.420055</b>

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

The County is permitted to levy 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 \$.387550 and \$.142395 respectively, per \$100 valuation and could levy approximately \$ 45,256,882 and \$ 16,905,323 in additional taxes for those purposes before that exceeds the tax rate calculated in accordance with the Texas Property Tax Code by

**Webb County, Texas**  
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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, 2007, the statutory limit of the County was approximately \$ 3,065,861,261 providing a legal debt margin of \$ 2,997,686,690.

**C. COMPENSATED ABSENCES**

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

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

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

**Webb County, Texas**  
**Notes to the Financial Statements**  
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	Balance Outstanding October 1, 2006	Earned	Taken/ Paid	Balance Outstanding September 30, 2007	Amount Due Within One Year
Governmental Activities	2,439,854	1,836,482	1,505,840	2,770,496	1,433,702
Business-type Activities	40,120	18,892	13,068	45,944	33,883
Total Primary Government	<u>2,479,974</u>	<u>1,855,374</u>	<u>1,518,908</u>	<u>2,816,440</u>	<u>1,467,585</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 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.

**Webb County, Texas**  
**Notes to the Financial Statements**  
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**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 6.99% for the months of the accounting year in 2006, and 8.79% for the months of the accounting year in 2007.

The contribution rate payable by the employee members for calendar year 2006 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 2007 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 \$ 4,160,303.

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, 2004 and December 31, 2005, the basis for determining the contribution rates for calendar years 2005 and 2006. The December 31, 2006 actuarial valuation is the most recent valuation.

Actuarial Valuation Methods and Assumptions			
Actuarial Valuation Date	12/31/2004	12/31/2005	12/31/2006
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, closed
Amortization Period in Years	20.0	20.0	15.0
Asset Valuation Method	long-term appreciation with adjustment	long-term appreciation with adjustment	SAF: 10-yr smoothed value ESF: Fund value
Actuarial Assumptions:			
Investment Return (1)	8.00%	8.00%	8.00%

**Webb County, Texas**  
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Projected Salary Increases (1)	5.5%	5.3%	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
2004	2,987,721	100%	- 0 -
2005	3,121,630	100%	- 0 -
2006	4,160,303	100%	- 0 -

Schedule Funding Progress						
Actuarial Valuation Date	(a) Actuarial Value of Assets	(b) Actuarial Accrued Liability (AAL)	(b-a) Unfunded or (Overfunded) Actuarial Liability UAAL (OAALL)	(a/b) Funded Ratio	(c) Annual Covered Payroll (Actuarial)	((b-a)/c) UAAL or (OAAL) as a Percentage of Covered Payroll
2004	67,619,064	72,608,411	4,989,347	93.13%	40,618,825	12.28%
2005 (2)	73,726,548	81,768,302	8,041,754	90.17%	41,396,419	19.43%
2006	85,690,219	77,070,531	5,869,645	93.59%	44,253,811	13.26%
(2) Funding information may differ from prior year compliance data due to plan changes effective 1/1/2007.						

**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**  
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**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 2007, the County self insured retention for our employment practices increased to \$ 75,000 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, 2007 the claims liability of \$ 448,463 and \$ 75,318 are reported in the internal service funds. Changes in the respective funds claims liability amount for 1998 through 2007 fiscal years were:

**Webb County, Texas**  
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**For the Fiscal Year Ended September 30, 2007**

**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
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
2007	555,891	7,143,918	(7,251,347)	448,462

**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
1998	418,496	183,001	(112,683)	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
2007	52,894	644,455	(622,031)	75,318

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

**Webb County, Texas**  
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financial statements and that the amount of the loss can be reasonably estimated. The short term liability is \$ 615,692 and \$ 776,279 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
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
2007	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
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
2007	825,884	(49,605)	- 0 -	776,279

**Webb County, Texas**  
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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 \$ 1,153,922. This amount includes \$ 112,996 in administration fees and \$ 1,040,826 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, 2007. These commitments are as follows:

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

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

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 Certificates of Obligations Series 2003 is \$ 20,767 and Certificates of Obligations Series 2006 is \$ 73, 717 for a total reported arbitrage rebate liability \$94,484 at September 30, 2007.

**Webb County, Texas**  
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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 <sup>th</sup> Regular Legislature's Session Texas Task Force on Indigent Defense - Formula Grant		111,453
Texas Department of Family and Protective Services Title IV-E County Legal Services To Foster Care Children	23358109	75,000
Texas Department of Family and Protective Services Title IV Child Welfare Services Contract	23358108	15,000

**Texas Task Force on Indigent Formula Grant**

The purpose of this grant is to assist the County in the implementation of the provisions of the Fair Defense Act and the improvement of the indigent criminal defense services. The grant revenue earned through the fiscal year was \$ 111,453.

**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 \$ 129,439.

**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 \$ 6,706.

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

**1. PLAN DESCRIPTION**

The County Employee Retiree Insurance is a single-employer defined benefit plan that provides medical and dental coverage administered by Blue Cross Blue Shield of Texas for eligible employees and retired employees under 65 and their dependents. In addition, eligible retirees over the age of 65 may enroll in County Silver Choice, a Medicare supplement program. Employees who meet one of the following are eligible to participate in the plan; must not already retired from the county, must have four years of continuous employment with the county prior to retirement, must be covered as an active employee under the county health insurance plan at the time of retirement and the employee must meet one of the additional criteria:

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- 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.

The report may be obtained by writing to Webb County Auditor, 1020 Washington Suite B, Laredo, Texas 78040 or by calling 956-523-4016.

**2. FUNDING POLICY**

The contribution requirements of plan members and the county are established and may be amended by the Court subject to funding availability at the beginning of each budget year. 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 coverage.

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

The Webb County's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determine in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of Webb County's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the County's net OPEB obligation to the plan.

<b>ANNUAL OPEB COST AND NET OPEB OBLIGATION</b>	
Annual required Contribution	\$ 602,786.00
Interest on net OPEB obligation	-
Adjustment to ARC	-
Annual OPEB cost (expense)	602,786.00
Contributions made	(191,063.00)
Increase in net OPEB obligation	411,723.00
Net OPEB obligation - beginning of year	-
Net OPEB obligation - end of year	<u>\$ 411,723.00</u>

**Webb County, Texas**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2007**

<b>FUNDED STATUS AND FUNDING PROGRESS</b>	
Actuarial Valuation Date	October 1, 2006
Actuarial Value of Assets	-
Actuarial Accrued Liability	5,793,707.00
Unfunded Actuarial Liability	5,793,707.00
Funded Ratio	0.0%
Annualized Covered Payroll	40,532,657.00
Ratio of UAL to Annual Covered Payroll	14.3%

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, would present multi-year trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

**4. ACTUARIAL METHODS AND ASSUMPTIONS**

Projections of benefits for financial reporting purposes are based on the substantive plan and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**Webb County, Texas**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2007**

<b>Actuarial Valuation Methods and Assumptions</b>	
<b>Actuarial Valuation Date</b>	10/1/2006
Actuarial cost method	Unit credit
Asset valuation method	N/A*
Amortization method	Level percent of payroll
Amortization period in years	30 years - close period
<b>Actuarial assumptions:</b>	
Discount rate	5% for pay as you go
Payroll	Aggregate 5% increase per year
Claim costs	For self insured plans, derived from actual plan experience, trended to the valuation date and adjusted for the risk characteristics of the covered group.
Expenses	Administration    \$47.58 pepm Stop Loss Premiums Specific        \$19.70 pepm Aggregate      \$ 3.16 pepm
Mortality	RP-2000 Combined Health tables, male and female
Employee turnover	Derived from County experience
Employee retirements	A derivative of the TCDRS retirement rates, from the 2005 annual report, adjusted to reflect County experience
Participation by future retirees	68% of eligible retirees
Dependent status: current retirees	Current status is assumed to persist in all future years, except that dependent children are not assumed after the later of age 63 or three years after the valuation date.
Spouse age for future retirees	Husbands are assumed to be two years older than wives.

**Webb County, Texas**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended September 30, 2007**

REQUIRED SUPPLEMENTARY INFORMATION						
SCHEDULES OF FUNDING PROGRESS						
Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL) Unit Credit	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
10/1/2006	-	5,793,707.00	5,793,707.00	0%	40,532,657.00	14.3%

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 November 20, 2007, the County issued \$ 6,985,000 in Limited Tax Refunding Bonds, Series 2007. These bonds were used to defeased \$ 6,590,000 consisting of the \$ 1,205,000 Certificates of Obligation, Series 2001, \$ 1,615,000 Limited Tax Improvement Bonds, Series 2002, and \$ 3,770,000 Certificates of Obligation, Series 2003, the refunded bonds. The County included an issuer contribution \$ 89,961 from the debt service fund.

On November 20, 2007, the County also issued \$ \$ 1,125,000 in Tax Notes, Series 2007. The bonds were used to defeased \$ 1,220,000 Certificates of Participation, Series 1997, the refunded bonds. The County included an issuer contribution \$ 156,912 from the debt service reserve fund originally established with the Certificates of Participation debt.