

MATAGORDA COUNTY, TEXAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED DECEMBER 31, 2010

Prepared by
Ellen Dodd, Matagorda County Auditor



Matagorda County
 Comprehensive Annual Financial Report
 For The Year Ended December 31, 2010

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Introductory Section





ELLEN DODD

COUNTY AUDITOR

MATAGORDA COUNTY
1700 SEVENTH STREET, ROOM 326
BAY CITY, TEXAS 77414-5095
(409) 244-7611

Honorable District Judges of Matagorda County and
Honorable Members of the Matagorda County Commissioners Court:

Chapter 114.025 and chapter 115.045 of the Local Government Code of the State of Texas requires the issuance within six months of the close of each fiscal year a complete set of financial statements presented in conformity with generally accepted accounting principles (GAAP) and audited in accordance with generally accepted auditing standards by a licensed certified public accountant. Pursuant to that requirement, we hereby issue the comprehensive annual financial report of Matagorda County for the fiscal year ended December 31, 2010.

This report consists of management's representations concerning the finances of Matagorda County. Consequently, management assumes full responsibility for the completeness and reliability of all the information presented in this report. To provide a reasonable basis for making these representations, the County has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of Matagorda County's financial statements in conformity with GAAP. Because the cost of internal controls should not outweigh their benefits, the County's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. We assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Matagorda County's financial statements have been audited by Reed & Associates, PC, certified public accountants. The goal of the independent audit was to provide reasonable assurance that the financial statements of the County for the year ended December 31, 2010, are free of material misstatement. The independent audit involves examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering an unqualified opinion that the County's financial statements for the fiscal year ended December 31, 2010, are presented in conformity with GAAP. The independent auditor's report is presented as the first item in the financial section of this report.

The independent audit of the financial statements of Matagorda County was part of the broader, federally mandated "single Audit" designed to meet the special needs of federal and state grantor agencies. The standards governing Single Audit engagements require the independent auditors to report not only on the fair presentation of the financial statements, but also on the audited government's internal controls and legal requirements involving the administration of federal and state awards. These reports are included in the Single Audit section of this report.

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. Matagorda County's MD&A can be found immediately following the report of the independent auditors. The financial section also includes government-wide financial statements, fund financial statements, notes, required supplementary information and the combining and individual fund financial statements and schedules. The statistical section of the report includes selected financial and demographic information, which is generally presented on a multi-year basis.

PROFILE OF MATAGORDA COUNTY

The County of Matagorda, created in 1836 is rich in history and tradition. The County is located between Galveston and Corpus Christi along the Gulf Coast and enjoys a diversity of geography from its wide expanse of prairies to the many creeks, rivers, lakes, bays and Gulf of Mexico. Matagorda County occupies an area of 1,115 square miles and serves an estimated population of 36,702. The County is a political subdivision of the State of Texas. The elected Commissioners Court is the governing body of the County which is comprised of the County Judge and four County Commissioners. Commissioners serve four-year staggered terms, two members elected every two years. The County Judge is elected at large to serve a four-year term.

The Commissioners Court has certain powers granted to it by the state legislature. Its duties include adoption of the budget, setting of the tax rates, approval of contracts, appointment of certain county officials and the development of policies and orders.

The Commissioners Court shares the financial controls of the County with the County Auditor who is appointed according to Texas State statutes for two year terms by the District Judges. The County Auditor holds the basic responsibilities for establishing accounting policies and procedures, maintaining the records of all financial transactions of the County, and "examining and approving" disbursements from county funds prior to their submission to the Commissioners Court for payment.

Matagorda County provides many services not ordinarily provided by any other entity of government and provides additional services in cooperation with other local governmental units. These include volunteer fire departments, libraries and the museum. A primary service is the administration of justice, which includes the civil and criminal county and district courts, justices of the peace, constables, district attorney, clerks of the courts, sheriff, jail, security and emergency management, and bailiffs. Other functions performed by the County include the construction and maintenance of roads and bridges; provision of juvenile, health and environmental services as well as property tax collections for multiple agencies.

The annual budget serves as the foundation for the County's planning and control. Budgetary control is maintained at the subtotal level of the County budget for the following categories: Personnel, Operating Costs, Capital Outlay and Debt. Expenditures for current operating funds may not exceed available cash balances in such funds at January 1, plus the estimate of revenues for the ensuing year. At any time during the year, Commissioners Court may increase the budget for unexpected revenues, expenditures, or actual beginning fund balances in excess of budgeted estimates, provided that Commissioners Court declares the existence of an emergency necessitating the increase. All annual budget appropriations lapse at year end with the exception of the commissioner's budgets which carry forward into designations for precincts. The County also maintains an encumbrance accounting system for the general fund as one method of maintaining budgetary control. Budget to actual comparisons are provided in this report for each individual government fund for which an appropriated annual budget has been adopted.

LOCAL ECONOMY

An understanding of the financial condition of Matagorda County is enhanced through a perspective of the environment in which the County operates. Matagorda County's primary economic bases include utilities, petrochemical processing, transmission, agriculture, commercial fishing and tourism. Matagorda County has outstanding opportunities for industry growth because of its location and proximity to the Gulf of Mexico, the Colorado River and the Gulf Intercoastal Canal waterway. Its strong oil and gas and petrochemical industry has kept the economy stable. Matagorda County however, still compares lower in important demographics categories compared to other Texas counties and the state. The unemployment rate continues to rise and remains 2-3% higher than the rate for the state of Texas.

For several years, Matagorda County has partnered with the South Texas Nuclear Project in providing Emergency Preparedness Training and Operations Drills for the safety of its citizens. This contract is not only financially favorable to the County, but has also provided invaluable emergency preparedness skills and a network of cooperation between the County leaders and departments and its industry neighbors. Through a joint partnership with the South Texas Project and Wharton County Junior College, the South Texas Center for Energy Development continues to serve as a career center for staffing at STP and also offers classes focusing on process-technology and power-technology programs to train students for work at chemical, industrial and nuclear plants.

Matagorda Regional Medical Center opened its doors to patients in 2009 at its 117,000 square-foot facility located on 45 acres of land on Texas 35 west. This two-story acute care hospital has 58 patient rooms, offers expanded services, and attractive and comfortable patient and visitor areas.

The economic outlook for Matagorda County remains positive for the future as the South Texas Project Nuclear Operating Company continues toward its plans to build two additional units at the site. Five hundred million has been spent on the development of Units 3 and 4 so far. Although the expansion has been delayed while the industry recovers from the aftermath of the nuclear disaster in Japan, the process continues with permitting, securing Federal Department of Energy loan guarantees, engineering procurement and construction and long-term power sale commitments. The future construction would bring 3000 jobs per unit to the community and provide 1,000 permanent jobs to Matagorda County. A proposed electric generating coal plant is still in the permitting phase, which would provide 1500 temporary construction workers and 150 new career opportunities for the community. Tourism continues to grow as Matagorda's coastline is developed and discovered by those who enjoy fishing, beach and river activities or just relaxing.

FINANCIAL POLICIES

The County has adopted an investment policy as required by state law and in conformity with state investment statutes. The investment policy as adopted by the County employs the prudent person concept in that priorities were established as to the investment vehicles the County would use. Compliance with the laws of the State of Texas and Safety were established as first priorities, followed by liquidity, low risk and diversification with an active versus passive management philosophy maintaining high professional and ethical standards. The County Treasurer is responsible for administering all of the investment of idle funds in the County. At December 31, 2010, cash and cash equivalents consisted of \$12.6 million, 11.3 million of which was invested in the County's depository banks. For the last several years, the County's depository has provided better interest rates than comparable liquid investments. During the fiscal year, the County earned approximately \$0.4 million interest on the funds invested.

The County is responsible for establishing its tax rate. For the fiscal year ended December 31, 2010, the tax rate to finance general governmental services was \$0.27055 per \$100 valuation and the tax rate for the payment of principal and interest on long-term debt was \$0.00443 per \$100 of valuation.

In addition, the County also has the following financial policies:

- The Commissioners Court of the County shall formally adopt the annual budget prepared by the Budget Officer, members of the Commissioners court and the County Auditor.
- Expenditures are controlled not to exceed available resources. All elected officials and department heads are required to keep expenditures within allocated budgets.
- Balanced financial operations will be maintained. Adequate internal accounting controls are developed and maintained to safeguard assets and provide reasonable assurance of proper recording of financial transactions.
- The County continues its effort on the replacement and upgrade of software when needed and it has provided funding when possible.
- Delivery of service to the constituents.
- Restrain the debt issuance to keep the tax rate low.

AWARDS AND ACKNOWLEDGMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Matagorda County for its comprehensive annual financial report for the fiscal year ended December 31, 2009. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. The County has received a Certificate of Achievement for the last 7 consecutive years. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

I would like to express my appreciation to members of the Commissioners' Court and to the District Judges for their interest and support in planning and conducting the financial operations of the County in a responsible and professional manner. The timely completion of this report could not have been achieved without the dedicated efforts of the entire staff of the Office of County Auditor and the professional services provided by our independent Auditor, Reed & Associates, P.C.

Respectfully submitted,



Ellen Dodd, County Auditor
Matagorda County, Texas
June 1, 2011

Certificate of Achievement for Excellence in Financial Reporting

Presented to

Matagorda County
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2009

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

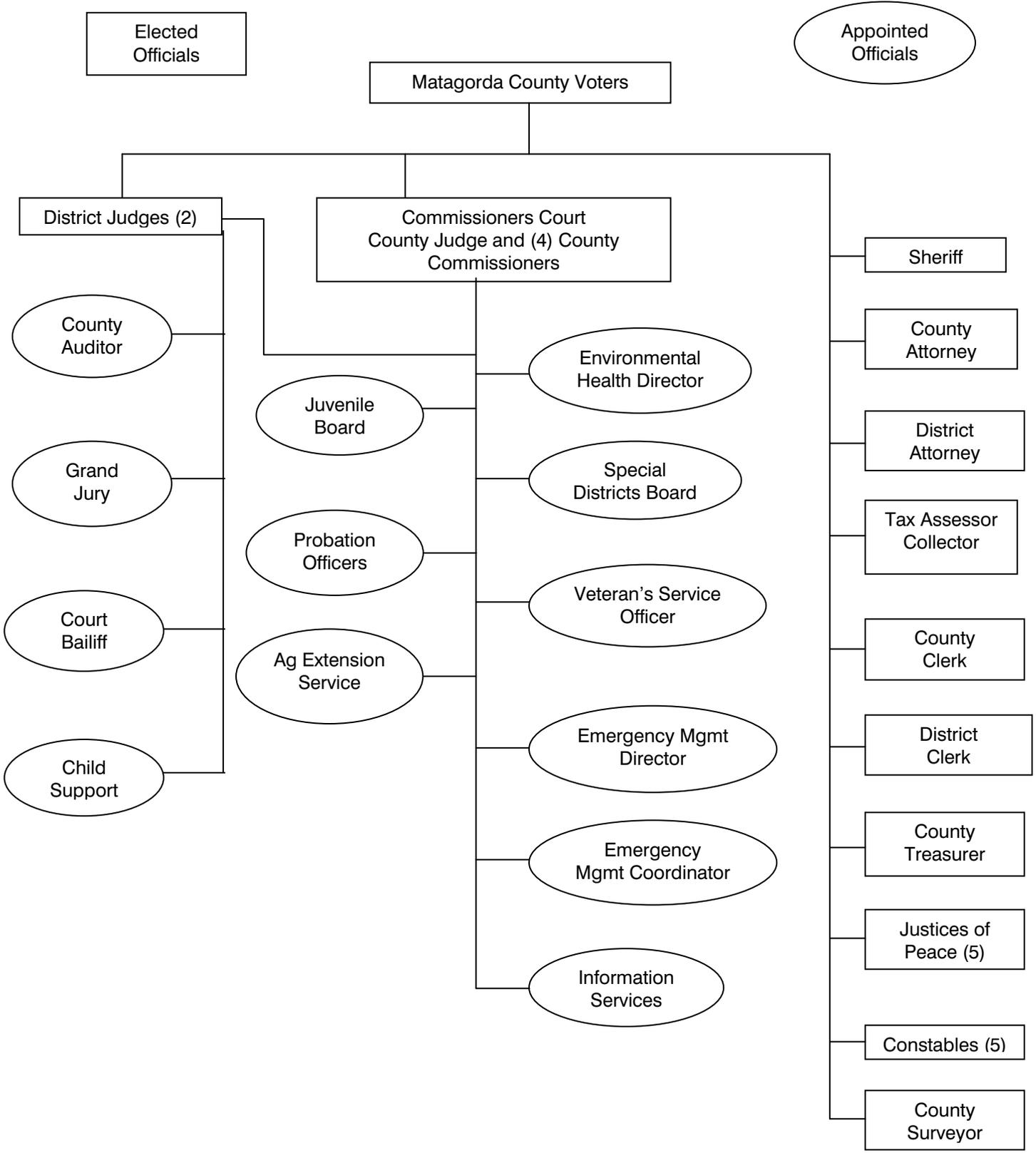


President

Executive Director



MATAGORDA COUNTY
Organization Chart



MATAGORDA COUNTY

LIST OF ELECTED AND APPOINTED OFFICIAL
DECEMBER 31, 2010

Elected Officials

Judge, 23rd Judicial District
Judge, 130th Judicial District
County Judge
Commissioner, Precinct #1
Commissioner, Precinct #2
Commissioner, Precinct #3
Commissioner, Precinct #4
County Sheriff
County Attorney
District Attorney
County Tax Collector
County Clerk
District Clerk
County Treasurer
Justice of Peace, Precinct #1
Justice of Peace, Precinct #2
Justice of Peace, Precinct #3
Justice of Peace, Precinct #4
Justice of Peace, Precinct #6
Constable, Precinct #1
Constable, Precinct #2
Constable, Precinct #3
Constable, Precinct #4
Constable, Precinct #6
County Surveyor

Ben Hardin
Craig Estlinbaum
Nate McDonald
Dan Pustka
George Deshotels
James Gibson
David J. Woodson
Gary Mathis
Jill Cornelius
Steven Reis
Cristyn Hallmark
Janet Hickl
Becky Denn
Amy Perez
Jeannette Bell
Suzan Thompson
Jerry Purvis
Aaron Green
Raymond Taggart
Raymond Green
Frank Craft
Pat Jewel
Pete Medina
Tom Ward
James Rother

Appointed Officials

County Auditor
Court Bailiff
Child Support
Ag Extension Agent
Environmental Health Director
Veterans Service Officer
Emergency Management Director
Emergency Management Coordinator
Information Services

Ellen Dodd
Bill Orton
Gwen Galloway
Brent Batchelor
Ruben Gonzales
Frank Osborne
Nate McDonald
Doug Matthes
Chris Peikert

Financial Section



Reed & Associates, PC

Certified Public Accountants

1717 8th Street, Suite 5

Bay City, Texas 77414

(979) 245-7361 Fax (979) 245-3081

auditors@swbell.net

Independent Auditor's Report on Financial Statements

Commissioners Court
Matagorda County
1700 Seventh Street
Bay City, Texas 77414

Members of the Commissioners Court:

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Matagorda County as of and for the year ended December 31, 2010, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Matagorda County's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 the 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, each major fund, and the aggregate remaining fund information of Matagorda County as of December 31, 2010, and the respective changes in financial position, and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 30, 2011, on our consideration of Matagorda 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 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 assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedule of funding progress for post employment healthcare benefits identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. 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 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 Matagorda County's financial statements as a whole. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations" and Texas "Uniform Grant Management Standards", are also not a required part of the financial statements. The combining and individual nonmajor fund financial statements and the schedule of expenditures of federal and state awards 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 it.

Respectfully submitted,

A handwritten signature in cursive script that reads "Reed & Associates, PC".

Reed & Associates, PC
May 30, 2011

Management's Discussion and Analysis

This discussion and analysis of Matagorda County's financial performance provides a narrative overview of the County's financial activities for the fiscal year ended December 31, 2010. The information presented here should be read in conjunction with the accompanying transmittal letter, the basic financial statements and the accompanying notes to those financial statements.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the County's basic financial statements. The County's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The *government-wide financial statements* are designed to provide readers with a broad overview of Matagorda County's finances in a manner similar to private sector business. They present the financial picture of the County from an economic resources measurement focus using the accrual basis of accounting. These statements include all assets of the County (including infrastructure) as well as all liabilities (including long-term debt). Additionally, certain eliminations have occurred in regards to interfund activity, payables and receivables.

The *statement of net assets* presents information on all of the County's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Matagorda County is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year using full accrual basis of accounting. 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. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused vacation leave and uncollected taxes).

Both of the government-wide statements distinguish between functions of Matagorda County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business activities). The governmental activities of the County include general government, justice, public safety, corrections and rehabilitation, health and human services, community and economic development, and infrastructure and environmental services.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Matagorda County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the County can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *current sources and uses of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental funds balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The County maintains fourteen individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statements of revenues, expenditures, and changes in fund balances for the general fund. Data from the other thirteen governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

Proprietary funds. *Proprietary funds* provide the same type of information as the government-wide financial statements, only in more detail. The Internal Service Fund (a type of proprietary fund) is used to accumulate and allocate costs internally among the County's various functions. The County uses an internal service fund to account for its self-funded health insurance program. Because these services predominately benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Fiduciary funds. *Fiduciary 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. The accounting used for the fiduciary funds is much like that used for proprietary funds. The County is responsible for ensuring that the assets reported in these funds are used for their intended purposes. The County uses agency funds to account for various assets held for the benefit of others.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes disclose other pertinent information that, when taken in whole with the financial statements, provide a more detailed picture of the state of the finances of the County.

Other information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* that further explains and supports the information in the financial statements.

The combining statements and individual fund budgetary comparison schedules are presented immediately following the required supplementary information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Matagorda County, assets exceeded liabilities by \$26,217,208 at the close of the most recent fiscal year.

Sixty-eight percent (68%) of the County's net assets, \$17,819,411, reflects its investment in capital assets less any debt used to acquire those assets that is still outstanding. The County uses capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The County's net assets for the years ending December 31, 2010 and 2009 are summarized as follows:

MATAGORDA COUNTY'S NET ASSETS

	<u>2010</u>	<u>2009</u>
Current and other assets	\$ 24,999,142	\$ 24,545,131
Capital Assets	<u>18,789,411</u>	<u>20,627,703</u>
Total assets	<u>43,788,553</u>	<u>45,172,834</u>
Current and other liabilities	14,333,212	13,260,655
Long-term liabilities	<u>3,238,133</u>	<u>2,584,141</u>
Total liabilities	<u>17,571,345</u>	<u>15,844,796</u>
NET ASSETS		
Invested in Capital Assets, net of related debt	17,819,411	19,522,703
Restricted for debt service	3,978	5,034
Unrestricted	<u>8,393,819</u>	<u>9,800,301</u>
Total net assets	<u>\$ 26,217,208</u>	<u>\$ 29,328,038</u>

Analysis of the County's Operations. Governmental activities decreased the County's net assets by \$3,110,830 compared to a prior year reduction of \$1,580,320. Some of the more significant factors contributing to this change include:

- Increased depreciation and asset disposal of \$646,856
- The recognition of court fines decreased by \$314,575 due to continued leveling of collections receivable balances as a result of ongoing conversion of data to new software

Factors contributing to the loss of \$3,110,830 include the following:

- Other post employment benefits of \$784,663
- Depreciation expense and capital asset disposal exceeded capital outlay by \$1,838,297

The following table provides a summary of the County's operations for the years ended December 31, 2010 and 2009.

MATAGORDA COUNTY'S CHANGES IN NET ASSETS

	2010	2009
Revenues:		
Program revenues:		
Fees, fines and charges for services	\$ 6,041,705	\$ 5,997,089
Operating grants and contributions	2,383,709	2,500,369
General revenues:		
Property taxes	11,501,213	11,160,539
Miscellaneous	99,083	65,041
Unrestricted Investment Earnings	340,958	246,078
Total revenues	20,366,668	19,969,116
Expenses:		
General government	2,916,150	2,800,507
Justice system	3,673,061	3,402,444
Public Safety	3,301,813	3,846,603
Corrections & Rehabilitation	2,396,883	2,229,983
Health and Human Services	1,397,815	1,283,782
Community & Economic Development	2,002,462	1,597,919
Infrastructure and Environmental services	7,742,526	6,335,128
Interest on Debt	46,788	53,070
Total expenses	23,477,498	21,549,436
Increase (decrease) in net assets	(3,110,830)	(1,580,320)
Net assets – beginning	29,328,038	30,908,358
Net assets – ending	\$ 26,217,208	\$ 29,328,038

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

As noted earlier, the County uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund accounting and budget controls has been the framework of the County's strong fiscal management and accountability.

Governmental funds. The general government functions are reported in the General, Special Revenue, and Debt Service funds. The focus of the County's *governmental funds* is to provide information on current sources, uses, and balances of *spendable* resources. Such information is useful in determining the County's financing requirements. In particular, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$8,067,282. Of this amount only \$290,174 is reserved for other uses. The remaining \$7,777,108 is unreserved or available for spending. Although not reserved, \$737,635 of the available fund balance has been designated for other uses.

The General Fund is the chief operating fund of the County. The unreserved fund balance of the General Fund was \$6,684,356 in contrast to \$7,419,087 in the prior year, a decrease \$734,731. \$282,699 of this represents reservations for prepaid and inventory which were not reserved in the prior year. As a measure of the general fund's liquidity, it may be useful to compare the unreserved fund balance to total fund expenditures. Unreserved fund balance represents 34.7 percent of total general fund expenditures. Although no single significant variance contributed to this net loss as it spans across functions, some more notable areas included the following:

- Infrastructure & Environmental Services increased primarily due to changes in the management of the transfer station as well as purchases of equipment by the precincts
- Personnel costs increased due to a 2.5% raise for all employees.
- Corrections & Rehabilitation increased by \$158,170 primarily due to the housing of out of county inmates

Although revenue experienced minor changes, as some of these increases in expenditures were offset by additional revenue sources, overall expenditures exceeded revenues.

Proprietary funds. The County has only one proprietary fund type which is an internal service fund. This internal service fund is used to account for a self-funded health insurance program. The fund for 2010 had an operating loss of \$21,762 as compared to last year's \$26,274 income. Although participant contributions were up by \$116,376, drug rebates were down by \$49,790 and retiree premiums were an added cost of \$137,782.

GENERAL FUND BUDGETARY HIGHLIGHTS

The Commissioners' Court approved several increases to budgeted revenues and appropriations. The following areas were affected:

- Intergovernmental revenue increased due to the approval of various local, state and federal grants, with a corresponding increase in appropriations for Public Safety and Community & Economic Development.
- Charges for services was increased due to the housing of out of county prisoners with a related increase in appropriations for Corrections and Rehabilitation and for fees received from charges at the transfer station with the related appropriations increase in Infrastructure and Environmental Services.
- Miscellaneous revenue budget was increased from original to final primarily due to reimbursements from oil companies for road damage.
- Infrastructure & Environmental Services increased as a result of re-appropriations of unused prior year budgets for precincts resulting in a positive budget to actual variance of \$1,039,862.

Actual expenditures were less than appropriations. The following areas are the more significant areas noted:

- As mentioned in our discussion of significant budget amendments, Infrastructure & Environmental Services expenditures were under spent as a result of re-appropriating unused prior year budgets.
- Community & Economic Development was under budget due to a delay in a grant project

CAPITAL ASSETS AND LONG-TERM DEBT

Capital assets. The County's investment in capital assets for its governmental activities as of December 31, 2010 amounts to \$18,789,408 (net of accumulated depreciation). This investment in capital assets includes land; buildings and improvements; equipment and vehicles; and infrastructure for roads and bridges.

Overall, the capital assets decreased by \$1,838,297. The main decrease in capital assets is \$3,390,455 in depreciation expense and capital asset disposal.

Key increases in capital assets are as follows:

- Reworking of existing roads and bridges.
- Purchase of law enforcement vehicles.

The following table lists the County's investment in capital assets as of December 31, 2010

MATAGORDA COUNTY'S CAPITAL ASSETS Net of Accumulated Depreciation

	Balances 12/31/2009	Increases	Decreases	Balances 12/31/2010
Land	\$ 1,363,851	\$ 2,250	\$ 17,000	\$ 1,349,101
Infrastructure	39,097,677	862,337	708,408	39,251,606
Buildings and improvements	13,610,335	86,043		13,696,378
Vehicles and equipment	7,632,975	601,530	119,406	8,115,099
Less accumulated depreciation	<u>(41,077,133)</u>	<u>(3,127,924)</u>	<u>(582,281)</u>	<u>(43,622,776)</u>
	<u>\$ 20,627,705</u>	<u>\$ (1,575,764)</u>	<u>\$ 262,533</u>	<u>\$ 18,789,408</u>

Additional information of Matagorda County's capital assets can be found in note D of this report.

Long-term debt. In September of 2006 the county issued Certificates of Obligation in the amount of \$1,515,000 for the purpose of expansion of the jail facility. The obligation will be paid semiannually over a period of ten years at an interest rate of 4.69%. During the current fiscal year, the County's debt decreased by \$135,000 as a result of a scheduled payment and the outstanding balance as of December 31, 2010 is \$970,000.

Additional information on Matagorda County's long-term debt can be found in note F of this report.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The annual budget is developed to provide efficient, effective and controlled use of the County's resources. Through the budget the County Commissioners set the direction of the County, allocate its resources and establish its priorities. The 2011 budget was adopted on August 30, 2010 with General Fund expenditures of \$18.8 million, and a revenue budget of \$18.6 million.

The Commissioners' Court adopted the same maintenance and operation tax rate of .27055 per \$100 assessed valuation as the previous year. The court also adopted an interest and sinking tax rate of .00423.

The main factors affecting the 2011 Budget were as follows:

- Increase in property values from industry and oil and gas production.
- The budget of a net loss for the operation of the transfer station
- An increase of two steps (2.5% each) for employees, and 5% for elected and appointed officials of the county.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the County's finances. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Office of the Matagorda County Auditor, 1700 7th Street, Room 325, Bay City, Texas 77414, or call (979)244-7611.



Basic Financial Statements



MATAGORDA COUNTY
STATEMENT OF NET ASSETS
DECEMBER 31, 2010

	Governmental Activities
ASSETS	
<i>Cash and cash equivalents</i>	\$ 9,780,241
Receivables (net of allowances for uncollectibles):	
<i>Taxes receivable</i>	10,147,308
<i>Other receivables</i>	3,542,404
<i>Prepaid items</i>	275,124
<i>Inventories</i>	7,545
<i>Interest receivable</i>	1,560
<i>Purchased interest receivable</i>	382
<i>Investments</i>	1,244,578
Capital Assets (net of accumulated depreciation):	
<i>Land</i>	1,349,102
<i>Buildings</i>	8,805,564
<i>Improvements</i>	383,916
<i>Infrastructure</i>	6,269,059
<i>Equipment</i>	1,981,770
Total Assets	<u>43,788,553</u>
LIABILITIES	
<i>Accounts payable</i>	564,952
<i>Claims payable</i>	814,503
<i>Due to other governments</i>	166,637
<i>Due to others</i>	374,985
<i>Accrued interest payable</i>	13,447
<i>Unearned revenue</i>	12,372,326
<i>Escrow reserves</i>	26,362
Noncurrent Liabilities:	
<i>Due within one year - compensated absences</i>	38,763
<i>Due within one year - certificates of obligation</i>	145,000
<i>Due in more than one year - comp absences</i>	171,473
<i>Due in more than one year - OPEB</i>	2,057,897
<i>Due in more than one year - certificates of obligation</i>	825,000
Total Liabilities	<u>17,571,345</u>
NET ASSETS	
Invested in Capital Assets, Net of Related Debt	17,819,411
Restricted For:	
Debt Service	3,978
Unrestricted	8,393,819
Total Net Assets	<u>\$ 26,217,208</u>

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED DECEMBER 31, 2010

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Assets
		Charges for Services	Operating Grants and Contributions	
Government Activities:				
<i>General government</i>	\$ 2,916,150	\$ 1,234,096	\$ 21,554	\$ (1,660,500)
<i>Justice system</i>	3,673,061	682,049	764,039	(2,226,973)
<i>Public safety</i>	3,301,813	3,196,198	365,732	260,117
<i>Corrections and rehabilitation</i>	2,396,883	267,029	19,195	(2,110,659)
<i>Health and human services</i>	1,397,815	70,070	82,885	(1,244,860)
<i>Community and economic development</i>	2,002,462	205,118	1,099,400	(697,944)
<i>Infrastructure and environmental services</i>	7,742,526	387,145	30,904	(7,324,477)
<i>Interest on debt</i>	46,788	--	--	(46,788)
Total governmental activities	<u>\$ 23,477,498</u>	<u>\$ 6,041,705</u>	<u>\$ 2,383,709</u>	<u>(15,052,084)</u>
General Revenues:				
<i>Property taxes</i>				11,501,213
<i>Miscellaneous</i>				99,083
<i>Unrestricted investment earnings</i>				340,958
Total General Revenues				<u>11,941,254</u>
Change in Net Assets				<u>(3,110,830)</u>
Net Assets - Beginning				<u>29,328,038</u>
Net Assets - Ending				<u>\$ 26,217,208</u>

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY*BALANCE SHEET - GOVERNMENTAL FUNDS*

DECEMBER 31, 2010

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
<i>Cash and cash equivalents</i>	\$ 6,733,715	\$ 1,313,941	\$ 8,047,656
Receivables (net of allowances for uncollectibles):			
<i>Taxes</i>	9,994,083	153,225	10,147,308
<i>Other receivables</i>	2,735,083	236,555	2,971,638
<i>Prepaid items</i>	275,124	--	275,124
<i>Due from other funds</i>	51,059	--	51,059
<i>Inventories</i>	7,545	--	7,545
<i>Interest receivable</i>	1,560	--	1,560
<i>Purchased Interest receivable</i>	382	--	382
<i>Investments</i>	1,244,578	--	1,244,578
Total Assets	<u>\$ 21,043,129</u>	<u>\$ 1,703,721</u>	<u>\$ 22,746,850</u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
<i>Accounts payable</i>	\$ 308,089	\$ 256,863	\$ 564,952
<i>Due to other governments</i>	166,637	--	166,637
<i>Due to other funds</i>	--	51,059	51,059
<i>Due to others</i>	302,005	72,980	374,985
<i>Deferred revenue</i>	13,273,011	222,562	13,495,573
<i>Escrow reserves</i>	26,362	--	26,362
Total Liabilities	<u>14,076,104</u>	<u>603,464</u>	<u>14,679,568</u>
Fund Balances:			
Reserved for:			
<i>Prepaid items</i>	275,124	--	275,124
<i>Inventory</i>	7,545	--	7,545
<i>Debt service</i>	--	7,505	7,505
Unreserved:			
<i>Designated for insurance</i>	20,000	--	20,000
<i>Designated for precincts</i>	717,635	--	717,635
<i>Undesignated</i>			
<i>General Fund</i>	5,946,721	--	5,946,721
<i>Special Revenue Funds</i>	--	1,092,752	1,092,752
Total Fund Balances	<u>6,967,025</u>	<u>1,100,257</u>	<u>8,067,282</u>
Total Liabilities and Fund Balances	<u>\$ 21,043,129</u>	<u>\$ 1,703,721</u>	<u>\$ 22,746,850</u>

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
DECEMBER 31, 2010*

Total fund balances - governmental funds balance sheet	\$ 8,067,282
Amounts reported for governmental activities in the Statement of Net Assets ("SNA") are different because:	
Capital assets used in governmental activities are not reported in the funds.	18,789,410
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	717,921
The assets and liabilities of internal service funds are included in governmental activities in the SNA.	1,309,385
Payables for debt principal which are not due in the current period are not reported in the funds.	(970,000)
Payables for debt interest which are not due in the current period are not reported in the funds.	(13,447)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(210,236)
Payables for amortized OPEB which are not due in the current period are not reported in the funds.	(2,057,897)
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	<u>584,790</u>
Net assets of governmental activities - Statement of Net Assets	<u>\$ 26,217,208</u>

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY*STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010*

	General Fund	Other Governmental Funds	Total Governmental Funds
REVENUES			
<i>Taxes</i>	\$ 11,238,047	\$ 184,060	\$ 11,422,107
<i>Licenses and permits</i>	813,885	--	813,885
<i>Intergovernmental</i>	785,967	1,344,841	2,130,808
<i>Charges for services</i>	4,803,522	156,262	4,959,784
<i>Fines</i>	358,715	--	358,715
<i>Investment income</i>	336,247	31,835	368,082
<i>Miscellaneous</i>	401,463	121,649	523,112
Total revenues	<u>18,737,846</u>	<u>1,838,647</u>	<u>20,576,493</u>
EXPENDITURES			
Current:			
<i>General government</i>	2,602,253	81,482	2,683,735
<i>Justice system</i>	2,756,499	632,734	3,389,233
<i>Public Safety</i>	2,955,552	11,814	2,967,366
<i>Corrections and rehabilitation</i>	2,126,770	34,776	2,161,546
<i>Health and human services</i>	1,316,134	--	1,316,134
<i>Community and economic development</i>	1,166,695	56,490	1,223,185
<i>Infrastructure and environmental services</i>	5,722,007	--	5,722,007
Capital outlay	597,448	761,151	1,358,599
Debt service:			
<i>Principal</i>	--	135,000	135,000
<i>Interest and fiscal charges</i>	--	48,659	48,659
Total expenditures	<u>19,243,358</u>	<u>1,762,106</u>	<u>21,005,464</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(505,512)</u>	<u>76,541</u>	<u>(428,971)</u>
OTHER FINANCING SOURCES (USES)			
<i>Transfers in</i>	53,450	--	53,450
<i>Transfers out</i>	--	(53,450)	(53,450)
Total other financing sources (uses)	<u>53,450</u>	<u>(53,450)</u>	<u>--</u>
Net change in fund balances	(452,062)	23,091	(428,971)
Fund balances - beginning	7,419,087	1,077,166	8,496,253
Fund balances - ending	<u>\$ 6,967,025</u>	<u>\$ 1,100,257</u>	<u>\$ 8,067,282</u>

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY

*RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED DECEMBER 31, 2010*

Net change in fund balances - total governmental funds	\$ (428,971)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	1,552,165
The depreciation of capital assets used in governmental activities is not reported in the funds.	(3,390,457)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	79,106
Repayment of debt principal is an expenditure in the funds but is not an expense in the SOA.	135,000
(Increase) decrease in accrued interest from beginning of period to end of period.	1,871
The net revenue (expense) of internal service funds is reported with governmental activities.	18,379
Comp absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(4,329)
Net OPEB obligations are amortized in the SOA but as the amount paid in the funds.	(784,663)
Revenues in the SOA for court fines not providing current financial resources are not reported in the funds.	<u>(288,931)</u>
Change in net assets of governmental activities - Statement of Activities	<u>\$ (3,110,830)</u>

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY

STATEMENT OF NET ASSETS

INTERNAL SERVICE FUND

DECEMBER 31, 2010

	Nonmajor Internal Service Fund
	Insurance Fund
ASSETS	
Current assets:	
<i>Cash and cash equivalents</i>	\$ 1,732,585
<i>Other receivables</i>	570,766
Total Assets	<u>\$ 2,303,351</u>
LIABILITIES	
Current liabilities:	
<i>Claims payable</i>	\$ 814,503
<i>Deferred revenue</i>	179,463
Total Liabilities	<u>993,966</u>
NET ASSETS	
<i>Unrestricted</i>	1,309,385
Total net assets	<u>\$ 1,309,385</u>

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET ASSETS - INTERNAL SERVICE FUND
FOR THE YEAR ENDED DECEMBER 31, 2010

	Nonmajor Internal Service Fund
	Insurance Fund
OPERATING REVENUES	
<i>Employer contributions</i>	\$ 2,163,379
<i>Employee contributions</i>	208,724
<i>Retiree/Cobra contributions</i>	125,321
<i>Special district contributions</i>	190,095
<i>Drug rebates</i>	24,141
Total Operating Revenues	<u>2,711,660</u>
OPERATING EXPENSES	
<i>Administrative claims</i>	509,485
<i>Retiree premiums</i>	137,782
<i>Claims expense</i>	1,614,078
<i>Prescriptions</i>	472,077
Total Operating Expenses	<u>2,733,422</u>
Operating Income (Loss)	<u>(21,762)</u>
NON-OPERATING REVENUES (EXPENSES)	
<i>Interest revenue</i>	40,141
Total Non-operating Revenues (Expenses)	<u>40,141</u>
Change in Net Assets	18,379
Total net assets - beginning	1,291,006
Total net assets - ending	<u>\$ 1,309,385</u>

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

FOR THE YEAR ENDED DECEMBER 31, 2010

	Internal Service Fund
Cash Flows from Operating Activities:	
<i>Cash received from interfund services provided</i>	\$ 2,381,393
<i>Cash received from external users</i>	339,559
<i>Cash payments for administration</i>	(648,437)
<i>Cash payments for claims</i>	(2,029,038)
Net Cash Provided (Used) by Operating Activities	<u>43,477</u>
Cash Flows from Non-capital Financing Activities:	
<i>Transfers to general fund</i>	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>--</u>
Cash Flows from Capital and Related Financing Activities:	
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>--</u>
Cash Flows from Investing Activities:	
<i>Interest and Dividends on Investments</i>	40,141
Net Cash Provided (Used) for Investing Activities	<u>40,141</u>
Net Increase (Decrease) in Cash and Cash Equivalents	83,618
Cash and Cash Equivalents at Beginning of Year	1,648,967
Cash and Cash Equivalents at End of Year	<u>\$ 1,732,585</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ (21,762)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
Change in Assets and Liabilities:	
<i>(Increase) Decrease in Accounts Receivable</i>	(561,238)
<i>Increase (Decrease) in Accounts Payable</i>	(1,170)
<i>Increase (Decrease) in Claims Payable</i>	618,355
<i>Increase (Decrease) in Deferred Revenue</i>	9,292
Total Adjustments	<u>65,239</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 43,477</u>

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2010

	Agency Funds
ASSETS	
<i>Cash and cash equivalents</i>	\$ 1,571,781
Total Assets	<u>\$ 1,571,781</u>
LIABILITIES	
<i>Due to other governments</i>	\$ 248,828
<i>Due to others</i>	1,322,953
Total Liabilities	<u>1,571,781</u>
NET ASSETS	
<i>Unrestricted</i>	--
Total Net Assets	<u>\$ --</u>

The accompanying notes are an integral part of this statement.

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

A. Summary of Significant Accounting Policies

The combined financial statements of Matagorda County (the "County") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

Matagorda County was established in 1836 by the Republic of Texas. Commissioners elected from each of four precincts serve as the governing body with the elected County Judge as the head of this body. The Commissioners and County Judge oversee all functions of general government applicable to the County as provided by state statutes.

The County's basic financial statements include the accounts of all its operations. The County evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the County's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the County holds the corporate powers of the organization
- the County appoints a voting majority of the organization's board
- the County is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the County
- there is fiscal dependency by the organization on the County
- the exclusion of the organization would result in misleading or incomplete financial statements

The County also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the County to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the County, its component units or its constituents; and 2) The County or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the County.

Based on these criteria, the County has no component units. Additionally, the County is not a component unit of any other reporting entity as defined by the GASB Statement.

2. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government. Substantially all of the effects of interfund activities have been removed from these statements. Governmental activities are supported primarily by taxes and intergovernmental revenues.

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. The County allocates indirect expenses in the statement of activities based on functional totals at the government-wide level for the prior year. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into three major categories: governmental, proprietary, and fiduciary. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

3. Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements, except for the agency funds, which have no measurement focus. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized as soon as they are both measurable and available. Revenues are considered to be measurable when the amount of the transaction can be determined and available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers collections within 60 days of the end of the current fiscal period to be revenues. Expenditures generally are recorded when a liability is incurred, similar to accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues susceptible to accrual include property taxes, fines, forfeitures, licenses, interest income, and charges for services and, as such, have been recognized as revenues for the current fiscal period. All other revenues are considered to be measurable and available only when cash is received by the County.

Deferred revenue arises when potential revenues do not meet both the measurable and available test for recognition in the current period. Deferred revenue also arises when resources are received by the County before the County is legally entitled to them. In succeeding periods when both revenue recognition criteria are met, or when the County has legal claim to the resources, the liability for deferred revenue is removed from the statements and revenue is recognized.

When the County incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the County's policy to use restricted resources first, then unrestricted.

The County reports only one major governmental fund, the General fund. This is the County's primary operating fund. It accounts for all financial resources of the County except those required to be accounted for in another fund.

Additionally, the County reports the following non-major governmental funds:

- a) Special revenue funds account for resources that are legally restricted for specific purposes.
- b) Debt service fund account for resources accumulated for subsequent payment of principal and interest on long-term debt of the County.

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010

The County also reports the following fund types:

a) Internal service fund accounts for health benefits provided to County employees, retirees, and dependents. Contributions to the fund consists of charges to the participating entities for covered employees along with contributions from employees and retirees.

b) Agency Funds: These funds are used to report resources held in a purely custodial capacity (assets equal liabilities). Agency funds typically involve only the receipt, temporary investment, and remittance of fiduciary resources to individuals, private organizations, or other governments. Agency funds for Matagorda County include District Clerk, County Clerk and Inmate Trust funds held for the benefit of others and the Tax Assessor/Collector account used for the collection of taxes and remittance to various taxing entities.

As a general rule, the effects of interfund activity have been eliminated from the government-wide financial statements. Exceptions to this rule are charges between the government's health benefits divisions and various other functions of the government. Eliminations of these charges would distort the direct costs and program revenues reported for the various functions concerned. Amounts reported as program revenues include 1) charges for services (i.e. court costs, fees, and fines, etc.), 2) operating grants and contributions, and 3) capital grants and contributions. Other revenues that are not related to a specific activity or function are reported as general revenues. General revenues include all taxes, grants and contributions not restricted to a specific program or function, and any unrestricted investment earnings.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the County's internal service fund is charges to customers for services. Operating expenses for internal service fund includes the cost of services, administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

4. Assets, Liabilities and Net Assets or Equities

a. 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 Public Funds Investment Act and local policy authorizes the County to invest in obligations of the US Treasury, certificates of deposit, repurchase agreements, commercial paper, mutual funds and public funds investment pools.

Investments for the County are reported at fair value. Public funds investment pools operate in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

b. Receivables and Payables

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net assets.

MATAGORDA COUNTY

*NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010*

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the County is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

All other accounts receivable are net of allowance for uncollectible amounts based on historical collection rates.

c. Inventories and Prepaid Items

Inventories on the balance sheet are stated at historical cost. Inventory items are recorded as expenditures when they are consumed on a first in first out method.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements using the consumption method.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used. Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	15-40
Buildings	40-60
Improvements	10-20
Vehicles	3-8
Office Equipment	3-7
Other Equipment	5-20

e. Compensated Absences

It is the County's policy to permit employees to accumulate earned but unused vacation, sick pay and comp time benefits. There is no liability for unpaid accumulated sick leave since the County does not have a policy to pay these amounts when employees separate from service. All vacation and comp time pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

f. Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the appropriate governmental activities, business-type activities or proprietary fund type statement of net assets.

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010

In the fund financial statements, governmental funds recognize the face amount of debt issued as other financing sources.

- g. 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.
- h. Use of Estimates

The preparation of financial statements in conformity with U.S. 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 reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

B. Stewardship, Compliance and Accountability

Budgetary Data

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund, and the following special revenue funds: DA Legal Law, Sheriff & Jail Discretionary, County Clerk Preservation & Automation, Countywide Records Management/Preservation, Courthouse Security, Justice Court Technology, District Clerk Records Management/Preservation and Technology. All annual budget appropriations lapse at fiscal year end, with the exception of the four precincts.

According to Chapter 111 of the Local Government Code, by July 31 the County Judge, assisted by the County Auditor shall prepare a budget to cover all proposed expenditures of the County government for the succeeding fiscal year. The proposed budget shall be filed with the County Clerk for inspection by any taxpayer. The Commissioners court shall hold a public hearing on the proposed budget after August 15th but before the date on which taxes are levied by the court. The final approved budget shall be filed with the County Clerk.

The appropriated budget is prepared by fund, department, and category (personnel, operating, capital outlay and debt service). Department heads may make transfers of appropriations within a category. Transfers of appropriations between categories require the approval of Commissioners Court. The budget was amended throughout the year as needed for emergency expenditures.

C. Deposits and Investments

The County's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the County's agent bank approved pledged securities in an amount sufficient to protect County funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

Cash Deposits:

At December 31, 2010, the carrying amount of the County's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$11,348,733 and the bank balance was \$18,107,817. The County's cash deposits at December 31, 2010 and during the year ended December 31, 2010, were entirely covered by FDIC insurance or by pledged collateral held by the County's agent bank in the County's name.

MATAGORDA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

The County's investments at December 31, 2010 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Rating</u>	<u>Fair Value</u>
Federal Home Loan Bank	12/2015	Aaa	\$ 1,000,000
Federal National Mortgage Association	10/2015	Aaa	244,578
Total Investments			<u>\$ 1,244,578</u>

Analysis of Specific Deposit and Investment Risks:

GASB Statement No. 40 requires a determination as to whether the County was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

- Credit Risk - the risk that an issuer or other counterparty to an investment will not fulfil its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. The above table indicates the credit rating by Standard & Poor's at December 31, 2010 by investment type. It is County policy to diversify the investment portfolio, display prudence in selecting investments and never invest in anything that jeopardizes the total capital position of the overall portfolio.
- Interest Rate Risk - the risk that changes in interest rates will adversely affect the fair value of an investment. The County limits its exposure to interest rate risk by diversifying its investments by security type and institution and restricting the maximum investment term to less than five years from the purchase date for all funds except debt service funds which are limited to ten years.
- Concentration of Credit Risk - the risk of loss attributed to the magnitude of a government's investment in a single user. While the County's policy places no limits on the amount that may be invested in any one issuer, it does stress diversity and safety. At year end, more than five percent of the County's investments were held in each of the investment types listed above.

D. Capital Assets

Capital asset activity for the year ended December 31, 2010, was as follows:

	<u>Beginning Balances</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balances</u>
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 1,363,851	\$ 2,250	\$ 17,000	\$ 1,349,101
Total capital assets not being depreciated	<u>1,363,851</u>	<u>2,250</u>	<u>17,000</u>	<u>1,349,101</u>
<i>Capital assets being depreciated:</i>				
Infrastructure	39,097,677	862,337	708,408	39,251,606
Buildings and improvements	13,610,335	86,043	--	13,696,378
Vehicles and equipment	7,632,975	601,530	119,406	8,115,099
Total capital assets being depreciated	<u>60,340,987</u>	<u>1,549,910</u>	<u>827,814</u>	<u>61,063,083</u>
Less accumulated depreciation for:				
Infrastructure	(31,201,419)	(2,246,538)	(465,409)	(32,982,548)
Buildings and improvements	(4,213,472)	(293,427)	--	(4,506,899)
Vehicles and equipment	(5,662,242)	(587,959)	(116,872)	(6,133,329)
Total accumulated depreciation	<u>(41,077,133)</u>	<u>(3,127,924)</u>	<u>(582,281)</u>	<u>(43,622,776)</u>
Total capital assets being depreciated, net	<u>19,263,854</u>	<u>(1,578,014)</u>	<u>245,533</u>	<u>17,440,307</u>
Governmental activities capital assets, net	<u>\$ 20,627,705</u>	<u>\$ (1,575,764)</u>	<u>\$ 262,533</u>	<u>\$ 18,789,408</u>

MATAGORDA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

Depreciation expense net of asset disposals was charged to functions as follows:

General government	\$ 117,370
Justice system	142,597
Public safety	161,212
Corrections and rehabilitation	93,459
Health and human services	53,804
Community and economic development	66,969
Infrastructure and environmental services	2,755,044
	<u>\$ 3,390,455</u>

E. Interfund Balances and Activity

1. Balances due to and due from other funds at December 31, 2010, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Other Governmental Funds	\$ 50	Imprest funds
General Fund	Other Governmental Funds	51,009	Short-term loans
	Total	<u>\$ 51,059</u>	

All amounts due are scheduled to be repaid within one year.

2. Transfers to and from other funds at December 31, 2010, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
Other Governmental Funds	General Fund	<u>\$ 53,450</u>	Reimburse expenditures

F. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended December 31, 2010, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental activities:					
Certificates of Obligation	\$ 1,105,000	\$ --	\$ 135,000	\$ 970,000	145,000
Compensated absences *	205,907	212,510	208,181	210,236	38,763
Net OPEB Obligation*	1,273,234	1,284,838	500,175	2,057,897	--
Total governmental activities	<u>\$ 2,584,141</u>	<u>\$ 1,497,348</u>	<u>\$ 843,356</u>	<u>\$ 3,238,133</u>	<u>\$ 183,763</u>

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

<u>Liability</u>	<u>Activity Type</u>	<u>Fund</u>
Compensated absences	Governmental	General
Net OPEB Obligation	Governmental	General

2. Debt service requirements on long-term debt at December 31, 2010, are as follows:

Certificates of obligation of \$1,515,000, issued August 15, 2006 bearing interest at 4.69% and maturing March 15, 2016 were issued for the purpose of jail expansion.

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2010

Year Ending December 31,	Governmental Activities		
	Principal	Interest	Total
2011	\$ 145,000	\$ 42,093	\$ 187,093
2012	150,000	35,175	185,175
2013	155,000	28,023	183,023
2014	165,000	20,519	185,519
2015	175,000	12,546	187,546
2016-2020	180,000	4,221	184,221
Totals	\$ 970,000	\$ 142,577	\$ 1,112,577

G. Risk Management

The County is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2010, the County obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities via interlocal agreement and forming a risk pool ("Pool"). The Pool is a legally separate entity operating as a common risk management and insurance program and is administered by TriStar Risk Management. The Pool provides third party liability, public officials liability, automobile liability, workers compensation, blanket crime coverage and property coverage. The County pays an annually determined premium to the pool for its share of the above insurance coverage. The agreement for the formation of the Pool provides that the Pool will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. Latest audited financial statements for the self-insured pool can be obtained by contacting PO Box 1744, Bay City, Tx 77404-1744.

The County continues to carry insurance for other risks of loss through a group purchasing cooperative. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

H. Pension Plan

Plan Description

The County's pension plan ("Plan") is a non-traditional, joint contributory, defined benefit plan which provides retirement, disability and death benefits to Plan members and beneficiaries through its affiliation with the Texas County and District Retirement System ("TCDRS"), an agent multiple-employer public employee retirement system. TCDRS operates under the authority of Texas Government Code, Title 8, Subtitle G. The Texas legislature has the authority to establish or amend benefit provisions and the governing body of the County adopts the plan provisions within the options and constraints established by the legislature. TCDRS issues a publicly available financial report that includes financial statements and required supplementary information for TCDRS. That report may be obtained by writing to Texas County District Retirement System, P.O. Box 2034, Austin, TX 78768-2034 or calling (800) 823-7782. Additional nonauthoritative information is available at the TCDRS web site, <http://www.tcdrs.org>.

Funding Policy

Plan members are required to contribute 7% of their annual covered salary. The County is required to contribute at an actuarially determined rate; the current rate is 12.85% of annual covered payroll. The County's contributions to the TCDRS for the years ending December 31, 2010, 2009 and 2008 were \$849,211, \$783,936 and \$717,749 respectively, and were equal to the required contributions for each year.

MATAGORDA COUNTY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010

Annual Pension Cost

The County's annual pension cost of \$ent4 for the Plan was equal to the County's required and actual contributions. Under the state law governing TCDRS, the actuary annually determines the County's contribution rate. This rate consists of the normal cost contribution rate and the prior service contribution rate, both of which are calculated to be a level percent of payroll from year to year. The normal cost contribution rate finances the currently accruing monetary credits due to the County matching percent, which are the obligation of the County as of an employee's retirement date, not at the time the employee's contributions are made. The normal cost contribution rate is the actuarially determined percent of payroll necessary to satisfy the obligation of the County to each employee at the time his/her retirement becomes effective. Since the County needs to know its contribution rate in advance to budget for it, there is a one-year delay between the actuarial valuation that is the basis for the rate and the calendar year when the rate goes into effect (i.e., December 31, 1997 valuation is effective for rates beginning January 1999).

Actuarial Information

Actuarial valuation date	12/31/07	12/31/08	12/31/09
Actuarial cost method	entry age	entry age	entry age
Amortization method	Level % of payroll, closed	Level % of payroll, closed	Level % of payroll, closed
Amortization period in years	15	20	20
Asset valuation method	SAF: 10yr smoothed value ESF: fund value	SAF: 10yr smoothed value ESF: fund value	SAF: 10yr smoothed value ESF: fund value
Assumptions:			
Investment return	8.0%	8.0%	8.0%
Projected salary increases	5.3%	5.3%	5.4%
Inflation	3.5%	3.5%	3.5%
Cost of living adjustments	0.0%	0.0%	0.0%

Schedule of Funding Information

Actuarial value of assets	20,664,106	20,792,234	22,061,414
Actuarial accrued liability (AAL)	24,353,195	26,008,934	27,189,071
Unfunded or (overfunded) actuarial accrued liability (UAAL or OAAL)	3,689,089	5,216,700	5,127,657
Funded ratio	84.85%	79.94%	81.14%
Annual covered payroll (actuarial)	6,273,523	6,630,495	7,095,458
UAAL or OAAL as percentage of covered payroll	58.80%	78.68%	72.27%

Trend Information for the Plan

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
December 31, 20(\$	717,749 \$	100% \$	--
December 31, 2009	783,936	100%	--
December 31, 2010	849,211	100%	--

I. Health Care Coverage

During the year ended December 31, 2010, employees of the County were covered by a health insurance plan (the Plan). The County contributed \$585 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay contributions for dependents in excess of the County contribution of \$215. All contributions were paid to a third party administrator, acting on behalf of the self-funded pool. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

The contract between the County and the third party administrator is renewable October 1, 2011, and terms of coverage and contribution costs are included in the contractual provisions.

In accordance with state statute, the County was protected against unanticipated catastrophic individual or aggregate loss by stop-loss coverage carried through Texas Association of Counties Health Employee Benefit Program and Blue Cross Blue Shield of Texas, a commercial insurer licensed or eligible to do business in Texas in accordance with the Texas Insurance Code. Stop-loss coverage was in effect for individual claims exceeding \$100,000 and for aggregate loss.

Other governmental entities and/or their employees contributed to the self-insurance pool which was operated under contractual provisions of Article 4413(32c), Interlocal Cooperation Act. Each member to the extent its benefit plan is self-insured, remains responsible for the payment of benefits under the benefit plan in the event HEBP fails to make such payments.

Changes in the balances of claims liabilities, which are based on claims paid in the three months following the periods ending December 31, 2010, 2009 and 2008 and thus are all current are as follows:

	2008	2009	2010
Unpaid claims, beginning	\$ 165,798	\$ 128,851	\$ 150,779
Claims incurred	1,580,971	2,078,730	2,692,762
Claims paid	(1,617,918)	(2,056,802)	(2,029,038)
Unpaid claims, ending	<u>\$ 128,851</u>	<u>\$ 150,779</u>	<u>\$ 814,503</u>

J. Contingencies

The County and its related agencies participate in a number of federally assisted grant programs. Although the grant programs have been audited in accordance with the provisions of the Single Audit Act Amendments of 1996, OMB Circular A-133 and the Texas "Uniform Grant Management Standards" through December 31, 2010, these programs are still subject to financial and compliance audits. The amount, if any, of expenditures which may be disallowed by the grantor agencies cannot be determined at this time, although the County and its related agencies expect such amounts, if any, to be immaterial to the financial position of the County.

K. Closure and Postclosure Care Cost

State and federal laws and regulations require the County to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance and monitoring functions. The County stopped receiving waste prior to October 9, 1993 at over 90% capacity used and officially closed in July, 2007. Post-closure costs are subject to change resulting from inflation, deflation, technology and/or changes in applicable laws and regulations and are expected to be nominal for the next five years after certification of the completion of closure. Therefore, no liability has been recorded in these financial statements.

L. Receivables and Deferred Revenue

Receivables as of year end for the County's individual major funds and nonmajor and internal service funds in the aggregate, including the applicable allowances for uncollectible accounts, are as follows:

	General	Other Governmental Funds	Governmental Fund Totals	Internal Service and Fiduciary Funds	Government- Wide Totals
Taxes	\$ 10,112,072	\$ 153,629	\$ 10,265,701	\$	\$ 10,265,701
Less allowance	(117,989)	(404)	(118,393)	\$	(118,393)
	<u>\$ 9,994,083</u>	<u>\$ 153,225</u>	<u>\$ 10,147,308</u>	<u>\$ --</u>	<u>\$ 10,147,308</u>
Other Receivables	\$ 25,799	\$ 1,025	\$ 26,824	\$	\$ 26,824
Taxes and Tax Statements	1,545,693	23,757	1,569,450	\$	1,569,450
Grants	220,849	211,773	432,622	\$	432,622

MATAGORDA COUNTY

*NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2010*

Fines and Fees	6,742,741	6,742,741	6,742,741
Less allowance	(5,799,999)	(5,799,999)	(5,799,999)
Stop-Loss Recovery			570,766
	<u>\$ 2,735,083</u>	<u>\$ 236,555</u>	<u>\$ 570,766</u>
			<u>\$ 3,542,404</u>

While allowances have been estimated for the above receivables, it is possible that some may not be collected within one year.

Governmental funds report deferred revenue in connection with receivables for revenue that are not considered to be available to liquidate liabilities of the current period and for amounts that have not yet been earned. Government-wide statements report only the unearned revenues as deferred and recognize the unavailable as revenue. At the end of the current fiscal year, the various components of deferred revenue reported in the governmental funds and government-wide statements were as follows:

	Government- Wide Totals Unearned	Unavailable	Governmental & Proprietary Fund Totals
Property taxes:			
General fund	\$ 11,931,286	\$ 710,819	\$ 12,642,105
All other nonmajor funds	187,546	7,102	194,648
Fines/fees receivable:			
General fund		584,789	584,789
Grant drawdowns prior to meeting all eligibility requirements:			
General fund	46,117		46,117
All other non-major funds	27,914		27,914
		<u>\$ 1,302,710</u>	<u>\$ 13,495,573</u>
Health insurance premiums (internal service fund)	179,463	\$ --	<u>\$ 179,463</u>
	<u>\$ 12,372,326</u>		

M. Jointly Governed and Related Organizations

- The County is accountable for the following related organizations in that they appoint the commissioners:

- Matagorda County Drainage District No. 1
- Matagorda County Drainage District No. 2
- Matagorda County Drainage District No. 3
- Matagorda County Drainage District No. 4
- Matagorda County Conservaton & Reclamation District
- Matagorda County Hospital District

The County is not financially accountable for the above organizations nor does the County's accountability for these organizations extend significantly beyond making the appointments. Accordingly, financial information for these entities is excluded from the County's financial statements.

Latest audited financial statements for these entities may be obtained by writing 1700 7th Street, Room 302, Bay City, Tx 77414-5091.

- The Adult Probation division is operated as a multi-county department doing business as 23rd Judicial District Community Supervision and Correction Department (CSCD) Matagorda and Wharton Counties. The CSCD services both Matagorda and Wharton Counties with each county providing required office space for the operations of the Department and substantially all of the Department's funding provided by the State.

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

The Department's board consists of the two district judges for Matagorda and Wharton Counties. Matagorda County is not able to appoint a voting majority to the Department's board or otherwise impose its will. The Department is not fiscally dependent on Matagorda County since the County's role is ministerial in nature. As a result, the Department is considered to be legally separate from Matagorda County and thus not a part of the reporting entity of Matagorda County.

N. Postretirement Healthcare Benefits

Description

Effective January 1, 2008, the County adopted the provisions of GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions."

The County, through its substantive commitment to provide other post-employment benefits (OPEB), maintains a single-employer defined benefit plan to provide certain postretirement healthcare benefits to all former employees hired prior to January 1, 2000 who qualified under the Texas County District Retirement System and are currently receiving retirement (pension) income. Such benefits are not available to members' spouses or dependents; rather, only to former employees as previously described. Specific details of the Plan include the provision of certain hospitalization, major medical insurance and prescription drug coverage. These benefits are provided through insurance companies. The County is under no statutory or contractual obligation to provide these postretirement healthcare benefits. Because the Plan consists solely of the County's firm commitment to provide OPEB through the payment of premiums to insurance companies on behalf of its eligible retirees, no stand-alone financial report is either available or generated.

Funding Policy

Premiums under the Plan for post-employment healthcare benefits provided to the employees previously described are funded entirely by the County. The Plan is financed on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

The County's annual OPEB cost is calculated based on the annual required contribution (ARC) of the County, an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of 28 years. The following table illustrates the components of the County's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the County's net OPEB obligation:

Normal cost	\$	397,147
Amortization of past service		910,234
Interest on prior year obligation		50,929
Adjustment to prior year OPEB		(73,472)
Annual OPEB cost		1,284,838
Contributions made		(500,175)
Increase in net OPEB obligation		784,663
Net OPEB obligation - beginning of year		1,273,234
Net OPEB obligation - end of year	\$	2,057,897

The County's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for 2010, 2009 and 2008 were as follows:

Fiscal Year Ended	Annual OPEB Cost	Actual Employer Contribution	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation End of Year
12/31/08	\$ 1,067,986	\$ 426,930	39.98%	\$ 641,056
12/31/09	\$ 1,123,605	\$ 491,427	43.74%	\$ 1,273,234
12/31/10	\$ 1,284,838	\$ 500,175	38.93%	\$ 2,057,897

MATAGORDA COUNTY

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED DECEMBER 31, 2010

Funding Status and Funding Progress

As of January 1, 2010, the most recent actuarial valuation date, the Plan was not funded. The actuarial present value of accrued liability for past and future service benefits equaled \$18,289,792 and there were \$0 in actuarial valued assets, resulting in an unfunded actuarial accrued liability (UAAL) of the same. The total payroll (annual payroll of active employees) was \$6,684,055, and the ratio of the UAAL to the covered payroll equaled 273.63%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the Plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The schedule of funding progress, presented as RSI following the notes to the financial statements, is to present 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. However, because the County maintains no Plan assets, information relative to Plan asset required disclosures is not applicable. Additionally, because 2008 was the year of transition for GASB Statement No. 45, requirements of GASB Statement No. 45 have been implemented prospectively; therefore, the RSI does not reflect similar information respective of the third preceding year.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive Plan (the Plan as understood by the County and Plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the County and Plan members to that point. There are no legal or contractual funding limitations that would potentially affect the projection of benefits for financial accounting purposes. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities, consistent with the long-term perspective of the calculations.

In the actuarial valuation dated January 1, 2010, the projected unit credit cost actuarial method was used. Because the County funds its OPEB on a pay-as-you-go basis, the plan has no assets (investments) used specifically for paying the post-retirement medical benefits; therefore, the actuarial assumptions included a 4% discount rate, which approximates the expected rate of return on non-pension investments held by the County. Actuarial assumptions also included medical inflation taken at 10% for pre-medicare grading down to 5% in the ultimate. The UAAL is being amortized as a level dollar amount over thirty years on an open basis.

Other Disclosures

In late 2010, the County amended the personnel policy resulting in a significant change in the OPEB assumptions. Whereas the old policy did not provide for employer contributions for employees hired after January 1, 2000; the policy has been amended to include all active employees meeting TCDRS requirements regardless of hire date. Also as employees become Medicare eligible they are required to make Medicare their primary coverage and the Self Insurance Fund purchases a secondary policy. Due to the late adoption of these policy changes, the County is using the January 1, 2010 actuarial valuation and will include a new or amended valuation for the 2011 audit year to address the change in assumptions.



Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

General Fund

The general fund is used to account for all financial resources of the general government except those required to be accounted for in another fund. fund.

MATAGORDA COUNTY

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2010

Page 1 of 8

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
<i>Taxes</i>	\$ 11,297,371	\$ 11,297,371	\$ 11,238,047	\$ (59,324)
<i>Licenses and permits</i>	878,100	878,100	813,885	(64,215)
<i>Intergovernmental</i>	355,800	941,183	785,967	(155,216)
<i>Charges for services</i>	4,351,140	4,818,682	4,803,522	(15,160)
<i>Fines</i>	405,000	405,000	358,715	(46,285)
<i>Investment income</i>	200,000	200,000	338,698	138,698
<i>Miscellaneous</i>	109,968	351,418	399,012	47,594
Total revenues	17,597,379	18,891,754	18,737,846	(153,908)
EXPENDITURES				
GENERAL GOVERNMENT				
County Judge:				
<i>Personnel</i>	159,915	169,915	168,541	1,374
<i>Operating costs</i>	8,300	8,300	6,847	1,453
Total County Judge	168,215	178,215	175,388	2,827
Commissioners Court				
<i>Operating costs</i>	114,500	99,500	93,870	5,630
Total Commissioners Court	114,500	99,500	93,870	5,630
Information Services:				
<i>Personnel</i>	117,753	118,055	118,054	1
<i>Operating costs</i>	164,712	162,281	152,609	9,672
<i>Capital outlay</i>	7,769	10,898	10,898	--
Total Information Services	290,234	291,234	281,561	9,673
County Courthouse:				
<i>Personnel</i>	71,481	72,017	71,812	205
<i>Operating costs</i>	245,864	255,328	219,846	35,482
Total County Courthouse	317,345	327,345	291,658	35,687
County Office Building:				
<i>Operating costs</i>	100,000	115,000	108,938	6,062
<i>Capital outlay</i>	27,500	12,500	--	12,500
Total County Office Building	127,500	127,500	108,938	18,562
Unallocable by Department:				
<i>Insurance</i>	77,995	78,300	73,610	4,690
<i>Appraisal fees</i>	16,639	14,430	14,430	--
<i>Retiree Insurance</i>	143,389	139,248	138,060	1,188
<i>Other costs</i>	75,867	20,190	5,309	14,881
Total Unallocable by Department	313,890	252,168	231,409	20,759
County Clerk:				
<i>Personnel</i>	303,957	301,857	302,871	(1,014)
<i>Operating costs</i>	43,820	44,670	32,354	12,316
Total County Clerk	347,777	346,527	335,225	11,302

MATAGORDA COUNTY
 GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
County Auditor:				
<i>Personnel</i>	341,086	341,086	335,562	5,524
<i>Operating costs</i>	11,400	11,400	8,967	2,433
Total County Auditor	352,486	352,486	344,529	7,957
County Treasurer:				
<i>Personnel</i>	166,194	166,319	166,320	(1)
<i>Operating costs</i>	22,475	27,350	24,216	3,134
Total County Treasurer	188,669	193,669	190,536	3,133
Special Districts				
<i>Personnel</i>	39,369	39,369	39,368	1
<i>Operating costs</i>	4,050	4,050	2,481	1,569
Total Special Districts	43,419	43,419	41,849	1,570
County Tax Assessor Collector:				
<i>Personnel</i>	425,502	429,862	418,935	10,927
<i>Operating costs</i>	67,750	71,766	63,054	8,712
Total Tax Assessor Collector	493,252	501,628	481,989	19,639
Elections:				
<i>Personnel</i>	9,601	9,601	9,560	41
<i>Operating costs</i>	21,250	26,623	26,639	(16)
Total Elections	30,851	36,224	36,199	25
TOTAL GENERAL GOVERNMENT	2,788,138	2,749,915	2,613,151	136,764
JUSTICE SYSTEM				
District Court:				
<i>Personnel</i>	153,190	153,190	146,956	6,234
<i>Operating costs</i>	40,250	62,250	54,342	7,908
Total District Court	193,440	215,440	201,298	14,142
County Court:				
<i>Operating costs</i>	13,500	29,285	28,549	736
Total County Court	13,500	29,285	28,549	736
Court Expenses:				
<i>Operating costs</i>	250,800	294,200	283,720	10,480
<i>Capital outlay</i>	5,400	--	--	--
Total Court Expenses	256,200	294,200	283,720	10,480
Capital Trials				
<i>Operating costs</i>	100,000	76,500	66,558	9,942
Total Capital Trials	100,000	76,500	66,558	9,942
District Clerk:				
<i>Personnel</i>	225,891	220,891	221,999	(1,108)
<i>Operating costs</i>	23,400	28,400	20,892	7,508
Total District Clerk	249,291	249,291	242,891	6,400

MATAGORDA COUNTY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
District Attorney:				
<i>Personnel</i>	477,387	503,777	492,378	11,399
<i>Operating costs</i>	85,750	83,809	45,213	38,596
Total District Attorney	563,137	587,586	537,591	49,995
County Attorney:				
<i>Personnel</i>	199,169	199,169	198,317	852
<i>Operating costs</i>	17,925	17,925	10,960	6,965
Total County Attorney	217,094	217,094	209,277	7,817
Justice of the Peace #1				
<i>Personnel</i>	123,704	123,204	122,771	433
<i>Operating costs</i>	9,500	10,000	8,933	1,067
Total Justice of the Peace #1	133,204	133,204	131,704	1,500
Justice of the Peace #2				
<i>Personnel</i>	126,938	126,938	124,824	2,114
<i>Operating costs</i>	20,872	20,872	19,775	1,097
Total Justice of the Peace #2	147,810	147,810	144,599	3,211
Justice of the Peace #3				
<i>Personnel</i>	90,841	91,071	91,071	--
<i>Operating costs</i>	8,725	8,495	7,376	1,119
Total Justice of the Peace #3	99,566	99,566	98,447	1,119
Justice of the Peace #4				
<i>Personnel</i>	102,180	97,180	96,189	991
<i>Operating costs</i>	8,978	13,978	11,851	2,127
Total Justice of the Peace #4	111,158	111,158	108,040	3,118
Justice of the Peace #6				
<i>Personnel</i>	24,318	25,951	25,797	154
<i>Operating costs</i>	5,476	4,843	4,455	388
Total Justice of the Peace #6	29,794	30,794	30,252	542
Law Library:				
<i>Operating costs</i>	15,000	15,000	13,598	1,402
Total Law Library	15,000	15,000	13,598	1,402
Child Support:				
<i>Personnel</i>	84,509	46,509	45,981	528
<i>Operating costs</i>	3,250	3,250	1,502	1,748
Total Child Support	87,759	49,759	47,483	2,276
Juvenile Probation Board:				
<i>Personnel</i>	30,268	30,268	30,266	2
Total Juvenile Probation Board	30,268	30,268	30,266	2
Juvenile Probation:				
<i>Personnel</i>	139,031	126,413	125,601	812
<i>Operating costs</i>	67,040	79,658	78,179	1,479
Total Juvenile Probation	206,071	206,071	203,780	2,291

MATAGORDA COUNTY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Juvenile Alternative School:				
<i>Personnel</i>	85,678	78,928	78,477	451
<i>Operating costs</i>	10,200	16,950	16,895	55
Total Juvenile Alternative School	95,878	95,878	95,372	506
Juvenile Alert Program:				
<i>Operating costs</i>	1,000	3,425	3,478	(53)
Total Juvenile Alternative Program	1,000	3,425	3,478	(53)
Child Protective Services:				
<i>Operating costs</i>	54,000	54,000	54,000	--
Total Child Protective Services	54,000	54,000	54,000	--
Unallocable by Department:				
<i>Insurance</i>	94,759	95,130	89,431	5,699
<i>Appraisal fees</i>	20,216	17,532	17,532	--
<i>Autopsies</i>	60,000	60,000	31,845	28,155
<i>Retiree Insurance</i>	85,061	82,605	81,900	705
<i>Other costs</i>	--	4,687	4,888	(201)
Total unallocable by Department	260,036	259,954	225,596	34,358
TOTAL JUSTICE SYSTEM	2,864,206	2,906,283	2,756,499	149,784
PUBLIC SAFETY				
Constable Precinct #1:				
<i>Personnel</i>	16,539	16,539	16,541	(2)
<i>Operating costs</i>	7,800	7,800	7,800	--
Total Constable Precinct #1	24,339	24,339	24,341	(2)
Constable Precinct #2:				
<i>Personnel</i>	19,121	19,121	19,116	5
<i>Operating costs</i>	11,750	11,750	11,576	174
Total Constable Precinct #2	30,871	30,871	30,692	179
Constable Precinct #3:				
<i>Personnel</i>	12,101	12,101	12,067	34
<i>Operating costs</i>	4,730	4,730	3,470	1,260
Total Constable Precinct #3	16,831	16,831	15,537	1,294
Constable Precinct #4:				
<i>Personnel</i>	12,101	12,101	12,057	44
<i>Operating costs</i>	4,065	4,065	3,893	172
Total Constable Precinct #4	16,166	16,166	15,950	216
Constable Precinct #6:				
<i>Personnel</i>	16,541	16,541	16,538	3
<i>Operating costs</i>	5,900	12,928	11,411	1,517
Total Constable Precinct #6	22,441	29,469	27,949	1,520
County Sheriff:				
<i>Personnel</i>	1,977,503	1,979,353	1,976,344	3,009
<i>Operating costs</i>	390,825	422,723	384,555	38,168

MATAGORDA COUNTY
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<i>Capital outlay</i>	100,000	131,916	131,916	--
Total County Sheriff	2,468,328	2,533,992	2,492,815	41,177
Department of Public Safety:				
<i>Personnel</i>	10,646	10,646	6,887	3,759
<i>Operating costs</i>	11,600	11,600	8,720	2,880
Total Department of Public Safety	22,246	22,246	15,607	6,639
Game Wardens:				
<i>Operating costs</i>	27,428	27,428	27,100	328
Total Game Wardens	27,428	27,428	27,100	328
Fire Protection:				
<i>Operating costs</i>	31,848	88,655	82,995	5,660
<i>Capital outlay</i>	--	249,523	249,523	--
Total Fire Protection	31,848	338,178	332,518	5,660
Emergency Management:				
<i>Personnel</i>	108,225	107,092	107,304	(212)
<i>Operating costs</i>	28,500	29,633	25,957	3,676
<i>Capital outlay</i>	--	41,820	41,820	--
Total Emergency Management	136,725	178,545	175,081	3,464
Unallocable by department:				
<i>Insurance</i>	107,128	107,547	101,105	6,442
<i>Appraisal fees</i>	22,855	19,821	19,820	1
<i>Retiree insurance</i>	98,428	95,586	94,770	816
<i>Other costs</i>	--	5,299	5,526	(227)
Total unallocable by department	228,411	228,253	221,221	7,032
TOTAL PUBLIC SAFETY	3,025,634	3,446,318	3,378,811	67,507
CORRECTIONS & REHABILITATION				
County Jail:				
<i>Personnel</i>	1,478,271	1,551,871	1,549,542	2,329
<i>Operating costs</i>	396,450	494,661	475,165	19,496
Total County Jail	1,874,721	2,046,532	2,024,707	21,825
Adult Probation:				
<i>Operating costs</i>	2,400	2,400	675	1,725
Total Adult Probation	2,400	2,400	675	1,725
Unallocable by department:				
<i>Insurance</i>	62,105	62,348	58,614	3,734
<i>Appraisal fees</i>	13,250	11,491	11,490	1
<i>Retiree insurance</i>	29,164	28,322	28,080	242
<i>Other costs</i>	--	3,072	3,204	(132)
Total unallocable by department	104,519	105,233	101,388	3,845
TOTAL CORRECTIONS & REHABILITATION	1,981,640	2,154,165	2,126,770	27,395

MATAGORDA COUNTY

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
HEALTH & HUMAN SERVICES				
Health Department:				
<i>Personnel</i>	226,117	228,212	227,985	227
<i>Operating costs</i>	44,300	135,228	133,800	1,428
Total Health Department	270,417	363,440	361,785	1,655
Animal Control:				
<i>Personnel</i>	65,972	66,052	66,052	--
<i>Operating costs</i>	52,700	55,524	54,771	753
Total Animal Control	118,672	121,576	120,823	753
Mental Health:				
<i>Operating costs</i>	35,419	53,129	53,128	1
Total Mental Health	35,419	53,129	53,128	1
Ambulance Service:				
<i>Operating costs</i>	599,575	600,112	597,194	2,918
Total Ambulance Service	599,575	600,112	597,194	2,918
Aid to Others:				
<i>Economic Action Committee</i>	4,000	4,000	4,000	--
<i>Edith Armstrong Center</i>	8,400	8,400	8,400	--
<i>Friends of the Elderly</i>	39,900	39,900	39,900	--
<i>Cemetery</i>	3,000	3,000	3,000	--
<i>Indigent Burials</i>	2,000	2,000	2,100	(100)
Total Aid to Others	57,300	57,300	57,400	(100)
Veteran's Service Officer:				
<i>Personnel</i>	56,241	56,241	56,249	(8)
<i>Operating costs</i>	7,600	7,600	6,292	1,308
Total Veteran's Service Officer	63,841	63,841	62,541	1,300
Unallocable by department:				
<i>Insurance</i>	35,754	35,894	33,744	2,150
<i>Appraisal fees</i>	7,628	6,615	6,615	--
<i>Retiree insurance</i>	21,873	21,241	21,060	181
<i>Other costs</i>	--	1,769	1,844	(75)
Total unallocable by department	65,255	65,519	63,263	2,256
TOTAL HEALTH & HUMAN SERVICES	1,210,479	1,324,917	1,316,134	8,783
COMMUNITY & ECONOMIC DEVELOPMENT				
521 Park:				
<i>Operating costs</i>	5,400	5,400	5,032	368
Total 521 Park	5,400	5,400	5,032	368
Marine Department:				
<i>Personnel</i>	87,192	78,800	78,800	--
<i>Operating costs</i>	50,000	399,981	219,571	180,410
Total Marine Department	137,192	478,781	298,371	180,410

MATAGORDA COUNTY

GENERAL FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Aid to Others:				
<i>Economic Development</i>	60,000	60,000	60,000	--
<i>Bay City Library</i>	179,102	179,102	179,102	--
<i>Palacios Library</i>	59,701	59,701	59,701	--
<i>Matagorda County Museum</i>	47,760	47,760	47,760	--
<i>Historical Commission Markers</i>	6,000	6,000	5,843	157
<i>Service Center</i>	3,591	3,591	3,591	--
Total Aid to Others	356,154	356,154	355,997	157
Agricultural Extension Service:				
<i>Personnel</i>	162,927	162,927	155,654	7,273
<i>Operating costs</i>	25,000	25,000	20,410	4,590
Total Agricultural Extension Service	187,927	187,927	176,064	11,863
Home Economist Service:				
<i>Personnel</i>	113,315	113,315	104,049	9,266
<i>Operating costs</i>	6,000	6,000	4,215	1,785
Total Home Economist Service	119,315	119,315	108,264	11,051
County Fairgrounds:				
<i>Personnel</i>	37,885	37,935	37,964	(29)
<i>Operating costs</i>	69,800	136,286	113,168	23,118
Total County Fairgrounds	107,685	174,221	151,132	23,089
Unallocable by department:				
<i>Insurance</i>	44,502	44,676	42,000	2,676
<i>Appraisal fees</i>	9,494	8,234	8,234	--
<i>Retiree insurance</i>	20,050	19,471	19,305	166
<i>Other costs</i>	--	2,201	2,296	(95)
Total unallocable by department	74,046	74,582	71,835	2,747
TOTAL COMMUNITY & ECONOMIC DEVELOPMENT	987,719	1,396,380	1,166,695	229,685
INFRASTRUCTURE & ENVIRONMENTAL SERVICES				
Transfer Station:				
<i>Personnel</i>	--	29,922	24,129	5,793
<i>Operating costs</i>	--	435,781	407,877	27,904
Total Transfer Station	--	465,703	432,006	33,697
Commissioner Precinct #1:				
<i>Personnel</i>	407,839	407,839	405,182	2,657
<i>Operating costs</i>	745,927	1,079,916	879,846	200,070
<i>Capital outlay</i>	25,000	124,840	124,840	--
Total Commissioner Precinct #1	1,178,766	1,612,595	1,409,868	202,727
Commissioner Precinct #2:				
<i>Personnel</i>	462,234	480,648	480,061	587
<i>Operating costs</i>	716,532	929,853	879,861	49,992
Total Commissioner Precinct #2	1,178,766	1,410,501	1,359,922	50,579

MATAGORDA COUNTY
 GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Commissioner Precinct #3:				
<i>Personnel</i>	439,151	439,151	393,975	45,176
<i>Operating costs</i>	739,615	905,679	681,650	224,029
<i>Capital outlay</i>	--	16,000	16,000	--
Total Commissioner Precinct #3	<u>1,178,766</u>	<u>1,360,830</u>	<u>1,091,625</u>	<u>269,205</u>
Commissioner Precinct #4:				
<i>Personnel</i>	442,430	450,930	407,642	43,288
<i>Operating costs</i>	736,336	988,361	836,525	151,836
<i>Capital outlay</i>	--	15,500	15,500	--
Total Commissioner Precinct #4	<u>1,178,766</u>	<u>1,454,791</u>	<u>1,259,667</u>	<u>195,124</u>
Right of Way Acquisition:				
<i>Capital outlay</i>	--	6,951	6,951	--
Total Right of Way Acquisition	<u>--</u>	<u>6,951</u>	<u>6,951</u>	<u>--</u>
Unallocable by department:				
<i>Insurance</i>	176,434	177,124	166,515	10,609
<i>Appraisal fees</i>	37,641	32,643	32,643	--
<i>Retiree insurance</i>	121,516	118,007	117,000	1,007
<i>Other costs</i>	--	8,728	9,101	(373)
Total unallocable by department	<u>335,591</u>	<u>336,502</u>	<u>325,259</u>	<u>11,243</u>
TOTAL INFRASTRUCTURE & ENVIRONMENTAL SVCS	<u>5,050,655</u>	<u>6,647,873</u>	<u>5,885,298</u>	<u>762,575</u>
Total Expenditures	<u>17,908,471</u>	<u>20,625,851</u>	<u>19,243,358</u>	<u>1,382,493</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(311,092)</u>	<u>(1,734,097)</u>	<u>(505,512)</u>	<u>1,228,585</u>
<i>Transfers in</i>	<u>19,000</u>	<u>53,450</u>	<u>53,450</u>	<u>--</u>
Total other financing sources (uses)	<u>19,000</u>	<u>53,450</u>	<u>53,450</u>	<u>--</u>
Net Change in Fund Balances	(292,092)	(1,680,647)	(452,062)	1,228,585
Fund balance - beginning	7,419,087	7,419,087	7,419,087	--
Fund balance - ending	<u>\$ 7,126,995</u>	<u>\$ 5,738,440</u>	<u>\$ 6,967,025</u>	<u>\$ 1,228,585</u>

MATAGORDA COUNTY

REQUIRED SUPPLEMENTARY INFORMATION

SCHEDULE OF FUNDING PROGRESS

POST EMPLOYMENT HEALTHCARE BENEFITS

YEAR ENDED DECEMBER 31, 2010

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Total Payroll (c)	UAAL as a Percentage of Total Payroll ((b-a)/c)
12/31/08	\$ --	\$ 14,648,697	\$ 14,648,697	--	\$ 6,067,220	241.4%
12/31/09	--	14,378,060	14,378,060	--	6,674,483	215.4%
12/31/10	--	18,289,792	18,289,792	--	6,684,055	273.6%

MATAGORDA COUNTY

*NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2010*

The County annually adopts budgets that are prepared using the modified accrual basis of accounting, which is consistent with generally accepted accounting principles.

*Combining Statements and Budget Comparisons
as Supplementary Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

Special Revenue Funds

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

District Attorney Legal/Law -- This fund is used to account for the transactions related to hot check fees of the district attorney's office, funds awarded to the County from forfeitures and state funds for the district attorney.

Sheriff & Jail Discretionary -- This fund is used to account for the transactions related to forfeited funds and inmate commissary sales.

County Clerk Preservation & Automation -- This fund is used to account for the fees collected by the County Clerk for preservation and automation.

Countywide Records Management & Preservation -- This fund is used to account for fees collected by the County Clerk for records management and preservation.

Courthouse Security -- This fund is used to account for fees collected by the County Court, District Court and JP Court for courthouse security.

Justice Court Technology -- This fund is used to account for fees collected by the District Clerk specifically for justice court technology.

District Clerk Records Management & Preservation --This fund is used to account for fees collected by the District Clerk for records management and preservation.

County and District Court Technology -- This fund is used to account for fees collected by the County Clerk specifically for county and district court technology.

Historical Commission Grant -- This fund is used to account for grant proceeds and local match for the purpose of conducting an historic resource survey in Matagorda County.

Markham Water & Sewer -- This fund is used to account for the receipts and disbursements related to the Texas Community Development Grant for the purpose of wastewater system improvements within the Matagorda County limits in Markham,, Texas.

CDBG Disaster Recovery -- This fund is used to account for the receipts and disbursements related to the Texas Community Development Grant for recovery from presidentially declared disasters to rebuild the affected areas and provide crucial seed money to start the recovery process.

Blessing Sewer -- This fund is used to account for the receipts and disbursements related to the Texas Community Development Grant for the purpose of wastewater system improvements within the Matagorda County WCID #5 in Blessing, Texas.

Local Emergency Planning -- This fund was created to account for the activities of the Matagorda County Local Emergency Planning Committee (LEPC) which is to carry out those responsibilities specified by Public Law (PL) 99-499 and to implement other emergency plans or strategies as deemed appropriate.

Juvenile Probation Fund -- This fund is used to account for Texas Juvenile Probation Commission grant funds for administering the juvenile probation program.

MATAGORDA COUNTY
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
DECEMBER 31, 2010

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
<i>Cash and cash equivalents</i>	\$ 1,237,761	\$ 76,180	\$ 1,313,941
Receivables (net of allowances for uncollectibles):			
<i>Taxes</i>	--	153,225	153,225
<i>Other receivables</i>	212,798	23,757	236,555
Total Assets	<u>\$ 1,450,559</u>	<u>\$ 253,162</u>	<u>\$ 1,703,721</u>
 LIABILITIES AND FUND BALANCES			
Liabilities:			
<i>Accounts payable</i>	\$ 256,863	\$ --	\$ 256,863
<i>Due to other funds</i>	50	51,009	51,059
<i>Due to others</i>	72,980	--	72,980
<i>Deferred revenue</i>	27,914	194,648	222,562
Total Liabilities	<u>357,807</u>	<u>245,657</u>	<u>603,464</u>
 Fund Balances:			
Unreserved:			
<i>Undesignated</i>			
<i>Special Revenue Funds</i>	1,092,752	--	1,092,752
<i>Reserved for debt service</i>	--	7,505	7,505
Total Fund Balances	<u>1,092,752</u>	<u>7,505</u>	<u>1,100,257</u>
 Total Liabilities and Fund Balances	<u>\$ 1,450,559</u>	<u>\$ 253,162</u>	<u>\$ 1,703,721</u>



MATAGORDA COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
<i>Taxes</i>	\$ --	\$ 184,060	\$ 184,060
<i>Intergovernmental</i>	1,344,841	--	1,344,841
<i>Charges for services</i>	156,262	--	156,262
<i>Investment income</i>	29,655	2,180	31,835
<i>Miscellaneous</i>	121,649	--	121,649
Total revenues	<u>1,652,407</u>	<u>186,240</u>	<u>1,838,647</u>
EXPENDITURES			
Current:			
<i>General government</i>	81,482	--	81,482
<i>Justice system</i>	632,734	--	632,734
<i>Public Safety</i>	11,814	--	11,814
<i>Corrections and rehabilitation</i>	34,776	--	34,776
<i>Community and economic development</i>	56,490	--	56,490
Capital outlay	761,151	--	761,151
Debt service:			
<i>Principal</i>	--	135,000	135,000
<i>Interest and fiscal charges</i>	--	48,659	48,659
Total expenditures	<u>1,578,447</u>	<u>183,659</u>	<u>1,762,106</u>
Excess (deficiency) of revenues over (under) expenditures	<u>73,960</u>	<u>2,581</u>	<u>76,541</u>
OTHER FINANCING SOURCES (USES)			
<i>Transfers out</i>	(53,450)	--	(53,450)
Total other financing sources (uses)	<u>(53,450)</u>	<u>--</u>	<u>(53,450)</u>
Net change in fund balances	20,510	2,581	23,091
Fund balances - beginning	1,072,242	4,924	1,077,166
Fund balances - ending	<u>\$ 1,092,752</u>	<u>\$ 7,505</u>	<u>\$ 1,100,257</u>

MATAGORDA COUNTY
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
DECEMBER 31, 2010

	District Attorney Legal/Law	Sheriff & Jail Discretionary	County Clerk Preservation & Automation	Countywide Records Mgmt Preservation
ASSETS				
<i>Cash and cash equivalents</i>	\$ 110,114	\$ 126,040	\$ 505,727	\$ 178,455
Receivables (net of allowances for uncollectibles):				
<i>Other receivables</i>	--	--	534	34
Total Assets	<u>\$ 110,114</u>	<u>\$ 126,040</u>	<u>\$ 506,261</u>	<u>\$ 178,489</u>
 LIABILITIES AND FUND BALANCES				
Liabilities:				
<i>Accounts payable</i>	\$ --	\$ 1	\$ --	\$ --
<i>Due to other funds</i>	--	50	--	--
<i>Due to others</i>	3,580	69,400	--	--
<i>Deferred revenue</i>	--	--	--	--
Total Liabilities	<u>3,580</u>	<u>69,451</u>	<u>--</u>	<u>--</u>
Fund Balances:				
Unreserved:				
<i>Undesignated</i>				
<i>Special Revenue Funds</i>	106,534	56,589	506,261	178,489
Total Fund Balances	<u>106,534</u>	<u>56,589</u>	<u>506,261</u>	<u>178,489</u>
 Total Liabilities and Fund Balances	<u>\$ 110,114</u>	<u>\$ 126,040</u>	<u>\$ 506,261</u>	<u>\$ 178,489</u>

<u>Courthouse Security</u>	<u>Justice Court Technology</u>	<u>District Clerk Records Mgmt Preservation</u>	<u>County & District Court Technology</u>	<u>Historical Commission Grant</u>
\$ 140,722	\$ 68,176	\$ 23,440	\$ 6,102	\$ (274)
241	126	15	25	1,165
<u>\$ 140,963</u>	<u>\$ 68,302</u>	<u>\$ 23,455</u>	<u>\$ 6,127</u>	<u>\$ 891</u>
\$ --	\$ --	\$ --	\$ --	\$ 890
--	--	--	--	--
--	--	--	--	--
--	--	--	--	--
<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>	<u>890</u>
140,963	68,302	23,455	6,127	1
<u>140,963</u>	<u>68,302</u>	<u>23,455</u>	<u>6,127</u>	<u>1</u>
<u>\$ 140,963</u>	<u>\$ 68,302</u>	<u>\$ 23,455</u>	<u>\$ 6,127</u>	<u>\$ 891</u>

MATAGORDA COUNTY
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 DECEMBER 31, 2010

	Markham Water & Sewer Grant	CDBG Disaster Recovery
ASSETS		
<i>Cash and cash equivalents</i>	\$ --	\$ 18,380
Receivables (net of allowances for uncollectibles):		
<i>Other receivables</i>	183,983	24,850
Total Assets	<u>\$ 183,983</u>	<u>\$ 43,230</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
<i>Accounts payable</i>	\$ 183,983	\$ 43,230
<i>Due to other funds</i>	--	--
<i>Due to others</i>	--	--
<i>Deferred revenue</i>	--	--
Total Liabilities	<u>183,983</u>	<u>43,230</u>
 Fund Balances:		
Unreserved:		
<i>Undesignated</i>		
<i>Special Revenue Funds</i>	--	--
Total Fund Balances	<u>--</u>	<u>--</u>
 Total Liabilities and Fund Balances	<u>\$ 183,983</u>	<u>\$ 43,230</u>

Blessing Sewer Grant	Local Emergency Planning	Juvenile Probation Fund	Total Nonmajor Special Revenue Funds
\$ --	\$ 5,981	\$ 54,898	\$ 1,237,761
1,775	50	--	212,798
<u>\$ 1,775</u>	<u>\$ 6,031</u>	<u>\$ 54,898</u>	<u>\$ 1,450,559</u>
\$ 1,775	\$ --	\$ 26,984	\$ 256,863
--	--	--	50
--	--	--	72,980
--	--	27,914	27,914
<u>1,775</u>	<u>--</u>	<u>54,898</u>	<u>357,807</u>
<u>--</u>	<u>6,031</u>	<u>--</u>	<u>1,092,752</u>
<u>--</u>	<u>6,031</u>	<u>--</u>	<u>1,092,752</u>
<u>\$ 1,775</u>	<u>\$ 6,031</u>	<u>\$ 54,898</u>	<u>\$ 1,450,559</u>

MATAGORDA COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	District Attorney Legal/Law	Sheriff & Jail Discretionary	County Clerk Preservation & Automation	Countywide Records Mgmt Preservation
REVENUES				
<i>Intergovernmental</i>	\$ --	\$ --	\$ --	\$ --
<i>Charges for services</i>	53,541	9,271	41,408	9,960
<i>Investment income</i>	1,412	1,160	12,310	4,398
<i>Miscellaneous</i>	--	38,382	--	--
Total revenues	<u>54,953</u>	<u>48,813</u>	<u>53,718</u>	<u>14,358</u>
EXPENDITURES				
Current:				
<i>General government</i>	--	--	12,503	5,077
<i>Justice system</i>	3,739	--	--	--
<i>Public Safety</i>	--	1,030	--	--
<i>Corrections and rehabilitation</i>	--	34,776	--	--
<i>Community and economic development</i>	--	--	--	--
Capital outlay	--	--	--	--
Debt service:				
Total expenditures	<u>3,739</u>	<u>35,806</u>	<u>12,503</u>	<u>5,077</u>
Excess (deficiency) of revenues over (under) expenditures	<u>51,214</u>	<u>13,007</u>	<u>41,215</u>	<u>9,281</u>
OTHER FINANCING SOURCES (USES)				
<i>Transfers out</i>	(53,450)	--	--	--
Total other financing sources (uses)	<u>(53,450)</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net change in fund balances	(2,236)	13,007	41,215	9,281
Fund balances - beginning	108,770	43,582	465,046	169,208
Fund balances - ending	<u>\$ 106,534</u>	<u>\$ 56,589</u>	<u>\$ 506,261</u>	<u>\$ 178,489</u>

Courthouse Security	Justice Court Technology	District Clerk Records Mgmt Preservation	County & District Court Technology	Historical Commission Grant
\$ --	\$ --	\$ --	\$ --	\$ 5,725
21,507	9,179	5,349	6,047	--
3,911	1,781	521	80	--
--	--	--	--	1,950
<u>25,418</u>	<u>10,960</u>	<u>5,870</u>	<u>6,127</u>	<u>7,675</u>
63,902	--	--	--	--
--	15,334	--	--	--
--	--	--	--	--
--	--	--	--	11,450
--	--	--	--	--
<u>63,902</u>	<u>15,334</u>	<u>--</u>	<u>--</u>	<u>11,450</u>
<u>(38,484)</u>	<u>(4,374)</u>	<u>5,870</u>	<u>6,127</u>	<u>(3,775)</u>
--	--	--	--	--
--	--	--	--	--
<u>(38,484)</u>	<u>(4,374)</u>	<u>5,870</u>	<u>6,127</u>	<u>(3,775)</u>
179,447	72,676	17,585	--	3,776
<u>\$ 140,963</u>	<u>\$ 68,302</u>	<u>\$ 23,455</u>	<u>\$ 6,127</u>	<u>\$ 1</u>

MATAGORDA COUNTY

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED DECEMBER 31, 2010

	Markham Water & Sewer Grant	CDBG Disaster Recovery
REVENUES		
<i>Intergovernmental</i>	\$ 258,793	\$ 456,000
<i>Charges for services</i>	--	--
<i>Investment income</i>	--	--
<i>Miscellaneous</i>	17,500	59,371
Total revenues	<u>276,293</u>	<u>515,371</u>
EXPENDITURES		
Current:		
<i>General government</i>	--	--
<i>Justice system</i>	--	--
<i>Public Safety</i>	--	--
<i>Corrections and rehabilitation</i>	--	--
<i>Community and economic development</i>	38,685	--
Capital outlay	237,608	515,371
Debt service:		
Total expenditures	<u>276,293</u>	<u>515,371</u>
Excess (deficiency) of revenues over (under) expenditures	<u>--</u>	<u>--</u>
OTHER FINANCING SOURCES (USES)		
<i>Transfers out</i>	--	--
Total other financing sources (uses)	<u>--</u>	<u>--</u>
Net change in fund balances	--	--
Fund balances - beginning	--	--
Fund balances - ending	<u>\$ --</u>	<u>\$ --</u>

Blessing Sewer Grant	Local Emergency Planning	Juvenile Probation Fund	Total Nonmajor Special Revenue Funds
\$ 14,527	\$ --	\$ 609,796	\$ 1,344,841
--	--	--	156,262
--	217	3,865	29,655
--	4,446	--	121,649
<u>14,527</u>	<u>4,663</u>	<u>613,661</u>	<u>1,652,407</u>
--	--	--	81,482
--	--	613,661	632,734
--	10,784	--	11,814
--	--	--	34,776
6,355	--	--	56,490
8,172	--	--	761,151
<u>14,527</u>	<u>10,784</u>	<u>613,661</u>	<u>1,578,447</u>
<u>--</u>	<u>(6,121)</u>	<u>--</u>	<u>73,960</u>
<u>--</u>	<u>--</u>	<u>--</u>	<u>(53,450)</u>
<u>--</u>	<u>--</u>	<u>--</u>	<u>(53,450)</u>
--	(6,121)	--	20,510
--	12,152	--	1,072,242
<u>\$ --</u>	<u>\$ 6,031</u>	<u>\$ --</u>	<u>\$ 1,092,752</u>

MATAGORDA COUNTY

DA LEGAL LAW

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2010

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	\$ 61,250	\$ 53,541	\$ (7,709)
Investment income	500	1,412	912
Total revenues	<u>61,750</u>	<u>54,953</u>	<u>(6,797)</u>
EXPENDITURES			
JUSTICE SYSTEM			
District Attorney:			
Operating costs	48,784	3,739	45,045
Capital outlay	10,000	--	10,000
Total District Attorney	<u>58,784</u>	<u>3,739</u>	<u>55,045</u>
TOTAL JUSTICE SYSTEM	<u>58,784</u>	<u>3,739</u>	<u>55,045</u>
Total Expenditures	<u>58,784</u>	<u>3,739</u>	<u>55,045</u>
Excess (deficiency) of revenues over (under) expenditures	<u>2,966</u>	<u>51,214</u>	<u>48,248</u>
Transfers out	<u>(64,933)</u>	<u>(53,450)</u>	<u>11,483</u>
Total other financing sources (uses)	<u>(64,933)</u>	<u>(53,450)</u>	<u>11,483</u>
Net Change in Fund Balances	(61,967)	(2,236)	59,731
Fund balance - beginning	108,770	108,770	--
Fund balance - ending	<u>\$ 46,803</u>	<u>\$ 106,534</u>	<u>\$ 59,731</u>

MATAGORDA COUNTY
SHERIFF & JAIL DISCRETIONARY
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
<i>Charges for services</i>	\$ 29,000	\$ 9,271	\$ (19,729)
<i>Investment income</i>	750	1,160	410
<i>Miscellaneous</i>	<u>45,025</u>	<u>38,382</u>	<u>(6,643)</u>
Total revenues	<u>74,775</u>	<u>48,813</u>	<u>(25,962)</u>
EXPENDITURES			
PUBLIC SAFETY			
County Sheriff:			
<i>Operating costs</i>	<u>15,500</u>	<u>1,030</u>	<u>14,470</u>
Total County Sheriff	<u>15,500</u>	<u>1,030</u>	<u>14,470</u>
TOTAL PUBLIC SAFETY	<u>15,500</u>	<u>1,030</u>	<u>14,470</u>
CORRECTIONS & REHABILITATION			
County Jail:			
<i>Operating costs</i>	<u>59,275</u>	<u>34,776</u>	<u>24,499</u>
Total County Jail	<u>59,275</u>	<u>34,776</u>	<u>24,499</u>
TOTAL CORRECTIONS & REHABILITATION	<u>59,275</u>	<u>34,776</u>	<u>24,499</u>
 Total Expenditures	 <u>74,775</u>	 <u>35,806</u>	 <u>38,969</u>
Excess (deficiency) of revenues over (under) expenditures	<u>--</u>	<u>13,007</u>	<u>13,007</u>
 Net Change in Fund Balances	 <u>--</u>	 <u>13,007</u>	 <u>13,007</u>
Fund balance - beginning	43,582	43,582	--
Fund balance - ending	<u>\$ 43,582</u>	<u>\$ 56,589</u>	<u>\$ 13,007</u>

MATAGORDA COUNTY

COUNTY CLERK PRESERVATION & AUTOMATION

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2010

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	\$ 45,500	\$ 41,408	\$ (4,092)
Investment income	9,800	12,310	2,510
Total revenues	55,300	53,718	(1,582)
EXPENDITURES			
GENERAL GOVERNMENT			
County Clerk:			
Personnel	20,061	8,693	11,368
Operating costs	7,939	3,810	4,129
Capital outlay	27,300	--	27,300
Total County Clerk	55,300	12,503	42,797
TOTAL GENERAL GOVERNMENT	55,300	12,503	42,797
Total Expenditures	55,300	12,503	42,797
Excess (deficiency) of revenues over (under) expenditures	--	41,215	41,215
Net Change in Fund Balances	--	41,215	41,215
Fund balance - beginning	465,046	465,046	--
Fund balance - ending	\$ 465,046	\$ 506,261	\$ 41,215

MATAGORDA COUNTY

COUNTYWIDE RECORDS MANAGEMENT/PRESERVATION

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2010

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	\$ 10,000	\$ 9,960	\$ (40)
Investment income	<u>6,500</u>	<u>4,398</u>	<u>(2,102)</u>
Total revenues	<u>16,500</u>	<u>14,358</u>	<u>(2,142)</u>
EXPENDITURES			
GENERAL GOVERNMENT			
County Courthouse:			
Operating costs	<u>16,500</u>	<u>5,077</u>	<u>11,423</u>
Total County Courthouse	<u>16,500</u>	<u>5,077</u>	<u>11,423</u>
TOTAL GENERAL GOVERNMENT	<u>16,500</u>	<u>5,077</u>	<u>11,423</u>
Total Expenditures	<u>16,500</u>	<u>5,077</u>	<u>11,423</u>
Excess (deficiency) of revenues over (under) expenditures	<u>--</u>	<u>9,281</u>	<u>9,281</u>
Net Change in Fund Balances	--	9,281	9,281
Fund balance - beginning	169,208	169,208	--
Fund balance - ending	<u>\$ 169,208</u>	<u>\$ 178,489</u>	<u>\$ 9,281</u>

MATAGORDA COUNTY
COURTHOUSE SECURITY
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
Charges for services	\$ 26,900	\$ 21,507	\$ (5,393)
Investment income	<u>5,400</u>	<u>3,911</u>	<u>(1,489)</u>
Total revenues	<u>32,300</u>	<u>25,418</u>	<u>(6,882)</u>
EXPENDITURES			
GENERAL GOVERNMENT			
County Courthouse:			
Personnel	65,904	61,778	4,126
Operating costs	<u>2,700</u>	<u>2,124</u>	<u>576</u>
Total County Courthouse	<u>68,604</u>	<u>63,902</u>	<u>4,702</u>
TOTAL GENERAL GOVERNMENT	<u>68,604</u>	<u>63,902</u>	<u>4,702</u>
Total Expenditures	<u>68,604</u>	<u>63,902</u>	<u>4,702</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(36,304)</u>	<u>(38,484)</u>	<u>(2,180)</u>
Net Change in Fund Balances	(36,304)	(38,484)	(2,180)
Fund balance - beginning	179,447	179,447	--
Fund balance - ending	<u>\$ 143,143</u>	<u>\$ 140,963</u>	<u>\$ (2,180)</u>

MATAGORDA COUNTY
JUSTICE COURT TECHNOLOGY
SPECIAL REVENUE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED DECEMBER 31, 2010

	<u>Budget</u>	<u>Actual</u>	<u>Variance Positive (Negative)</u>
REVENUES			
<i>Charges for services</i>	\$ 10,000	\$ 9,179	\$ (821)
<i>Investment income</i>	<u>3,000</u>	<u>1,781</u>	<u>(1,219)</u>
Total revenues	<u>13,000</u>	<u>10,960</u>	<u>(2,040)</u>
EXPENDITURES			
JUSTICE SYSTEM			
Justice Court Technology:			
<i>Operating costs</i>	<u>13,000</u>	<u>15,334</u>	<u>(2,334)</u>
Total Justice Court Technology	<u>13,000</u>	<u>15,334</u>	<u>(2,334)</u>
TOTAL JUSTICE SYSTEM	<u>13,000</u>	<u>15,334</u>	<u>(2,334)</u>
Total Expenditures	<u>13,000</u>	<u>15,334</u>	<u>(2,334)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>--</u>	<u>(4,374)</u>	<u>(4,374)</u>
Net Change in Fund Balances	--	(4,374)	(4,374)
Fund balance - beginning	<u>72,676</u>	<u>72,676</u>	<u>--</u>
Fund balance - ending	<u>\$ 72,676</u>	<u>\$ 68,302</u>	<u>\$ (4,374)</u>

MATAGORDA COUNTY

DISTRICT CLERK RECORDS MGMT/PRESERVATION

SPECIAL REVENUE FUND

BUDGETARY COMPARISON SCHEDULE

FOR THE YEAR ENDED DECEMBER 31, 2010

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	\$ 7,310	\$ 5,349	\$ (1,961)
Investment income	246	521	275
Total revenues	<u>7,556</u>	<u>5,870</u>	<u>(1,686)</u>
EXPENDITURES			
JUSTICE SYSTEM			
District Clerk:			
Operating costs	3,146	--	3,146
Total District Clerk	<u>3,146</u>	<u>--</u>	<u>3,146</u>
TOTAL JUSTICE SYSTEM	<u>3,146</u>	<u>--</u>	<u>3,146</u>
Total Expenditures	<u>3,146</u>	<u>--</u>	<u>3,146</u>
Excess (deficiency) of revenues over (under) expenditures	<u>4,410</u>	<u>5,870</u>	<u>1,460</u>
Net Change in Fund Balances	4,410	5,870	1,460
Fund balance - beginning	17,585	17,585	--
Fund balance - ending	<u>\$ 21,995</u>	<u>\$ 23,455</u>	<u>\$ 1,460</u>

MATAGORDA COUNTY
 COUNTY & DISTRICT COURT TECHNOLOGY
 SPECIAL REVENUE FUND
 BUDGETARY COMPARISON SCHEDULE
 FOR THE YEAR ENDED DECEMBER 31, 2010

	Budget	Actual	Variance Positive (Negative)
REVENUES			
Charges for services	\$ 13,113	\$ 6,047	\$ (7,066)
Investment income	150	80	(70)
Total revenues	<u>13,263</u>	<u>6,127</u>	<u>(7,136)</u>
EXPENDITURES			
GENERAL GOVERNMENT			
County Clerk:			
Operating costs	2,085	--	2,085
Total County Clerk	<u>2,085</u>	<u>--</u>	<u>2,085</u>
TOTAL GENERAL GOVERNMENT	<u>2,085</u>	<u>--</u>	<u>2,085</u>
JUSTICE SYSTEM			
District Clerk:			
Operating costs	4,540	--	4,540
Total District Clerk	<u>4,540</u>	<u>--</u>	<u>4,540</u>
TOTAL JUSTICE SYSTEM	<u>4,540</u>	<u>--</u>	<u>4,540</u>
Total Expenditures	<u>6,625</u>	<u>--</u>	<u>6,625</u>
Excess (deficiency) of revenues over (under) expenditures	<u>6,638</u>	<u>6,127</u>	<u>(511)</u>
Net Change in Fund Balances	6,638	6,127	(511)
Fund balance - beginning	--	--	--
Fund balance - ending	<u>\$ 6,638</u>	<u>\$ 6,127</u>	<u>\$ (511)</u>



Fiduciary Funds

Fiduciary funds are used to account for funds held in a trustee or agency capacity for the benefit of others and therefore cannot be used to support the government's own programs. Fiduciary funds include pension trust funds, investment funds, private-purpose trust funds and agency funds. The County is only combining agency funds as defined below.

County Clerk Trust Fund -- This fund is used to account for County Court awards for the benefit of minors or others considered by the County Court to be incapable of handling the award individually.

District Clerk Trust Fund -- This fund is used to account for District Court awards for the benefit of minors or others considered by the District Court to be incapable of handling the award individually.

Inmate Trust Fund -- This fund is used to account for money held on behalf of inmates booked into the County jail.

Tax Assessor Collector -- This fund is used as a clearing account for the receipt and disbursement of tax collected by the County Tax Assessor Collector on behalf of other governmental entities.

MATAGORDA COUNTY*COMBINING STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES**AGENCY FUNDS**DECEMBER 31, 2010*

	County Clerk Trust	District Clerk Trust	Inmate Trust Fund
ASSETS			
<i>Cash and cash equivalents</i>	\$ 133,510	\$ 1,169,812	\$ 15,402
Total Assets	<u>\$ 133,510</u>	<u>\$ 1,169,812</u>	<u>\$ 15,402</u>
LIABILITIES			
<i>Due to other governments</i>	\$ --	\$ --	\$ --
<i>Due to others</i>	<u>133,510</u>	<u>1,169,812</u>	<u>15,402</u>
Total Liabilities	<u>133,510</u>	<u>1,169,812</u>	<u>15,402</u>
NET ASSETS			
<i>Unrestricted</i>	<u>--</u>	<u>--</u>	<u>--</u>
Total Net Assets	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

Tax Assessor Collector	Total Agency Funds
\$ 253,057	\$ 1,571,781
<u>\$ 253,057</u>	<u>\$ 1,571,781</u>
\$ 248,828	\$ 248,828
<u>4,229</u>	<u>1,322,953</u>
<u>253,057</u>	<u>1,571,781</u>
<u> </u>	<u> </u>
<u>\$ --</u>	<u>\$ --</u>

MATAGORDA COUNTY

COMBINING STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

ALL AGENCY FUNDS

YEAR ENDED DECEMBER 31, 2010

	Balance December 31 2009	Additions	Deductions	Balance December 31 2010
COUNTY CLERK TRUST FUNDS				
ASSETS				
<i>Cash & investments</i>	154,343	\$ 3,338	\$ 24,171	\$ 133,510
Total Assets	<u>\$ 154,343</u>	<u>\$ 3,338</u>	<u>\$ 24,171</u>	<u>\$ 133,510</u>
LIABILITIES				
<i>Due to others</i>	\$ 154,343	\$ 3,338	\$ 24,171	\$ 133,510
Total Liabilities	<u>\$ 154,343</u>	<u>\$ 3,338</u>	<u>\$ 24,171</u>	<u>\$ 133,510</u>
DISTRICT CLERK TRUST FUNDS				
ASSETS				
<i>Cash & investments</i>	\$ 1,453,964	\$ 364,881	\$ 649,034	\$ 1,169,811
Total Assets	<u>\$ 1,453,964</u>	<u>\$ 364,881</u>	<u>\$ 649,034</u>	<u>\$ 1,169,811</u>
LIABILITIES				
<i>Due to others</i>	\$ 1,453,964	\$ 364,881	\$ 649,034	\$ 1,169,811
Total Liabilities	<u>\$ 1,453,964</u>	<u>\$ 364,881</u>	<u>\$ 649,034</u>	<u>\$ 1,169,811</u>
INMATE TRUST FUND				
ASSETS				
<i>Cash & investments</i>	\$ 10,335	\$ 259,351	\$ 254,284	\$ 15,402
Total Assets	<u>\$ 10,335</u>	<u>\$ 259,351</u>	<u>\$ 254,284</u>	<u>\$ 15,402</u>
LIABILITIES				
<i>Due to others</i>	\$ 10,335	\$ 259,351	\$ 254,284	\$ 15,402
Total Liabilities	<u>\$ 10,335</u>	<u>\$ 259,351</u>	<u>\$ 254,284</u>	<u>\$ 15,402</u>
TAX ASSESSOR COLLECTOR				
ASSETS				
<i>Cash & investments</i>	\$ 204,440	\$ 64,277,062	\$ 64,228,444	\$ 253,058
Total Assets	<u>\$ 204,440</u>	<u>\$ 64,277,062</u>	<u>\$ 64,228,444</u>	<u>\$ 253,058</u>
LIABILITIES				
<i>Due to other governments</i>	\$ 182,843	\$ 64,274,320	\$ 64,208,334	\$ 248,829
<i>Due to other funds</i>	13,002	1,577	14,579	--
<i>Due to others</i>	8,595	1,165	5,531	4,229
Total Liabilities	<u>\$ 204,440</u>	<u>\$ 64,277,062</u>	<u>\$ 64,228,444</u>	<u>\$ 253,058</u>
TOTAL AGENCY FUNDS:				
ASSETS				
<i>Cash & investments</i>	\$ 1,823,082	\$ 64,904,632	\$ 65,155,933	\$ 1,571,781
Total Assets	<u>\$ 1,823,082</u>	<u>\$ 64,904,632</u>	<u>\$ 65,155,933</u>	<u>\$ 1,571,781</u>
LIABILITIES				
<i>Due to other governments</i>	\$ 182,843	\$ 64,274,320	\$ 64,208,334	\$ 248,829
<i>Due to other funds</i>	13,002	1,577	14,579	--
<i>Due to others</i>	1,627,237	628,735	933,020	1,322,952
Total Liabilities	<u>\$ 1,823,082</u>	<u>\$ 64,904,632</u>	<u>\$ 65,155,933</u>	<u>\$ 1,571,781</u>

STATISTICAL SECTION

This part of the Matagorda 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	Page
Financial Trends	71-75
<i>These schedules contain trend information to help the reader understand how the County's financial performance and well-being have changed over time.</i>	
Revenue Capacity	76-80
<i>These schedules contain information to help the reader assess the factors affecting the County's ability to generate its property and sales taxes.</i>	
Debt Capacity	81-84
<i>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.</i>	
Demographic and Economic Information	85-87
<i>These schedules offer demographic and economic indicators to help the reader understand how the County's financial activities take place and to help make comparisons over time and with other governments.</i>	
Operating Information	88-89
<i>These schedules contain information about the County's operations and resources to help the reader understand how the County's financial information relates to the services the County provides and the activities it performs.</i>	

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year.



MATAGORDA COUNTY
NET ASSETS BY COMPONENT
LAST EIGHT FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Governmental Activities								
Invested in Capital Assets,								
Net of Related Debt	\$ 20,094,284	\$ 23,302,072	\$ 23,813,922	\$ 20,768,339	\$ 21,151,366	\$ 20,506,971	\$ 19,522,703	\$ 17,819,411
Restricted	20,000	--	--	52	--	5,594	5,034	3,978
Unrestricted	19,975,813	12,488,348	12,381,152	12,621,657	10,373,595	10,395,793	9,800,301	8,393,819
Total Governmental Activities Net Assets	\$ 40,090,097	\$ 35,790,420	\$ 36,195,074	\$ 33,390,048	\$ 31,524,961	\$ 30,908,358	\$ 29,328,038	\$ 26,217,208

Note: The County began reporting net asset information when it implemented GASB Statement 34 in fiscal year 2003.

MATAGORDA COUNTY
EXPENSES, PROGRAM REVENUES, AND NET (EXPENSE)/REVENUE
LAST EIGHT FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Expenses								
Governmental activities:								
General government	\$ 3,046,439	\$ 2,307,507	\$ 2,744,598	\$ 2,591,435	\$ 2,374,168	\$ 2,303,706	\$ 2,800,507	\$ 2,916,150
Justice system	2,975,523	2,684,216	3,032,205	3,275,243	2,931,754	2,965,507	3,402,444	3,673,061
Public safety	2,694,246	2,683,984	3,722,659	3,264,707	3,231,579	3,245,747	3,846,603	3,301,813
Corrections and rehabilitation	1,809,524	1,794,043	2,343,039	2,477,072	2,638,771	2,363,299	2,229,983	2,396,883
Health and human services	1,214,145	1,025,635	1,175,751	1,281,386	1,180,040	1,219,112	1,283,782	1,397,815
Community and economic development	1,277,447	1,008,691	1,132,587	1,166,624	1,325,564	1,167,753	1,597,919	2,002,462
Infrastructure and environmental services	3,476,672	6,114,484	3,993,968	3,823,861	6,896,776	5,922,408	6,335,128	7,742,526
Interest on Long-Term Debt	--	6,292	2,621	23,980	66,736	59,224	53,070	46,788
Total governmental activities expenses	\$ 16,493,996	\$ 17,624,852	\$ 18,147,428	\$ 17,904,308	\$ 20,645,388	\$ 19,246,756	\$ 21,549,436	\$ 23,477,498
Program Revenues								
Governmental Activities:								
Charges for Services:								
General government	\$ 228,965	\$ 1,216,743	\$ 1,201,970	\$ 1,165,711	\$ 1,241,621	\$ 1,363,971	\$ 1,241,539	\$ 1,234,096
Justice system	655,762	998,948	904,122	1,287,277	1,209,619	1,422,866	1,069,513	682,049
Public safety	3,269,249	3,349,454	3,487,489	4,297,654	3,786,690	3,471,050	3,266,384	3,196,198
Corrections and rehabilitation	42,647	116,600	118,305	118,632	95,872	90,155	145,540	267,029
Health and human services	--	48,897	47,560	54,413	50,937	57,506	45,980	70,070
Community and economic development	92,277	111,369	109,702	107,775	116,050	124,171	144,380	205,118
Infrastructure and environmental services	7,167	72,744	75,379	93,447	71,490	66,402	83,753	387,145
Operating Grants and Contributions	1,399,241	1,004,400	1,794,005	942,638	1,796,638	1,661,296	2,500,369	2,383,709
Capital Grants and Contributions	422,173	188,098	--	49,915	318,103	--	--	--
Total Governmental Activities Program Revenues	\$ 6,117,481	\$ 7,107,253	\$ 7,738,532	\$ 8,117,462	\$ 8,687,020	\$ 8,257,417	\$ 8,497,458	\$ 8,425,414
Net (Expense)/Revenue								
Governmental Activities	\$ (10,376,515)	\$ (10,517,599)	\$ (10,408,896)	\$ (9,786,846)	\$ (11,958,368)	\$ (10,989,339)	\$ (13,051,978)	\$ (15,052,084)

Note: The County began reporting accrual information when it implemented GASB Statement 34 in fiscal year 2003.

MATAGORDA COUNTY
GENERAL REVENUES AND TOTAL CHANGE IN NET ASSETS
LAST EIGHT FISCAL YEARS
(ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year							
	2003	2004	2005	2006	2007	2008	2009	2010
Net (Expense)/Revenue								
Governmental Activities	\$ (10,376,515)\$	(10,517,599)\$	(10,408,896)\$	(9,786,846)\$	(11,958,368)\$	(10,989,339)\$	(13,051,978)	(15,052,084)
General Revenues and Other Changes in Net Assets								
Governmental Activities:								
Property taxes	\$ 8,472,638 \$	8,384,447 \$	8,294,370 \$	8,174,199 \$	9,194,415 \$	9,921,906 \$	11,160,539	11,501,213
Miscellaneous	1,687,274	473,856	14,053	103,303	104,940	70,657	65,041	99,083
Unrestricted investment earnings	195,782	247,964	456,110	704,318	793,926	380,173	246,078	340,958
Total Governmental Activities	\$ 10,355,694 \$	9,106,267 \$	8,764,533 \$	8,981,820 \$	10,093,281 \$	10,372,736 \$	11,471,658	11,941,254
Change in Net Assets								
Governmental Activities	\$ (20,821)\$	(1,411,332)\$	(1,644,363)\$	(805,026)\$	(1,865,087)\$	(616,603)\$	(1,580,320)	(3,110,830)

Note: The County began reporting accrual information when it implemented GASB Statement 34 in fiscal year 2003.

MATAGORDA COUNTY
FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Fund										
Reserved	\$ 400,480	\$ 1,028,742	\$ 20,000	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 282,669
Unreserved	9,497,719	9,531,807	10,332,639	10,653,266	10,481,450	10,063,575	7,542,080	7,496,109	7,419,087	6,684,356
Total General Fund	\$ 9,898,199	\$ 10,560,549	\$ 10,352,639	\$ 10,653,266	\$ 10,481,450	\$ 10,063,575	\$ 7,542,080	\$ 7,496,109	\$ 7,419,087	\$ 6,967,025
All Other Governmental Funds										
Reserved	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 52	\$ --	\$ 817	\$ 4,924	\$ 7,505
Unreserved, Reported In:										
Special Revenue Funds	475,384	560,886	641,263	699,870	796,122	898,220	968,729	1,066,974	1,072,242	1,092,752
Capital Projects Funds	--	--	--	--	--	--	--	--	--	--
Debt Service Funds	--	--	--	--	--	--	(33,467)	--	--	--
Total All Other Governmental Funds	\$ 475,384	\$ 560,886	\$ 641,263	\$ 699,870	\$ 796,122	\$ 898,272	\$ 935,262	\$ 1,067,791	\$ 1,077,166	\$ 1,100,257

MATAGORDA COUNTY
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS
(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Revenues										
Taxes	\$ 7,468,767	\$ 8,445,748	\$ 8,357,402	\$ 8,313,120	\$ 8,330,557	\$ 8,341,847	\$ 9,147,597	\$ 9,903,450	\$ 11,124,689	\$ 11,422,107
Licenses and permits	821,646	808,192	970,331	833,355	830,979	828,052	833,238	842,590	818,549	813,885
Intergovernmental	903,618	1,316,796	1,710,510	1,020,701	1,794,052	1,010,040	1,729,944	1,694,349	2,478,021	2,130,808
Charges for services	4,031,211	3,740,359	4,177,998	4,441,197	4,541,652	5,475,765	5,098,908	4,838,363	4,524,898	4,959,784
Fines	342,666	353,815	385,380	359,315	313,281	415,787	340,318	407,980	415,196	358,715
Investment income	796,880	311,127	195,099	256,591	480,942	744,641	840,854	411,266	272,525	368,082
Miscellaneous	251,412	489,581	480,764	871,912	220,429	331,482	557,011	347,093	273,743	523,112
Total Revenues	14,616,200	15,465,618	16,277,484	16,096,191	16,511,892	17,147,614	18,547,870	18,445,091	19,907,621	20,576,493
Expenditures										
General administration	2,821,921	3,211,119	2,620,415	2,379,815	2,169,018	2,218,233	2,359,736	2,439,805	2,646,612	2,683,735
Justice	1,455,419	1,502,076	2,539,135	2,556,715	2,571,259	2,786,928	2,803,386	2,740,721	3,155,191	3,389,233
Public safety	4,404,999	4,627,452	2,304,868	2,416,017	2,878,613	2,807,335	2,881,351	2,984,941	3,547,744	2,967,366
Corrections and rehabilitation	--	--	1,546,588	1,709,487	1,988,531	2,092,130	2,550,113	2,147,703	2,018,431	2,161,546
Environmental protection	--	--	--	--	--	--	--	--	--	--
Health and human services	376,638	507,745	1,040,808	977,663	998,854	1,068,561	1,130,644	1,141,036	1,208,428	1,316,134
Community and economic development	1,108,951	782,190	853,060	961,982	982,734	978,022	988,856	1,093,049	1,223,005	1,223,185
Infrastructure and environmental	4,517,829	3,439,321	4,328,262	4,030,857	3,635,842	4,293,688	4,376,057	4,541,745	5,063,458	5,722,007
Capital outlay	--	511,853	1,105,468	632,931	1,342,358	2,705,570	3,691,545	1,083,682	927,524	1,358,599
Debt service:										
Principal	--	121,898	66,187	65,199	96,744	25,129	181,466	125,000	130,000	135,000
Interest	--	14,112	10,194	6,292	2,621	2,745	69,221	60,853	54,873	48,659
Total Expenditures	14,685,757	14,717,766	16,414,985	15,736,958	16,666,574	18,978,341	21,032,375	18,358,535	19,975,266	21,005,464
Excess of Revenues	(69,557)	747,852	(137,501)	359,233	(154,682)	(1,830,727)	(2,484,505)	86,556	(67,645)	(428,971)
Over (Under) Expenditures										
Other Financing Sources (Uses)										
Flow thru in	116,607	--	47,711	--	12,297	--	--	--	--	--
Flow thru out	(116,607)	--	(47,711)	--	(12,297)	--	--	--	--	--
Certificates of obligation	--	--	--	--	--	1,515,000	--	--	--	--
Capital lease proceeds	116,000	--	--	--	79,119	--	--	--	--	--
Transfers In	33,641	26,638	26,537	38,127	7,000	698,736	2,794,384	489,115	67,612	53,450
Transfers Out	(33,641)	(26,638)	(26,537)	(38,127)	(7,000)	(698,736)	(2,794,384)	(489,115)	(67,612)	(53,450)
Total Other Financing Sources (Uses)	116,000	--	--	--	79,119	1,515,000	--	--	--	--
Net Change in Fund Balances	\$ 46,443	\$ 747,852	\$ (137,501)	\$ 359,233	\$ (75,563)	\$ (315,727)	\$ (2,484,505)	\$ 86,556	\$ (67,645)	\$ (428,971)
Debt Service As A Percentage Of Noncapital Expenditures	--	0.96%	0.50%	0.47%	0.65%	0.18%	1.45%	1.11%	1.01%	0.94%

MATAGORDA COUNTY

TAX REVENUES BY SOURCE, GOVERNMENTAL FUNDS

LAST TEN FISCAL YEARS

(MODIFIED ACCRUAL BASIS OF ACCOUNTING)

Fiscal Year	Property Tax
2001	\$ 7,468,767
2002	8,445,148
2003	8,357,402
2004	8,313,120
2005	8,330,557
2006	8,341,847
2007	9,147,597
2008	9,903,450
2009	11,124,689
2010	11,422,107
Percent Change 2001-2010	52.9%

MATAGORDA COUNTY
ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Fiscal Year	Assessed Real Property	Assessed Non-real Property	Tax Exempt Property	Total Taxable Assessed Value	Total Direct Tax Rate	Estimated Actual Taxable Value	Taxable Assessed Value as a Percentage of Actual Taxable Value
2000/01	\$ *	\$ *	\$ *	\$ 2,420,131,758	0.30700	\$ 2,420,131,758	100.000%
2001/02	*	*	*	2,788,104,359	0.29300	2,788,104,359	100.000%
2002/03	1,327,058,095	1,622,221,157	(382,827,307)	2,566,451,945	0.32200	2,566,451,945	100.000%
2003/04	2,656,745,852	327,878,186	(404,313,434)	2,580,310,604	0.31800	2,580,310,604	100.000%
2004/05	1,528,321,761	1,423,438,755	(400,342,742)	2,551,417,774	0.31800	2,551,417,774	100.000%
2005/06	2,717,106,070	459,670,380	(511,752,684)	2,665,023,766	0.30900	2,665,023,766	100.000%
2006/07	3,276,215,172	551,077,039	(463,734,746)	3,363,557,465	0.26829	3,363,557,465	100.000%
2007/08	3,580,834,451	426,262,334	(461,540,256)	3,545,556,529	0.27593	3,545,556,529	100.000%
2008/09	4,381,977,682	95,029,605	(491,074,920)	3,985,932,367	0.27518	3,985,932,367	100.000%
2009/10	3,533,533,063	1,116,722,810	(510,369,654)	4,139,886,219	0.27498	4,139,886,219	100.000%

Source: Matagorda County Appraisal District
 * Breakdown between real and personal not available for these years.

MATAGORDA COUNTY
DIRECT AND OVERLAPPING PROPERTY TAX RATES
LAST TEN FISCAL YEARS

Fiscal Year	County		City		Utility Districts		Special Districts		Schools		Total
	Operating	Debt	Operating	Debt	Operating	Debt	Operating	Debt	Operating	Debt	
2000/01	\$ 0.30700	\$ --	\$ 0.605	\$ --	\$ 0.376	\$ 0.238	\$ 0.117	\$ --	\$ 1.395	\$ 0.148	\$ 3.186
2001/02	0.29300	--	0.625	--	0.353	0.172	0.078	0.030	1.394	0.150	3.095
2002/03	0.32200	--	0.628	--	0.361	0.193	0.088	0.030	1.455	0.150	3.227
2003/04	0.31800	--	0.605	0.045	0.143	0.139	0.090	0.030	1.407	0.100	2.877
2004/05	0.31800	--	0.620	0.043	0.141	0.130	0.091	0.030	1.415	0.110	2.898
2005/06	0.30900	--	0.605	0.046	0.136	0.104	0.083	0.030	1.455	0.095	2.863
2006/07	0.26264	0.00565	0.605	0.043	0.127	0.058	0.071	0.030	1.280	0.098	2.580
2007/08	0.26978	0.00615	0.605	0.043	0.119	0.077	0.071	0.030	1.008	0.162	2.390
2008/09	0.27055	0.00463	0.594	0.034	0.116	0.076	0.070	0.030	1.019	0.127	2.341
2009/10	0.27055	0.00443	0.613	0.030	0.123	0.087	0.067	0.030	1.038	0.129	2.392

Source: County Tax Assessor and Palacios ISD Tax Assessor

MATAGORDA COUNTY

PRINCIPAL PROPERTY TAX PAYERS
CURRENT YEAR AND NINE YEARS AGO

Taxpayer	2009/2010			2000/2001		
	Taxable Assessed Value	Rank	Percentage of Total County Taxable Assessed Value	Taxable Assessed Value	Rank	Percentage of Total County Taxable Assessed Value
NRG	\$ 1,064,550,997	1	25.71%	\$ --	--	--
Equistar Chemicals LP	113,465,130	2	2.74%	182,211,610	3	7.53%
Texas Brine Company LLC	72,397,980	3	1.75%	19,073,510	9	0.79%
Tres Palacios Gas Storage	68,012,040	4	1.64%	--	--	--
Oxea Corporation	56,338,360	5	1.36%	--	--	--
Valero Marketing & Supply Co	52,510,520	6	1.27%	--	--	--
William Fld Svcs - Gulf Coast Co	45,731,480	7	1.10%	--	--	--
Midtex Gas Storage Company	44,936,800	8	1.09%	21,036,950	7	0.87%
Valerus Compression Services	43,913,610	9	1.06%	--	--	--
Square Mile Energy LLC	38,541,940	10	0.93%	--	--	--
Houston Lighting & Power	--	--	--	502,694,350	1	20.77%
Central Power & Light Co. STP	--	--	--	431,240,230	2	17.82%
Celanese LTD Chemical Division	--	--	--	121,725,640	4	5.03%
EOG Resources, Inc.	--	--	--	58,425,860	5	2.41%
El Paso Offshore Gathering	--	--	--	32,898,680	6	1.36%
Transcontinental Gas Pipeline	--	--	--	19,773,890	8	0.82%
Amoco Productions Company	--	--	--	16,852,930	10	0.70%
Total	\$ 1,600,398,857		38.66%	\$ 1,405,933,650		58.09%
Total Taxable Assessed Value	\$ 4,139,886,219			\$ 2,420,131,758		

Source: Matagorda County Tax Assessor

MATAGORDA COUNTY
PROPERTY TAX LEVIES AND COLLECTIONS
LAST TEN FISCAL YEARS

Fiscal Year	Taxes Levied for the Fiscal Year		Adjustments	Adjusted Levy	Collected Within the Fiscal Year of the Levy		Collections In Subsequent Years	Total Collections to Date	
	Fiscal Year	Amount			Percentage of Levy	Amount		Percentage of Levy	Amount
2000	\$	7,436,857	\$ 89,498	\$ 7,526,355	7,248,452	96.31%	\$ 165,000	7,413,452	98.50%
2002		8,180,299	171,581	8,351,880	8,096,089	96.94%	229,071	8,325,160	99.68%
2003		8,253,713	(86,983)	8,166,730	7,979,552	97.71%	149,271	8,128,823	99.54%
2004		8,213,576	(15,142)	8,198,434	7,946,142	96.92%	213,550	8,159,692	99.53%
2005		8,123,105	75,683	8,198,788	8,015,644	97.77%	133,095	8,148,739	99.39%
2006		8,178,222	(7,519)	8,170,703	8,047,767	98.50%	96,047	8,143,814	99.67%
2007		9,039,485	(12,753)	9,026,732	8,895,062	98.54%	78,950	8,974,012	99.42%
2008		9,783,727	26,599	9,810,326	9,653,410	98.40%	86,880	9,740,290	99.29%
2009		10,968,961	(596)	10,968,365	10,797,638	98.44%	65,085	10,862,723	99.04%
2010		11,384,047	(26,975)	11,357,072	11,155,160	98.22%	--	11,155,160	98.22%

Sources: Matagorda County Tax Assessor

MATAGORDA COUNTY
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS

Fiscal Year	Governmental Activities			* Percentage of Personal Income	* Per Capita Total Debt
	Certificates of Obligation	Capital Leases	Total Governmental Activities		
2001	\$ --	322,504	322,504	0.04%	\$ 8
2002	--	200,606	200,606	0.02%	5
2003	--	134,420	134,420	0.02%	4
2004	--	69,221	69,221	0.01%	2
2005	--	51,595	51,595	0.01%	1
2006	1,515,000	26,466	1,541,466	0.18%	39
2007	1,360,000	--	1,360,000	0.15%	37
2008	1,235,000	--	1,235,000	0.13%	34
2009	1,105,000	--	1,105,000	0.10%	30
2010	970,000	--	970,000	0.09%	26

Notes: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

* These ratios are calculated using personal income and population provided by Bureau of Economic Analysis for the prior calendar year.

MATAGORDA COUNTY*RATIOS OF GENERAL BONDED DEBT OUTSTANDING
LAST TEN FISCAL YEARS*

<u>Fiscal Year</u>	<u>General Bonded Debt Outstanding General Obligation Bonds</u>	<u>* Percentage of Actual Taxable Value of Property</u>	<u>** Per Capita</u>
2001	\$ --	--	\$ --
2002	--	--	--
2003	--	--	--
2004	--	--	--
2005	--	--	--
2006	1,515,000	0.06%	38
2007	1,360,000	0.04%	37
2008	1,235,000	0.04%	34
2009	1,105,000	0.03%	30
2010	970,000	0.02%	26

Notes: Details regarding the County's outstanding debt can be found in the notes to the financial statements.

* See page 77 for taxable assessed values.

** See page 85 for population.

MATAGORDA COUNTY
 DIRECT AND OVERLAPPING
 GOVERNMENTAL ACTIVITIES DEBT

<u>Governmental Unit</u>	<u>Debt Outstanding</u>	<u>Estimated Percentage Applicable</u>	<u>Estimated Share of Direct and Overlapping Debt</u>
Debt Repaid With Property Taxes			
City of Bay City	10,257,500	100.000%	10,257,500
Palacios Independent School District	22,052,342	94.076%	20,745,929
Bay City Independent School District	5,255,000	100.000%	5,255,000
Matagorda Independent School District	5,275,000	100.000%	5,275,000
Matagorda County Navigation District #1	3,447,000	100.000%	3,447,000
Caney Creek Municipal Utility District	3,447,000	100.000%	3,447,000
Beach Road Municipal Utility District	429,000	100.000%	429,000
Other Debt			
Bay City Independent School District Capital Lease	2,171,316	100.000%	2,171,316
Bay City Independent School District Notes Payable	3,846,891	100.000%	3,846,891
Van Vleck Independent School District Notes Payable	520,000	100.000%	520,000
City of Bay City Capital Lease	116,052	100.000%	116,052
City of Bay City Notes Payable	3,913,401	100.000%	3,913,401
City of Palacios	196,700	100.000%	196,700
Subtotal, Overlapping Debt			<u>59,620,789</u>
County Direct Debt:			
Certificates of Obligation			<u>970,000</u>
Total Direct and Overlapping Debt			<u>\$ 60,590,789</u>

Sources: Assessed value data used to estimate applicable percentages provided by Matagorda County Appraisal District
 Debt outstanding data provided by each governmental unit.

MATAGORDA COUNTY
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS

	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Debt Limit	\$ --	\$ --	\$ --	\$ --	\$ --	\$ 399,753,565	\$ 504,533,620	\$ 531,833,479	\$ 597,889,855	\$ 620,982,933
Total Net Debt Applicable to Limit	--	--	--	--	--	1,514,948	1,360,000	1,234,183	1,100,076	977,505
Legal Debt Margin	--	--	--	--	--	398,238,617	503,173,620	530,599,296	596,789,779	620,005,428
Total Net Debt Applicable to the Limit As a Percentage of Debt Limit	--	--	--	--	--	0.38%	0.27%	0.23%	0.18%	0.16%

Legal Debt Margin Calculation for the Current Fiscal Year

Assessed Value	\$ 4,139,886,219
Debt Limit (15% of Assessed Value)	620,982,933
Debt Applicable to Limit:	
General Obligation Bonds	970,000
Less: Amount Set Aside for Repayment of General Obligation Debt	7,505
Total Net Debt Applicable to Limit	<u>977,505</u>
Legal Debt Margin	\$ 620,005,428

Sources: Matagorda County Appraisal District and County annual audit report.

MATAGORDA COUNTY
 DEMOGRAPHIC AND ECONOMIC STATISTICS
 LAST TEN FISCAL YEARS

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Population	37,958	38,027	37,954	38,290	39,205	39,529	37,122	36,860	37,265	36,978
Personal Income (thousands)	\$ 779,947	\$ 814,220	\$ 807,057	\$ 817,708	\$ 850,375	\$ 858,520	\$ 926,647	\$ 959,353	\$ 1,073,586	\$ 1,124,476
Per Capita Personal Income	\$ 20,548	\$ 21,412	\$ 21,264	\$ 21,356	\$ 21,690	\$ 21,719	\$ 24,962	\$ 26,027	\$ 28,809	\$ 30,409
School Enrollment	8,206	8,073	7,884	7,952	7,934	7,884	7,685	7,453	7,373	7,182
Unemployment	10.0%	11.1%	12.6%	14.2%	14.0%	8.2%	7.2%	6.0%	7.0%	10.3%

Note: This data represents a one year lag from the fiscal year end as this type of information is never available for the current year under audit.

Sources: Personal income per capita and population provided by Bureau of Economic Analysis; school enrollment provided by Texas Education Agency website to include five independent school districts located within the county. Unemployment provided by Texas LMCI Tracer 2.

MATAGORDA COUNTY

PRINCIPAL EMPLOYERS

CURRENT YEAR AND NINE YEARS AGO

	2010	2010	2001	2001
<u>Top Employers</u>	Employment	Percentage of Total County Employment	Employment	Percentage of Total County Employment
South Texas Project	183	1.15%	1,225	7.03%
Bay City ISD	641	4.01%	*	--
Wal-Mart	260	1.63%	*	--
Matagorda County	224	1.40%	205	1.18%
Palacios ISD	251	1.57%	249	1.43%
Matagorda Hospial	378	2.37%	356	2.04%
City of Bay City	241	1.51%	225	1.29%
Van Vleck ISD	167	1.05%	150	0.86%
Tidehaven ISD	145	0.91%	149	0.86%
Oxea	137	0.86%	**	--
Lyondell	145	0.91%	190	1.09%
HEB	111	0.69%	94	0.54%
Celanese	43	0.27%	208	1.19%
Total	2,926	18.31%	3,051	17.51%
Total County Employment		15,979		17,424

Sources:

Each employer

Texas LMCI Tracer - Total County employment for 2010

Labor Force - Total County employment for 2001

* Top employers 2001 employment data not available.

** Opened in 2007

MATAGORDA COUNTY
FULL-TIME-EQUIVALENT COUNTY GOVERNMENT EMPLOYEES BY FUNCTION
LAST TEN FISCAL YEARS

Function	Full-Time-Equivalent Employees as of Year End									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General government	33	32	31	32	33	33	33	34	34	34
Justice system	33	34	38	35	35	35	34	37	37	37
Public safety	44	45	45	45	45	46	47	47	47	48
Corrections and rehabilitation	31	28	31	31	31	30	32	34	35	35
Community & economic development	13	13	14	9	10	10	10	10	10	10
Health & human services	7	7	7	7	7	7	7	7	7	7
Infrastructure & environmental services	35	35	33	34	34	33	34	34	35	33
Total	196	194	199	193	195	194	197	203	205	204

Source: County Treasurer and Auditor Office

MATAGORDA COUNTY
OPERATING INDICATORS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Government										
Births filed	*	*	281	342	310	291	322	420	389	404
Deaths filed	*	*	284	251	258	239	290	261	258	273
Marriage license applications	*	*	311	289	251	251	300	261	265	321
Registered voters	*	*	20,380	21,398	20,746	21,049	20,818	21,725	20,806	21,116
Auto titles	*	*	7,714	6,399	6,115	6,103	5,934	5,833	5,489	4,513
Justice										
District Court										
civil cases filed	*	*	937	823	978	984	951	848	764	399
civil case dispositions	*	*	1,030	1,051	1,021	1,023	961	994	933	414
criminal cases filed	*	*	485	413	446	557	540	526	538	718
criminal case dispositions	*	*	478	451	423	517	514	518	548	879
County court										
civil cases filed	*	*	85	60	77	94	63	73	52	64
civil case dispositions	*	*	40	34	55	31	50	59	30	65
criminal cases filed	*	*	1,391	1,234	1,362	1,323	1,371	983	935	968
criminal case dispositions	*	*	1,602	1,433	1,455	1,467	1,594	1,085	1,073	1,096
Justice of the Peace										
civil cases filed	*	*	377	150	413	328	328	592	408	363
civil case dispositions	*	*	85	203	126	127	176	244	166	141
criminal cases filed	*	*	9,318	7,417	7,082	8,426	5,878	6,591	6,599	5,351
criminal case dispositions	*	*	7,411	5,765	4,600	6,241	4,450	4,450	5,153	3,848
Public Safety										
Total calls for service	*	*	7,206	7,809	8,043	7,847	8,235	7,957	7,851	7,863
Total arrests			1,073	928	695	588	775	890	744	970
Corrections and Rehabilitation										
Number of inmates per year	*	*	2,987	2,906	2,901	2,852	2,472	1,553	1,582	1,732
Health and Human Services										
food permits issued	*	*	256	260	278	274	260	245	245	250
food inspections	*	*	802	567	685	606	443	333	362	*
septic permits issued	*	*	117	136	121	138	134	160	104	123
building permits issued	*	*	295	346	338	436	368	449	367	375
electrical permits issued	*	*	322	291	306	510	510	496	210	446

* Information not available
Source: County records

MATAGORDA COUNTY
CAPITAL ASSET STATISTICS BY FUNCTION/PROGRAM
LAST TEN FISCAL YEARS

Function/Program	Fiscal Year									
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
General Government										
County buildings	*	*	40	40	40	40	42	42	42	42
Public Safety										
Sheriff Vehicles	*	*	42	42	43	48	43	47	48	55
Fire and Ambulance	*	*	40	40	39	39	48	48	48	48
Infrastructure and Env. Svcs										
County roads (miles)	*	*	*	*	*	1,126	1,126	1,126	1,126	1,126
County bridges	*	*	*	*	*	87	87	87	87	87
Community and Economic Development										
Number of county parks	*	*	7	7	8	9	9	9	9	9

* Information not available.

Sources: HGAC & TxDot and County Commissioner inventory report.



Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.



Reed & Associates, PC

Certified Public Accountants

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Independent Auditor's Report

Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards

Commissioners Court
Matagorda County
1700 Seventh Street
Bay City, Texas 77414

Members of the Commissioners Court:

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Matagorda County as of and for the year ended December 31, 2010, which collectively comprise the Matagorda County's basic financial statements and have issued our report thereon dated May 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Matagorda County's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Matagorda County's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Matagorda County's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Matagorda County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the entity, the Commissioners, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

Reed & Associates, PC

Reed & Associates, PC
May 30, 2011

Reed & Associates, PC

Certified Public Accountants

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Independent Auditor's Report

Report on Compliance with Requirements That Could Have a Direct and Material Effect on each Major Program and on Internal Control Over Compliance In Accordance With OMB Circular A-133 and Texas Uniform Grant Management Standards

Commissioners Court
Matagorda County
1700 Seventh Street
Bay City, Texas 77414

Members of the Commissioners Court:

Compliance

We have audited Matagorda County's compliance with the types of compliance requirements described in the "OMB Circular A-133 Compliance Supplement" and Texas "Uniform Grant Management Standards" that could have a direct and material effect on each of Matagorda County's major federal programs for the year ended December 31, 2010. Matagorda County's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Matagorda County's management. Our responsibility is to express an opinion on Matagorda County's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in "Government Auditing Standards" issued by the Comptroller General of the United States; OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations" and Texas "Uniform Grant Management Standards". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Matagorda County's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of Matagorda County's compliance with those requirements.

In our opinion, Matagorda County complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2010.

Internal Control Over Compliance

Management of Matagorda County is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered Matagorda County's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the Texas "Uniform Grant Management Standards", but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Matagorda County's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we considered to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, others within the entity, the Commissioners, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in cursive script that reads "Reed & Associates, PC".

Reed & Associates, PC
May 30, 2011

MATAGORDA COUNTY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.255	Community Development Block Grant Cluster (Recovery)
14.228	Community Development Block Grant Cluster

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes No

3. State Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes X None Reported

MATAGORDA COUNTY

*SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2010*

Type of auditor's report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of the Uniform Grant Management Standard?

___ Yes X No

Identification of major programs:

Name of State Program or Cluster

Texas Juvenile Probation Commission Cluster

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as low-risk auditee?

___ Yes X No

B. Financial Statement Findings

NONE

C. Federal Award Findings and Questioned Costs

NONE

D. State Award Findings and Questioned Costs

NONE

MATAGORDA COUNTY
*SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2010*

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
None Noted	N/A	N/A

MATAGORDA COUNTY
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED DECEMBER 31, 2010

N/A

MATAGORDA COUNTY

*SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010*

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Federal Expenditures
<u>U. S. ELECTION ASSISTANCE COMMISSION</u>			
Passed Through Secretary of State:			
Help America Vote - General Compliance	90.401	78633	\$ 5,564
Total U. S. Election Assistance Commission			<u>5,564</u>
<u>U. S. DEPARTMENT OF THE INTERIOR</u>			
Passed Through Texas Historical Commission:			
National Register of Historic Places	15.914	TX-10-026	5,725
Passed Through General Land Office:			
Coastal Impact Assistance Program	15.426	10-135-000-4011	23,500
Total U. S. Department of the Interior			<u>29,225</u>
<u>U. S. DEPARTMENT OF JUSTICE</u>			
Passed Through Bureau of Justice Assistance:			
State Criminal Alien Assistance Program	16.606	2010-AP-BX-0388	19,195
Total U. S. Department of Justice			<u>19,195</u>
<u>U. S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT</u>			
Passed Through Texas Department of Rural Affairs:			
Community Development Block Grant *	14.228	DRS010112	456,000
Community Development Block Grant *	14.228	78271	14,527
Community Development Block Grants (Recovery Act Funded) *	14.255	R729390A	258,793
Total Passed Through Texas Department of Rural Affairs			<u>729,320</u>
Total U. S. Department of Housing & Urban Development			<u>729,320</u>
<u>U. S. DEPARTMENT OF HOMELAND SECURITY</u>			
Passed Through Texas Water Development Board:			
Flood Mitigation Assistance	97.029	0904830905	49,957
Passed Through Governor's Division of Emergency Management:			
Emergency Management Performance Grant	97.042	10TX-EMPG-528	21,916
State Homeland Security Program	97.073	2009-SS-T9-0064	41,820
Total Passed Through Governor's Division of Emergency Management			<u>63,736</u>
Total U. S. Department of Homeland Security			<u>113,693</u>
<u>U. S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>			
Passed Through Texas Juvenile Probation Commission:			
Title IV-E Foster Care	93.658	E-2009-161	8,759
Title IV-E Foster Care	93.658	E-2007-161	94,355
Title IV-E Foster Care	93.658	E-2006-161	75,335
Total Passed Through Texas Juvenile Probation Commission			<u>178,449</u>
Passed Through Texas Department of Family & Protective Services:			
Title IV-E Foster Care Legal Services	93.658	23379424	12,201
Title IV-E Foster Care Welfare	93.658	23379423	1,056
Total Passed Through Texas Department of Family & Protective Services			<u>13,257</u>
Total U. S. Department of Health and Human Services			<u>191,706</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ <u>1,088,703</u>

* Indicates clustered program under OMB Circular A-133 Compliance Supplement

The accompanying notes are an integral part of this schedule.

MATAGORDA COUNTY*SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010*

<u>State Grantor and Pogram Title</u>	<u>Contract Number</u>	<u>State Expenditures</u>
TEXAS JUVENILE PROBATION COMMISSION		
Commitment Reduction Program	C-2010-161	\$ 48,250
Commitment Reduction Program	C-2011-161	37,669
Community Corrections Assistance	Y-2010-161	75,520
Community Corrections Assistance	Y-2011-161	47,425
Diversionary H	H-2010-161	959
Diversionary H	H-2011-161	26,790
ICBP Regional	X-2010-161	8,318
ICBP Regional	X-2011-161	2,955
Progressive Sanctions JPO's	F-2011-161	30,884
Progressive Sanctions JPO's	F-2010-161	41,041
Salary Adjustment	Z-2010-161	7,036
Salary Adjustment	Z-2011-161	3,800
State Aid	A-2011-161	26,569
State Aid	A-2010-161	73,667
TOTAL JUVENILE PROBATION COMMISSION		<u>430,883</u>
TASK FORCE ON INDIGENT DEFENSE		
Indigent Defense Formula Grant	212-10-061	<u>21,719</u>
TEXAS GENERAL LAND OFFICE		
Coastal Erosion Planning and Response Act	08-125-000	17,874
Beach Maintenance Reimbursement Fund	10-320-003-3935	21,442
TOTAL TEXAS GENERAL LAND OFFICE		<u>39,316</u>
HOUSTON GALVESTON AREA COUNCIL		
911 Emergency Addressing	N/A	<u>56,048</u>
OFFICE OF THE GOVERNOR		
Operation Border Star	2418601	<u>20,000</u>
TOTAL EXPENDITURES OF STATE AWARDS		<u>\$ 567,966</u>

The accompanying notes are an integral part of this schedule.

MATAGORDA COUNTY*NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2010*Basis of Presentation

The accompanying schedules of expenditures of federal and state awards includes the federal grant activity of Matagorda County and is presented on the modified accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments and Non-Profit Organizations" and Texas "Uniform Grant Management Standards". Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the general purpose financial statements.

