

*COMPREHENSIVE
ANNUAL FINANCIAL REPORT*

of

POLK COUNTY, TEXAS

For the Year Ended
September 30, 2010

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POLK COUNTY, TEXAS

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INTRODUCTORY SECTION

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Ray Stelly, CPA
Polk County Auditor

POLK COUNTY
LIVINGSTON, TEXAS

(936) 327-6811
Fax: (936) 327-6898

January 28, 2011.

To the Honorable Board of District Judges,
Honorable County Judge, Honorable Members of
Commissioners' Court, and Citizens of
Polk County, Texas:

The Comprehensive Annual Financial Report (CAFR) of Polk County, Texas (the "County"), for the fiscal year ended September 30, 2010, is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the County. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the various funds of the County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

In 1999, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This statement established new requirements for the annual financial reports of state and local governments. It was developed to provide additional information about the fiscal health of the government and to make the annual reports more comprehensive and easier to understand and use. GASB Statement No. 34 mandated that governments comparable to the County implement the new reporting model by fiscal year 2003.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement MD&A and should be read in conjunction with it. The County's MD&A can be found immediately following the report of the independent auditors.

The CAFR is presented in three sections: *Introductory, Financial, and Statistical*. The introductory section includes this transmittal letter, the County's organizational chart, and a list of principal officials. The financial section includes the Management's Discussion and Analysis (MD&A), the basic financial statements including the notes, required supplementary information other than MD&A, combining and individual fund statements and schedules as well as the independent auditors' report on these financial statements and schedules. The statistical section, which is unaudited but reviewed by the independent auditors, includes selected financial and demographic information, generally presented on a multi-year basis.

Polk County, Texas
Letter of Transmittal
January 28, 2011

The financial reporting entity (the County) includes all the funds of the primary government (i.e., Polk County as legally defined), as well as any component units. Component units are legally separate entities for which the primary government is financially accountable. Currently, the County has one component unit, IAH Public Facility Corporation.

The County provides a full range of services complemented by statute or charter. This includes police protection, legal and judicial services, construction and maintenance of roads and bridges, and waste management facilities.

POLK COUNTY HISTORY

Polk County was formed in 1846 as a political subdivision of the Republic of Texas. The County was named in honor of James K. Polk, then President of the United States. The City of Livingston is the County seat and the largest city in Polk County.

The 1,095 square miles of Polk County is located in the tall pine forests of deep east Texas, about 70 miles north of Houston. It is bounded by the Trinity River on the southwest and the Neches River on the northwest. To the north and east lie more than 100 miles of scenic roads, four Texas Woodland Trails, and the State's largest Indian Reservation, home of the Alabama-Coushatta Tribe of Texas. In the late 1700's, the Alabama-Coushatta Indians established camps on the Trinity and Neches Rivers. Through the interest and concern of Sam Houston, General of the Republic of Texas, the Alabama-Coushatta Indians were given a permanent home in the eastern portion of the County and, until 1971, this was the only Indian reservation in Texas.

The County boasts one of the most varied and enjoyed environments in the state. Pleasant springs and falls, long warm summers, and mild winters entice vacationers year round and encourage retirement to the area. The average rainfall of 48 inches provides abundant forest vegetation and feeds major rivers in the area, making conditions favorable for principal activities such as agriculture, forestry, and ranching. A favorite recreation area is Lake Livingston, a man-made lake surrounded by some 500 miles of shoreline filled with vacation and primary homes, golf courses, marinas, campgrounds, boat launches, and fishing piers. Public access to the lake is provided by the 700-acre Lake Livingston State Park that is open year round, as well as a number of smaller parks. The 93,000-acre lake is located in the west and southwest portion of the County.

MAJOR INITIATIVES

For the Year

During fiscal year 2010, construction continued on the Polk County Judicial Center. This project was initiated on February 1, 2008 when Polk County issued \$10,120,000 in certificates of obligation to finance construction of the judicial center. This judicial center, to be constructed in the block directly to the south of the County courthouse, will address space and security concerns associated with the courtrooms currently being used in the County courthouse.

This judicial center will include courtrooms for district court, County court, and justice of the peace court, as well as office space for the district judges, district attorney's staff, and office space for the district clerk, County clerk, and justice of the peace. It will also include a sally port at the rear of the building so that prisoners can be loaded and unloaded in a secure environment. It will also include the means to transport prisoners to and from courtrooms securely. This project will be completed during fiscal year 2011.

Polk County, Texas
Letter of Transmittal
January 28, 2011

Construction also continued during fiscal year 2010 on the 240-bed expansion to the County detention facility. This project was approved in March 2007 with the issuance of \$19,000,000 in certificates of obligation and construction began in August 2009. This project will also be completed during fiscal year 2011.

For the Future

On July 9, 2009, Polk County received a financial assistance award from the U.S. Department of Commerce of \$4,000,000 for the construction of a building to house a community college and conference center. The proposed educational facility will be leased to Angelina College of Lufkin, Texas, which will be responsible for the curriculum, operation, and maintenance of the facility. The land on which this facility will be built has been purchased with funds donated by interested citizens. At year end 2010, the County was in the process of choosing an architect.

FINANCIAL INFORMATION

General Government Functions

The Commissioners' Court is the governing body of the County. The Texas Constitution specified that the Court consists of a County judge, who is elected at large and serves as presiding officer, and four County commissioners elected by the voters of their individual precincts. The court exercises the powers provided by law to conduct the varied business of the County. The Local Government Code prescribes the duties and grants authority to the Commissioners' Court and other County officers relating to financial management. In compliance with state statutes, the Commissioners' Court maintains budgetary control to ensure that provisions embodied within the annually appropriated budget are met for most County functions. According to the budget laws of the State of Texas, expenditures may not exceed the amount appropriated for each fund.

The Budget Process

The County judge serves as the budget officer and, along with the County auditor, prepares an annual budget for presentation and approval by the Commissioners' Court. Departments submit budget requests for budget revisions and amendments to the County Auditor, who shall review for conformity to statutes, appropriateness within the scope of budget objectives, making recommendations to the Commissioners' Court, as required. The Commissioners' Court maintains sole authority for revising or amending the budget.

Notices, budget request forms, and a proposed budget planning calendar are distributed to elected officials and department heads, who are responsible for preparing a departmental budget request and submitting the same to the County judge, along with supporting documentation.

The County auditor estimates historical revenues and beginning balances in conjunction with information obtained from various county offices. The County judge compiles and analyzes budget requests and estimated revenues, conducting budget review meetings with departments and the County auditor.

A preliminary budget is submitted to Commissioners' Court and budget workshops are held with individual departments, if requested. A proposed budget is filed with the County clerk for public inspection and a tax rate is proposed to support that budget, based upon the tax assessor/collector's publication of the "effective tax rate."

Notices of the proposed tax rate are published in the local newspaper and public hearings are held to receive comments on the proposed budget and on the proposed tax rate. Changes warranted by law and required in the interest of the taxpayers are made, the budget is adopted, and a tax rate is set. The approved budget is filed with the County clerk and the County auditor.

The County auditor monitors expenditures of the various departments to prevent expenditures from exceeding budget appropriations and sends a monthly financial report to Commissioners' Court and the district judges. The County auditor provides a budget to actual expenditures report to each department on a monthly basis.

Departments may receive added incentives for efforts in cost effective measures during the budget year. Certain budget balances are carried forward (through the budget process) to allow and encourage departments to save toward larger expenditures. Road and bridge departments are probably the most affected by the budget carry-forward issue, as larger balances may occur.

Internal Control Structure

The County's accounting records for general government operations are maintained and the financial statements presented on a modified accrual basis. The financial operating controls are shared by the Commissioners' Court, which is the governing body, and the County auditor, who is appointed by the district judges.

The County auditor has the basic responsibility for maintaining the records of all financial transactions of the County and examining, auditing, and approving all disbursements from County funds prior to submission to Commissioners' Court for payment.

The Commissioners' Court sets the tax rate, establishes policies for County operations, approves contracts for the County and develops and adopts the County budget within the resources as estimated by the County auditor.

In developing the County's accounting systems, consideration was given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute, assurance regarding the safeguarding of assets against loss from unauthorized use or disposition and the reliability of the financial records for preparing financial statements and maintaining accountability of assets. The concept of reasonable assurance recognizes the cost of a control should not exceed the benefits likely to be derived there from, and the evaluation of costs and benefits requires estimates and judgments by management.

All internal control evaluations occur within the above framework. The County's internal accounting controls are believed to adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Cash Management

The County treasurer, by statute, serves as the custodian of County funds and is responsible for the receipt and disbursement of all monies owed to or by the County. The County treasurer is required to maintain accurate records of all transactions of his/her office and to regularly report to the Commissioners' Court.

Polk County, Texas
Letter of Transmittal
January 28, 2011

The Commissioners' Court selected qualified banks to serve as the County depositories, in which the County treasurer deposits all monies received. Monies that are temporarily idle during the year are deposited in TexPool and other approved investments. The County's investment policy was revised to meet the changes in the Public Funds Investment Act. Investment strategies were identified for each group of funds.

Risk Management

The County participates in the Texas Association of Counties' workers' compensation pool to cover job related risk. The development of a limited risk management program has resulted in significant savings in workers' compensation insurance premiums. These savings are passed on to all County employees in the form of cost of living and merit salary increases. Additionally, the County annually reviews, with its carrier, all liability coverage making necessary amendments and/or adjustments to policy deductibles and limits.

OTHER INFORMATION

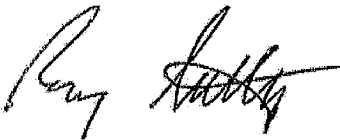
Independent Audit

The County requires an annual audit of the books of accounts, financial records, and transactions of all departments of the County by an independent certified public accountant. The accounting firm of Belt Harris Pechacek, LLLP was selected by Commissioners' Court as the County's auditors, and their opinion letter on the financial statements is included in the financial section of this report.

Acknowledgements

The preparation of this report was accomplished with the efficient and dedicated services of the entire staff of the County auditor's office. We would like to express our appreciation to all members of the departments who assisted and contributed to its preparation. We would also like to thank the County judge, members of the Commissioners' Court, and the department heads for their interest and support in planning and conducting the financial operations of the County in a responsible and progressive manner.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ray Stelly". The signature is written in a cursive, flowing style.

Ray Stelly, County Auditor

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POLK COUNTY, TEXAS
LIST OF ELECTED AND APPOINTED OFFICIALS
September 30, 2010

COMMISSIONERS' COURT:

John P. Thompson	County Judge
Robert E. Willis	Commissioner, Precinct #1
Ronnie L. Vincent	Commissioner, Precinct #2
Milton B. Purvis	Commissioner, Precinct #3
Charles T. Overstreet	Commissioner, Precinct #4

JUDICIAL:

Lee Hon	District Attorney
Kathy Clifton	District Clerk

COUNTY COURT AT LAW:

Stephen Phillips	Judge, County Court at Law
Schelana Walker	County Clerk

JUSTICE COURTS:

Darrell Longino	Justice of Peace, Precinct #1
David Johnson	Justice of Peace, Precinct #2
Larry Whitworth	Justice of Peace, Precinct #3
Steven B. McEntyre	Justice of Peace, Precinct #4

LAW ENFORCEMENT:

Kenneth Hammack	County Sheriff
Charles Clack	Constable, Precinct #1
William Cunningham	Constable, Precinct #2
Ray Meyers	Constable, Precinct #3
Dana G. "Bubba" Piper	Constable, Precinct #4

FINANCIAL ADMINISTRATION:

Marion A. "Bid" Smith	Tax Assessor/Collector
Nola Reneau	County Treasurer
Ray Stelly	County Auditor*

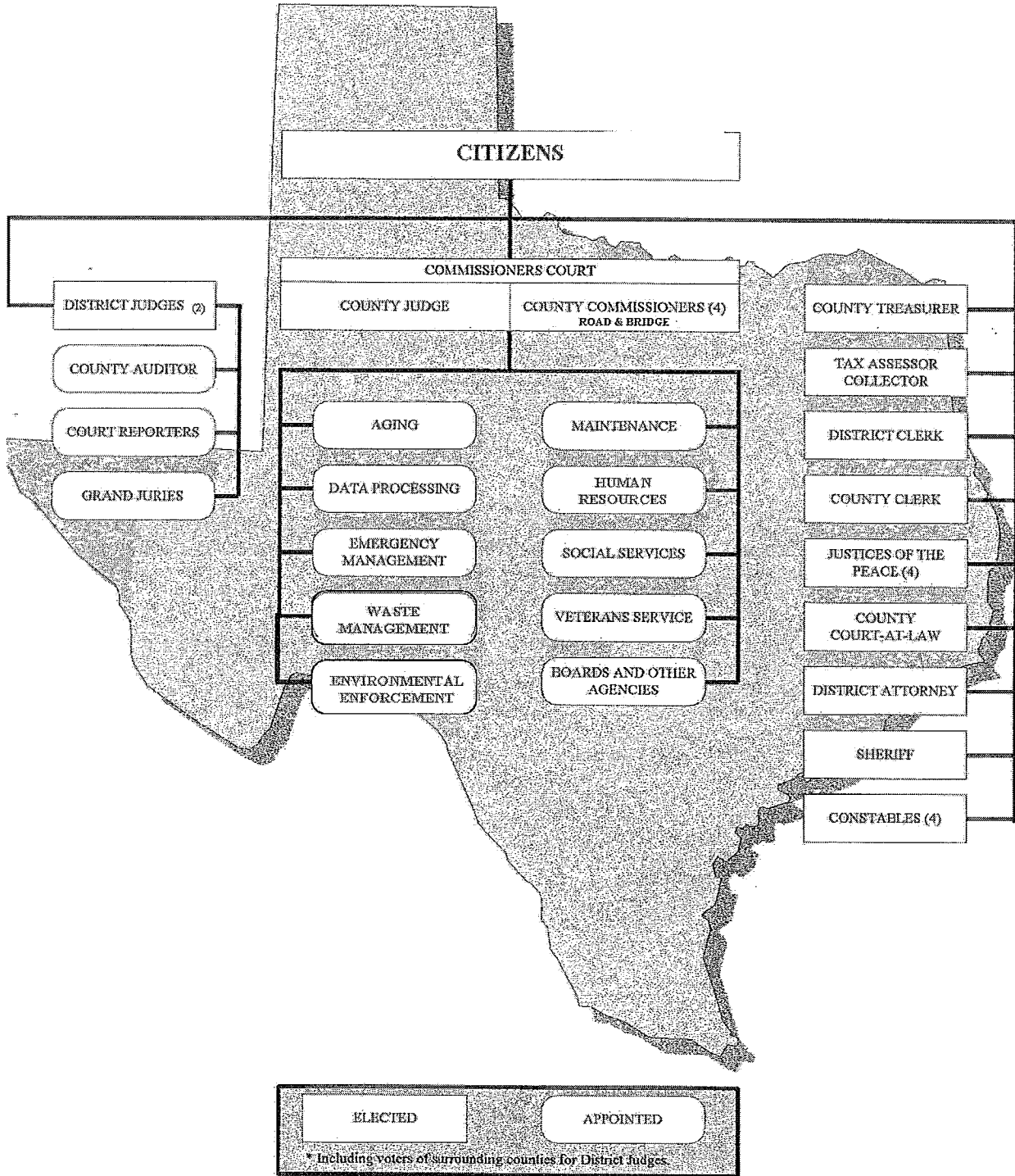
*Designated appointed official. All others are elected.

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POLK COUNTY, TEXAS

ORGANIZATIONAL CHART

September 30, 2010



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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

To the Honorable County Judge and
Members of the Commissioners' Court,
Polk County, Texas:

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Polk County, Texas (the "County"), as of and for the year ended September 30, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of September 30, 2010, and the respective changes in financial position thereof for the year then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 28, 2011 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in assessing the results of our audit.

The management's discussion and analysis, budgetary comparison information, and pension information, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in

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an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's financial statements as a whole. The introductory section, combining statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the financial statements. The combining fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
January 28, 2011

MANAGEMENT'S DISCUSSION AND ANALYSIS

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POLK COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2010

The following Management's Discussion and Analysis ("MD&A") of Polk County's financial performance provides an overview of the County's financial activities for the year ended September 30, 2010. This overview is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the County's financial activity, (c) identify changes in the County's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

Please consider the information presented here in conjunction with the transmittal letter and the County's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

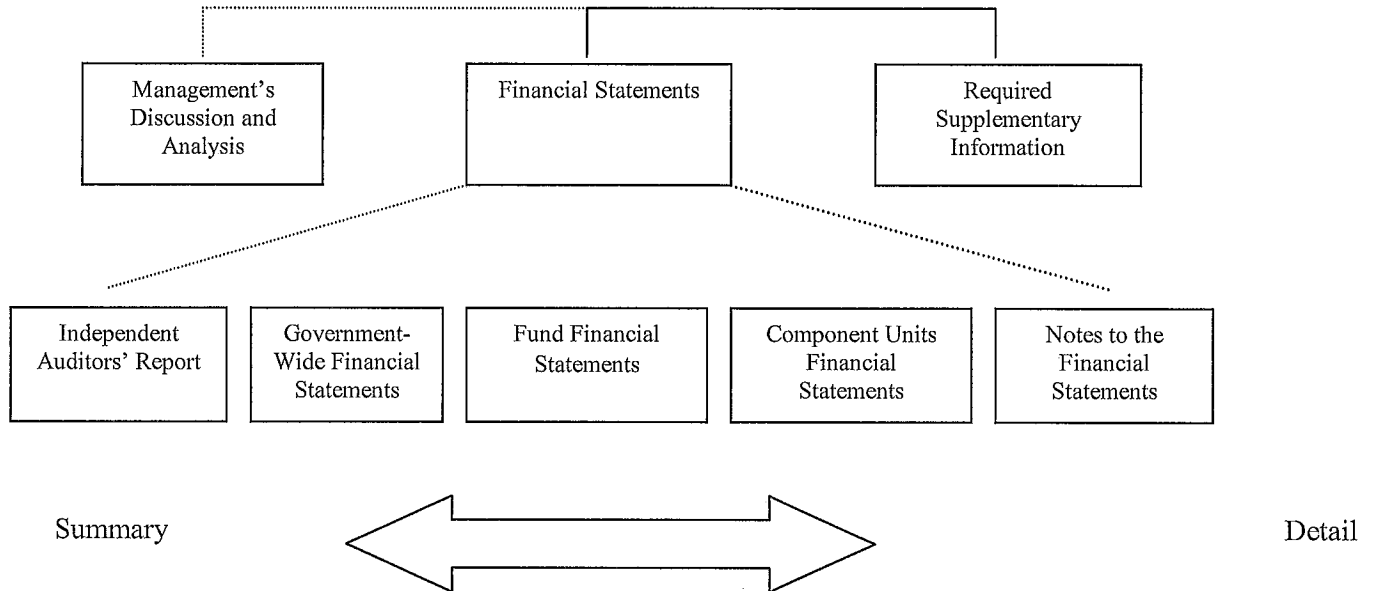
The general fund, on a current financial resource basis (fund level), reported expenditures over revenues and other financing sources and uses of \$143,201, as compared to a planned decrease of \$140,388, which results in a negative variance of \$2,813.

On a government-wide basis for governmental activities, the County had expenses net of program revenue of \$19,305,685. General revenues of \$19,779,707 were \$474,022 greater than expenses net of program revenue.

The County's total net assets, on the government-wide basis, totaled \$26,426,979 at September 30, 2010.

THE STRUCTURE OF OUR ANNUAL REPORT

Components of the Financial Section



The comprehensive annual financial report is presented as compliant with the financial reporting model in effect pursuant to GASB Statement No. 34. The financial reporting model requires governments to present certain basic financial statements as well as a Management's Discussion and Analysis (MD&A) and certain other Required Supplementary Information (RSI). The basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements.

POLK COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For the Year Ended September 30, 2010

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the County as a whole using accounting methods similar to those used by private-sector companies. One of the most important questions asked about the County's finances is, "Is the County as a whole better or worse off as a result of this year's activity?" The Statement of Net Assets and the Statement of Activities, which are the government-wide statements, report information about the County as a whole and about its activities in a way that helps answer this question. These statements include all assets and liabilities on the accrual basis of accounting, which is similar to the basis of accounting used by most private sector entities. All current year revenues and expenses are taken into account regardless of when the cash is received or paid.

The Statement of Net Assets presents information on all the County's assets and liabilities, with the difference between the two reported as net assets. Over time, the increase or decrease in net assets provides one indicator as to whether the County's financial health is improving or deteriorating. Other non-financial factors, such as the County's property tax base and the condition of the County's infrastructure, need to be considered to assess the overall health of the County.

The Statement of Activities presents information showing how the County's net assets changed during the most recent year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows using the accrual method rather than modified accrual that is used in the fund level statements.

In the Statement of Net Assets and the Statement of Activities, the County has only one type of activity:

Governmental Activities – Most of the County's basic services are reported here such as general government, administration of justice, roads and bridges, health and human services, tax administration and interest and fiscal agent fees on long-term debt.

The government-wide financial statements can be found after the MD&A.

FUND FINANCIAL STATEMENTS

Traditional users of government financial statements will find the fund financial statement presentation more familiar. The focus is on the County's most significant funds. The fund financial statements provide more information about the County's most significant funds – not the County as a whole.

The County has two types of funds:

Governmental Funds – Most of the County's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the County's major programs. Because this information does not encompass the additional long-term focus of the government-wide statements, additional information is provided at the bottom of the governmental funds balance sheet that explains the relationship or differences between them.

Fiduciary Funds – These funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the County's own programs.

POLK COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For the Year Ended September 30, 2010

Notes to Financial Statements – The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes are the last section of the basic financial statements.

Other Information – In addition to basic financial statements, this MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI that GASB Statement No. 34 requires includes budgetary comparison schedules for the general fund and road and bridge fund as well as a schedule of funding progress for the Texas County and District Retirement System (TCDRS). RSI can be found after the basic financial statements.

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

In accordance with GASB Statement No. 34, the County is providing comparative information. A comparative analysis of government-wide information is presented below.

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets:

	Governmental Activities	
	2010	2009
Current and other assets	\$ 27,912,995	\$ 41,289,974
Capital assets, net	37,268,716	24,814,020
Total Assets	65,181,711	66,103,994
Long-term liabilities	37,481,049	38,178,677
Other liabilities	1,273,683	1,972,360
Total Liabilities	38,754,732	40,151,037
Net assets:		
Invested in capital assets, net of related debt	16,307,042	14,526,990
Restricted	2,785,081	1,003,827
Unrestricted	7,334,856	10,422,140
Total Net Assets	\$ 26,426,979	\$ 25,952,957

The County's net assets increased by \$474,022, from \$25,952,957 to \$26,426,979. Current assets decreased by \$13,376,979 to \$27,912,995 as compared to capital assets which increase by \$12,454,696 to \$37,268,716. The changes in the total assets reflect a decrease of \$922,283, both the decrease of current assets and the increase in assets reflect the expense of cash on hand in the prior year from bond proceeds for both construction of the Judicial Center and Jail and the addition of the construction in process to capital assets. The County's unrestricted net assets are a negative \$7,334,856. Long-term liabilities decreased by \$697,628 in fiscal year 2010, as the County continues to reduce the outstanding debt related to the County. The increase in net assets and the negative unrestricted assets is due to the addition in capital assets of construction in process on both the Judicial Center and Jail.

POLK COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For the Year Ended September 30, 2010

Statement of Activities

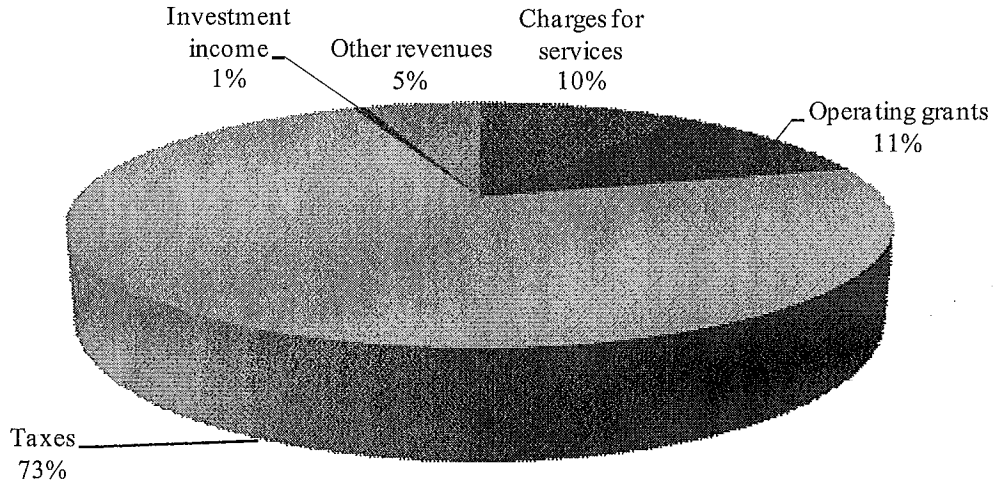
The following table provides a summary of the County's changes in net assets:

	Governmental Activities	
	2010	2009
Revenues		
Program revenues:		
Charges for services	\$ 2,572,604	\$ 2,857,384
Operating grants	2,676,971	10,420,519
General revenues:		
Taxes	18,207,997	17,595,693
Investment income	163,124	338,323
Other revenues	1,408,586	1,693,695
Total Revenues	25,029,282	32,905,614
Expenses		
General government	4,730,688	13,153,683
Administration of justice	10,384,722	8,933,374
Roads and bridges	5,774,317	6,126,250
Health and human services	1,062,130	1,164,876
Tax administration	992,019	1,001,973
Interest and fiscal agent fees on long-term debt	1,611,384	1,602,765
Total Expenses	24,555,260	31,982,921
Change in Net Assets	474,022	922,693
Beginning net assets	25,952,957	25,030,264
Ending Net Assets	\$ 26,426,979	\$ 25,952,957

POLK COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For the Year Ended September 30, 2010

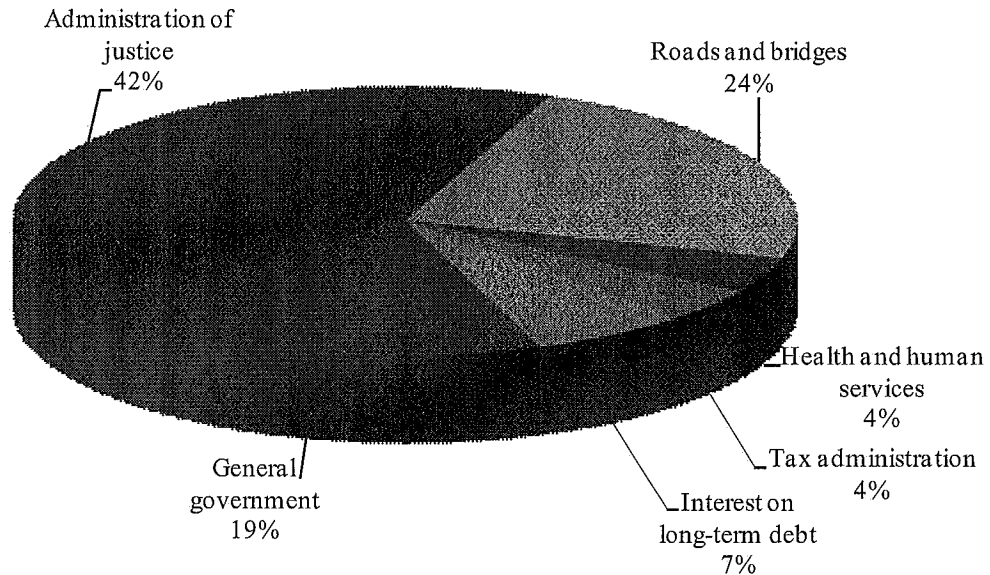
Graphic presentations of selected data from the summary tables follow to assist in the analysis of the County's activities.

Governmental Revenues



Total governmental revenues decreased by \$7,876,332 from the prior year. This decrease is primarily the result of decreased operating grants related to reimbursements from FEMA for Hurricane Ike related expenses.

Governmental Expenses



Governmental expenses have also decreased by \$7,427,661 from the prior year due primarily to Hurricane Ike related cleanup and recovery expenses.

POLK COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For the Year Ended September 30, 2010

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, fund accounting is used to demonstrate and ensure compliance with finance-related legal requirements.

Governmental Funds – The focus of the County's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing the County's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the County's net resources available for spending at the end of the year.

The County's governmental funds reflect a combined fund balance of \$24,194,061. Of this, \$5,939,757 is unreserved and available for day-to-day operations of the County, \$813,202 is reserved for debt service, \$412,767 is reserved for endowments/trusts, \$13,910,576 is reported in capital projects funds, and \$3,117,759 is reported in special revenue funds.

There was a decrease in the combined fund balance of \$13,013,401 from the prior year. The largest is the decrease in the judicial center fund balance of \$2,807,572 and jail expansion fund balance of \$9,639,992.

General fund had a decrease of \$143,201, with an ending fund balance of \$5,939,757. This decrease can be attributed to a decrease in property taxes, investment revenue and other miscellaneous revenues. The County's fund balance policy for the general fund is a three month reserve and the general fund balance of \$5,939,757 is in compliance with the policy.

There was an increase of \$146,409 in the debt service fund providing an ending fund of \$813,202. Debt service payments totaled \$3,630,065 for the year.

Road and bridge fund had a decrease in fund balance of \$548,639, which brings the ending fund balance to \$1,464,873. This was primarily due to less property tax revenue received than projected and fund balance was used to cover expenditures for 2010.

The jail expansion fund had an ending balance of \$7,151,127, a decrease of \$9,639,992 from the prior year. This decrease in fund balance is due to ongoing expenses related to the jail expansion project.

The judicial center also experienced a decrease in fund balance of \$2,807,572 due to capital outlay expenditures related to the ongoing construction of the judicial center.

There was a decrease in grant revenues and expenditures when compared to the prior year in the grant fund as a result of decrease in monies received from FEMA for Hurricane Ike and disaster related expenditures. The end result was a modest fund balance decrease of \$23,544 in the grants fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

General fund expenditures were under the final budget by \$627,887. This is due to positive expenditure variances in all departments. There were no significant changes between the original and final amended budget.

During the 2010 year, the Commissioners' Court amended the budget for the following purposes:

- To re-appropriate monies to pay for commitments in the form of encumbrances established prior to September 30, 2010, but not paid by that date;
- To appropriate monies from other governmental units received in year 2010;

POLK COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS, Continued
For the Year Ended September 30, 2010

- To re-appropriate monies within or between departments;
- To reflect department year end projections.

CAPITAL ASSETS

At the end of the year, the County's governmental activities funds had invested \$37,268,716 in a variety of capital assets and infrastructure, net of depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34.

Major capital asset events during the current year included the following:

- Construction in process of the jail and judicial center;
- nine Mack trucks for road and bridge; and
- Fifteen vehicles for the Sheriff's department.

More detailed information about the County's capital assets is presented in the notes to the financial statements.

LONG-TERM DEBT

At the end of the year, the County reported total bonds, certificates of obligation, notes, time warrants, and capital leases of \$34,911,087. The County issued \$830,000 in tax notes and \$981,087 in capital leases in fiscal year 2010.

More detailed information about the County's long-term liabilities is presented in the notes to the financial statements.

All of the County's bond issues have been successful in qualifying for bond insurance resulting in ratings of "BAA" and "AAA" by Moody's and Standard & Poors, respectively.

ECONOMIC FACTORS

The County continues to grow as seen in the increase in assessed property valuations for both residential and commercial entities. The County has continued the permanent road program to solidify the infrastructure of the County.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

This financial report is designed to provide a general overview of the County's finances. Questions concerning this report or requests for additional financial information should be directed to Ray Stelly, CPA, County Auditor, Polk County, 602 East Church Street, Suite 108, Livingston, Texas 77351.

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BASIC FINANCIAL STATEMENTS

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POLK COUNTY, TEXAS

STATEMENT OF NET ASSETS

September 30, 2010

	Primary Government Governmental Activities	Component Unit
<u>Assets</u>		
Cash and cash equivalents	\$ 15,814,854	\$ 7,284,541
Investments	7,144,115	-
Receivables, net	3,987,000	2,474,909
Prepays	17,162	-
Due from component unit	185,967	-
Deferred charges	763,897	2,733,094
Total Current Assets	27,912,995	12,492,544
Capital assets:		
Nondepreciable capital assets	16,561,518	2,170,516
Capital assets, net of accumulated depreciation	20,707,198	27,309,214
Total Assets	65,181,711	41,972,274
<u>Liabilities</u>		
Current liabilities		
Accounts payable and accrued liabilities	849,557	2,006,431
Due to primary government	-	185,967
Accrued interest payable	367,036	1,283,021
Due to other units	57,090	-
Total Current Liabilities	1,273,683	3,475,419
Noncurrent liabilities:		
Long-term liabilities due within one year	3,462,903	1,500,000
Long-term liabilities due in more than one year	34,018,146	42,938,912
Total Liabilities	38,754,732	47,914,331
<u>Net Assets</u>		
Invested in capital assets, net of related debt	16,307,042	(7,346,810)
Restricted for:		
Debt service	712,559	-
Endowments/trusts	412,767	-
Road and Bridge	1,464,873	-
Grants	194,882	-
Unrestricted	7,334,856	1,404,753
Total Net Assets	\$ 26,426,979	\$ (5,942,057)

See Notes to Financial Statements.

POLK COUNTY, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2010

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental Activities:			
General government	\$ 4,730,688	\$ 2,313,774	\$ 2,285,220
Administration of justice	10,384,722	42,364	82,490
Roads and bridges	5,774,317	77,566	-
Health and human services	1,062,130	138,900	309,261
Tax administration	992,019	-	-
Interest and fiscal agent fees on long-term debt	1,611,384	-	-
Total Governmental Activities	24,555,260	2,572,604	2,676,971
Total Primary Government	\$ 24,555,260	\$ 2,572,604	\$ 2,676,971
 IAH Public Facility Corporation			
Detention facility	\$ 16,079,594	\$ 18,613,315	\$ -
Interest and fiscal agent fees on long-term debt	3,361,163	-	-
Total Component Unit	\$ 19,440,757	\$ 18,613,315	\$ -

General Revenues:

Property taxes
Sales taxes
Other taxes
Investment income
Other revenues

Total General Revenues

Change in Net Assets

Beginning Net Assets

Ending Net Assets

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Assets	
<u>Governmental Activities</u>	<u>Component Unit</u>
\$ (131,694)	\$ -
(10,259,868)	-
(5,696,751)	-
(613,969)	-
(992,019)	-
(1,611,384)	-
<u>(19,305,685)</u>	<u>-</u>
<u>(19,305,685)</u>	<u>-</u>
-	2,533,721
-	<u>(3,361,163)</u>
-	<u>(827,442)</u>
15,346,309	-
1,623,603	-
1,238,085	-
163,124	79,765
1,408,586	-
<u>19,779,707</u>	<u>79,765</u>
474,022	(747,677)
<u>25,952,957</u>	<u>(5,194,380)</u>
<u>\$ 26,426,979</u>	<u>\$ (5,942,057)</u>

POLK COUNTY, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2010

	General	Debt Service	Road and Bridge	Jail Expansion
<u>Assets</u>				
Cash and cash equivalents	\$ 3,864,755	\$ 562,075	\$ 2,130,410	\$ 8,461
Investments	-	-	-	7,144,115
Receivables, net	1,667,179	457,424	493,815	-
Prepays	17,162	-	-	-
Due from other funds	1,995,624	230,000	-	-
Due from other units	185,967	-	-	-
Total Assets	\$ 7,730,687	\$ 1,249,499	\$ 2,624,225	\$ 7,152,576
<u>Liabilities</u>				
Accounts payable and accrued liabilities	\$ 476,826	\$ 305	\$ 159,906	\$ 1,449
Due to other funds	233,700	-	541,164	-
Due to other units	-	-	26,384	-
Deferred revenue	1,080,404	435,992	431,898	-
Total Liabilities	1,790,930	436,297	1,159,352	1,449
<u>Fund Balances</u>				
Reserved for:				
Debt service	-	813,202	-	-
Endowments/trusts	-	-	-	-
Unreserved, undesignated reported in:				
General fund	5,939,757	-	-	-
Capital project funds	-	-	-	7,151,127
Special revenue funds	-	-	1,464,873	-
Total Fund Balances	5,939,757	813,202	1,464,873	7,151,127
Total Liabilities and Fund Balances	\$ 7,730,687	\$ 1,249,499	\$ 2,624,225	\$ 7,152,576

Adjustments for the Statement of Net Assets:

Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.

Nondepreciable capital assets
Depreciable capital assets, net

Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.

Deferred revenue

Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

Accrued interest payable
Unamortized bond issuance costs

Long-term liabilities due within one year:

Long-term liabilities due in more than one year:

Net Assets of Governmental Activities

See Notes to Financial Statements.

Judicial Center	Grants	Nonmajor Governmental Funds	Total Governmental Funds
\$ 6,759,449	\$ 295,659	\$ 2,194,045	\$ 15,814,854
-	-	-	7,144,115
-	1,292,279	76,303	3,987,000
-	-	-	17,162
-	-	3,700	2,229,324
-	-	-	185,967
<u>\$ 6,759,449</u>	<u>\$ 1,587,938</u>	<u>\$ 2,274,048</u>	<u>\$ 29,378,422</u>
\$ -	\$ 5,632	\$ 205,439	\$ 849,557
-	1,387,424	67,036	2,229,324
-	-	30,706	57,090
-	-	100,096	2,048,390
-	1,393,056	403,277	5,184,361
-	-	-	813,202
-	-	412,767	412,767
-	-	-	5,939,757
6,759,449	-	-	13,910,576
-	194,882	1,458,004	3,117,759
<u>6,759,449</u>	<u>194,882</u>	<u>1,870,771</u>	<u>24,194,061</u>
<u>\$ 6,759,449</u>	<u>\$ 1,587,938</u>	<u>\$ 2,274,048</u>	
			16,561,518
			20,707,198
			2,048,390
			(367,036)
			763,897
			(3,462,903)
			(34,018,146)
			<u>\$ 26,426,979</u>

POLK COUNTY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

For the Year Ended September 30, 2010

	General	Debt Service	Road and Bridge	Jail Expansion
Revenues				
Property taxes	\$ 7,839,248	\$ 3,523,442	\$ 3,732,508	\$ -
Sales taxes	1,623,603	-	-	-
Other taxes	152,030	-	1,056,181	-
Fines and forfeitures	727,752	-	77,566	-
Charges for services	1,256,679	-	-	-
Intergovernmental revenue	1,977,293	-	-	-
Licenses and permits	168,435	-	-	-
Investment income	41,004	23,032	4,669	75,095
Other revenue	1,156,530	-	67,370	-
Total Revenues	14,942,574	3,546,474	4,938,294	75,095
Expenditures				
Current:				
General government	4,665,829	-	-	-
Administration of justice	9,324,368	-	-	-
Roads and bridges	-	-	5,473,262	-
Health and human services	639,661	-	-	-
Tax administration	985,611	-	-	-
Debt Service:				
Principal	-	2,235,000	946,266	-
Interest and fiscal charges	-	1,395,065	55,231	-
Debt issuance costs	36,839	-	-	-
Capital Outlay	-	-	1,022,242	9,715,087
Total Expenditures	15,652,308	3,630,065	7,497,001	9,715,087
Excess (Deficiency) of Revenues Over (Under) Expenditures	(709,734)	(83,591)	(2,558,707)	(9,639,992)
Other Financing Sources (Uses)				
Transfers in	206,075	230,000	-	-
Transfers (out)	(278,515)	-	-	-
Debt issuance	638,973	-	1,135,478	-
Sale of capital assets	-	-	874,590	-
Total Other Financing Sources (Uses)	566,533	230,000	2,010,068	-
Net Change in Fund Balances	(143,201)	146,409	(548,639)	(9,639,992)
Beginning Fund Balances	6,082,958	666,793	2,013,512	16,791,119
Ending Fund Balances	\$ 5,939,757	\$ 813,202	\$ 1,464,873	\$ 7,151,127

See Notes to Financial Statements.

<u>Judicial Center</u>	<u>Grants</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 15,095,198
-	-	-	1,623,603
-	-	29,874	1,238,085
-	-	5,004	810,322
-	-	358,030	1,614,709
-	287,065	391,751	2,656,109
-	-	-	168,435
17,155	-	2,169	163,124
-	-	184,686	1,408,586
<u>17,155</u>	<u>287,065</u>	<u>971,514</u>	<u>24,778,171</u>
-	310,609	245,392	5,221,830
-	-	227,595	9,551,963
-	-	-	5,473,262
-	-	338,936	978,597
-	-	-	985,611
-	-	-	3,181,266
-	-	-	1,450,296
-	-	-	36,839
2,824,727	-	-	13,562,056
<u>2,824,727</u>	<u>310,609</u>	<u>811,923</u>	<u>40,441,720</u>
(2,807,572)	(23,544)	159,591	(15,663,549)
-	-	49,421	485,496
-	-	(206,981)	(485,496)
-	-	1,107	1,775,558
-	-	-	874,590
-	-	<u>(156,453)</u>	<u>2,650,148</u>
(2,807,572)	(23,544)	3,138	(13,013,401)
<u>9,567,021</u>	<u>218,426</u>	<u>1,867,633</u>	<u>37,207,462</u>
<u>\$ 6,759,449</u>	<u>\$ 194,882</u>	<u>\$ 1,870,771</u>	<u>\$ 24,194,061</u>

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POLK COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ending September 30, 2010

Amounts reported for governmental activities in the Statement of Activities are different because:

Net changes in fund balances – total government funds	\$ (13,013,401)
-------------------------------------------------------	-----------------

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Capital outlay	14,751,229
Depreciation expense	(1,019,119)
Capital retirements, net	(1,277,414)

Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenues in the funds.

Deferred revenue	251,111
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Bonds and note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.

Principal payment	3,188,242
Debt issuance	(1,775,558)
Changes to bond premiums, issuance costs, and deferred charges	(37,229)
Landfill closure and post closure increase	(286,282)

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This adjustment reflects the net change in interest payable on the accrual basis of accounting and the net change in OPEB obligation and compensated absences.

Accrued interest payable	(100,643)
Net OPEB obligation	(218,689)
Compensated absences	11,775

Change in Net Assets of Governmental Activities	\$ <u>474,022</u>
--------------------------------------------------------	--------------------------

See Notes to Financial Statements.

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POLK COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
AGENCY FUNDS
September 30, 2010

	<u>Total Agency Funds</u>
<u>Assets</u>	
Cash and cash equivalents	\$ 4,553,193
Total Assets	<u>\$ 4,553,193</u>
<u>Liabilities</u>	
Due to other units	\$ 4,553,193
Total Liabilities	<u>\$ 4,553,193</u>

See Notes to Financial Statements.

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POLK COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

Polk County, Texas (the “County”), is an independent government entity created in 1846 from Liberty County by an act of the Texas Legislature. The County is governed by Commissioners’ Court, composed of four County Commissioners and the County Judge, all of whom are elected officials.

The County’s financial statements include the accounts of all County operations. The County provides a vast array of services including administration of justice, health and human services, public improvements, and general administration.

Considerations regarding the potential for inclusion of other entities, organizations, or functions in the County’s financial reporting entity are based on criteria prescribed by generally accepted accounting principles. These same criteria are evaluated in considering whether the County is a part of any other governmental or other type of reporting entity. The overriding elements associated with prescribed criteria considered in determining that the County’s financial reporting entity status is that of a primary government are that it has a separately elected governing body; it is legally separate; and it is fiscally independent of other state and local governments. Additionally, prescribed criteria under generally accepted accounting principles include considerations pertaining to organizations for which the primary government is financially accountable and considerations pertaining to 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.

Discretely Presented Component Unit

IAH Public Facility Corporation

IAH Public Facility Corporation (the “Corporation”) has been included in the reporting entity as a discretely presented component unit. The Corporation was created under the Public Facility Corporation Act Chapter 303 (the “Act”) of the Texas Local Government Code by the County in 2004 for the purpose of promoting, assisting, and enhancing economic and development activities on behalf of the County. The Board of Directors is appointed by and serves at the discretion of the Commissioners’ Court of the County. Commissioners’ Court approval is required for annual budgets and bonded debt issuance. The operations of the Corporation are presented as a governmental fund type. Separate financial statements of the Corporation may be obtained from the County Auditor’s office. Additional information regarding this component unit is presented in note V.H.

B. Financial Statement Presentation

These financial statements include implementation of Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*. Certain of the significant changes in the statement include the following:

- A Management’s Discussion and Analysis (MD&A) section providing an analysis of the County’s overall financial position and results of operations.
- Financial statements prepared using full accrual accounting for all of the County’s activities.

POLK COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

- A change in the fund financial statements to focus on the major funds.

Statement No. 34 established standards for external financial reporting for all state and local governmental entities, which includes a Statement of Net Assets and a Statement of Activities. It requires the classification of net assets be divided into three components: invested in capital assets, net of related debt; restricted; and unrestricted. These classifications are defined as follows:

- **Invested in capital assets, net of related debt** – This component of net assets consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- **Restricted** – This component of net assets consists of constraints placed on net asset use through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, laws or regulations of other governments, or constraints imposed by law through constitutional provisions or enabling legislation.
- **Unrestricted** – This component of net assets consists of net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

C. Government-Wide and Fund Accounting

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Activities) report information about the County as a whole, excluding fiduciary activities. These statements include all activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which the County has none.

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the County’s governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Program revenues include charges paid by the recipients of goods or services offered by the programs and grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, such as taxes and investment earnings, are presented as general revenues.

Separate financial statements are provided for governmental and agency funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

In the fund financial statements, the accounts of the County are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate.

POLK COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

Following is a description of the various funds:

1. Governmental Funds

Governmental funds are those funds through which most governmental functions are typically financed.

General Fund

The general fund is used to account for all financial transactions not properly includable in other funds. The principal sources of revenues include local property taxes, licenses and permits, fines and forfeitures, and charges for services. Expenditures include general government, administration of justice, health and human services, and tax administration.

Special Revenue Funds

The special revenue funds are used to account for proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes (not including permanent funds or major capital projects).

The following special revenue funds are considered major funds for reporting purposes:

Road and Bridge Fund – This fund is used to account for revenues of property taxes levied and vehicle registration fees for the road and bridge fund. Uses of funds are restricted for the maintenance of roads, bridges, and the operations of related facilities. All precinct operations, as well as permanent road monies, are accounted for in this fund.

Grant Fund – This fund is used to account for various grants received by the County which are not reported in a separate fund.

The remaining special revenue funds are considered nonmajor funds for reporting purposes.

Debt Service Fund

The debt service fund is used to account for the payment of interest and principal on all general obligation bonds and other long-term debt of the County. The primary source of revenue for debt service is local property taxes. The debt service fund is considered a major fund for reporting purposes.

Capital Projects Funds

The capital projects funds are used to account for the expenditures of resources accumulated from certificates of obligation and related interest earnings for capital improvement projects. The jail expansion fund and the judicial center fund are considered major funds for reporting purposes.

Permanent Funds

Permanent funds are governmental funds which are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs.

POLK COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

The County has the following permanent fund which is considered a nonmajor fund for reporting purposes:

Permanent School Fund – This fund was established from proceeds received from the sale of lands granted by the State of Texas for educational purposes. Earnings from this fund, other than oil royalties, accrue directly to the available school fund. Oil royalties are deposited to the permanent school fund, which increases the principal.

2. Fiduciary Funds

The fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The County has the following types of fiduciary funds:

Agency Funds

The agency funds are custodial in nature and do not present results of operations or have a measurement focus. Agency funds are accounted for using the accrual basis of accounting. These funds are used to account for assets that the County holds for others in an agency capacity. The County's agency funds include the following:

County Clerk Probate Trust Fund – Registry funds that are the custodies of the County Clerk until a court order determines the disposition of such funds are accounted for in this fund.

District Clerk Trust Fund – Registry fund, that are the custodies of the District Clerk until a court order determines the disposition of such funds are accounted for in this fund.

Tax Collector's Fund – Tax collections are deposited intact in the tax collector's agency accounts pending distribution.

D. Measurement Focus and Basis of Accounting

The government-wide Statements of Net Assets and Statements of Activities are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations of these activities are either included on the balance sheet or on the statement of fiduciary net assets.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. All governmental funds are accounted for using a current financial resources measurement focus. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Operating statements of these funds present increases (i.e., revenues and other financing resources) and decreases (i.e., expenditures and other financing uses) in net current assets.

The County utilizes the modified accrual basis of accounting in the governmental fund types. Under the modified accrual basis of accounting, revenues are recognized in the accounting period when they are

POLK COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

susceptible to accrual (i.e., when they are measurable and available). Measurable means the amount of transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues available if they are collected within 60 days of the end of the current period. Revenues susceptible to accrual include charges for services and interest on temporary investments.

Property taxes and interest associated with the current period are all susceptible to accrual and so have been recognized as revenues of the current period. Other receipts and other taxes become measurable and available when cash is received by the County and are recognized as revenue at that time. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

Under modified accrual accounting, expenditures are recognized in the accounting period in which the liability is incurred, if measurable, except for interest on general long-term debt, which is recognized when due.

The Statements of Net Assets and Statements of Activities are presented on the accrual basis of accounting. Under this method of accounting, revenues are recognized in the accounting period in which they are earned, and expenses in the accounting period in which they are incurred.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements.

Agency funds are unlike other types of funds, reporting only assets and liabilities. Agency funds cannot be said to have a measurement focus. They do, however, use the accrual basis of accounting to recognize receivables and payables.

E. Assets, Liabilities, and Net Assets or Fund Equity

1. Deposits and Investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

The County's investments are accounted for in accordance with GASB Statement No. 31, *Accounting and Reporting for Certain Investments and External Investment Pools*, which establishes accounting and reporting standards for all of the County's investments. In accordance with Statement No. 31, the County reports all investments at fair value, except for "money market investments" and "2a7-like pools." Money market investments, which are short-term highly liquid debt instruments that may include U.S. Treasury and agency obligations, are reported at amortized costs. Investment positions in external investment pools that are operated in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940, such as TexPool, are reported using the pools' share price.

The Local Government Code of Texas authorizes the County to invest in:

- (1) obligations of the United States or its agencies and instrumentalities;
- (2) direct obligations of the State of Texas or its agencies and instrumentalities;
- (3) collateral mortgage obligations, although significantly limited;

POLK COUNTY, TEXAS
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- (4) other obligations, the principal and interest on which are unconditionally guaranteed or insured or backed by the full faith and credit of the State of Texas or the United States or their respective agencies and instrumentalities;
- (5) obligations of State agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm of not less than A or its equivalent;
- (6) certificates of deposit issued by State and national banks or savings and loans domiciled in Texas which are:
 - (a) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor; or
 - (b) secured by obligations of paragraphs (1) to (5) above and that have a market value of not less than the principal amount of the certificates but excluding certain mortgage-backed securities;
 - (c) fully collateralized repurchase agreements, bankers' acceptances, commercial paper, mutual funds, guaranteed investment contracts, and investment pools all of which are required to meet certain restrictive criteria.

2. Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the year are referred to as either "interfund receivables/payables" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds are offset by a fund balance reserve account in applicable governmental funds to indicate they are not available for appropriation and are not expendable, available financial resources.

All trade receivables are shown net of an allowance for uncollectibles.

Property Taxes

General property taxes are recorded as revenue when levied for the current year and due, payable, and collected in the current year. Uncollected amounts at year end are reported as deferred revenue. Delinquent property taxes collected within 60 days subsequent to year end were not considered material.

The property tax calendar dates are:

Levy date and due date – October 1

Collection dates – October 1 through January 31

Lien date – February 1

The County bills and collects its own taxes and those for certain government entities within the County. Collections of the property taxes and subsequent remittances to the proper entities are accounted for in the tax assessor's agency fund. Tax collections deposited for the County are distributed on a periodic basis to the general, road and bridge, and debt service funds of the County. This distribution is based upon the tax rate established for each fund by order of the Commissioners' Court for the tax year for

POLK COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

which the collections are made.

The appraisal of property within the County is the responsibility of the County-wide appraisal district, which is required under the property tax code to assess all property within the appraisal district on the basis of 100 percent of its appraised value, and is prohibited from applying any assessment ratios. The appraisal district must review the value of the property within the County every three years unless the County, at its own expense, requires more frequent reviews. The County may challenge the appraised values through various appeals and, if necessary, legal action. Under this legislation, the County sets tax rates on County property.

3. Inventories and Prepaid Items

The costs of governmental fund inventories are recorded as expenditures when the related liability is incurred, i.e., the purchase method. In addition, certain payments to vendors reflect costs applicable to future accounting periods and are also recorded as expenditures when purchased.

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Property, plant, and equipment of the primary government are depreciated using the straight-line method over the following estimated useful years.

<u>Asset Description</u>	<u>Estimated Useful Life</u>
Infrastructure	20 to 50 years
Buildings	10 to 50
Improvements other than buildings	5 to 30
Equipment	3 to 30

The costs of a significant portion of capital assets have been estimated based on management’s estimated historical cost.

5. Compensated Employee Absences

It is the County’s policy to permit employees to accumulate earned but unused vacation, compensatory time, and sick pay benefits. Additionally, Sheriff’s department employees are allowed to accumulate holidays. No liability is reported for unpaid accumulated sick leave since it does not vest. Vacation, compensatory time, and holiday pay that is expected to be liquidated with expendable, available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it.

POLK COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

Amounts of vested or accumulated vacation leave and compensatory time that are not expected to be liquidated with expendable available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

6. Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Assets. The long-term debt consists primarily of bonds payable and accrued compensated absences.

Long-term debt for governmental funds is not reported as a liability in the fund financial statements until due. The debt proceeds are reported as other financing sources, net of the applicable premium or discount and payment of principal and interest reported as expenditures. In the governmental fund types, issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures. However, claims and judgments and compensated absences paid from governmental funds are reported as liabilities in the fund financial statements only for the portion expected to be financed from expendable available financial resources.

Assets acquired under the terms of capital leases are recorded as liabilities and capitalized in the government-wide financial statements at the present value of net minimum lease payments at inception of the lease. In the year of acquisition, capital lease transactions are recorded as other financing sources and as capital outlay expenditures in the general fund. Lease payments representing both principal and interest are recorded as expenditures in the general fund upon payment, with an appropriate reduction of principal recorded in the government-wide financial statements.

7. Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

8. Estimates

The preparation of financial statements, in conformity with generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of certain differences between the governmental fund balance sheet and the government - wide Statement of Net Assets.

The governmental fund balance sheet includes a reconciliation between *fund balance-total governmental funds* and *net assets-governmental activities* as reported in the government-wide Statement of Net Assets. One element of that reconciliation explains that long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds.

POLK COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

B. Explanation of certain differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide Statement of Activities.

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities and states that “the issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities.”

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

The original budget is adopted by the Commissioners’ Court prior to the beginning of the year. The legal level of control is at the department level in the general fund and road and bridge fund. Debt service, jail expansion, judicial center and grant funds legal level of control is at the fund level. The remaining special revenue funds with adopted budgets are: courthouse security, law library, aging, county records management, county clerk records preservation, hotel/motel tax, jp technology, historical commission, available school, district attorney collection, district clerk records preservation, forfeiture, environmental services, jail commissary, district attorney special, justice court building security, and permanent school. The legal level control for these special revenue funds is at the fund level. Although budgets are adopted annually for these special revenue funds, they are not subject to performance measurement. Management may not amend the budget without the approval of Commissioners’ Court.

Appropriations lapse at the end of the year except in the road and bridge special revenue fund and the capital project funds: jail expansion and judicial center. Budgets are adopted for all funds except the fiduciary funds. Budgets are adopted on a GAAP basis for all budgeted funds except for the jail expansion and judicial center, which adopt a project length budget. Several supplemental budget appropriations were made for the year ended September 30, 2010.

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2010, the County had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
TexPool	\$ 13,345,619	0.00
Certificates of Deposit	1,000,000	0.40
Texas CLASS	7,144,115	0.00
	<u>\$ 21,489,734</u>	
Portfolio weighted average maturity		0.40

Interest rate risk. In accordance with its investment policy, the County manages its exposure to declines in fair values by limiting the weighted average maturity of its investment portfolio to five years or less.

POLK COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

Credit risk. State law and the County’s investment policy limits investments to obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent. Further, commercial paper must be rated not less than A-1 or P-1 or an equivalent rating by at least two nationally recognized credit rating agencies. As of September 30, 2010, the County’s investments in TexPool and Texas CLASS were rated AAAM by Standard & Poor’s

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the County’s deposits may not be returned to it. The County’s investment policy requires funds on deposit at the depository bank to be collateralized by securities and FDIC insurance. As of September 30, 2010, bank balances did not exceed the market values of pledged securities and FDIC insurance.

TexPool was established as a trust company with the Treasurer of the State of Texas as trustee, segregated from all other trustees, investments, and activities of the trust company. The State Comptroller of Public Accounts exercises oversight responsibility over TexPool. Oversight includes the ability to significantly influence operations, designation of management, and accountability for fiscal matters. Additionally, the State Comptroller has established an advisory board composed of both participants in TexPool and other persons who do not have a business relationship with TexPool. The advisory board members review the investment policy and management fee structure. Finally, Standard & Poor’s rate TexPool AAAM. As a requirement to maintain the rating, weekly portfolio information must be submitted to Standard & Poor’s, as well as to the office of the Comptroller of Public Accounts for review.

The Cooperative Liquid Assets Securities System – Texas (“CLASS”) is a public funds investment pool under Section 2256.016 of the Public Funds Investment Act, Texas Government Code, as amended (the “Act”). CLASS is created under an Amended and Restated Trust Agreement, dated as of May 1, 2001 (the “Agreement”), among certain Texas governmental entities investing in the pool (the “Participants”), MBIA Municipal Investors Service Corporation (“MBIA-MISC”) as Program Administrator, and Wells Fargo as Custodian. CLASS is not SEC registered and is not subject to regulation by the State of Texas. Under the Agreement, however, CLASS is administered and supervised by a seven-member board of trustees (the “Board”), whose members are investment officers of the participants, elected by the participants for overlapping two-year terms. In the agreement and by resolution of the Board, CLASS has contracted with MBIA-MISC to provide for the investment and management of the public funds of CLASS. Separate financial statements for Texas CLASS may be obtained by contacting MBIA Asset Management at 815-A Brazos Street, Suite 345, Austin, Texas 78701-9996, or by calling 800-707-6242.

B. Receivables

The following comprise receivable balances at year end:

	<u>General</u>	<u>Debt Service</u>	<u>Road and Bridge</u>	<u>Grants</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Property taxes	\$ 1,080,404	\$ 435,992	\$ 431,898	\$ -	\$ -	\$ 1,948,294
Other taxes	281,874	-	-	-	-	281,874
Other	304,901	21,432	61,917	1,292,279	76,303	1,756,832
	<u>\$ 1,667,179</u>	<u>\$ 457,424</u>	<u>\$ 493,815</u>	<u>\$ 1,292,279</u>	<u>\$ 76,303</u>	<u>\$ 3,987,000</u>

POLK COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

C. Capital Assets

A summary of changes in capital assets for the year ended September 30, 2010, follows:

	Beginning Balance	Increases	(Decreases)	Ending Balance
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 1,471,341	\$ 12,135	\$ -	\$ 1,483,476
Construction in progress	2,550,363	12,527,679	-	15,078,042
Total capital assets not being depreciated	4,021,704	12,539,814	-	16,561,518
Other capital assets:				
Infrastructure	90,931,870	-	-	90,931,870
Buildings	5,728,788	179,176	-	5,907,964
Improvements	1,924,358	170,498	-	2,094,856
Equipment	13,154,560	1,861,741	(1,277,414)	13,738,887
Total other capital assets	111,739,576	2,211,415	(1,277,414)	112,673,577
Less accumulated depreciation for:				
Infrastructure	(81,207,521)	(245,205)	-	(81,452,726)
Buildings	(1,513,743)	(128,923)	-	(1,642,666)
Improvements	(927,903)	(83,708)	-	(1,011,611)
Equipment	(7,298,093)	(1,038,283)	477,000	(7,859,376)
Total accumulated depreciation	(90,947,260)	(1,496,119)	477,000	(91,966,379)
Other capital assets, net	20,792,316	715,296	(800,414)	20,707,198
Totals	\$ 24,814,020	\$ 13,255,110	\$ (800,414)	37,268,716
			Less associated debt	(34,872,250)
			Plus remaining bond proceeds	13,910,576
			Invested in Capital Assets, Net of Related Debt	\$ 16,307,042

Depreciation was charged to governmental functions as follows:

General government	\$ (261,918)
Administration of justice	(332,614)
Roads and bridges	(761,849)
Health and human services	(133,330)
Tax administration	(6,408)
Total Governmental Activities Depreciation Expense	\$ (1,496,119)

POLK COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

D. Long-Term Liabilities

The following is a summary of changes in the County's total governmental long-term liabilities for the year ended September 30, 2010. In general, the County uses the general and debt service funds to liquidate governmental long-term liabilities.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds, notes payable, and capital leases:					
Certificates of obligation	\$ 28,415,000	\$ -	\$ (775,000)	\$ 27,640,000	\$ 845,000
Tax notes	6,920,000	830,000	(1,460,000)	6,290,000	1,440,000
Obligations under capital leases	988,771	945,558	(953,242)	981,087	964,886
Time warrants	-	-	-	-	-
Less deferred amounts:					
For issuance discounts	(212,837)	-	12,520	(200,317)	-
Premium	176,096	-	(14,616)	161,480	-
	<u>36,287,030</u>	<u>1,775,558</u>	<u>(3,190,338)</u>	<u>34,872,250</u>	<u>* 3,249,886</u>
Other:					
Compensated absences	248,460	25,021	(36,796)	236,685	213,017
Net OPEB obligation	223,956	218,689	-	442,645	-
Landfill closure and post closure care costs	1,643,187	286,282	-	1,929,469	-
	<u>2,115,603</u>	<u>529,992</u>	<u>(36,796)</u>	<u>2,608,799</u>	<u>213,017</u>
Total Governmental Activities	<u>\$ 38,402,633</u>	<u>\$ 2,305,550</u>	<u>\$ (3,227,134)</u>	<u>\$ 37,481,049</u>	<u>\$ 3,462,903</u>

Long-term liabilities due in more than one year \$ 34,018,146

* Debt associated with capital assets \$ 34,872,250

See footnote V.C. for additional information regarding landfill closure and post closure care costs. The County is not obligated in any manner for special assessment debt.

Long-term liabilities applicable to the County's governmental activities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the governmental funds. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due.

POLK COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

A summary of the County's debt service requirements, including interest, is as follows:

	<u>Percentage Interest Rate</u>	<u>Original Amount</u>	<u>Balance</u>
CAPITAL LEASES			
Bankcorp South Corporation	3.39	\$ 945,558	\$ 945,558
Government Capital Corporation	6.11	\$ 91,450	35,529
			<u>981,087</u>
TAX NOTES			
Series 2006A	3.75	\$ 560,000	80,000
Series 2006B	3.75	\$ 560,000	75,000
Series 2007	4.00-6.00	\$ 2,530,000	1,725,000
Series 2008	3.65	\$ 2,210,000	1,375,000
Series 2009	2.63	\$ 2,525,000	2,205,000
Series 2010	1.74	\$ 830,000	830,000
			<u>6,290,000</u>
CERTIFICATES OF OBLIGATION			
Series 2007	3.62-4.40	\$ 19,000,000	18,550,000
Series 2008	2.90-4.20	\$ 10,120,000	9,090,000
			<u>27,640,000</u>
		TOTAL	\$ 34,911,087

POLK COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

Long-term debt obligations of the County as of September 30, 2010, are as follows:

Year Ending Sept. 30	Governmental Activities					
	Certificates of Obligation		Tax Anticipation Notes		Captial Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2011	\$ 845,000	\$ 1,134,885	\$ 1,440,000	\$ 188,650	\$ 964,886	\$ 37,976
2012	970,000	1,101,085	1,340,000	143,943	16,201	1,370
2013	1,190,000	1,062,285	1,390,000	100,218	-	-
2014	1,565,000	1,016,935	950,000	53,705	-	-
2015	1,615,000	957,185	510,000	23,253	-	-
2016	1,680,000	895,023	530,000	9,769	-	-
2017	1,745,000	829,853	130,000	1,300	-	-
2018	1,815,000	761,635	-	-	-	-
2019	1,885,000	689,035	-	-	-	-
2020	1,965,000	612,217	-	-	-	-
2021	2,045,000	531,246	-	-	-	-
2022	2,125,000	446,359	-	-	-	-
2023	2,215,000	357,504	-	-	-	-
2024	1,400,000	263,120	-	-	-	-
2025	1,460,000	201,520	-	-	-	-
2026	1,525,000	137,280	-	-	-	-
2027	1,595,000	70,181	-	-	-	-
Total	\$ 27,640,000	\$ 11,067,347	\$ 6,290,000	\$ 520,838	\$ 981,087	\$ 39,346

Machinery and equipment acquired under current capital lease obligations was a total of \$518,385.

E. Interfund Transactions

Operating transfers between the primary government funds during the 2010 year were as follows:

Transfer Out	Transfer In	Amounts
Major funds:		
General fund	Debt service	\$ 230,000
General fund	Nonmajor governmental funds	48,515
Nonmajor governmental funds	General fund	206,075
Nonmajor governmental funds	Nonmajor governmental funds	906
	Total	\$ 485,496

These transfers are for a wide variety of reasons, some of which are for operations within the various funds, salary subsidies, book repair and to compensate for tax revenue decrease.

POLK COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

The composition of interfund balances as of September 30, 2010, is as follows:

Due To	Due From	
General fund	Road and Bridge	\$ 541,164
General fund	Nonmajor governmental funds	67,036
Debt service	General	230,000
General fund	Grants	1,387,424
Nonmajor governmental funds	General fund	3,700
	Total	\$ 2,229,324

Amounts recorded as due to/from are considered to be temporary loans and will be repaid during the following year.

F. Fund Equity

The County records fund balance reserves on the fund level to indicate that a portion of the fund balance is legally restricted for a specific future use or to indicate that a portion of the fund balance is not available for expenditures.

The following is a list of fund balance reserved or designated recognized by the County:

Debt Service Fund	
Reserved for debt service	\$ 56,042
Reserved for landfill	757,160
Total Reserved	\$ 813,202
 Permanent Fund	
Reserved for endowments/trusts	\$ 412,767

V. OTHER INFORMATION

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; and natural disasters for which the County carries commercial insurance. In addition, the County participates along with 279 other entities in the Texas Association of Counties Workers' Compensation Self-Insurance Fund. The Texas Association of Counties created this pool in 1974 to insure the County for workers' compensation related claims. The County also provides its employees benefits, including medical and life insurance, which the County obtains through the Texas Association of Counties Insurance Trust Fund. This pool purchases commercial insurance at group rates for participants in the pool. The County has no additional risk or responsibility to either of the pools in which it participates, outside of payment of insurance premiums. The County has not significantly reduced insurance coverage or had settlements that exceeded coverage amounts for the past three years.

The County reports liabilities when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported. Claim liabilities are calculated considering the effects of inflation, recent claim settlement

POLK COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

trends including frequency, and amount of payout and other economic and social factors. The liability for claims and judgments is reported in the government-wide financial statements because it is not expected to be liquidated with expendable available financial resources. However, none are reported at September 30, 2010.

B. Contingent Liabilities

Amounts received or receivable from grant agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

The County is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the County's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the County.

C. Landfill Closure and Post Closure Care Cost

On December 1, 2001, the County entered into an agreement with a private contractor to operate the County's landfill and solid waste collection activities. The agreement also provides for the contractor to pay for a portion of the closure and post closure care cost for capacity utilized under their management. The contractor is required to annually obtain a performance bond to provide financial assurance to the County for such costs. Upon the termination of the agreement, the contractor is relieved of any financial obligation for closure and post closure care costs. Accordingly, the County is liable or contingently liable for the entire closure and post closure care costs.

Current state regulations and the U.S. Environmental Protection Agency (EPA) require the County to place a final cover on its landfill when it stops accepting waste and to perform certain maintenance and monitoring functions at the site for 30 years after closure. Although closure and post closure care costs will be paid only near or after the date that the landfill stops accepting waste, the County is required to recognize a portion of the landfill closure and post closure care liability each year. Recognition of the liability is based on the landfill capacity used to date. The operations of the landfill are recorded in the environmental service fund, one of the special revenue funds used by the County.

The County revised its estimated closure and post closure care costs in an application for a permit amendment submitted to the Texas Commission on Environmental Quality (T.E.C.Q.) in 2004 to modify the existing permit for expansion of total permit capacity. The County's estimate of total cost of closure and post closure care for 30 years, under permits and regulations currently in effect, is \$9,794,259.

The \$1,731,058 reported as landfill closure and post closure care liability at September 30, 2010, is based on the use of 19.70 percent of the estimated capacity of the landfill. The estimated net decrease in capacity after the permit modification during the year was one percent related to new estimates of airspace capacity using digital terrain modeling techniques. The accrued liability increased by \$286,282. The County will recognize the remaining estimated cost of closure and post closure care of \$7,864,790 as the remaining estimated capacity is filled. Based on the current rate of materials deposited, the life of the landfill is 57.7 years.

The estimated costs are based on what it would cost to perform all closure and post closure care in 2010 and do not include provisions for inflation. Based on current projections, the present landfill site will be

POLK COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

closed in the year 2068. Monitoring would begin on this date and would continue for the next 30 years. The County expects that future inflation costs will be paid from interest earnings on accumulated landfill earnings. However, if interest earnings are inadequate or additional post closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

The County is not currently required to make contributions to a trust fund to finance closure and post closure costs. The County has reserved \$757,160 in its debt service fund for post closure costs. The County intends to fund the deficiency in amounts currently available and the total estimated costs with contractor franchise fees.

D. Arbitrage

The Tax Reform Act of 1986 instituted certain arbitrage consisting of complex regulations with respect to issuance of tax-exempt bonds after August 31, 1986. Arbitrage regulations deal with the investment of tax-exempt bond proceeds at an interest yield greater than the interest yield paid to bondholders. Generally, all interest paid to bondholders can be retroactively rendered taxable if applicable rebates are not reported and paid to the Internal Revenue Service at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed correctly, a substantial liability to the County could result. Although the County does not anticipate that it will have any arbitrage liability, it periodically engages an arbitrage consultant to perform the calculations in accordance with Internal Revenue Service's rules and regulations.

E. Other Postemployment Benefits (OPEB)

Plan Description

In order to recognize and reward long-term employees, as well as to provide an incentive for remaining in the County's employment, the County administers a single-employer defined benefit Other Postemployment Benefits (OPEB) plan, known as Polk County Retiree Health Care Plan (the "Plan").

Each full time employee who separates from the service of Polk County, and who at the time of their separation, is eligible for retirement under the Texas County and District Retirement System (TCDRS) guidelines, and either (1) has total creditable service with the TCDRS and continuous service as a full time employee of the County for twenty years or more, or (2) has total creditable service with the TCDRS and continuous service as an elected official of Polk County for sixteen years or more; and whose full salary has been paid entirely from Polk County funds, or Grant funds received from Federal, State, or other local governments by Polk County continuously, for twenty years or more, or for sixteen years or more as an elected official, and is covered by the County group health plan at the time of their retirement, will have the same dollar amount contributed towards their group medical premiums by the County that the County contributes towards such premiums for its full time employees. Upon reaching Medicare eligibility (retiree must have Medicare A and B, and may have to be 65 or older) employees who meet the above requirements will be eligible to participate in the senior health care plan offered by the County. If the retiree meets the eligibility requirements stated above for premiums to be paid upon reaching Medicare eligibility (must have Medicare A and B, and may have to be 65 or older) the County will pay the premium for the retiree to participate in the senior health plan designated by the County.

Coverage for spouses and dependents who are participants in the County's group health plan on the date of the employee's retirement may also be continued. Premiums for spouses and dependent(s) shall be

POLK COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

paid by the retiree. Premiums for spouses or dependent(s) ceases at midnight on the last day of any month in which the premium is not received in the Treasurer's office when due.

Funding Policy and Annual OPEB Cost

The County has elected to finance the OPEB plan on a pay-as-you-go basis. The County paid \$31,864 related to the plan during the year.

Actuarial Information

The contribution requirement has been actuarially determined. The actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and that actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress, immediately following the notes, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits. Projections of benefits are based on the types of benefits provided under the substantive plan at the time of each valuation. Actuarial calculations reflect a long-term perspective and, consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. As of the actuarial valuation date of December 31, 2008, the actuarial value of plan assets is zero, the actuarial accrued liability is \$2,182,465, the total unfunded actuarial liability (UAAL) is \$2,182,465, and the actuarial value of assets as a percentage of the actuarial accrued liability is zero. The actuarial determined annual required contribution (ARC) is \$249,682. The components of the ARC consist of the County's normal cost and the amortization of the unfunded actuarial accrued liabilities. The covered payroll was \$9,965,425, and the ratio of the UAAL to the covered payroll was 31.66 percent.

The County's annual OPEB cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameter of GASB Statement No. 45. The ARC represents a level of accrual that is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or unfunded excess) over a period not to exceed thirty years. The County's annual OPEB cost for the fiscal year ending September 30, 2010, is as follows:

Annual required contribution	\$ 249,682
Interest on OPEB obligation	10,078
Adjustment to ARC	(9,337)
Annual OPEB cost (expense) end of year	250,423
Net estimated employer contributions	<u>(31,734)</u>
Increase in net OPEB obligation	\$ 218,689
Net OPEB obligation (asset) - as of beginning of year	\$ 223,956
Net OPEB obligation (asset) - as of end of year	<u>\$ 442,645</u>

POLK COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

The following is a summary of the actuarial assumptions:

Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level % of Payroll
Remaining Amortization Period	30 Years - Open period
Asset Valuation Method	Market value smoothed
Investment Rate of Return	4.5%
Projected Salary Increases	3.0%
Healthcare Cost Trend Rate (Initial/Ulimate)	10.0%/4.5%

A separate audited GAAP – basis postemployment benefit plan report is not available.

Three-Year Contribution Information

Fiscal year	Annual OPEB Cost and Contributions		Net Pension Obligation	
	Cost (ARC)	Contributions	Beginning	Ending
2008	\$ N/A	\$ N/A	\$ N/A	\$ N/A
2009*	\$ 242,410	\$ 18,454	\$ -	\$ 223,956
2010	\$ 249,682	\$ 31,864	\$ 223,956	\$ 442,645

* First year of implementation of GASB 45

F. Pension Plans

Plan Description

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

The plan provisions are adopted by the Commissioners' Court within the options available in Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with eight or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service, but must leave their accumulated contributions in the plan to receive any County-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the County.

Benefit amounts are determined by the sum of the employee's contribution to the plan, with interest, and County's-financed monetary credits. The level of these monetary credits is adopted by the Commissioners' Court within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the County's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the County's-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

POLK COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

Funding Policy

The County has elected the annually determined contribution rate (ACDR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually. The County contributed using the actuarially determined rate of 9.41 percent for the months of the accounting year in 2009 and 10.99 percent for the months of the accounting year in 2010.

The Commissioners' Court adopted the rate of seven percent as the contribution rate payable by the employee members for calendar year 2010. The Commissioners' Court may change the employee contribution rate and the County contribution rate within the options available in the TCDRS Act.

Annual Pension Costs

The required contribution was determined as part of the December 31, 2009 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2009 included (a) eight percent investment rate of return (net of administrative expenses), and (b) projected salary increases of 5.4 percent. Both (a) and (b) included an inflation component of 3.5 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2009 was 20 years.

Actuarial Cost Method Amortization Method Remaining Amortization Period Asset Valuation Method Investment Rate of Return Projected Salary Increases Includes Inflation at Cost of Living Adjustments	Entry Age Level Percent of Payroll 20 Years - Closed Period 10-yr smoothed value ESF: Fund value 8% 5.4% 3.5% None																
	<table style="width: 100%; border-collapse: collapse; margin-top: 20px;"> <thead> <tr> <th style="width: 30%;"></th> <th style="width: 20%; text-align: center; border-bottom: 1px solid black;">2010</th> <th style="width: 20%; text-align: center; border-bottom: 1px solid black;">2009</th> <th style="width: 20%; text-align: center; border-bottom: 1px solid black;">2008</th> </tr> </thead> <tbody> <tr> <td>Annual req. contrib. (ARC)</td> <td style="text-align: right;">\$ 1,056,058</td> <td style="text-align: right;">\$ 937,293</td> <td style="text-align: right;">\$ 855,283</td> </tr> <tr> <td>Contributions Made</td> <td style="text-align: right;">1,056,058</td> <td style="text-align: right;">937,293</td> <td style="text-align: right;">855,283</td> </tr> <tr> <td>NPO at the End of Period</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ -</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ -</td> <td style="text-align: right; border-top: 1px solid black; border-bottom: 3px double black;">\$ -</td> </tr> </tbody> </table>		2010	2009	2008	Annual req. contrib. (ARC)	\$ 1,056,058	\$ 937,293	\$ 855,283	Contributions Made	1,056,058	937,293	855,283	NPO at the End of Period	\$ -	\$ -	\$ -
	2010	2009	2008														
Annual req. contrib. (ARC)	\$ 1,056,058	\$ 937,293	\$ 855,283														
Contributions Made	1,056,058	937,293	855,283														
NPO at the End of Period	\$ -	\$ -	\$ -														

Funded Status and Funding Progress

As of December 31, 2009, the most recent actuarial valuation date, the plan was 89.48 percent funded. The actuarial accrued liability for benefits was \$30,002,739 and the actuarial value of assets was \$26,847,534 resulting in an unfunded actuarial accrued liability (UAAL) (or OAAL) of \$3,155,205. The covered payroll (annual payroll of active employees covered by the plan) was \$9,965,425 and the ratio of the UAAL (or OAAL) to the covered payroll was 31.66 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or

POLK COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

decreasing over time relative to the actuarial accrued liability for benefits.

G. Jointly Governed and Related Organizations

The Adult Probation and Juvenile Probation divisions are operated as a combined department doing business as the 258th and 411th Community Supervision and Correction Department (the “Department”). A different board governs each division, although the district judges preside on both boards. The Department services the counties of Polk, San Jacinto, and Trinity. Each county is required to provide office space for the operations of the Department. Substantially all of the Department’s funding is provided by the State. The participating counties provide approximately ten percent of the Department’s budget.

The Juvenile Probation Board consists of the Polk County judge and the County Court-at-Law judge from Polk County, along with two district judges and County judges from San Jacinto and Trinity Counties. The Adult Probation Department’s board consists of three district judges and the County Court-at-Law judge from Polk County. The Department and its divisions are considered to be legally separate from Polk County. In addition, Polk County is not able to appoint a voting majority to either of the division’s boards or otherwise able to impose its will. The divisions are not fiscally dependent on Polk County since the County’s approvals are ministerial in nature. While the Department’s divisions are closely affiliated with Polk County, they are not considered to be part of the reporting entity, i.e., component units of Polk County.

H. Component Unit Disclosures

On August 27, 2004, the County sponsored the creation of IAH Public Facility Corporation (the “Corporation”) under the Public Facility Corporation Act Chapter 303 (the “Act”) of the Texas Local Government Code. The Corporation is legally separate from the County, but the County appoints all of the board members, thereby appointing a voting majority of the Corporation’s Board of Directors, and has the ability to remove those board members at will. Currently, a voting majority of the Corporation’s Board of Directors is the same as that of Commissioners’ Court. The Corporation provides housing for County prisoners.

1. Financing Agreements and Practical Considerations

The Corporation was formed for the initial purpose of building a detention facility (the “Facility”). The project was initially financed with the issuance of the project revenue bonds series, 2004 (the “2004 bond issue”) and was expanded with the issuance of the project revenue bonds series, 2006 (the “2006 bond issue”). The bonds are secured by the mortgage on the Facility and the Facility’s revenues and are not secured by the full faith and credit of the County or tax revenues. In connection with these issuances on November 1, 2004 and December 21, 2006, the Corporation and/or the County entered into a number of legal agreements for the financing of the project, many of which are designed to provide additional security to the bond holders.

The Corporation entered into the trust indenture with U.S. Bank National Associates (the “Trustee”) to serve as the Trustee related to the 2004 and 2006 bond issues. The trust indenture is primarily for the benefit of the owners of the bonds and calls for the creation of a number of funds and accounts, including the construction fund, bond fund, reserve fund, rebate fund, and project fund. In addition, the trust indenture specifies the amounts of pledged revenues to be placed into each of the funds established by the Trustee and the order of priority of the disposition of the pledged revenues.

POLK COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

The Corporation entered into a lease agreement with the option to purchase with the County, whereas the Corporation purchased land and constructed and equipped the Facility which is being leased to the County. The term of the agreement is effectively concurrent with the related bonds. The County is only obligated to make rental payments to the extent that revenues from the project are available. Under the lease, the County pledges all revenues to the trust fund established under the trust indenture.

In December 2009, the County extended their facility operation and management agreement with Civigenics-Texas, Inc. (the "Operator") for a one year term, containing options for both early cancellation and renewal. The operator's compensation is payable solely from and to the extent monies are available in the operating account, as established in the trust account in accordance with the trust indenture. The operator is paid a fixed fee per prisoner of \$34.75 from the available funds in the trust's operating account. The operator pays the County an administrative fee of \$2.75 per prisoner per day for the first 526 prisoners and \$4.25 per prisoner per day for each prisoner in excess of 526 from the operator's fee and guarantees the County a minimum aggregate administrative fee of \$100,000 annually.

In practice, the Operator bills the federal agencies and other local governments for prisoners at the facility, and all payments are made directly to the County treasurer (the "Treasurer"). The Treasurer wire transfers all payments received directly to the trustee. The Trustee allocates the funds received among the respective accounts as required by the indenture and lease agreement and disburses the funds directly to the Operator for the amount due. The Operator then disburses the administrative fee to the County. No funds change hands between the Corporation and the County related to lease payments or debt service payments. Although the County remits the gross payments received from the federal agencies and other local governments for prisoners held at the Facility, the only actual revenue received by the County is disbursed by the Operator for the County's administrative fee.

The form of the legal agreements is complex to ensure compliance with the local government code and provide security for the bond holders. In substance, to the extent revenues are available, they will first be used to repay the bonds, then the Operator will be paid, and last, the County will be paid an administrative fee. If revenue is not available, there is no legal obligation for any of the parties to be paid. In that instance, the bond holders' only security interest will be with any remaining trust funds and mortgage of the property. Neither the Corporation nor the County has any obligation in this instance.

This financing transaction is being accounted for as an instance of "substance over form" in which the financials reflect the financial reality of the transaction rather than the legal form underlying the transaction. The Corporation is responsible for the repayment of the debt based on the funds that are available and all available funds are recorded in the trust. Accordingly, all monies held in the trust accounts are considered assets of the Corporation and restrictions shown where applicable. Similarly, all monies received by the trust are considered revenues of the Corporation. The Corporation also records a receivable in connection with the billings to federal agencies and the local government which are unpaid. All payments made by the trust are considered expenses of the Corporation. In addition, the Corporation accrues the amount due to the respective parties based on the accounts receivable. To the extent payment is not received, no obligation is due. Neither the County nor the Corporation accounts for the lease agreement as a lease transaction. The County only reports the administrative fee received in connection with these agreements.

POLK COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS, Continued
For the Year Ended September 30, 2010

2. Long-Term Debt

On November 5, 2004, the Corporation issued project revenue bonds, series 2004, in the amount of \$24,215,000 and on December 21, 2006, the Corporation issued project revenue bonds, series 2006, in the amount of \$24,820,000. Long-term debt obligations of the Corporation as of September 30, 2010, are as follows:

<u>Fiscal Year Ending September 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	1,500,000	3,079,250	4,579,250
2012	1,595,000	2,982,500	4,577,500
2013	1,695,000	2,879,550	4,574,550
2014	1,805,000	2,770,100	4,575,100
2015	1,920,000	2,653,500	4,573,500
2016	2,045,000	2,529,450	4,574,450
2017	2,180,000	2,390,125	4,570,125
2018	2,330,000	2,241,475	4,571,475
2019	2,490,000	2,082,425	4,572,425
2020	2,665,000	1,912,287	4,577,287
2021	2,850,000	1,729,987	4,579,987
2022	3,040,000	1,534,838	4,574,838
2023	3,250,000	1,324,506	4,574,506
2024	3,475,000	1,099,444	4,574,444
2025	3,720,000	858,569	4,578,569
2026	8,630,000	600,494	9,230,494
Total	<u>\$ 45,190,000</u>	<u>\$ 32,668,501</u>	<u>\$ 77,858,501</u>

The bonds were issued to finance a project that consists of the acquisition of real property in Polk County and the construction, furnishing, and equipping of a multi-classification secure detention center. Separate financial statements are available from the County Auditor's Office.

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REQUIRED SUPPLEMENTARY INFORMATION

POLK COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Page 1 of 2)
GENERAL FUND

For the Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Property taxes	\$ 8,105,618	\$ 8,105,618	\$ 7,839,248	\$ (266,370)
Sales taxes	1,950,000	1,950,000	1,623,603	(326,397)
Other taxes	139,000	139,000	152,030	13,030
Fines and forfeitures	826,000	844,643	727,752	(116,891)
Charges for services	1,257,775	1,372,208	1,256,679	(115,529)
Intergovernmental	1,715,445	1,916,096	1,977,293	61,197
Licenses and permits	142,380	142,380	168,435	26,055
Investment income	36,000	36,000	41,004	5,004
Other revenue	1,004,027	1,079,985	1,156,530	76,545
Total Revenues	<u>15,176,245</u>	<u>15,585,930</u>	<u>14,942,574</u>	<u>(643,356)</u>
Expenditures				
General Government:				
County judge	211,223	211,223	209,440	1,783
Commissioner's court	400,089	282,027	266,928	15,099
County clerk	527,809	545,952	534,323	11,629
County treasurer	155,567	155,567	149,726	5,841
County auditor	271,896	273,396	265,839	7,557
Data processing	458,059	515,959	482,993	32,966
Personnel	138,400	140,930	132,974	7,956
Maintenance	156,936	155,197	140,409	14,788
Engineering	572,455	873,703	792,805	80,898
Fire department support	158,874	158,874	147,042	11,832
Emergency management	307,287	333,799	329,536	4,263
General operating	842,850	1,004,652	992,466	12,186
Other unclassified	246,378	246,378	221,348	25,030
	<u>4,447,823</u>	<u>4,897,657</u>	<u>4,665,829</u>	<u>231,828</u>
Administration of Justice:				
Jury	65,500	56,075	46,520	9,555
County clerk-at-law	471,004	509,405	488,476	20,929
District clerk	450,993	448,997	410,461	38,536
District judges	842,456	870,637	829,791	40,846
Justice of the peace pct. 1	163,143	163,143	154,773	8,370
Justice of the peace pct. 2	136,747	136,747	134,816	1,931
Justice of the peace pct. 3	144,242	144,242	141,015	3,227
Justice of the peace pct. 4	139,016	139,016	134,578	4,438
District attorney	943,607	971,799	940,400	31,399
Sheriff	3,364,067	3,828,687	3,764,091	64,596
Jail	2,130,477	2,094,806	2,021,845	72,961
Constables	165,390	203,074	186,599	16,475
DPS	61,414	71,689	71,003	686
	<u>9,078,056</u>	<u>9,638,317</u>	<u>9,324,368</u>	<u>313,949</u>

POLK COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL (Page 2 of 2)
GENERAL FUND

For the Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Expenditures (continued)</u>				
Health and Human Services:				
Library	\$ 84,172	\$ 85,174	\$ 84,725	\$ 449
Social services	336,751	340,497	311,150	29,347
Veterans services	86,403	87,873	84,466	3,407
County extension	114,560	114,560	89,326	25,234
Environmental	76,252	76,252	69,994	6,258
	<u>698,138</u>	<u>704,356</u>	<u>639,661</u>	<u>64,695</u>
Tax Administration:				
Appraisal district	383,759	383,759	383,759	-
Tax assessor collector	631,309	619,267	601,852	17,415
	<u>1,015,068</u>	<u>1,003,026</u>	<u>985,611</u>	<u>17,415</u>
Debt Service:				
Debt issuance costs	-	36,839	36,839	-
	<u>-</u>	<u>36,839</u>	<u>36,839</u>	<u>-</u>
Total Expenditures	<u>15,239,085</u>	<u>16,280,195</u>	<u>15,652,308</u>	<u>627,887</u>
Excess (Deficiency) of Revenues over Expenditures	<u>(62,840)</u>	<u>(694,265)</u>	<u>(709,734)</u>	<u>(15,469)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	202,175	202,175	206,075	3,900
Transfers (out)	(81,505)	(278,515)	(278,515)	-
Debt issuance	-	630,217	638,973	8,756
Total Other Financing Sources (Uses)	<u>120,670</u>	<u>553,877</u>	<u>566,533</u>	<u>12,656</u>
Net Change in Fund Balance	<u>\$ 57,830</u>	<u>\$ (140,388)</u>	<u>(143,201)</u>	<u>\$ (2,813)</u>
Beginning Fund Balance			<u>6,082,958</u>	
Ending Fund Balance			<u>\$ 5,939,757</u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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POLK COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ROAD AND BRIDGE FUND

For the Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 3,843,160	\$ 3,843,160	\$ 3,732,508	\$ (110,652)
Other taxes	972,467	979,133	1,056,181	77,048
Fines and forfeitures	142,000	142,000	77,566	(64,434)
Investment income	16,500	16,500	4,669	(11,831)
Other revenue	11,191	59,222	67,370	8,148
Total Revenues	<u>4,985,318</u>	<u>5,040,015</u>	<u>4,938,294</u>	<u>(101,721)</u>
Expenditures				
Roads and bridges:				
Permanent	-	375,000	156,115	218,885
Pct. 1	1,124,590	1,585,542	1,467,545	117,997
Pct. 2	1,141,007	1,658,589	1,603,337	55,252
Pct. 3	1,197,625	1,197,625	987,113	210,512
Pct. 4	1,335,851	1,373,665	1,259,152	114,513
Debt service:				
Principal	950,086	946,266	946,266	-
Interest	51,410	55,231	55,231	-
Capital Outlay	55,000	1,045,354	1,022,242	23,112
Total Expenditures	<u>5,855,569</u>	<u>8,237,272</u>	<u>7,497,001</u>	<u>740,271</u>
Excess (Deficiency) of Revenue over Expenditures	(870,251)	(3,197,257)	(2,558,707)	638,550
Other Financing Sources (Uses)				
Debt issuance	-	1,135,478	1,135,478	-
Sale of capital assets	879,093	880,683	874,590	(6,093)
Total Other Financing Sources (Uses)	<u>879,093</u>	<u>2,016,161</u>	<u>2,010,068</u>	<u>(6,093)</u>
Net Change in Fund Balance	<u>\$ 8,842</u>	<u>\$ (1,181,096)</u>	<u>(548,639)</u>	<u>\$ 632,457</u>
Beginning Fund Balance			<u>2,013,512</u>	
Ending Fund Balance			<u>\$ 1,464,873</u>	

Notes to Required Supplementary Information

1. Annual budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).

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POLK COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GRANTS

For the Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Intergovernmental revenue	\$ -	\$ 287,064	\$ 287,065	\$ 1
Total Revenues	<u>-</u>	<u>287,064</u>	<u>287,065</u>	<u>1</u>
<u>Expenditures</u>				
General government	-	310,609	310,609	-
Total Expenditures	<u>-</u>	<u>310,609</u>	<u>310,609</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (23,545)</u>	<u>(23,544)</u>	<u>\$ 1</u>
Beginning Fund Balance			<u>218,426</u>	
Ending Fund Balance			<u>\$ 194,882</u>	

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POLK COUNTY, TEXAS
SCHEDULE OF FUNDING PROGRESS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
For the Year Ended September 30, 2010

The County's annual covered payroll and pension costs are actuarially valued on a calendar year basis. Because the County makes all the annually required contributions, no net pension obligation (NPO) exists. The information presented below represents the County's schedule of funding progress.

Fiscal Year	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
Actuarial Valuation Date	12/31/2009	12/31/2008	12/31/2007	12/31/2006	12/31/2005
Actuarial Value of Assets	\$ 26,847,534	\$ 24,062,563	\$ 24,005,305	\$ 21,623,223	\$ 18,696,224
Actuarial Accrued Liability	\$ 30,002,739	\$ 27,493,065	\$ 25,040,374	\$ 22,255,081	\$ 18,683,354
Percentage Funded	89.5%	87.5%	95.9%	97.2%	100.1%
Unfunded Actuarial					
Accrued Liability	\$ 3,155,205	\$ 3,430,502	\$ 1,035,069	\$ 631,858	\$ (12,870)
Annual Covered Payroll	\$ 9,965,425	\$ 9,959,348	\$ 9,000,765	\$ 7,993,320	\$ 7,719,890
Unfunded Actuarial					
Accrued Liability					
(UAAL) % of Covered Payroll	31.66%	34.45%	11.50%	7.90%	(.17%)
Net Pension Obligation (NPO)					
at the Beginning of Period	\$ -	\$ -	\$ -	\$ -	\$ -
Annual Req. Contrib. (ARC)	1,056,058	937,293	855,283	653,209	366,062
Contributions Made	1,056,058	937,293	855,283	653,209	366,062
NPO at the End of Period	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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POLK COUNTY, TEXAS
SCHEDULE OF FUNDING PROGRESS
POLK COUNTY RETIREE HEALTHCARE PLAN
For the Year Ended September 30, 2010

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/08	\$ -	\$ 2,182,465	\$ 2,182,465	0.0%	\$ 9,965,425	21.9%

¹ The County implemented GASB Statement No. 45 and the requirements have been implemented prospectively.

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***COMBINING STATEMENTS
AND SCHEDULES***

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

College and Commerce Center Fund - This fund is used to account for all revenues related to the operation of the College and Commerce Center.

Courthouse Security Fund - This fund is used to account for special fees collected by the district clerk and County clerk for the purpose of defraying expenses related to providing security in the County's court rooms.

Law Library Fund - This fund accounts for revenues and expenditures to maintain a County law library at the County seat. Commissioners' Court has established a fee for each civil case filed in the County or district court.

Aging Fund - This fund is used to account for a program created by the County and is funded in part by the Deep East Texas Council of Governments. This program provides senior citizens with nutrition and activity centers, home delivered meal programs, and counseling.

County Records Management Fund - Fees collected by the district clerk and County clerk at law, as approved by the Texas Legislature are accounted for in this fund. The requests to expend funds collected are addressed to Commissioners' Court.

County Clerk Records Preservation Fund - Fees collected by the County clerk for filing official documents, such as birth and death certificates, are deposited in this fund and are expended for the purpose of preservation of documents within the County clerk's office.

Hotel/Motel Tax Fund - This fund is used to account for revenues generated from a hotel occupancy tax and expenditures for improvements that serve the purpose of attracting visitors and tourists.

JP Technology Fund - This fund is used account for ticket revenues designated for technology expenditures.

Historical Commission Fund - Revenues received by the Historical Commission are recorded in this fund. The purpose of the fund is to preserve the heritage of the Polk County area and to promote its history.

Available School Fund - This fund is used to accumulate investment earnings from the permanent school fund including lease payments received on properties owned by the County in Throckmorton and Baylor counties.

District Attorney Collection Fund - Fees collected in connection with processing checks issued or passed in violation of the Texas Penal Code are deposited in this fund and used for the purposes of defraying the salaries and expenses of the district attorney.

District Clerk Records Preservation Fund - This fund is used to account for records preserved by the district clerk and fees collected.

NONMAJOR GOVERNMENTAL FUNDS (Continued)

Special Revenue Funds (continued)

Forfeiture Fund - Funds collected in connection with gambling, drug seizures, and forfeitures for the use of the district attorney or sheriff are deposited into this fund. Depending on the nature of funds obtained, these monies can be used for either.

District Clerk TDCJ Fund - Monies contributed by the Texas Department of Criminal Justice to help offset the additional costs of the district clerk's office for having a prison located within the County are recorded within this fund.

Judiciary Fund - Fees collected by the County and district clerk for various agencies are accumulated in this fund until payment is made.

Officials' Fee Account Fund - This fund is used to account for monies held in official fee bank accounts. County officials (two justices of the peace and the County clerk) have bank accounts into which they deposit their collections.

Sheriff Federal Revenue Sharing Fund - This fund is used to account for revenues seized and distributed by the federal government to the County.

District Attorney's Check Restitution - This fund is used to collect and remit restitution for insufficient checks. Fees collected are remitted to the district attorney collection fund.

Environmental Services Fund - This fund is used to account for all revenues generated from the County's environmental related services.

Jail Commissary Fund - This fund is used to account for all revenues generated from the County's jails.

District Attorney Special Fund - Money requested by the DA from the state and is deposited into this fund and used for the purposes of defraying costs of salaries within the district attorney's office. Also, includes funds from the state for the DA's investigators for education and training expenses.

Justice Court Building Security - This fund is used to account for special fees collected for the purpose of defraying expenses related to providing security in the County's court rooms.

County and District Court Technology - This fund and the associated fee assessed to certain offenders and case filings was approved by the Legislature and becomes effective in late 2009. Monies will be utilized, per statute, to improve the technology in County and District Courts.

Permanent Fund

Permanent funds are governmental funds which are used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs.

Permanent School Fund - This fund was established from proceeds received from the sale of lands granted by the State of Texas for educational purposes. Earnings from this fund, other than oil royalties, accrue directly to the available school fund. Oil royalties are deposited to the permanent school fund, which increase the principal.

POLK COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (page 1 of 3)
September 30, 2010

Special Revenue Funds				
	College and Commerce Center	Court- house Security	Law Library	Aging
<u>Assets</u>				
Cash and cash equivalents	\$ -	\$ 2,218	\$ 52,895	\$ 158,094
Receivables, net	-	76	-	31,809
Due from other funds	-	3,700	-	-
Total Assets	\$ -	\$ 5,994	\$ 52,895	\$ 189,903
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ -	\$ 1,164	\$ 142	\$ 8,014
Due to other funds	-	-	-	31,690
Due to other units	-	-	-	-
Deferred revenue	-	-	-	-
Total Liabilities	-	1,164	142	39,704
Fund Balances:				
Reserved for endowments/trusts	-	-	-	-
Unreserved and undesignated	-	4,830	52,753	150,199
Total Fund Balances	-	4,830	52,753	150,199
Total Liabilities and Fund Balances	\$ -	\$ 5,994	\$ 52,895	\$ 189,903

Special Revenue Funds

County Records Mgmt.	County Clerk Records Preserv.	Hotel/Motel Tax	JP Technology	Historical Commission	Available School
\$ 3,710	\$ 158,964	\$ 10,917	\$ 121,775	\$ 394,806	\$ 208,427
-	70	7,040	86	-	-
-	-	-	-	-	-
<u>\$ 3,710</u>	<u>\$ 159,034</u>	<u>\$ 17,957</u>	<u>\$ 121,861</u>	<u>\$ 394,806</u>	<u>\$ 208,427</u>
\$ 2,467	\$ 1,309	\$ 5,038	\$ 1,500	\$ 581	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>2,467</u>	<u>1,309</u>	<u>5,038</u>	<u>1,500</u>	<u>581</u>	<u>-</u>
-	-	-	-	-	-
1,243	157,725	12,919	120,361	394,225	208,427
<u>1,243</u>	<u>157,725</u>	<u>12,919</u>	<u>120,361</u>	<u>394,225</u>	<u>208,427</u>
<u>\$ 3,710</u>	<u>\$ 159,034</u>	<u>\$ 17,957</u>	<u>\$ 121,861</u>	<u>\$ 394,806</u>	<u>\$ 208,427</u>

POLK COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (page 2 of 3)
September 30, 2010

	Special Revenue Funds			
	District Attorney Collection	District Clerk Records Preservation	Forfeiture	District Clerk TDCJ
Assets				
Cash and cash equivalents	\$ 21,332	\$ 22,937	\$ 364,092	\$ 28,603
Receivables, net	-	-	-	-
Due from other funds	-	-	-	-
Total Assets	\$ 21,332	\$ 22,937	\$ 364,092	\$ 28,603
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ 19,795	\$ -	\$ -
Due to other funds	-	-	-	-
Due to other units	-	-	-	17,323
Deferred revenue	-	-	100,096	-
Total Liabilities	-	19,795	100,096	17,323
Fund Balances:				
Reserved for endowments/trusts	-	-	-	-
Unreserved and undesignated	21,332	3,142	263,996	11,280
Total Fund Balances	21,332	3,142	263,996	11,280
Total Liabilities and Fund Balances	\$ 21,332	\$ 22,937	\$ 364,092	\$ 28,603

Special Revenue Funds

<u>Judiciary</u>	<u>Officials' Fee Account</u>	<u>Sheriff Federal Revenue Sharing</u>	<u>District Attorney's Check Restitution</u>	<u>Environmental Services</u>	<u>Jail Commissary</u>
\$ 160,996	\$ 13,621	\$ 3,221	\$ 494	\$ 1,082	\$ 27,187
2,384	235	-	-	33,194	1,389
-	-	-	-	-	-
<u>\$ 163,380</u>	<u>\$ 13,856</u>	<u>\$ 3,221</u>	<u>\$ 494</u>	<u>\$ 34,276</u>	<u>\$ 28,576</u>
\$ 163,380	\$ 473	\$ -	\$ 494	\$ 1,082	\$ -
-	-	-	-	33,194	-
-	13,383	-	-	-	-
-	-	-	-	-	-
<u>163,380</u>	<u>13,856</u>	<u>-</u>	<u>494</u>	<u>34,276</u>	<u>-</u>
-	-	-	-	-	-
-	-	3,221	-	-	28,576
-	-	3,221	-	-	28,576
<u>\$ 163,380</u>	<u>\$ 13,856</u>	<u>\$ 3,221</u>	<u>\$ 494</u>	<u>\$ 34,276</u>	<u>\$ 28,576</u>

POLK COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (page 3 of 3)
September 30, 2010

	<u>Special Revenue Funds</u>			<u>Permanent Fund</u>
	<u>District Attorney Special</u>	<u>Justice Court Building Security</u>	<u>County and District Court Technology</u>	<u>Permanent School</u>
Assets				
Cash and cash equivalents	\$ 2,152	\$ 23,582	\$ 173	\$ 412,767
Receivables, net	-	20	-	-
Due from other funds	-	-	-	-
Total Assets	<u>\$ 2,152</u>	<u>\$ 23,602</u>	<u>\$ 173</u>	<u>\$ 412,767</u>
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	2,152	-	-	-
Due to other units	-	-	-	-
Deferred revenue	-	-	-	-
Total Liabilities	<u>2,152</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances:				
Reserved for endowments/trusts	-	-	-	412,767
Unreserved and undesignated	-	23,602	173	-
Total Fund Balances	<u>-</u>	<u>23,602</u>	<u>173</u>	<u>412,767</u>
Total Liabilities and Fund Balances	<u>\$ 2,152</u>	<u>\$ 23,602</u>	<u>\$ 173</u>	<u>\$ 412,767</u>

**Total
Nonmajor
Governmental
Funds**

\$ 2,194,045
76,303
3,700
\$ 2,274,048

\$ 205,439
67,036
30,706
100,096
403,277

412,767
1,458,004
1,870,771
\$ 2,274,048

POLK COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (page 1 of 3)
For the Year Ended September 30, 2010

	Special Revenue Funds			
	College and Commerce Center	Court- house Security	Law Library	Aging
Revenues				
Other taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Charge for services	-	34,376	15,170	-
Intergovernmental	-	-	-	309,261
Investment income	-	-	-	-
Other revenue	-	-	-	13,680
Total Revenues	-	34,376	15,170	322,941
Expenditures				
Current:				
General government	-	-	12,389	-
Administration of justice	-	71,873	-	-
Health and human services	15,000	-	-	323,936
Total Expenditures	15,000	71,873	12,389	323,936
Excess (Deficiency) of Revenues Over Expenditures	(15,000)	(37,497)	2,781	(995)
Other Financing Sources (Uses)				
Transfers in	-	33,297	-	-
Transfers (out)	-	-	-	-
Debt issuance	-	1,107	-	-
Total Other Financing Sources (Uses)	-	34,404	-	-
Net Change in Fund Balances	(15,000)	(3,093)	2,781	(995)
Beginning Fund Balances	15,000	7,923	49,972	151,194
Ending Fund Balances	\$ -	\$ 4,830	\$ 52,753	\$ 150,199

Special Revenue Funds

County Records Mgmt.	County Clerk Records Preservation	Hotel/Motel Tax	JP Technology	Historical Commission	Available School
\$ -	\$ -	\$ 29,874	\$ -	\$ -	\$ -
-	-	-	-	-	-
15,534	115,025	-	20,862	-	-
-	-	-	-	-	-
-	-	-	-	767	321
-	1,029	-	-	9,392	113,743
<u>15,534</u>	<u>116,054</u>	<u>29,874</u>	<u>20,862</u>	<u>10,159</u>	<u>114,064</u>
29,703	44,059	28,098	-	3,854	126,451
-	-	-	29,107	-	-
-	-	-	-	-	-
<u>29,703</u>	<u>44,059</u>	<u>28,098</u>	<u>29,107</u>	<u>3,854</u>	<u>126,451</u>
<u>(14,169)</u>	<u>71,995</u>	<u>1,776</u>	<u>(8,245)</u>	<u>6,305</u>	<u>(12,387)</u>
15,218	-	-	-	-	906
-	(67,175)	-	-	-	-
-	-	-	-	-	-
<u>15,218</u>	<u>(67,175)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>906</u>
1,049	4,820	1,776	(8,245)	6,305	(11,481)
194	152,905	11,143	128,606	387,920	219,908
<u>\$ 1,243</u>	<u>\$ 157,725</u>	<u>\$ 12,919</u>	<u>\$ 120,361</u>	<u>\$ 394,225</u>	<u>\$ 208,427</u>

POLK COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS (page 2 of 3)
For the Year Ended September 30, 2010

	Special Revenue Funds			
	District Attorney Collection	District Clerk Records Preserv.	Forfeiture	District Clerk TDCJ
Revenues				
Other taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Charge for services	7,988	10,175	-	-
Intergovernmental	-	-	26,870	55,620
Investment income	-	-	199	-
Other revenue	-	-	-	-
Total Revenues	7,988	10,175	27,069	55,620
Expenditures				
Current:				
General government	-	-	-	-
Administration of justice	663	19,795	8,448	57,701
Health and human services	-	-	-	-
Total Expenditures	663	19,795	8,448	57,701
Excess (Deficiency) of Revenues Over Expenditures	7,325	(9,620)	18,621	(2,081)
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Debt issuance	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	7,325	(9,620)	18,621	(2,081)
Beginning Fund Balances	14,007	12,762	245,375	13,361
Ending Fund Balances	\$ 21,332	\$ 3,142	\$ 263,996	\$ 11,280

Special Revenue Funds

Judiciary	Officials' Fee Account	Sheriff Federal Revenue Sharing	District Attorney's Check Restitution	Environmental Services	Jail Commissary
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	138,900	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	11,445
-	-	-	-	138,900	11,445
-	-	-	-	-	-
-	-	-	-	-	3,406
-	-	-	-	-	-
-	-	-	-	-	3,406
-	-	-	-	138,900	8,039
-	-	-	-	-	-
-	-	-	-	(138,900)	-
-	-	-	-	-	-
-	-	-	-	(138,900)	-
-	-	-	-	-	8,039
-	-	3,221	-	-	20,537
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,221</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,576</u>

POLK COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS (page 3 of 3)
For the Year Ended September 30, 2010

	Special Revenue Funds			Permanent Fund
	District Attorney Special	Justice Court Building Security	County and District Court Technology	Permanent School
Revenues				
Other taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	5,004	-	-
Charge for services	-	-	-	-
Intergovernmental	-	-	-	-
Investment income	-	-	-	882
Other revenue	35,224	-	173	-
Total Revenues	<u>35,224</u>	<u>5,004</u>	<u>173</u>	<u>882</u>
Expenditures				
Current:				
General government	-	838	-	-
Administration of justice	36,602	-	-	-
Health and human services	-	-	-	-
Total Expenditures	<u>36,602</u>	<u>838</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,378)</u>	<u>4,166</u>	<u>173</u>	<u>882</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	(906)
Debt issuance	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(906)</u>
Net Change in Fund Balances	<u>(1,378)</u>	<u>4,166</u>	<u>173</u>	<u>(24)</u>
Beginning Fund Balances	<u>1,378</u>	<u>19,436</u>	<u>-</u>	<u>412,791</u>
Ending Fund Balances	<u>\$ -</u>	<u>\$ 23,602</u>	<u>\$ 173</u>	<u>\$ 412,767</u>

**Total
Nonmajor
Governmental
Funds**

\$ 29,874
5,004
358,030
391,751
2,169
184,686
971,514

245,392
227,595
338,936
811,923

159,591

49,421
(206,981)
1,107

(156,453)

3,138

1,867,633

\$ 1,870,771

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POLK COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DEBT SERVICE FUND

For the Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Taxes	\$ 3,624,827	\$ 3,624,827	\$ 3,523,442	\$ (101,385)
Investment income	13,000	26,771	23,032	(3,739)
Total Revenues	<u>3,637,827</u>	<u>3,651,598</u>	<u>3,546,474</u>	<u>(105,124)</u>
<u>Expenditures</u>				
Principal	2,235,000	2,235,000	2,235,000	-
Interest and fiscal charges	1,393,565	1,395,065	1,395,065	-
Total Expenditures	<u>3,628,565</u>	<u>3,630,065</u>	<u>3,630,065</u>	<u>-</u>
<u>Other Financing Sources (Uses)</u>				
Transfers in	-	102,885	230,000	127,115
	-	102,885	230,000	127,115
Net Change in Fund Balance	<u>\$ 9,262</u>	<u>\$ 124,418</u>	146,409	<u>\$ 21,991</u>
Beginning Fund Balance			<u>666,793</u>	
Ending Fund Balance			<u>\$ 813,202</u>	

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POLK COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ROAD AND BRIDGE FUND - Precinct One
For the Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Property taxes	\$ 886,243	\$ 886,243	\$ 862,420	\$ (23,823)
Other taxes	215,050	215,050	232,844	17,794
Fines and forfeitures	32,660	32,660	17,571	(15,089)
Investment Income	3,800	3,800	941	(2,859)
Other	11,191	35,616	35,520	(96)
Total Revenues	<u>1,148,944</u>	<u>1,173,369</u>	<u>1,149,296</u>	<u>(24,073)</u>
<u>Expenditures</u>				
Roads and Bridges:				
Pct. 1	1,124,590	1,585,542	1,467,545	117,997
Debt Service:				
Principal	207,354	207,354	207,354	-
Interest	10,316	10,316	10,316	-
Capital Outlay	-	254,612	254,612	-
Total Expenditures	<u>1,342,260</u>	<u>2,057,824</u>	<u>1,939,827</u>	<u>117,997</u>
Excess of Revenues Over (Under) Expenditures	(193,316)	(884,455)	(790,531)	93,924
<u>Other Financing Sources (Uses)</u>				
Debt issuance	-	254,612	254,612	-
Sale of capital assets	195,354	196,944	195,590	(1,354)
Total Other Financing Sources (Uses)	<u>195,354</u>	<u>451,556</u>	<u>450,202</u>	<u>(1,354)</u>
Net Change in Fund Balance	<u>\$ 2,038</u>	<u>\$ (432,899)</u>	<u>(340,329)</u>	<u>\$ 92,570</u>
Beginning Fund Balance			<u>434,938</u>	
Ending Fund Balance			<u>\$ 94,609</u>	

POLK COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ROAD AND BRIDGE FUND - Precinct Two
For the Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<u>Revenues</u>				
Property taxes	\$ 902,798	\$ 902,798	\$ 878,750	\$ (24,048)
Other taxes	226,241	226,241	243,940	17,699
Fines and forfeitures	32,660	32,660	17,549	(15,111)
Investment income	3,700	3,700	751	(2,949)
Other	-	22,458	27,217	4,759
Total Revenues	1,165,399	1,187,857	1,168,207	(19,650)
<u>Expenditures</u>				
Roads and Bridges:				
Pct. 2	1,141,007	1,658,589	1,603,337	55,252
Debt Service:				
Principal	207,354	207,354	207,354	-
Interest	10,316	10,316	10,316	-
Total Expenditures	1,358,677	1,876,259	1,821,007	55,252
Excess of Revenues Over (Under)				
Expenditures	(193,278)	(688,402)	(652,800)	35,602
<u>Other Financing Sources (Uses)</u>				
Debt issuance	-	210,124	210,124	-
Sale of capital assets	195,354	195,354	194,000	(1,354)
Total Other Financing Sources (Uses)	195,354	405,478	404,124	(1,354)
Net Change in Fund Balance	\$ 2,076	\$ (282,924)	(248,676)	\$ 34,248
Beginning Fund Balance			349,247	
Ending Fund Balance			\$ 100,571	

POLK COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ROAD AND BRIDGE FUND - Precinct Three
For the Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Property taxes	\$ 1,002,460	\$ 1,002,460	\$ 970,589	\$ (31,871)
Other taxes	265,588	265,588	286,365	20,777
Fines and forfeitures	38,340	38,340	21,273	(17,067)
Investment income	4,000	4,000	1,349	(2,651)
Other	-	-	300	300
Total Revenues	<u>1,310,388</u>	<u>1,310,388</u>	<u>1,279,876</u>	<u>(30,512)</u>
<u>Expenditures</u>				
Roads and Bridges:				
Permanent	-	250,000	151,434	98,566
Pct. 3	1,197,625	1,197,625	987,113	210,512
Debt Service:				
Principal	328,024	330,078	330,078	-
Interest	20,463	18,409	18,409	-
Capital Outlay	<u>55,000</u>	<u>535,618</u>	<u>514,577</u>	<u>21,041</u>
Total Expenditures	<u>1,601,112</u>	<u>2,331,730</u>	<u>2,001,611</u>	<u>330,119</u>
Excess of Revenues Over (Under)				
Expenditures	(290,724)	(1,021,342)	(721,735)	299,607
<u>Other Financing Sources (Uses)</u>				
Debt issuance	-	460,618	460,618	-
Sale of capital assets	293,031	293,031	291,000	(2,031)
Total Other Financing				
Sources (Uses)	<u>293,031</u>	<u>753,649</u>	<u>751,618</u>	<u>(2,031)</u>
Net Change in Fund Balance	<u>\$ 2,307</u>	<u>\$ (267,693)</u>	29,883	<u>\$ 297,576</u>
Beginning Fund Balance			661,843	
Ending Fund Balance			<u>\$ 691,726</u>	

POLK COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ROAD AND BRIDGE FUND - Precinct Four
For the Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		(Negative)
Revenues				
Property taxes	\$ 1,051,658	\$ 1,051,658	\$ 1,020,749	\$ (30,909)
Other taxes	265,588	272,254	293,031	20,777
Fines and forfeitures	38,340	38,340	21,171	(17,169)
Investment income	5,000	5,000	1,629	(3,371)
Other	-	1,148	4,335	3,187
Total Revenues	<u>1,360,586</u>	<u>1,368,400</u>	<u>1,340,915</u>	<u>(27,485)</u>
Expenditures				
Roads and Bridges:				
Permanent	-	125,000	4,680	120,320
Pct. 4	1,335,851	1,373,665	1,259,151	114,514
Debt Service:				
Principal	207,354	207,354	207,354	-
Interest	10,316	10,316	10,316	-
Capital Outlay	-	255,124	253,055	2,069
Total Expenditures	<u>1,553,521</u>	<u>1,971,459</u>	<u>1,734,556</u>	<u>236,903</u>
Excess of Revenues Over (Under)				
Expenditures	(192,935)	(603,059)	(393,641)	209,418
Other Financing Sources (Uses)				
Debt issuance	-	210,124	210,124	-
Sale of capital assets	195,354	195,354	194,000	(1,354)
Total Other Financing Sources (Uses)	<u>195,354</u>	<u>405,478</u>	<u>404,124</u>	<u>(1,354)</u>
Net Change in Fund Balance	<u>\$ 2,419</u>	<u>\$ (197,581)</u>	10,483	<u>\$ 208,064</u>
Beginning Fund Balance			567,484	
Ending Fund Balance			<u>\$ 577,967</u>	

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POLK COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
JAIL EXPANSION
For the Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Investment income	\$ -	\$ -	\$ 75,095	\$ 75,095
Total Revenues	-	-	75,095	75,095
Expenditures				
Capital outlay	-	9,715,087	9,715,087	-
Total Expenditures	-	9,715,087	9,715,087	-
Net Change in Fund Balance	\$ -	\$ (9,715,087)	(9,639,992)	\$ 75,095
Beginning Fund Balance			16,791,119	
Ending Fund Balance			\$ 7,151,127	

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
JUDICIAL CENTER
For the Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Investment income	\$ -	\$ -	\$ 17,155	\$ 17,155
Total Revenues	-	-	17,155	17,155
Expenditures				
Capital outlay	-	2,824,727	2,824,727	-
Total Expenditures	-	2,824,727	2,824,727	-
Net Change in Fund Balance	\$ -	\$ (2,824,727)	(2,807,572)	\$ 17,155
Beginning Fund Balance			9,567,021	
Ending Fund Balance			\$ 6,759,449	

POLK COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
COURTHOUSE SECURITY

For the Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 40,300	\$ 40,300	\$ 34,376	\$ (5,924)
Total Revenues	<u>40,300</u>	<u>40,300</u>	<u>34,376</u>	<u>(5,924)</u>
Expenditures				
Administration of justice	69,897	74,704	71,873	2,831
Total Expenditures	<u>69,897</u>	<u>74,704</u>	<u>71,873</u>	<u>2,831</u>
Excess of Revenues Over (Under)				
Expenditures	(29,597)	(34,404)	(37,497)	(3,093)
Other Financing Sources (Uses)				
Transfers in	29,597	33,297	33,297	-
Debt issuance	-	1,107	1,107	-
Total Other Financing Sources (Uses)	<u>29,597</u>	<u>34,404</u>	<u>34,404</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>(3,093)</u>	<u>\$ (3,093)</u>
Beginning Fund Balance			7,923	
Ending Fund Balance			<u>\$ 4,830</u>	

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
LAW LIBRARY

For the Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 14,300	\$ 14,300	\$ 15,170	\$ 870
Investment income	300	300	-	(300)
Total Revenues	<u>14,600</u>	<u>14,600</u>	<u>15,170</u>	<u>570</u>
Expenditures				
General government	14,500	14,500	12,389	2,111
Total Expenditures	<u>14,500</u>	<u>14,500</u>	<u>12,389</u>	<u>2,111</u>
Net Change in Fund Balance	<u>\$ 100</u>	<u>\$ 100</u>	<u>2,781</u>	<u>\$ 2,681</u>
Beginning Fund Balance			49,972	
Ending Fund Balance			<u>\$ 52,753</u>	

POLK COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
AGING

For the Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 238,391	\$ 264,905	\$ 309,261	\$ 44,356
Other	-	12,304	13,680	1,376
Total Revenues	238,391	277,209	322,941	45,732
Expenditures				
Health and human services	275,078	355,029	323,936	31,093
Total Expenditures	275,078	355,029	323,936	31,093
Other Financing Sources (Uses)				
Transfers in	36,690	36,690	-	(36,690)
Total Other Financing Sources (Uses)	36,690	36,690	-	(36,690)
Net Change in Fund Balance	\$ 3	\$ (41,130)	(995)	\$ 40,135
Beginning Fund Balance			151,194	
Ending Fund Balance			\$ 150,199	

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
COUNTY RECORDS MANAGEMENT

For the Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 14,500	\$ 14,500	\$ 15,534	\$ 1,034
Total Revenues	14,500	14,500	15,534	1,034
Expenditures				
General government	29,718	29,718	29,703	15
Total Expenditures	29,718	29,718	29,703	15
Other Financing Sources (Uses)				
Transfers in	15,218	15,218	15,218	-
Total Other Financing Sources (Uses)	15,218	15,218	15,218	-
Net Change in Fund Balance	\$ -	\$ -	1,049	\$ 1,049
Beginning Fund Balance			194	
Ending Fund Balance			\$ 1,243	

POLK COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
COUNTY CLERK RECORDS PRESERVATION
For the Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 144,400	\$ 144,400	\$ 115,025	\$ (29,375)
Other	-	-	1,029	1,029
Total Revenues	<u>144,400</u>	<u>144,400</u>	<u>116,054</u>	<u>(28,346)</u>
Expenditures				
General governmental	77,225	77,225	44,059	33,166
Total Expenditures	<u>77,225</u>	<u>77,225</u>	<u>44,059</u>	<u>33,166</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	4,820	<u>\$ 4,820</u>
Beginning Fund Balance			<u>152,905</u>	
Ending Fund Balance			<u>\$ 157,725</u>	

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
HOTEL TAX
For the Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other taxes	\$ 33,000	\$ 33,000	\$ 29,874	\$ (3,126)
Total Revenues	<u>33,000</u>	<u>33,000</u>	<u>29,874</u>	<u>(3,126)</u>
Expenditures				
General government	33,000	33,000	28,098	4,902
Total Expenditures	<u>33,000</u>	<u>33,000</u>	<u>28,098</u>	<u>4,902</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	1,776	<u>\$ 1,776</u>
Beginning Fund Balance			<u>11,143</u>	
Ending Fund Balance			<u>\$ 12,919</u>	

POLK COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
JP TECHNOLOGY

For the Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 25,400	\$ 25,400	\$ 20,862	\$ (4,538)
Total Revenues	<u>25,400</u>	<u>25,400</u>	<u>20,862</u>	<u>(4,538)</u>
Expenditures				
Adminstration of justice	25,400	30,388	29,107	1,281
Total Expenditures	<u>25,400</u>	<u>30,388</u>	<u>29,107</u>	<u>1,281</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (4,988)</u>	(8,245)	<u>\$ (3,257)</u>
Beginning Fund Balance			<u>128,606</u>	
Ending Fund Balance			<u>\$ 120,361</u>	

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
HISTORICAL COMMISSION

For the Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Investment income	\$ -	\$ -	\$ 767	\$ 767
Other	-	3,854	9,392	5,538
Total Revenues	<u>-</u>	<u>3,854</u>	<u>10,159</u>	<u>6,305</u>
Expenditures				
General government	-	3,854	3,854	-
Total Expenditures	<u>-</u>	<u>3,854</u>	<u>3,854</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	6,305	<u>\$ 6,305</u>
Beginning Fund Balance			<u>387,920</u>	
Ending Fund Balance			<u>\$ 394,225</u>	

POLK COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
AVAILABLE SCHOOL FUND
For the Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Investment income	\$ 3,500	\$ 3,500	\$ 321	\$ (3,179)
Other	113,743	113,743	113,743	-
Total Revenues	<u>117,243</u>	<u>117,243</u>	<u>114,064</u>	<u>(3,179)</u>
Expenditures				
General government	117,243	126,451	126,451	-
Total Expenditures	<u>117,243</u>	<u>126,451</u>	<u>126,451</u>	<u>-</u>
Other Financing Sources (Uses)				
Transfers in	-	-	906	906
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (9,208)</u>	(11,481)	<u>\$ (2,273)</u>
Beginning Fund Balance			219,908	
Ending Fund Balance			<u>\$ 208,427</u>	

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DISTRICT ATTORNEY COLLECTION
For the Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 11,500	\$ 11,500	\$ 7,988	\$ (3,512)
Total Revenues	<u>11,500</u>	<u>11,500</u>	<u>7,988</u>	<u>(3,512)</u>
Expenditures				
Administration of justice	11,500	11,500	663	10,837
Total Expenditures	<u>11,500</u>	<u>11,500</u>	<u>663</u>	<u>10,837</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	7,325	<u>\$ 7,325</u>
Beginning Fund Balance			14,007	
Ending Fund Balance			<u>\$ 21,332</u>	

POLK COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DISTRICT CLERK RECORDS PRESERVATION

For the Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 7,000	\$ 7,000	\$ 10,175	\$ 3,175
Total Revenues	<u>7,000</u>	<u>7,000</u>	<u>10,175</u>	<u>3,175</u>
Expenditures				
Administration of justice	9,425	19,795	19,795	-
Total Expenditures	<u>9,425</u>	<u>19,795</u>	<u>19,795</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (2,425)</u>	<u>\$ (12,795)</u>	(9,620)	<u>\$ 3,175</u>
Beginning Fund Balance			<u>12,762</u>	
Ending Fund Balance			<u>\$ 3,142</u>	

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FORFEITURE

For the Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ 8,448	\$ 26,870	\$ 18,422
Investment income	-	-	199	199
Total Revenues	<u>-</u>	<u>8,448</u>	<u>27,069</u>	<u>18,621</u>
Expenditures				
Administration of justice	-	8,448	8,448	-
Total Expenditures	<u>-</u>	<u>8,448</u>	<u>8,448</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	18,621	<u>\$ 18,621</u>
Beginning Fund Balance			<u>245,375</u>	
Ending Fund Balance			<u>\$ 263,996</u>	

POLK COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ENVIRONMENTAL SERVICES
For the Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 135,000	\$ 135,000	\$ 138,900	3,900
Total Revenues	135,000	135,000	138,900	3,900
Other Financing Sources (Uses)				
Transfer (out)	(135,000)	(135,000)	(138,900)	(3,900)
Net Change in Fund Balance	\$ -	\$ -	-	\$ -
Beginning Fund Balance			-	
Ending Fund Balance			\$ -	

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
JAIL COMMISSARY
For the Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other	\$ 9,000	\$ 9,000	\$ 11,445	\$ 2,445
Total Revenues	9,000	9,000	11,445	2,445
Expenditures				
Administration of justice	9,000	9,000	3,406	5,594
Total Expenditures	9,000	9,000	3,406	5,594
Net Change in Fund Balance	\$ -	\$ -	8,039	\$ 8,039
Beginning Fund Balance			20,537	
Ending Fund Balance			\$ 28,576	

POLK COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DISTRICT ATTORNEY SPECIAL
For the Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other	\$ 25,000	\$ 35,224	\$ 35,224	\$ -
Total Revenues	25,000	35,224	35,224	-
Expenditures				
Administration of justice	25,000	36,602	36,602	-
Total Expenditures	25,000	36,602	36,602	-
Net Change in Fund Balance	\$ -	\$ (1,378)	(1,378)	\$ -
Beginning Fund Balance			1,378	
Ending Fund Balance			\$ -	

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
JUSTICE COURT BUILDING SECURITY
For the Year Ended September 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines and forfeitures	\$ 6,500	\$ 6,500	\$ 5,004	\$ (1,496)
Total Revenues	6,500	6,500	5,004	(1,496)
Expenditures				
General government	6,500	6,500	838	5,662
Total Expenditures	6,500	6,500	838	5,662
Net Change in Fund Balance	\$ -	\$ -	4,166	\$ 4,166
Beginning Fund Balance			19,436	
Ending Fund Balance			\$ 23,602	

POLK COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PERMENANT SCHOOL FUND
For the Year Ended September 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Intergovernmental revenue	\$ -	\$ 1,150	\$ -	\$ (1,150)
Investment Income	19,980	19,980	882	(19,098)
Total Revenues	<u>19,980</u>	<u>21,130</u>	<u>882</u>	<u>(20,248)</u>
<u>Other Financing Sources (Uses)</u>				
Transfers (out)	(20,024)	(20,024)	(906)	19,118
Total Other Financing Sources (Uses)	<u>(20,024)</u>	<u>(20,024)</u>	<u>(906)</u>	<u>19,118</u>
Net Change in Fund Balance	<u>\$ (44)</u>	<u>\$ 1,106</u>	<u>(24)</u>	<u>\$ (1,130)</u>
Beginning Fund Balance			<u>412,791</u>	
Ending Fund Balance			<u>\$ 412,767</u>	

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POLK COUNTY, TEXAS
COMBINING STATEMENT OF NET ASSETS
AGENCY FUNDS
September 30, 2010

	<u>County Clerk's Probate Trust</u>	<u>District Clerk's Trust</u>	<u>Tax Collector</u>	<u>Total Agency Funds</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 352,875	\$ 3,474,109	\$ 726,209	\$ 4,553,193
Total Assets	\$ 352,875	\$ 3,474,109	\$ 726,209	\$ 4,553,193
<u>Liabilities</u>				
Due to other units	\$ 352,875	\$ 3,474,109	\$ 726,209	\$ 4,553,193
Total Liabilities	\$ 352,875	\$ 3,474,109	\$ 726,209	\$ 4,553,193

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POLK COUNTY, TEXAS
COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
September 30, 2010

	Beginning Balance	Additions	Deductions	Ending Balance
County Clerk's Probate Trust				
<u>Assets</u>				
Cash and cash equivalents	\$ 383,763	\$ (30,888)	\$ -	\$ 352,875
<u>Liabilities</u>				
Due to other units	\$ 383,763	\$ (30,888)	\$ -	\$ 352,875
District Clerk's Trust				
<u>Assets</u>				
Cash and cash equivalents	\$ 3,395,067	\$ 79,042	\$ -	\$ 3,474,109
<u>Liabilities</u>				
Due to other units	\$ 3,395,067	\$ 79,042	\$ -	\$ 3,474,109
Tax Collector				
<u>Assets</u>				
Cash and cash equivalents	\$ 676,980	\$ 49,229	\$ -	\$ 726,209
<u>Liabilities</u>				
Due to other units	\$ 676,980	\$ 49,229	\$ -	\$ 726,209
Total Agency Funds				
<u>Assets</u>				
Cash and cash equivalents	\$ 4,455,810	\$ 97,383	\$ -	\$ 4,553,193
<u>Liabilities</u>				
Due to other units	\$ 4,455,810	\$ 97,383	\$ -	\$ 4,553,193

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STATISTICAL SECTION

This part of the County's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and Required Supplementary Information says about the County's overall financial health.

Contents

Financial Trends (Page 120)

These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.

Revenue Capacity (Page 128)

These schedules contain information to help the reader assess the County's most significant local revenue source, property tax.

Debt Capacity (Page 138)

These schedules present information to help the reader assess the affordability of the County's current levels of outstanding debt and the County's ability to issue additional debt in the future.

Demographic and Economic Information (Page 144)

These schedules offer demographic and economic indicators to help the reader understand the environment within which the County's financial activities take place.

Operating Information (Page 150)

These schedules contain service and infrastructure data to help the reader understand how the information in the County's financial report relates to the services the County provides and the activities it performs.

POLK COUNTY, TEXAS

NET ASSETS BY COMPONENT

Last Eight Years (1)

(Accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Governmental activities				
Invested in capital assets, net of related debt	\$ 3,159,728	\$ 6,516,831	\$ 5,768,223	\$ 13,101,783
Restricted	969,033	994,579	1,159,707	1,315,496
Unrestricted	4,961,440	2,068,436	2,890,488	4,751,455
Total governmental activities net assets	<u>\$ 9,090,201</u>	<u>\$ 9,579,846</u>	<u>\$ 9,818,418</u>	<u>\$ 19,168,734</u>

(1) The requirement for statistical data is ten years; only eight years are available at this time.

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 15,748,347	\$ 16,127,180	\$ 14,526,990	\$ 16,307,042
1,096,393	988,219	1,003,827	2,785,081
6,043,734	7,914,865	10,422,140	7,334,856
<u>\$ 22,888,474</u>	<u>\$ 25,030,264</u>	<u>\$ 25,952,957</u>	<u>\$ 26,426,979</u>

POLK COUNTY, TEXAS

CHANGES IN NET ASSETS

Last Eight Years (1)

(Accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Expenses				
Governmental activities				
General government	\$ 3,574,826	\$ 3,679,583	\$ 3,604,151	\$ 4,758,365
Administration of justice	6,200,998	5,978,981	6,700,554	7,215,233
Roads and bridges	5,051,516	3,268,923	4,887,005	5,220,888
Health and human services	1,253,407	1,091,520	945,272	981,990
Tax administration	779,542	755,033	733,937	807,230
Interest and fiscal agent fees	298,952	232,831	267,913	205,970
Total governmental activities expenses	<u>17,159,241</u>	<u>15,006,871</u>	<u>17,138,832</u>	<u>19,189,676</u>
Program Revenues				
Governmental activities				
Charges for services				
General government	\$ 1,551,777	\$ 1,749,638	\$ 1,729,362	\$ 2,158,693
Administration of justice	14,942	163,064	157,036	176,852
Roads and bridges	-	-	-	-
Health and human services	1,136,058	188,256	201,730	186,991
Operating grants and contributions	1,048,454	483,404	840,948	1,819,107
Total governmental activities program revenues	<u>3,751,231</u>	<u>2,584,362</u>	<u>2,929,076</u>	<u>4,341,643</u>
Net (Expense)/Revenue				
Governmental activities	<u>\$ (13,408,010)</u>	<u>\$ (12,422,509)</u>	<u>\$ (14,209,756)</u>	<u>\$ (14,848,033)</u>
General Revenues and Other Changes in Net Assets				
Governmental activities				
Taxes	\$ 10,689,214	\$ 12,307,581	\$ 12,299,881	\$ 14,864,665
Investment earnings	86,669	74,210	173,301	338,495
Other revenues	1,015,942	1,430,703	1,975,146	2,044,675
Gain (loss) on sale of capital assets	-	-	-	415,906
Total governmental activities	<u>11,791,825</u>	<u>13,812,494</u>	<u>14,448,328</u>	<u>17,663,741</u>
Change in Net Assets				
Governmental activities	<u>\$ (1,616,185)</u>	<u>\$ 1,389,985</u>	<u>\$ 238,572</u>	<u>\$ 2,815,708</u>

(1) The requirement for statistical data is ten years; only eight years are available at this time.

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$	5,503,708	\$ 5,086,750	\$ 13,153,683	\$ 4,730,688
	6,462,550	8,777,239	8,933,374	10,384,722
	4,984,706	6,737,830	6,126,250	5,774,317
	962,227	1,029,386	1,164,876	1,062,130
	865,141	903,615	1,001,973	992,019
	580,113	1,353,728	1,602,765	1,611,384
	<u>19,358,445</u>	<u>23,888,548</u>	<u>31,982,921</u>	<u>24,555,260</u>
\$	2,474,710	\$ 2,489,079	\$ 2,473,938	\$ 2,313,774
	53,985	54,658	97,530	42,364
	-	107,534	137,495	77,566
	255,530	229,727	148,421	138,900
	<u>1,442,147</u>	<u>4,144,123</u>	<u>10,420,519</u>	<u>2,676,971</u>
	<u>4,226,372</u>	<u>7,025,121</u>	<u>13,277,903</u>	<u>5,249,575</u>
\$	<u>(15,132,073)</u>	\$ <u>(16,863,427)</u>	\$ <u>(18,705,018)</u>	\$ <u>(19,305,685)</u>
\$	16,189,813	\$ 16,198,654	\$ 17,595,693	\$ 18,207,997
	726,705	1,350,300	338,323	163,124
	1,747,855	1,456,263	1,693,695	1,408,586
	-	-	-	-
	<u>18,664,373</u>	<u>19,005,217</u>	<u>19,627,711</u>	<u>19,779,707</u>
\$	<u>3,532,300</u>	\$ <u>2,141,790</u>	\$ <u>922,693</u>	\$ <u>474,022</u>

POLK COUNTY, TEXAS
FUND BALANCES, GOVERNMENTAL FUNDS
 Last Eight Years (1)
 (Modified accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
General Fund				
Reserved	\$ -	\$ -	\$ -	\$ -
Unreserved	1,761,633	1,707,692	2,702,905	2,975,092
Total general fund	<u>\$ 1,761,633</u>	<u>\$ 1,707,692</u>	<u>\$ 2,702,905</u>	<u>\$ 2,975,092</u>
 All Other Governmental Funds				
Reserved	\$ 1,016,089	\$ 1,034,579	\$ 1,159,707	\$ 1,315,496
Unreserved, reported in:				
Capital project funds	-	-	-	-
Special revenue funds	2,747,366	1,594,302	838,027	1,065,878
Total all other governmental funds	<u>\$ 3,763,455</u>	<u>\$ 2,628,881</u>	<u>\$ 1,997,734</u>	<u>\$ 2,381,374</u>

(1) The requirement for statistical data is ten years; only eight years are available at this time.

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ -	\$ -	\$ -	\$ -
3,956,435	5,392,980	6,082,958	5,936,757
<u>\$ 3,956,435</u>	<u>\$ 5,392,980</u>	<u>\$ 6,082,958</u>	<u>\$ 5,936,757</u>
\$ 1,233,217	\$ 1,211,150	\$ 1,079,584	\$ 1,225,969
18,310,433	27,909,565	26,358,140	13,912,025
2,448,001	2,884,016	3,686,780	3,119,310
<u>\$ 21,991,651</u>	<u>\$ 32,004,731</u>	<u>\$ 31,124,504</u>	<u>\$ 18,257,304</u>

POLK COUNTY, TEXAS
CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS
 Last Eight Years (1)
 (Modified accrual basis of accounting)

	Fiscal Year			
	2003	2004	2005	2006
Revenues				
Taxes	\$ 11,353,825	\$ 11,828,927	\$ 12,573,534	\$ 14,583,975
Permits, licenses, and fees	147,556	155,755	138,966	202,912
Fines and forfeitures	640,960	847,623	882,212	927,082
Charges for services	2,061,817	1,253,335	1,205,916	1,595,454
Intergovernmental	1,048,454	483,404	840,948	1,819,107
Investment earnings	86,669	74,210	173,301	338,495
Other revenues	868,386	1,274,948	1,836,180	1,841,763
Total revenues	<u>16,207,667</u>	<u>15,918,202</u>	<u>17,651,057</u>	<u>21,308,788</u>
Expenditures				
General government	3,406,136	3,534,920	4,247,963	4,850,509
Administration of justice	5,995,847	6,244,004	6,463,676	7,312,142
Roads and bridges	4,495,511	4,313,004	5,203,705	4,885,421
Health and human services	1,108,267	970,567	806,084	877,338
Tax administration	780,264	702,591	728,523	802,646
Capital outlay	-	-	-	-
Debt service				
Principal	1,681,789	1,806,026	1,715,749	2,448,376
Debt issuance costs	-	-	-	-
Interest and paying agent	290,238	407,160	250,668	229,130
Total expenditures	<u>17,758,052</u>	<u>17,978,272</u>	<u>19,416,368</u>	<u>21,405,562</u>
Excess of revenues over (under) expenditures	(1,550,385)	(2,060,070)	(1,765,311)	(96,774)
Other Financing Sources (Uses)				
Transfers in	1,908,533	407,623	658,218	2,136,685
Transfers out	(1,908,533)	(407,623)	(658,218)	(2,136,685)
Issuance of debt	3,736,447	2,122,113	1,606,139	1,714,497
Payment to refunded bond escrow agent	-	(1,250,558)	-	-
Sale of capital assets	-	-	-	415,906
Total other financing sources	<u>3,736,447</u>	<u>871,555</u>	<u>1,606,139</u>	<u>2,130,403</u>
Net change in fund balances	<u>\$ 2,186,062</u>	<u>\$ (1,188,515)</u>	<u>\$ (159,172)</u>	<u>\$ 2,033,629</u>
Debt service as a percentage of noncapital expenditures	11.10%	12.31%	10.13%	12.51%

(1) The requirement for statistical data is ten years; only eight years are available at this time.

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$	15,635,471	\$ 16,345,276	\$ 17,590,374	\$ 17,956,886
	228,543	204,668	159,036	168,435
	854,030	931,688	1,034,937	810,322
	1,930,195	1,744,642	1,618,011	1,614,709
	1,442,147	4,144,123	10,465,919	2,656,109
	726,705	1,350,300	338,323	163,124
	1,519,312	1,456,263	1,693,695	1,408,586
	<u>22,336,403</u>	<u>26,176,960</u>	<u>32,900,295</u>	<u>24,778,171</u>
	5,545,641	6,207,669	12,980,872	5,221,830
	8,179,894	8,843,965	9,242,196	9,551,963
	6,051,944	6,533,096	5,289,566	5,473,262
	860,987	911,810	1,018,449	978,597
	859,964	897,198	994,935	985,611
	85,106	1,270,589	2,805,599	13,562,056
	2,770,449	2,365,761	3,006,295	3,181,266
	-	-	-	36,839
	922,972	1,550,143	1,536,376	1,450,296
	<u>25,276,957</u>	<u>28,580,231</u>	<u>36,874,288</u>	<u>40,441,720</u>
	(2,940,554)	(2,403,271)	(3,973,993)	(15,663,549)
	680,334	629,389	328,837	485,496
	(680,334)	(629,389)	(328,837)	(485,496)
	22,067,160	13,029,656	3,044,332	1,775,558
	-	-	-	-
	610,450	823,240	739,412	874,590
	<u>22,677,610</u>	<u>13,852,896</u>	<u>3,783,744</u>	<u>2,650,148</u>
\$	<u>19,737,056</u>	<u>\$ 11,449,625</u>	<u>\$ (190,249)</u>	<u>\$ (13,013,401)</u>
	14.66%	14.34%	13.33%	18.17%

POLK COUNTY, TEXAS
TAX REVENUES BY SOURCE, GOVERNMENTAL ACTIVITIES
 Last Eight Years (1)
 (Accrual basis of accounting)

<u>Function</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>
Property	\$ 8,285,023	\$ 9,807,298	\$ 9,804,935	\$ 11,989,686	\$ 12,653,787
Sales	1,179,478	1,317,619	1,331,065	1,736,997	2,283,286
Other taxes	1,224,713	1,182,664	1,163,881	1,137,982	1,252,740
	<u>\$ 10,689,214</u>	<u>\$ 12,307,581</u>	<u>\$ 12,299,881</u>	<u>\$ 14,864,665</u>	<u>\$ 16,189,813</u>

(1) The requirement for statistical data is ten years; only eight years are available at this time.

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>Change 2009-2010</u>
\$	13,081,465	\$ 14,495,487	\$ 15,346,309	5.9%
	1,940,152	1,941,259	1,623,603	-16.4%
	<u>1,177,037</u>	<u>1,158,947</u>	<u>1,238,085</u>	6.8%
\$	<u><u>16,198,654</u></u>	<u><u>17,595,693</u></u>	<u><u>18,207,997</u></u>	8.6%

POLK COUNTY, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Years

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Real Property	\$ 1,158,521,007	\$ 1,203,724,356	\$ 1,372,314,784	\$ 1,404,145,426	\$ 1,455,026,685
Personal Property	\$ 71,669,428	\$ 275,825,054	\$ 290,713,868	\$ 286,155,369	\$ 308,964,819
Mineral	\$ 425,779,210	\$ 245,547,630	\$ 261,126,250	\$ 243,396,530	\$ 299,726,780
Total assessed value (1)	1,655,969,645	1,725,097,040	1,924,154,902	1,933,697,325	2,063,718,284
Less: real property exemptions	(236,359,000)	(236,359,445)	(313,533,765)	(271,753,119)	(281,830,062)
Total taxable assessed value	<u>\$ 1,419,610,645</u>	<u>\$ 1,488,737,595</u>	<u>\$ 1,610,621,137</u>	<u>\$ 1,661,944,206</u>	<u>\$ 1,781,888,222</u>
Assessed value as a percentage of total taxable assessed value	85.7%	86.3%	83.7%	85.9%	86.3%
Total Direct Tax Rate	\$ 0.55500	\$ 0.55500	\$ 0.55500	\$ 0.55500	\$ 0.55500

(1) Assessed valuations are considered to be 100 percent of actual valuations.

Source: Polk County Tax Assessor/Collector

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 1,503,984,334	\$ 1,640,053,202	\$ 1,662,956,029	\$ 1,954,019,389	\$ 2,149,623,793
\$ 311,314,465	\$ 312,333,843	\$ 319,782,986	\$ 415,350,005	\$ 447,387,229
\$ 277,116,300	\$ 312,441,209	\$ 340,812,815	\$ 322,631,740	\$ 291,241,527
2,092,415,099	2,264,828,254	2,323,551,830	2,692,001,134	2,888,252,549
(270,149,713)	(303,249,234)	(334,218,024)	(369,238,526)	(394,447,560)
<u>\$ 1,822,265,386</u>	<u>\$ 1,961,579,020</u>	<u>\$ 1,989,333,806</u>	<u>\$ 2,322,762,608</u>	<u>\$ 2,493,804,989</u>
87.1%	86.6%	85.6%	86.3%	86.3%
\$ 0.62770	\$ 0.62770	\$ 0.62770	\$ 0.62770	\$ 0.62770

POLK COUNTY, TEXAS
PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS
 Last Ten Years

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
<u>Polk County by fund:</u>				
General	0.37630	0.37630	0.36530	0.35670
Road and Bridge	0.07130	0.06290	0.06550	0.09140
Debt Service	0.10740	0.11580	0.12420	0.10690
	<u>\$ 0.55500</u>	<u>\$ 0.55500</u>	<u>\$ 0.55500</u>	<u>\$ 0.55500</u>
<u>Cities:</u>				
City of Corrigan	0.59860	0.59000	0.59000	0.59000
City of Goodrich	0.68690	0.63690	0.71340	0.81800
City of Livingston	-	-	-	-
City of Onalaska	-	-	-	-
<u>School Districts:</u>				
Big Sandy ISD	1.42010	1.55570	1.57580	1.29000
Corrigan-Camden ISD	1.51000	1.50000	1.57200	1.61000
Goodrich ISD	1.49610	1.49610	1.49610	1.49610
Leggett ISD	1.01330	0.15000	1.50000	1.50000
Livingston ISD	1.51250	1.55250	1.55250	1.55250
Onalaska ISD	1.54100	1.67100	1.67100	1.67100
<u>Utility Districts:</u>				
Memorial Point Utility District	0.86000	0.86000	0.86000	0.86000
Polk County FWSD	0.48000	0.48000	0.48000	0.48000
Total Direct and Overlapping Rate:	<u>\$ 11.67350</u>	<u>\$ 11.04720</u>	<u>\$ 12.56580</u>	<u>\$ 12.42260</u>

Tax rates per \$100 of assessed valuation
 Source: Polk County Tax Assessor/Collector

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2009</u>	<u>2010</u>
0.35670	0.38070	0.36790	0.30160	0.32370	0.32370	0.33760
0.09140	0.12590	0.13760	0.17390	0.15410	0.15410	0.15150
0.10690	0.12110	0.12220	0.15220	0.14990	0.14990	0.13860
<u>\$ 0.55500</u>	<u>\$ 0.62770</u>	<u>\$ 0.62770</u>	<u>\$ 0.62770</u>	<u>\$ 0.62770</u>	<u>\$ 0.62770</u>	<u>\$ 0.62770</u>
0.59000	0.59000	0.58580	0.48610	0.48610	0.48610	0.48610
0.81800	0.72710	0.73500	0.68870	0.55170	0.55170	0.55170
-	-	-	-	-	-	-
-	-	-	-	-	-	-
1.29000	1.58900	1.45600	1.11650	1.11130	1.11130	1.11130
1.61000	1.61000	1.48860	1.17390	1.18900	1.18900	1.16780
1.49610	1.50000	1.37000	1.04000	1.04000	1.04000	1.04000
1.50000	1.50000	1.50700	1.18010	1.16610	1.16610	1.16610
1.55250	1.55250	1.42450	1.11000	1.40000	1.40000	1.40000
1.67100	1.67100	1.54290	1.20180	1.20020	1.20020	1.20020
0.86000	0.86000	0.84000	0.84000	0.84000	0.84000	0.84000
0.48000	0.48000	0.48000	0.44400	0.44000	0.44000	0.44000
<u>\$ 12.42260</u>	<u>\$ 12.70730</u>	<u>\$ 12.05750</u>	<u>\$ 9.90880</u>	<u>\$ 10.05210</u>	<u>\$ 10.05210</u>	<u>\$ 10.03090</u>

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POLK COUNTY, TEXAS

PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Property Tax Payer	2001			2010		
	2000 Taxable Assessed Value	Rank	% of Taxable Assessed Value	2009 Taxable Assessed Value	Rank	% of Taxable Assessed Value
Comstock Oil and Gas Inc.	\$ 146,602,460	2	10.33%	\$ 88,271,370	1	3.54%
Georgia Pacific LLC	-	n/a	0.00%	61,626,400	2	2.47%
ETC Katy Pipeline Limited	-	n/a	0.00%	40,917,440	3	1.64%
RMS Texas Timberlands	-	n/a	0.00%	34,606,717	4	1.39%
Enbridge Pipelines	-	n/a	0.00%	30,790,390	5	1.23%
Unit Petroleum Company	-	n/a	0.00%	27,680,070	6	1.11%
Kinder Morgan Texas Pipeline	-	n/a	0.00%	20,751,640	7	0.83%
Meridian Resources Exploration LLC	-	n/a	0.00%	18,158,100	8	0.73%
Delta Exploration Co., Inc.	-	n/a	0.00%	17,716,650	9	0.71%
Blackstone Minerals	10,762,320	10	0.76%	17,158,010	10	0.69%
Famcor Oil, Inc.	15,097,120	4	1.06%	-	n/a	0.00%
Champion International	147,598,961	1	10.40%	-	n/a	0.00%
Carter W.T. & Brothers	26,608,940	3	1.87%	-	n/a	0.00%
Eastex Telephone Coop. Inc.	14,300,970	5	1.01%	-	n/a	0.00%
Wal-Mart	14,129,016	6	1.00%	-	n/a	0.00%
Louisiana Pacific Corp	13,340,636	7	0.94%	-	n/a	0.00%
Sam Houston Electric Coop. Inc.	13,068,291	8	0.92%	-	n/a	0.00%
Teco Pipeline	13,002,400	9	0.92%	-	n/a	0.00%
Subtotal	\$ 414,511,114		29.20%	\$ 357,676,787		14.34%
Other taxpayers	1,005,099,531		70.80%	2,136,128,202		85.66%
Total	\$ 1,419,610,645		100.00%	\$ 2,493,804,989		100.00%

Source: Polk County Appraisal District

POLK COUNTY, TEXAS
PROPERTY TAX LEVIES AND COLLECTIONS
 Last Ten Years

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Adjusted tax levy	\$ 8,272,083	\$ 8,941,594	\$ 8,940,234	\$ 9,205,175
Current tax collected	\$ 7,875,720	8,486,390	8,477,198	8,726,521
Percent of current tax collections	95.21%	94.91%	94.82%	94.80%
Delinquent tax collections	\$ 235,623	\$ 262,300	\$ 290,849	\$ 355,596
Total tax collections	\$ 8,111,343	\$ 8,748,689	\$ 8,768,047	\$ 9,082,117
Total collections as a percentage of current levy	98.06%	97.84%	98.07%	98.66%
Outstanding delinquent taxes	\$ 160,740	\$ 192,905	\$ 172,188	\$ 123,058
Outstanding delinquent taxes as percentage of current levy	1.94%	2.16%	1.93%	1.34%

Source: Polk County Tax Assessor/Collector

	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$	9,879,685	\$ 11,565,442	\$ 11,953,364	\$ 13,038,903	\$ 14,226,340	\$ 15,110,680
	9,383,100	11,037,132	11,418,475	12,457,010	13,669,417	14,431,072
	94.97%	94.80%	94.00%	95.54%	96.09%	95.50%
\$	434,328	\$ 432,395	\$ 426,691	\$ 461,693	\$ 483,652	\$ 415,865
\$	9,817,428	\$ 11,469,526	\$ 11,845,166	\$ 12,918,703	\$ 14,153,069	\$ 14,846,937
	99.37%	98.66%	95.65%	99.41%	97.00%	97.00%
\$	62,257	\$ 95,915	\$ 108,199	\$ 120,199	\$ 73,271	\$ 263,742
	0.63%	0.83%	0.91%	0.92%	0.52%	1.75%

POLK COUNTY, TEXAS
RATIO OF GENERAL BONDED DEBT OUTSTANDING
 Last Ten Years

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
NET TAXABLE ASSESSED VALUE				
All property	\$ 1,419,610,645	\$ 1,488,737,595	\$ 1,610,621,137	\$ 1,661,944,206
NET BONDED DEBT				
Gross bonded debt	6,807,540	6,054,582	8,109,241	7,176,348
Less debt service funds	<u>767,357</u>	<u>641,672</u>	<u>641,314</u>	<u>658,075</u>
Net Bonded Debt	<u><u>\$ 6,040,183</u></u>	<u><u>\$ 5,412,910</u></u>	<u><u>\$ 7,467,927</u></u>	<u><u>\$ 6,518,273</u></u>
RATIO OF NET BONDED DEBT TO ASSESSED VALUE	0.4255%	0.3636%	0.4637%	0.3922%
POPULATION	43,082	44,129	45,064	45,708
NET BONDED DEBT PER CAPITA	\$ 140	\$ 123	\$ 166	\$ 143

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 1,781,888,222	\$ 1,822,265,386	\$ 1,961,579,020	\$ 1,989,333,806	\$ 2,322,762,608	\$ 2,493,804,989
7,012,065	6,369,635	24,933,372	35,020,686	35,335,000	33,930,000
780,558	935,605	853,369	828,766	666,793	813,203
<u>\$ 6,231,507</u>	<u>\$ 5,434,030</u>	<u>\$ 24,080,003</u>	<u>\$ 34,191,920</u>	<u>\$ 34,668,207</u>	<u>\$ 33,116,797</u>
0.3497%	0.2982%	1.2276%	1.7188%	1.4925%	1.3280%
45,944	46,291	46,206	46,604	46,530	46,640
\$ 136	\$ 117	\$ 521	\$ 734	\$ 745	\$ 710

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POLK COUNTY, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2010

Governmental Unit	Net Bonded Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
Debt repaid with property taxes			
Cities:			
Corrigan	\$ -	100%	\$ -
Goodrich	\$ 270,000	100%	\$ 270,000
Livingston	\$ 6,790,000	100%	\$ 6,790,000
Onalaska	\$ -	100%	\$ -
School Districts:			
Big Sandy ISD	\$ 4,165,416	100%	\$ 4,165,416
Chester ISD	\$ 440,000	48.90%	\$ 215,160
Goodrich ISD	\$ -	100%	\$ -
Corrigan-Camden ISD	\$ 3,490,000	100%	\$ 3,490,000
Leggett ISD	\$ 1,650,000	100%	\$ 1,650,000
Livingston ISD	\$ 69,660,000	100%	\$ 69,660,000
Onalaska ISD	\$ 5,021,606	100%	\$ 5,021,606
Woodville ISD	\$ 5,070,000	2.53%	\$ 128,271
Utility Districts:			
Memorial Point	\$ -	100%	\$ -
Polk Co Freshwater	\$ 4,795,000	100%	\$ 4,795,000
Subtotal, overlapping debt	\$ 101,352,022		96,185,453
Polk County direct debt	<u>33,930,000</u>	100%	<u>33,930,000</u>
Total direct and overlapping debt	<u><u>\$ 135,282,022</u></u>		<u><u>\$ 130,115,453</u></u>

Source: Texas Municipal Reports

(1) Estimated Percentage Applicable obtained from Municipal Advisory Council of Texas.

POLK COUNTY, TEXAS
LEGAL DEBT MARGIN INFORMATION
 Last Ten Years

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Debt limit	\$ 141,961,065	\$ 148,873,760	\$ 161,062,114	\$ 166,194,421
Total net debt applicable to limit	6,807,540	6,054,582	8,109,241	7,176,348
Legal debt margin	<u>\$ 135,153,525</u>	<u>\$ 142,819,178</u>	<u>\$ 152,952,873</u>	<u>\$ 159,018,073</u>
Total net debt applicable to the limit as a percentage of debt limit	4.80%	4.07%	5.03%	4.32%

Legal Debt Margin Calculation for 2010

Assessed value	\$ 2,493,804,989
Debt limit (10% of assessed value)	249,380,499
Debt applicable to limit:	
General obligation bonds	33,930,000
Less: amount set aside for repayment of general obligation debt	-
Total net debt applicable to limit	<u>33,930,000</u>
Legal debt margin	<u>\$ 215,450,499</u>

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
\$ 178,188,822	\$ 182,226,539	\$ 196,157,902	\$ 198,933,381	\$ 232,276,261	\$ 249,380,499
7,012,065	6,369,635	24,933,372	35,020,868	35,335,000	33,930,000
<u>\$ 171,176,757</u>	<u>\$ 175,856,904</u>	<u>\$ 171,224,530</u>	<u>\$ 163,912,513</u>	<u>\$ 196,941,261</u>	<u>\$ 215,450,499</u>
3.94%	3.50%	12.71%	17.60%	15.21%	13.61%

POLK COUNTY, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last Ten Years

	<u>2001</u>	<u>2002</u>	<u>2003</u>	<u>2004</u>
Population (1)*	43,082	44,129	45,064	45,708
Personal income (3)*	\$1,083,874,000	\$1,115,830,000	\$1,164,011,000	\$1,198,247,000
Per capita personal income (3)*	\$ 25,158	\$ 25,286	\$ 25,830	\$ 26,215
Median age (3)*	39.2	39.0	39.1	39.0
School enrollment (4)				
Livingston ISD	4,120	4,096	4,111	4,048
Big Sandy ISD	430	447	452	458
Chester ISD	N/A	N/A	N/A	N/A
Corrigan Camden ISD	1,175	1,113	1,144	1,126
Leggett ISD	247	270	278	267
Onalaska ISD	523	665	467	751
Goodrich ISD	263	293	304	308
TOTAL:	6,758	6,884	6,756	6,958
Unemployment rate (2)	6.30%	7.80%	8.10%	7.20%

Data sources:

(1)US Census Bureau

(2)Texas Workforce

(3)Texas Association of Counties (County Information Project)

(4) TEA

*Estimated totals for 2009 and 2010

<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>
45,944	46,291	46,206	46,604	46,530	46,640
\$1,289,580,000	\$1,381,286,000	\$ 1,470,836,000	\$ 1,597,567,000	\$1,418,932,350	\$1,595,554,400
\$ 28,069	\$ 29,839	\$ 31,832	\$ 34,280	\$ 30,495	\$ 34,210
39.1	39.2	38.7	38.3	38.6	38.1
4,072	3,742	3,753	3,728	3,733	3,741
484	433	456	471	465	451
N/A	45	77	73	71	171
1,122	1,028	990	990	956	947
255	221	205	202	190	173
802	826	813	817	846	880
317	289	259	247	241	247
7,052	6,584	6,553	6,528	6,502	6,610
6.80%	6.10%	5.90%	6.40%	10.50%	10.00%

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POLK COUNTY, TEXAS

PRINCIPAL EMPLOYERS

Current Year and Five Years Ago (1)

Employer	2010			2005		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Georgia Pacific*	1,000	1	2.14%	1,600	1	3.48%
Texas Department of Criminal Justice	900	2	1.93%	900	2	1.96%
Livingston ISD	642	3	1.38%	547	3	1.19%
Wal-Mart Super Center	400	4	0.86%	450	4	0.98%
Memorial Medical Center	400	5	0.86%	124	9	0.27%
Polk County	295	6	0.63%	282	5	3.48%
CEC Int'l (IAH Detention Facility)**	235	7	0.50%	-	0	0.00%
Corrigan Camden ISD	225	8	0.48%	178	7	0.39%
Alabama-Coushatta Reservation	206	9	0.44%	197	6	0.43%
Sam Houston Electric Coop	157	10	0.34%	150	8	0.33%
Total	<u>4,460</u>		<u>9.56%</u>	<u>4,428</u>		<u>12.51%</u>

Source: Polk County Economic & Industrial Development Corporation
Texas Workforce Co

*Previously named International Paper Company

**Opened in 2006

(1) The requirement for statistical data is current year and 9 years ago; Only current year and 5 years ago was available

POLK COUNTY, TEXAS

COUNTY EMPLOYEES

Last Ten Years

Function/Program	2001	2002	2003	2004	2005	2006	2007	2008
General Government:								
County Judge	3	3	3	3	3	3	3	3
Commissioner's Court	1	1	1	1	1	1	1	1
County Clerk	9	9	10	10	10	10	10	10
County Auditor	5	5	4	4	4	4	5	5
County Treasurer	2	2	2	2	2	2	2	3
Data Processing	2	2	2	2	2	2	2	2
Maintenance/Custodial	3	3	3	3	2	2	3	3
Maintenance/Engineering	4	4	4	4	4	4	5	6
Emergency Management	5	5	5	5	5	5	5	5
Personnel/Human Resources	2	2	2	2	2	2	2	2
Road & Bridges:								
Commissioners	4	4	4	4	4	4	4	4
Road & Bridge Workers	42	42	42	40	40	40	40	39
Administration of Justice:								
County Court-at-Law	3	3	3	3	3	3	3	4
District Clerk	9	9	9	9	9	9	9	9
District Judges	4	5	5	5	5	5	6	7
JP Pct 1	3	3	3	3	3	3	3	3
JP Pct 2	2	2	2	2	2	2	2	2
JP Pct 3	3	3	3	3	3	3	3	3
JP Pct 4	2	2	3	3	3	3	3	3
District Attorney	12	13	13	13	13	13	15	15
Sheriff's Dept	41	43	44	44	44	46	47	50
Jail	22	24	24	24	25	30	31	31
Constables	4	4	4	4	4	4	4	4
DPS	1	1	1	1	1	1	1	1
Courthouse Security	2	2	2	2	2	1	1	1
Health and Human Services:								
Library & Museum	1	1	1	1	1	1	1	2
Social Services	3	3	3	2	2	2	2	2
Veterans Service	2	2	2	2	2	2	2	2
County Extension	1	1	1	1	4	4	4	4
Environmental Enforcement	11	1	1	1	1	1	1	1
Aging Services	14	14	14	6	6	6	6	6
Tax Administration:								
Tax Assessor/Collector	15	16	16	16	17	17	17	17
Totals:	<u>237</u>	<u>234</u>	<u>236</u>	<u>225</u>	<u>229</u>	<u>235</u>	<u>243</u>	<u>250</u>

Source: Polk County Human Resources

<u>2009</u>	<u>2010</u>
3	3
1	1
10	10
5	5
3	3
2	2
3	3
7	7
5	5
3	3
4	4
37	37
4	4
10	10
7	7
4	4
3	3
3	3
3	3
15	17
50	50
33	33
4	4
1	1
1	1
2	2
2	2
2	2
4	4
1	1
4	4
17	17
<u>253</u>	<u>255</u>

POLK COUNTY, TEXAS
OPERATING INDICATORS BY FUNCTION/PROGRAM
Last Ten Years

	2001	2002	2003	2004
<u>County Court</u>				
Civil Cases				
Pending Beginning of Year	152	157	1,916	2,191
Docket Adjust	5	1,775	(43)	(3)
Added	-	395	1,352	1,189
Disposed	-	411	1,034	999
Pending End of Year	157	1,916	2,191	2,378
Criminal Cases				
Pending Beginning of Year	2,258	2,262	2,289	2,557
Docket Adjust	4	-	(2)	(8)
Added	-	1,674	2,055	1,830
Disposed	-	1,647	1,785	1,790
Pending End of Year	2,262	2,289	2,557	2,589
<u>District Court</u>				
Civil Cases				
Pending Beginning of Year	2,312	2,607	798	847
Docket Adjust	99	(1,952)	-	(11)
Added	1,373	867	403	421
Disposed	1,177	724	354	358
Pending End of Year	2,607	798	847	899
Criminal Cases				
Pending Beginning of Year	661	553	570	710
Docket Adjust	(15)	(35)	-	(28)
Added	674	604	939	802
Disposed	767	552	799	723
Pending End of Year	553	570	710	761
<u>Justice Of The Peace Courts</u>				
Cases Filed				
Traffic	5,186	6,172	4,955	6,692
Non Traffic	2,606	2,994	3,200	2,799
Small Claims Suits	198	177	239	131
Forcible Entry & Detainer	90	110	116	124
Other Civil Suits	182	184	200	172
Cases Disposed				
Traffic	4,565	5,557	4,939	7,566
Non Traffic	2,220	2,346	2,813	3,244
Small Claims Suits	134	140	173	97
Forcible Entry & Detainer	71	97	111	102
Other Civil Suits	124	150	136	132
Cases Appealed				
Traffic	10	6	2	2
Non Traffic	3	2	2	3
Small Claims Suits	-	-	3	2
Forcible Entry & Detainer	1	-	1	6
Other Civil Suits	-	-	1	2
Miscellaneous				
Examining Trials	1	1	5	-
Inquests	198	208	192	206

Source: Texas Courts Online (Office of Court Administration)

2005	2006	2007	2008	2009	2010
2,378	2,705	2,836	2,829	2,980	3,212
30	27	(30)	75	56	(435)
1,443	1,442	1,304	1,230	1,352	1,306
1,146	1,338	1,281	1,154	1,176	1,051
2,705	2,836	2,829	2,980	3,212	3,032
2,589	2,889	2,935	2,798	2,719	2,669
(5)	13	(5)	(7)	113	(9)
2,001	1,774	1,779	1,446	1,307	1,002
1,696	1,741	1,911	1,518	1,470	1,079
2,889	2,935	2,798	2,719	2,669	2,583
899	670	757	842	885	784
(10)	(5)	(40)	20	(146)	(3)
303	328	411	336	342	324
522	236	286	313	297	227
670	757	842	885	784	878
761	1,254	1,385	1,033	810	823
(102)	(350)	(461)	(121)	(77)	(15)
900	930	924	890	980	847
305	449	815	992	890	848
1,254	1,385	1,033	810	823	807
8,092	7,342	6,387	7,472	8,007	4,772
2,891	2,439	2,565	2,725	2,526	1,961
133	114	84	83	127	68
120	146	154	119	155	130
177	218	219	327	217	174
7,007	6,338	6,252	6,834	6,826	4,837
2,411	1,923	2,337	2,148	2,102	1,903
90	79	81	54	174	123
108	124	143	109	134	111
121	108	170	205	272	212
16	19	14	19	22	18
6	1	2	1	2	5
-	1	-	-	-	2
3	1	1	-	-	2
-	-	-	-	1	1
2	1	-	-	-	1
215	206	195	210	181	178

POLK COUNTY, TEXAS
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
 Last Ten Years

Function/program	2001	2002	2003	2004	2005
<u>General Government</u>					
Commissioners Court	3	3	3	3	3
County Clerk	10	12	12	12	12
Veterans Service	1	1	1	1	1
General Operations	26	26	26	26	26
District Clerk	2	2	2	3	3
JP Pct 1	-	-	-	-	-
JP Pct 2	-	-	-	-	-
JP Pct 3	-	-	-	-	-
JP Pct 4	-	-	-	-	-
Judicial	4	4	4	4	4
District Attorney	2	3	4	4	4
County Auditor	1	3	3	4	4
County Treasurer	2	2	2	2	2
Tax Assessor/Collector	4	4	4	4	4
Delinquent Tax Collection	1	1	1	1	1
Data Processing	12	12	12	12	12
Maintenance/Custodial	2	2	2	2	2
Maintenance/Engineering	11	14	16	17	17
Jail	4	4	4	5	6
Constable PCT 1	-	-	-	1	1
Constable PCT 2	-	-	-	1	1
Constable PCT 3	-	-	-	1	1
Constable PCT 4	-	-	-	1	1
Sheriff's Dept	20	33	31	31	39
Social Services	1	2	2	2	4
Extension	-	-	1	1	1
Emergency Management	3	3	3	6	11
Environmental Enforcement	1	3	2	2	1
<u>Road & Bridge</u>					
Road & Bridge Pct 1	19	22	35	60	71
Road & Bridge Pct 2	18	20	22	40	55
Road & Bridge Pct 3	44	46	49	53	55
Road & Bridge Pct 4	40	41	43	44	53
<u>Security</u>					
Security Dept	1	1	1	1	1
<u>Historical Commission</u>					
Historical	2	2	2	2	2
<u>Waste Management</u>					
Waste Management	46	46	46	46	46
<u>Aging</u>					
Aging Services	3	3	3	4	3

Source: County Inventory Reports

2006	2007	2008	2009	2010
3	4	4	4	4
14	14	15	15	15
1	1	1	1	1
26	31	34	34	40
3	3	3	3	3
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
4	4	4	4	4
5	5	6	6	6
4	4	4	4	4
3	3	3	3	3
5	4	4	4	4
1	1	1	1	1
11	11	13	12	13
2	2	3	4	-
19	20	23	28	37
8	13	13	14	17
1	1	1	1	1
1	1	2	2	1
1	1	1	1	1
1	1	1	1	1
49	60	66	70	79
4	4	4	4	4
1	1	1	1	1
12	13	13	14	14
1	1	1	2	2
78	79	80	84	49
55	60	63	67	40
63	77	82	83	80
55	68	76	78	67
1	1	1	1	1
2	2	2	2	2
46	46	46	36	35
3	6	7	8	9