

*COMPREHENSIVE
ANNUAL FINANCIAL REPORT*

of

POLK COUNTY, TEXAS

For the Year Ended
September 30, 2011

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POLK COUNTY, TEXAS

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INTRODUCTORY SECTION

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Ray Stelly, CPA
Polk County Auditor

POLK COUNTY
LIVINGSTON, TEXAS

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March 12, 2012

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

The Comprehensive Annual Financial Report (CAFR) of Polk County, Texas (the "County") for the fiscal year ended September 30, 2011 is hereby submitted. Responsibility for both the accuracy of the data and the completeness and fairness of the presentation, including all disclosures, rests with the County. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner that presents fairly the financial position and results of operations of the various funds of the County. All disclosures necessary to enable the reader to gain an understanding of the County's financial activities have been included.

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

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

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

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

Polk County, Texas
Letter of Transmittal
March 12, 2012

POLK COUNTY HISTORY

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

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

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

MAJOR INITIATIVES

For the Year

During fiscal year 2011, construction was completed on two major projects in Polk County: the Judicial Center and the expansion of the County Detention Center.

The Judicial Center was constructed to address space and security concerns with courtrooms in the County Courthouse. The Judicial Center has courtrooms for District Court, County Court, Justice of the Peace Court and office space for the District judges, District attorney, District clerk, County clerk and Justice of the peace.

The building is equipped with a sally port at the rear of the building so that prisoners can be loaded and unloaded in a secure environment. It also has a series of secure hallways that allows prisoners to be transported to and from courtrooms with no contact with the public.

The 240-bed expansion at the County Detention Center was built to relieve a space problem that caused the County to have to secure jail space in another county's jail. This created manpower problems and additional expense for the Sheriff's Department. The new facility has many security features that create a safer environment for the prisoners, as well as the staff.

Polk County, Texas
Letter of Transmittal
March 12, 2012

For the Future

In fiscal year 2012, the construction of a college/conference center to be operated by Angelina College is scheduled to begin. The County received a \$4,000,000 grant from the Economic Development Administration of the U.S. Department of Commerce. The facility will also be used as a shelter during a disaster. In addition to the grant, the public has pledged an additional \$1,500,000 for the facility and an additional \$1,625,000 in supplemental disaster recovery funds have been granted.

FINANCIAL INFORMATION

General Government Functions

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

The Budget Process

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

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

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

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

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

Polk County, Texas
Letter of Transmittal
March 12, 2012

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

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

Internal Control Structure

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

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

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

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

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

Cash Management

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

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

Polk County, Texas
Letter of Transmittal
March 12, 2012

Risk Management

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

OTHER INFORMATION

Independent Audit

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

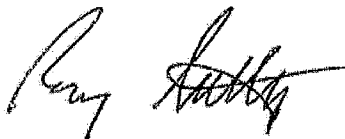
Awards

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to Polk County, Texas for its comprehensive annual financial report for the fiscal year ended September 30, 2011. In order to be awarded a Certificate of Achievement, a government 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. 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.

Acknowledgements

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

Respectfully submitted,



Ray Stelly, County Auditor

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Certificate of Achievement for Excellence in Financial Reporting

Presented to

Polk County
Texas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
September 30, 2010.

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.



Linda C. Davison

President

Jeffrey R. Ennis

Executive Director

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POLK COUNTY, TEXAS
LIST OF ELECTED AND APPOINTED OFFICIALS
September 30, 2011

COMMISSIONERS' COURT:

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

JUDICIAL:

Lee Hon	District Attorney
Kathy Clifton	District Clerk

COUNTY COURT AT LAW:

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

JUSTICE COURTS:

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

LAW ENFORCEMENT:

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

FINANCIAL ADMINISTRATION:

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

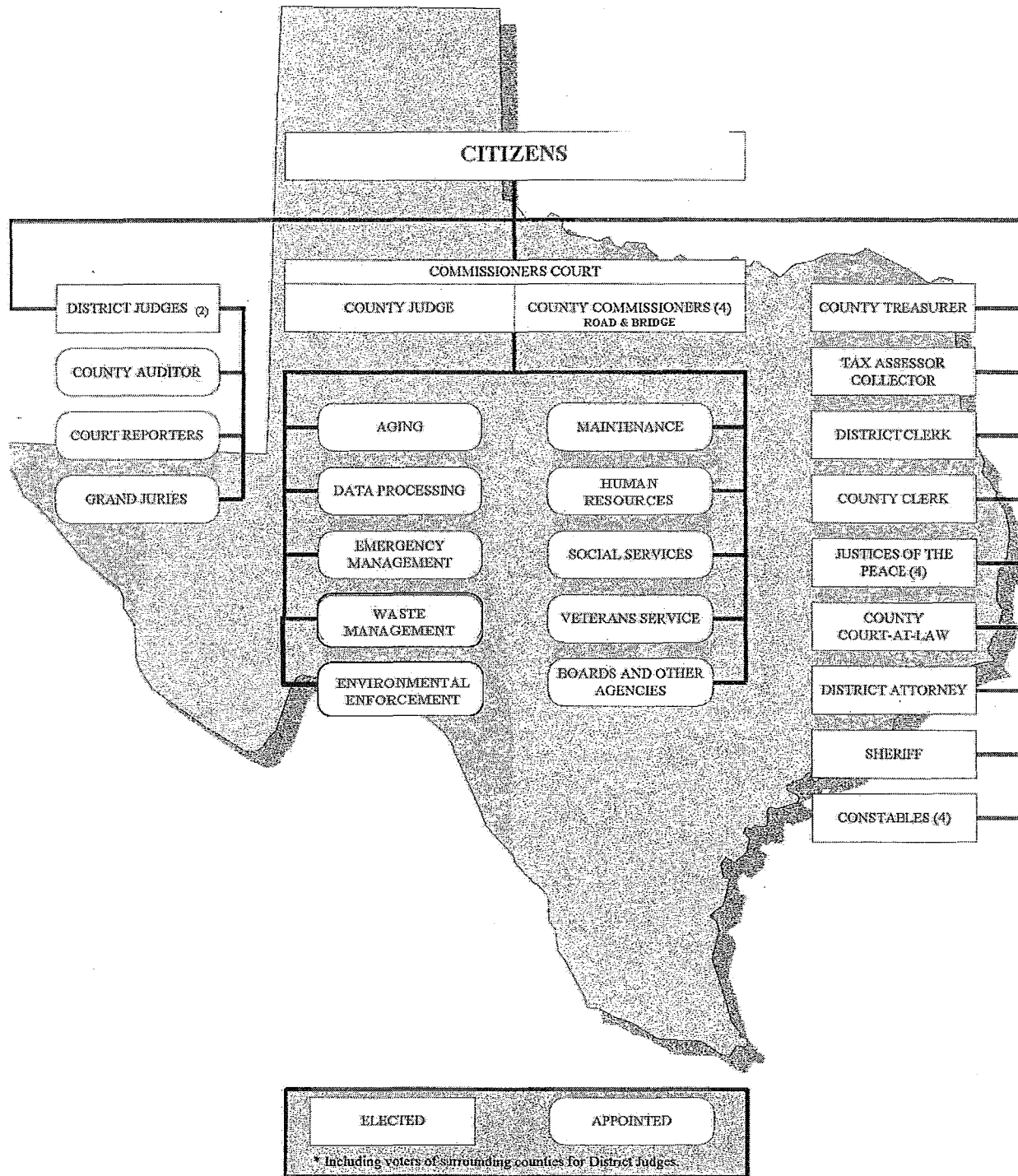
*Designated appointed official. All others are elected.

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POLK COUNTY, TEXAS

ORGANIZATIONAL CHART

September 30, 2011



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FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of Polk County, Texas (the "County"), as of and for the year ended September 30, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the County's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the County as of September 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with generally accepted accounting principles in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 12, 2012 on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis, budgetary comparison information, and schedules of funding progress identified as required supplementary information in the table of contents are not required parts of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. Such information, although not a part of

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

BELT HARRIS PECHACEK, LLLP

Belt Harris Pechacek, LLLP
Certified Public Accountants
Houston, Texas
March 12, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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POLK COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended September 30, 2011

The following Management's Discussion and Analysis (MD&A) of Polk County's financial performance provides an overview of the County's financial activities for the year ended September 30, 2011. This overview is designed to (a) assist the reader in focusing on significant financial issues, (b) provide an overview of the County's financial activity, (c) identify changes in the County's financial position (its ability to address the next and subsequent year challenges), (d) identify any material deviations from the financial plan (the approved budget), and (e) identify individual fund issues or concerns.

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

FINANCIAL HIGHLIGHTS

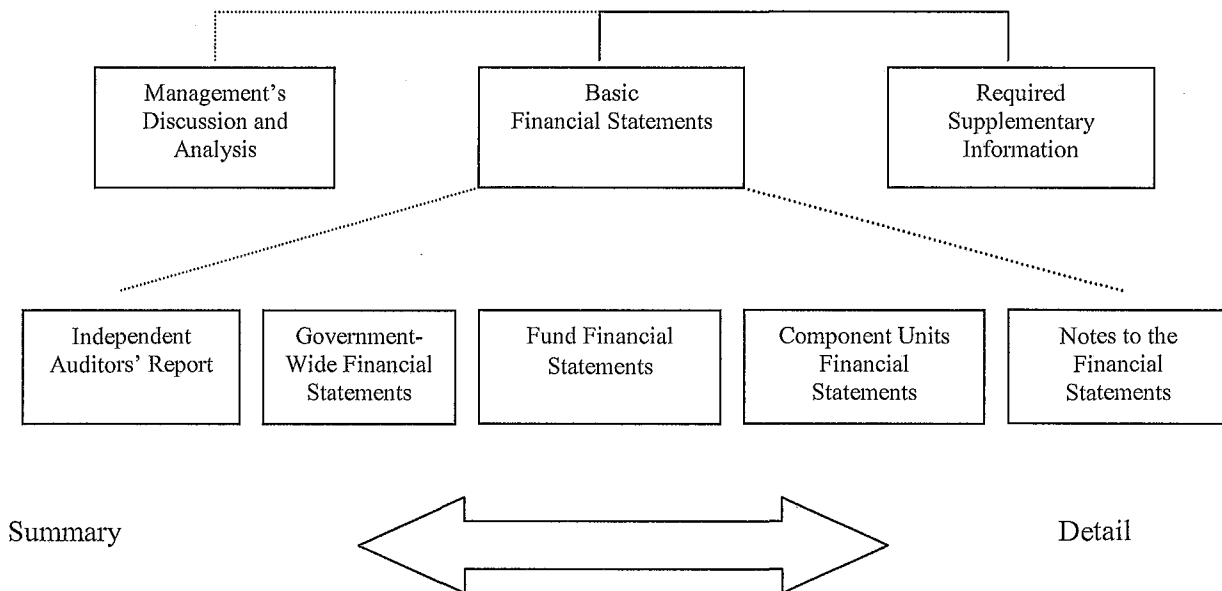
The general fund, on a current financial resource basis (fund level), reported revenues over expenditures and other financing sources and uses of \$822,806, as compared to a planned decrease of \$67,649, which results in a positive variance of \$890,455.

On a government-wide basis for governmental activities, the County had expenses net of program revenue of \$19,667,969. General revenues of \$20,968,858 were \$1,300,889 greater than expenses net of program revenue.

The County's total net assets, on the government-wide basis, totaled \$22,512,251 at September 30, 2011.

THE STRUCTURE OF OUR ANNUAL REPORT

Components of the Financial Section



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

POLK COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2011

GOVERNMENT-WIDE STATEMENTS

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

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

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

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

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

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

FUND FINANCIAL STATEMENTS

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

The County has two types of funds:

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

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

POLK COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2011

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

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

FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE

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

Statement of Net Assets

The following table reflects the condensed Statement of Net Assets:

	Governmental Activities	
	2011	2010
Current and other assets	\$ 17,422,075	\$ 27,912,995
Capital assets, net	43,422,899	32,053,099
Total Assets	60,844,974	59,966,094
Long-term liabilities	36,412,922	37,481,049
Other liabilities	1,919,801	1,273,683
Total Liabilities	38,332,723	38,754,732
Net assets:		
Invested in capital assets, net of related debt	12,694,152	11,091,425
Restricted	2,542,014	2,785,081
Unrestricted	7,276,085	7,334,856
Total Net Assets	\$ 22,512,251	\$ 21,211,362

The County's net assets increased by \$1,300,889, from \$21,211,362 to \$22,512,251. Current assets decreased by \$10,490,920 to \$17,422,075 as compared to capital assets which increased by \$11,369,800 to \$43,422,899. The changes in the total assets reflect an increase of \$878,880, both the decrease of current assets and the increase in capital assets reflect the expense of cash on hand in the prior year from bond proceeds for both construction of the Judicial Center and Jail and the addition of the construction in progress to capital assets. The County's unrestricted net assets are \$7,276,085. Long-term liabilities decreased by \$1,068,127 in fiscal year 2011, as the County continues to reduce the outstanding debt related to the County. The increase in net assets is due to the addition in capital assets of both the Judicial Center and Jail with the completion of new buildings.

POLK COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2011

Statement of Activities

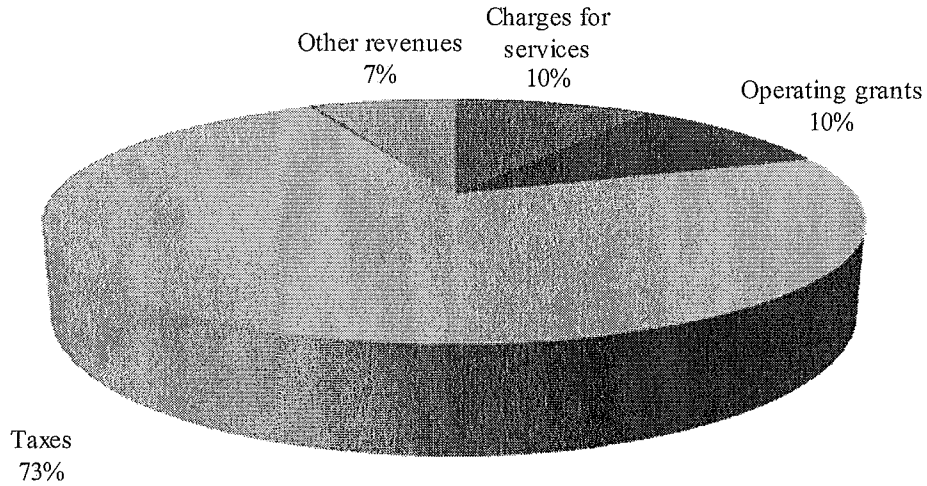
The following table provides a summary of the County's changes in net assets:

	Governmental Activities	
	2011	2010
Revenues		
Program revenues:		
Charges for services	\$ 2,554,303	\$ 2,572,604
Operating grants	2,673,300	2,676,971
General revenues:		
Taxes	19,089,029	18,207,997
Investment income	49,727	163,124
Other revenues	1,830,102	1,408,586
Total Revenues	26,196,461	25,029,282
Expenses		
General government	5,400,250	4,730,688
Administration of justice	9,883,929	10,384,722
Roads and bridges	6,343,810	5,774,317
Health and human services	977,523	1,062,130
Tax administration	1,042,231	992,019
Interest and fiscal agent fees on long-term debt	1,247,829	1,611,384
Total Expenses	24,895,572	24,555,260
Change in Net Assets	1,300,889	474,022
Beginning net assets	21,211,362	20,737,340
Ending Net Assets	\$ 22,512,251	\$ 21,211,362

POLK COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
 For the Year Ended September 30, 2011

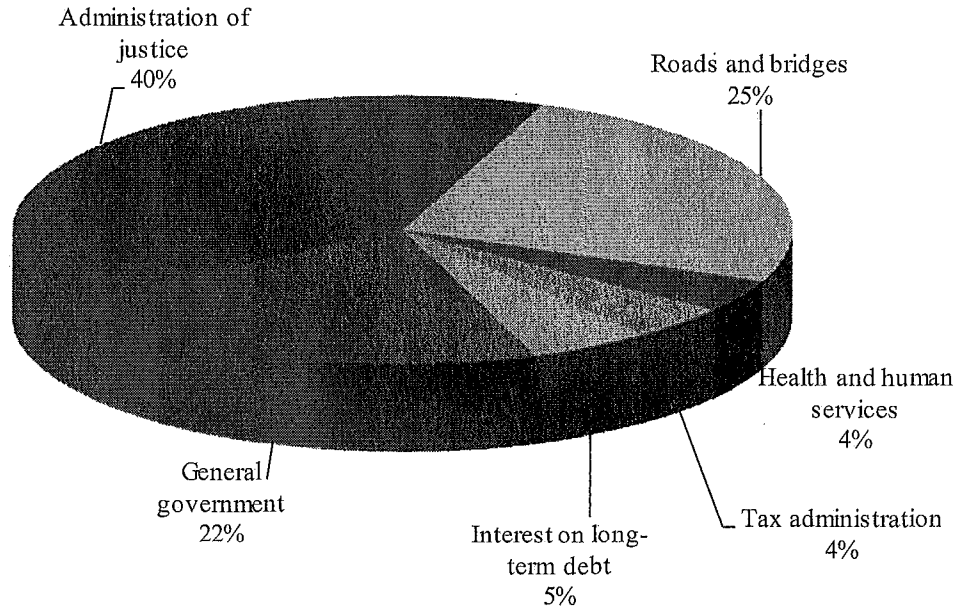
Graphic presentations of selected data from the summary tables follow to assist in the analysis of the County's activities.

Governmental Revenues



Total governmental revenues increased by \$1,167,179 from the prior year. This increase is primarily the result of increases in property tax revenue.

Governmental Expenses



Governmental expenses have also increased slightly by \$340,312 from the prior year.

POLK COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2011

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

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

The County's governmental funds reflect a combined fund balance of \$12,789,870. Of this, \$173,280 is restricted for grants, \$660,719 is restricted for endowments/trusts, \$1,646,537 is restricted for capital projects, and \$1,286,502 is restricted in special revenue funds. The County has also assigned \$758,046 for post closure care costs. The amount of unassigned fund balance is \$6,716,176.

There was a decrease in the combined fund balance of \$11,404,191 from the prior year. The largest decreases are in the judicial center fund balance of \$6,134,789 and jail expansion fund balance of \$6,129,250.

General fund had an increase of \$822,806, with an ending fund balance of \$6,762,563. This increase can be attributed to an increase in property taxes. The County's fund balance policy for the general fund is to maintain a minimum balance of 25 percent of average yearly expenditures. Fund balance for the general fund unassigned balance of \$6,744,271 is in compliance with the policy.

There was a decrease of \$83,251 in the debt service fund providing an ending fund balance of \$729,951. Debt service payments totaled \$3,611,035 for the year.

The road and bridge fund had an increase in fund balance of \$65,445, which brings the ending fund balance to \$1,530,318. The increase was primarily due to the sale of capital assets during the year.

The jail expansion fund had an ending balance of \$1,021,877, a decrease of \$6,129,250 from the prior year. This decrease in fund balance is due to expenditures related to the completion of the jail expansion project.

The judicial center also experienced a decrease in fund balance of \$6,134,789 due to capital outlay expenditures related to the completion of the judicial center.

There was a decrease in grant revenues and expenditures when compared to the prior year in the grant fund as a result of a decrease in monies received from FEMA for Hurricane Ike and disaster related expenditures. The end result was a modest fund balance decrease of \$21,602 in the grants fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

General fund expenditures were under the final budget by \$921,040. This is due to positive expenditure variances in all departments.

During the 2011 year, the Commissioners' Court amended the budget for the following purposes:

- To re-appropriate monies to pay for commitments in the form of encumbrances established prior to September 30, 2011, but not paid by that date;
- To appropriate monies from other governmental units received in year 2011;
- To re-appropriate monies within or between departments;

POLK COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2011

- To reflect department year end projections.

CAPITAL ASSETS

At the end of the year, the County's governmental activities funds had invested \$43,422,899 in a variety of capital assets and infrastructure, net of depreciation. Depreciation is included with the governmental capital assets as required by GASB Statement No. 34.

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

- Completion of the jail and judicial center;
- Seven Mack trucks for road and bridge; and
- Fifteen vehicles for the Sheriff's and other departments.

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

LONG-TERM DEBT

At the end of the year, the County reported total bonds, certificates of obligation, notes, time warrants, and capital leases of \$32,855,980. The County issued \$449,000 in tax notes and \$745,779 in capital leases during fiscal year 2011.

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

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

ECONOMIC FACTORS

Polk County was exposed to the same unfavorable economic climate as the State of Texas and the remainder of the United States. Unemployment in Polk County remains at or near ten percent at the end of fiscal year 2011. However there were signs that conditions were improving. Sales tax revenue increased to \$1,812,359 in fiscal year 2011 after falling to \$1,624,000 in fiscal year 2010.

In addition, the IAH Adult Detention Facility, constructed with no County funds, continues to provide a steady source of income. The per diem fee the County collects for each prisoner, while down slightly from the 2010 total, still provided \$1,260,000 in revenue. This facility also provides much needed jobs to the local economy.

Certified net taxable value continued to increase at a modest rate and the collection rate remains steady at 95 percent.

In fiscal year 2012, the construction of a college/conference center to be operated by Angelina College is scheduled to begin. The County is financing this project with an economic development grant of \$4,000,000. Additional funds amounting to \$1,500,000 have been raised locally and an additional \$1,675,000, in disaster recovery, funds have been secured. This project should have a very favorable impact on the local economy. Also in fiscal year 2012, because of favorable bond pricing, the County will replace higher interest certificates of obligation with lower interest series 2012 general obligation refunding bonds. These certificates of obligation

POLK COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
For the Year Ended September 30, 2011

will be dated May 1, 2012 and should have a delivery date of May 24, 2012. The net present value of savings to the County over the life of the bonds is \$2,035,605.

CONTACTING THE COUNTY'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

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POLK COUNTY, TEXAS

STATEMENT OF NET ASSETS

September 30, 2011

	Primary Governmental Activities	Component Unit
<u>Assets</u>		
Cash and cash equivalents	\$ 11,768,877	\$ 7,126,730
Investments	1,015,001	-
Receivables, net	3,512,722	3,393,431
Prepays	18,292	-
Due from fiduciary funds	5,950	-
Due from component unit	383,442	-
Deferred charges	717,791	2,557,326
Total Current Assets	17,422,075	13,077,487
Capital assets:		
Nondepreciable capital assets	28,927,839	330,346
Capital assets, net of accumulated depreciation	14,495,060	27,336,429
	43,422,899	27,666,775
Total Assets	60,844,974	40,744,262
<u>Liabilities</u>		
Current liabilities:		
Accounts payable and accrued liabilities	1,652,401	2,797,292
Due to primary government	-	383,442
Accrued interest payable	189,339	1,242,708
Due to other units	78,061	-
Total Current Liabilities	1,919,801	4,423,442
Noncurrent liabilities:		
Long-term liabilities due within one year	3,379,273	1,595,000
Long-term liabilities due in more than one year	33,033,649	41,392,258
	36,412,922	42,987,258
Total Liabilities	38,332,723	47,410,700
<u>Net Assets</u>		
Invested in capital assets, net of related debt	12,694,152	(9,228,007)
Restricted for:		
Debt service	177,697	-
Endowments/trusts:		
Expendable	227,992	-
Nonexpendable	432,727	-
Road and bridge	1,530,318	-
Grants	173,280	-
Unrestricted	7,276,085	2,561,569
Total Net Assets	\$ 22,512,251	\$ (6,666,438)

See Notes to Financial Statements.

POLK COUNTY, TEXAS

STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2011

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Primary Government:			
Governmental Activities:			
General government	\$ 5,400,250	\$ 2,286,156	\$ 2,328,841
Administration of justice	9,883,929	52,826	9,819
Roads and bridges	6,343,810	74,070	-
Health and human services	977,523	141,251	334,640
Tax administration	1,042,231	-	-
Interest and fiscal agent fees on long-term debt	1,247,829	-	-
Total Governmental Activities	24,895,572	2,554,303	2,673,300
Total Primary Government	\$ 24,895,572	\$ 2,554,303	\$ 2,673,300
 IAH Public Facility Corporation			
Detention facility	\$ 14,804,155	\$ 17,221,215	\$ -
Interest and fiscal agent fees on long-term debt	3,269,299	-	-
Total Component Unit	\$ 18,073,454	\$ 17,221,215	\$ -

General Revenues:

Property taxes
Sales taxes
Other taxes
Investment income
Other revenues

Total General Revenues

Change in Net Assets

Beginning Net Assets

Ending Net Assets

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Assets	
<u>Governmental Activities</u>	<u>Component Unit</u>
\$ (785,253)	\$ -
(9,821,284)	-
(6,269,740)	-
(501,632)	-
(1,042,231)	-
<u>(1,247,829)</u>	<u>-</u>
<u>(19,667,969)</u>	<u>-</u>
<u>(19,667,969)</u>	<u>-</u>
-	2,417,060
-	<u>(3,269,299)</u>
-	<u>(852,239)</u>
16,111,147	-
1,812,359	-
1,165,523	-
49,727	127,858
1,830,102	-
<u>20,968,858</u>	<u>127,858</u>
1,300,889	(724,381)
<u>21,211,362</u>	<u>(5,942,057)</u>
<u>\$ 22,512,251</u>	<u>\$ (6,666,438)</u>

POLK COUNTY, TEXAS

BALANCE SHEET

GOVERNMENTAL FUNDS

September 30, 2011

	General	Debt Service	Road and Bridge	Jail Expansion
Assets				
Cash and cash equivalents	\$ 5,371,187	\$ 759,502	\$ 2,134,625	\$ 6,876
Investments	-	-	-	1,015,001
Receivables, net	1,708,130	470,418	504,641	-
Prepays	18,292	-	-	-
Due from other funds	1,125,839	-	6,733	-
Due from fiduciary funds	5,950	-	-	-
Due from other units	383,442	-	-	-
Total Assets	\$ 8,612,840	\$ 1,229,920	\$ 2,645,999	\$ 1,021,877
Liabilities				
Accounts payable and accrued liabilities	\$ 691,302	\$ 305	\$ 338,462	\$ -
Due to other funds	7,198	39,848	266,699	-
Due to other units	-	-	45,109	-
Deferred revenue	1,151,777	459,816	465,411	-
Total Liabilities	1,850,277	499,969	1,115,681	-
Fund Balances				
Nonspendable:				
Prepays	18,292	-	-	-
Restricted:				
Endowments/trusts	-	-	-	-
Road and bridge	-	-	1,530,318	-
Grants	-	-	-	-
Special revenue funds	-	-	-	-
Capital project funds	-	-	-	1,021,877
Assigned:				
Post closure care costs	-	758,046	-	-
Unassigned	6,744,271	(28,095)	-	-
Total Fund Balances	6,762,563	729,951	1,530,318	1,021,877
Total Liabilities and Fund Balances	\$ 8,612,840	\$ 1,229,920	\$ 2,645,999	\$ 1,021,877

Adjustments for the Statement of Net Assets:

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

Nondepreciable capital assets
Depreciable capital assets, net

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

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

Accrued interest payable
Unamortized bond issuance costs
Long-term liabilities due within one year
Long-term liabilities due in more than one year

Net Assets of Governmental Activities

See Notes to Financial Statements.

Judicial Center	Grants	Nonmajor Governmental Funds	Total Governmental Funds
\$ 1,064,422	\$ 240,850	\$ 2,191,415	\$ 11,768,877
-	-	-	1,015,001
-	740,514	89,019	3,512,722
-	-	-	18,292
-	155	4,922	1,137,649
-	-	-	5,950
-	-	-	383,442
<u>\$ 1,064,422</u>	<u>\$ 981,519</u>	<u>\$ 2,285,356</u>	<u>\$ 17,841,933</u>

\$ 439,762	\$ 19,635	\$ 162,935	\$ 1,652,401
-	788,604	35,300	1,137,649
-	-	32,952	78,061
-	-	106,948	2,183,952
<u>439,762</u>	<u>808,239</u>	<u>338,135</u>	<u>5,052,063</u>

-	-	-	18,292
-	-	660,719	660,719
-	-	-	1,530,318
-	173,280	-	173,280
-	-	1,286,502	1,286,502
624,660	-	-	1,646,537
-	-	-	758,046
-	-	-	6,716,176
<u>624,660</u>	<u>173,280</u>	<u>1,947,221</u>	<u>12,789,870</u>
<u>\$ 1,064,422</u>	<u>\$ 981,519</u>	<u>\$ 2,285,356</u>	

28,927,839
14,495,060

2,183,952

(189,339)
717,791
(3,379,273)
(33,033,649)
\$ 22,512,251

POLK COUNTY, TEXAS

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

For the Year Ended September 30, 2011

	General	Debt Service	Road and Bridge	Jail Expansion
Revenues				
Property taxes	\$ 8,607,117	\$ 3,520,541	\$ 3,847,927	\$ -
Sales taxes	1,812,359	-	-	-
Other taxes	139,162	-	1,006,081	-
Fines and forfeitures	756,492	-	74,070	-
Charges for services	1,202,072	-	-	-
Intergovernmental revenue	1,896,622	-	-	-
Licenses and permits	160,603	-	-	-
Investment income	26,484	7,243	3,007	5,885
Other revenue	1,284,572	-	334,555	-
Total Revenues	15,885,483	3,527,784	5,265,640	5,885
Expenditures				
Current:				
General government	4,766,650	-	-	-
Administration of justice	9,215,045	-	-	-
Roads and bridges	-	-	4,993,689	-
Health and human services	611,073	-	-	-
Tax administration	1,041,238	-	-	-
Debt Service:				
Principal	-	2,285,000	964,886	-
Interest and fiscal charges	-	1,326,035	37,976	-
Debt issuance costs	30,025	-	-	-
Capital Outlay	-	-	832,888	6,135,135
Total Expenditures	15,664,031	3,611,035	6,829,439	6,135,135
Excess (Deficiency) of Revenues Over (Under) Expenditures	221,452	(83,251)	(1,563,799)	(6,129,250)
Other Financing Sources (Uses)				
Transfers in	208,437	-	-	-
Transfers (out)	(49,258)	-	-	-
Debt issuance	442,175	-	752,604	-
Sale of capital assets	-	-	876,640	-
Total Other Financing Sources (Uses)	601,354	-	1,629,244	-
Net Change in Fund Balances	822,806	(83,251)	65,445	(6,129,250)
Beginning Fund Balances	5,939,757	813,202	1,464,873	7,151,127
Ending Fund Balances	\$ 6,762,563	\$ 729,951	\$ 1,530,318	\$ 1,021,877

See Notes to Financial Statements.

<u>Judicial Center</u>	<u>Grants</u>	<u>Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ -	\$ 15,975,585
-	-	-	1,812,359
-	-	20,280	1,165,523
-	-	5,803	836,365
-	-	367,802	1,569,874
-	410,929	353,210	2,660,761
-	-	-	160,603
5,160	-	1,948	49,727
-	-	210,975	1,830,102
<u>5,160</u>	<u>410,929</u>	<u>960,018</u>	<u>26,060,899</u>
-	432,531	234,471	5,433,652
-	-	184,373	9,399,418
-	-	-	4,993,689
-	-	305,545	-916,618
-	-	-	1,041,238
-	-	-	3,249,886
-	-	-	1,364,011
-	-	-	30,025
6,139,949	-	-	13,107,972
<u>6,139,949</u>	<u>432,531</u>	<u>724,389</u>	<u>39,536,509</u>
(6,134,789)	(21,602)	235,629	(13,475,610)
-	-	49,258	257,695
-	-	(208,437)	(257,695)
-	-	-	1,194,779
-	-	-	876,640
-	-	<u>(159,179)</u>	<u>2,071,419</u>
(6,134,789)	(21,602)	76,450	(11,404,191)
<u>6,759,449</u>	<u>194,882</u>	<u>1,870,771</u>	<u>24,194,061</u>
<u>\$ 624,660</u>	<u>\$ 173,280</u>	<u>\$ 1,947,221</u>	<u>\$ 12,789,870</u>

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POLK COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
For the Year Ending September 30, 2011

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

Net changes in fund balances – total government funds \$ (11,404,191)

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

Capital outlay	13,559,686
Depreciation expense	(1,253,517)
Capital retirements, net	(936,369)

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

Deferred revenue	135,562
------------------	---------

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

Principal payment	3,249,886
Debt issuance	(1,194,779)
Changes to bond premiums, issuance costs, and deferred charges	(44,009)
Landfill closure and post closure increase	(315,704)

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

Accrued interest payable	177,697
Net OPEB obligation	(636,244)
Compensated absences	(37,129)

Change in Net Assets of Governmental Activities	\$ <u>1,300,889</u>
--	----------------------------

See Notes to Financial Statements.

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POLK COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
September 30, 2011

	<u>Retiree Health Benefit Trust Fund</u>	<u>Agency Funds</u>
<u>Assets</u>		
Cash and cash equivalents	\$ 196,957	\$ 5,435,473
Total Assets	<u>\$ 196,957</u>	<u>\$ 5,435,473</u>
<u>Liabilities</u>		
Due to other units	\$ 5,950	\$ 5,435,473
Total Liabilities	<u>\$ 5,950</u>	<u>\$ 5,435,473</u>
<u>Net Assets</u>		
Held in trust for other post-employment benefits	<u>\$ 191,007</u>	

See Notes to Financial Statements.

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POLK COUNTY, TEXAS
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
September 30, 2011

	<u>Retiree Health Benefit Trust Fund</u>
<u>Additions</u>	
Employer contributions	\$ 200,000
Investment income	82
Total Additions	<u>200,082</u>
<u>Deductions</u>	
Benefits	3,125
Administrative expenses	5,950
Total Deductions	<u>9,075</u>
Change in Net Assets	<u>191,007</u>
Beginning Net Assets	-
Ending Net Assets	<u>\$ 191,007</u>

See Notes to Financial Statements.

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POLK COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
For the Year Ended September 30, 2011

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

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

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

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

Discretely Presented Component Unit

IAH Public Facility Corporation

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

B. Government-Wide and Fund Accounting

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

The Statement of Activities presents a comparison between direct expenses and program revenues for each function of the County's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function.

POLK COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

Program revenues include charges paid by the recipients of goods or services offered by the programs and grants that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, such as taxes and investment earnings, are presented as general revenues.

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

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

Following is a description of the various funds:

1. Governmental Funds

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

General Fund

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

Special Revenue Funds

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

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

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

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

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

Debt Service Fund

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

POLK COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

Capital Projects Funds

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

Permanent Funds

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

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

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

2. Fiduciary Funds

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

Agency Funds

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

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

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

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

POLK COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

Employee Benefit Trust Fund

The retiree health benefit trust fund was set up during the year and accounts for the funds held in trust for the health care benefit payments for the qualified retired employees of the County.

C. Measurement Focus and Basis of Accounting

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

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

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

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

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

Under the accrual basis of accounting, revenues are recognized in the accounting period in which they are earned, and expenses in the accounting period in which they are incurred.

Generally, the effect of interfund activity has been eliminated from the government-wide financial statements. However, interfund services provided and used are not eliminated in the process of consolidation.

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

POLK COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

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

1. Deposits and Investments

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

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

The Public Funds Investment Act, Ch 2256 of the Local Government Code of Texas authorizes the County to invest in:

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

POLK COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

2. Receivables and Payables

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

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

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

Property Taxes

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

The property tax calendar dates are:

Levy date and due date – October 1

Collection dates – October 1 through January 31

Lien date – February 1

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

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

3. Inventories and Prepaid Items

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

4. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental activities column in the government-wide financial statements. In accordance with GASB Statement No. 34, infrastructure has been capitalized retroactively. Capital assets are defined by the government as assets with an initial,

POLK COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

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

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

5. Compensated Employee Absences

It is the County's policy to permit employees to accumulate earned but unused vacation, compensatory time, and sick pay benefits. Additionally, Sheriff's department employees are allowed to accumulate holidays. No liability is reported for unpaid accumulated sick leave since it does not vest. Vacation, compensatory time, and holiday pay that is expected to be liquidated with expendable, available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it when it matures or becomes due. Amounts of vested or accumulated vacation leave and compensatory time that are not expected to be liquidated with expendable, available financial resources are maintained separately and represent a reconciling item between the fund and government-wide presentations.

6. Long-Term Obligations

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

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

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

POLK COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

interest are recorded as expenditures in the general fund upon payment, with an appropriate reduction of principal recorded in the government-wide financial statements.

7. Fund Equity

Fund balances of governmental funds are classified as follows:

Nonspendable — represents amounts that cannot be spent because they are either in nonspendable form (such as inventory or prepaid insurance) or are legally required to remain intact (such as notes receivable or principal of a permanent fund).

Restricted — represents amounts that are constrained by external parties, constitutional provisions, or by enabling legislation.

Committed — represents amounts constrained to specific purposes by the County itself, using its highest level of decision-making authority, Commissioners Court'. Commitments may be established, modified, or rescinded only through resolutions approved by Commissioners Court'. To be reported as committed, amounts cannot be used for any other purpose unless the County takes the same highest level action to remove or change the constraint. The commitment must be made prior to year end.

Assigned — represents amounts the County intends to use for a specific purpose. Intent can be expressed by the Commissioners Court' or the County auditor. Assignments can be made at any time.

Unassigned — represents amounts that are available for any purpose. Positive amounts are reported only in the general fund.

When multiple categories of fund balance are available for expenditure (for example, a construction project is being funded partly by a grant, funds set aside by Commissioners' Court, and unassigned fund balance), the County will start with the most restricted category and spend those funds first before moving to the next category with available funds.

Commissioners' Court is the County's highest level of decision-making authority and the formal action that is required to be taken to establish, modify, or rescind a fund balance commitment is a resolution approved by the court at the County's Commissioners Court meeting. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made. The amount subject to the constraint may be determined in the subsequent period.

The Commissioners' Court is also authorized to assign fund balance; though these assignments do not require formal action by the Court.

The County must maintain a minimum of 25 percent of expenditures in unassigned fund balance.

8. Estimates

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

POLK COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Assets.

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

B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government - Wide Statement of Activities.

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

III. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

Appropriations lapse at the end of the year except in the road and bridge special revenue fund and the capital project funds (jail expansion and judicial center). Budgets are adopted for all funds except the fiduciary funds. Budgets are adopted on a GAAP basis for all budgeted funds except for the jail expansion and judicial center, which adopt a project length budget. Several supplemental budget appropriations were made for the year ended September 30, 2011.

POLK COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS (Continued)

For the Year Ended September 30, 2011

IV. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of September 30, 2011, the County had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
TexPool	\$ 7,219,190	0.00
Texas CLASS	3,520,027	0.00
	<u>\$ 10,739,217</u>	
Portfolio weighted average maturity		0.00

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

Credit risk. State law and the County's investment policy limits investments to obligations of states, agencies, counties, cities, and other political subdivisions of any state rated as to investment quality by a nationally recognized investment rating firm not less than A or its equivalent. Further, commercial paper must be rated not less than A-1 or P-1 or an equivalent rating by at least two nationally recognized credit rating agencies. As of September 30, 2011, the County's investments in TexPool and Texas CLASS were rated AAAM by Standard & Poor's.

Custodial credit risk – deposits. In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned to it. The County's investment policy requires funds on deposit at the depository bank to be collateralized by securities and FDIC insurance. As of September 30, 2011, bank balances did not exceed the market values of pledged securities and FDIC insurance.

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

The Cooperative Liquid Assets Securities System – Texas ("CLASS") is a public funds investment pool under Section 2256.016 of the Public Funds Investment Act, Texas Government Code, as amended (the "Act"). CLASS is created under an Amended and Restated Trust Agreement, dated as of May 1, 2001 (the "Agreement"), among certain Texas governmental entities investing in the pool (the "Participants"), MBIA Municipal Investors Service Corporation ("MBIA-MISC") as Program Administrator, and Wells Fargo as Custodian. CLASS is not SEC registered and is not subject to regulation by the State of Texas. Under the Agreement, however, CLASS is administered and supervised by a seven-member board of trustees (the "Board"), whose members are investment officers of the participants, elected by the participants for overlapping two-year terms. In the agreement and by resolution of the Board, CLASS has contracted with MBIA-MISC to provide for the investment and management of the public funds of

POLK COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

CLASS. Separate financial statements for Texas CLASS may be obtained by contacting MBIA Asset Management at 815-A Brazos Street, Suite 345, Austin, Texas 78701-9996, or by calling 800-707-6242.

TexPool and CLASS operate in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940. TexPool and CLASS use amortized cost rather than market value to report net assets to compute share prices. Accordingly, the fair value of the position in TexPool and CLASS are the same as the value of TexPool and CLASS shares.

B. Receivables

The following comprise receivable balances at year end:

	<u>General</u>	<u>Debt Service</u>	<u>Road and Bridge</u>	<u>Grants</u>	<u>Nonmajor Funds</u>	<u>Total</u>
Property taxes	\$ 1,151,777	\$ 459,816	\$ 465,411	\$ -	\$ -	\$ 2,077,004
Other taxes	292,145	-	-	-	-	292,145
Other	264,208	10,602	39,230	740,514	89,019	1,143,573
	<u>\$ 1,708,130</u>	<u>\$ 470,418</u>	<u>\$ 504,641</u>	<u>\$ 740,514</u>	<u>\$ 89,019</u>	<u>\$ 3,512,722</u>

POLK COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

C. Capital Assets

A summary of changes in capital assets for the year ended September 30, 2011 follows:

	<u>Beginning Balance*</u>	<u>Increases</u>	<u>(Decreases)</u>	<u>Ending Balance</u>
Governmental Activities				
Capital assets not being depreciated:				
Land	\$ 1,574,713	\$ -	\$ -	\$ 1,574,713
Construction in progress	15,078,042	12,275,084	-	27,353,126
Total capital assets not being depreciated	<u>16,652,755</u>	<u>12,275,084</u>	<u>-</u>	<u>28,927,839</u>
Other capital assets:				
Infrastructure	90,927,144	-	-	90,927,144
Buildings	5,931,119	-	-	5,931,119
Improvements	1,962,401	6,577	-	1,968,978
Equipment	12,080,443	1,278,025	(1,830,569)	11,527,899
Total other capital assets	<u>110,901,107</u>	<u>1,284,602</u>	<u>(1,830,569)</u>	<u>110,355,140</u>
Less accumulated depreciation for:				
Infrastructure	(86,536,270)	(88,095)	-	(86,624,365)
Buildings	(1,649,210)	(138,847)	-	(1,788,057)
Improvements	(946,166)	(89,425)	-	(1,035,591)
Equipment	(6,369,117)	(937,150)	894,200	(6,412,067)
Total accumulated depreciation	<u>(95,500,763)</u>	<u>(1,253,517)</u>	<u>894,200</u>	<u>(95,860,080)</u>
Other capital assets, net	15,400,344	31,085	(936,369)	14,495,060
Totals	<u>\$ 32,053,099</u>	<u>\$ 12,306,169</u>	<u>\$ (936,369)</u>	<u>43,422,899</u>
			Less associated debt	(32,815,046)
			Plus remaining bond proceeds	<u>2,086,299</u>
			Invested in Capital Assets, Net of Related Debt	<u>\$ 12,694,152</u>

*Beginning balances have been restated.

Depreciation was charged to governmental functions as follows:

General government	\$ (284,638)
Administration of justice	(342,616)
Roads and bridges	(569,387)
Health and human services	(56,876)
Total Governmental Activities Depreciation Expense	<u>\$ (1,253,517)</u>

POLK COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

D. Long-Term Liabilities

The following is a summary of changes in the County's total governmental long-term liabilities for the year ended September 30, 2011. In general, the County uses the general and debt service funds to liquidate governmental long-term liabilities.

	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Reductions)</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental Activities:					
Bonds, notes payable, and capital leases:					
Certificates of obligation	\$ 27,640,000	\$ -	\$ (845,000)	\$ 26,795,000	\$ 970,000
Tax notes	6,290,000	449,000	(1,440,000)	5,299,000	1,401,000
Obligations under capital leases	981,087	745,779	(964,886)	761,980	761,840
Less deferred amounts:					
For issuance discounts	(200,317)	-	12,519	(187,798)	-
Premium	161,480	-	(14,616)	146,864	-
	<u>34,872,250</u>	<u>1,194,779</u>	<u>(3,251,983)</u>	<u>32,815,046</u>	<u>* 3,132,840</u>
Other:					
Compensated absences	236,685	387,195	(350,066)	273,814	246,433
Net OPEB obligation	442,645	636,244	-	1,078,889	-
Landfill closure and post closure care costs	1,929,469	315,704	-	2,245,173	-
	<u>2,608,799</u>	<u>1,339,143</u>	<u>(350,066)</u>	<u>3,597,876</u>	<u>246,433</u>
Total Governmental Activities	<u>\$ 37,481,049</u>	<u>\$ 2,533,922</u>	<u>\$ (3,602,049)</u>	<u>\$ 36,412,922</u>	<u>\$ 3,379,273</u>

Long-term liabilities due in more than one year

\$ 33,033,649

* Debt associated with capital assets

\$ 32,815,046

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

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

POLK COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

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

	Percentage Interest Rate	Original Amount	Balance
Capital leases			
Bankcorp South Corporation	3.39	\$ 745,639	\$ 745,779
Government Capital Corporation	6.11	\$ 91,450	16,201
			<u>761,980</u>
Tax notes			
Series 2007	4.00-6.00	\$ 2,530,000	1,320,000
Series 2008	3.65	\$ 2,210,000	935,000
Series 2009	2.63	\$ 2,525,000	1,875,000
Series 2010	1.74	\$ 830,000	720,000
Series 2011	1.83	\$ 449,000	449,000
			<u>5,299,000</u>
Certificate of obligations			
Series 2007	3.62-4.40	\$ 19,000,000	18,250,000
Series 2008	2.90-4.20	\$ 10,120,000	8,545,000
			<u>26,795,000</u>
		TOTAL	\$ 32,855,980

Long-term debt obligations of the County as of September 30, 2011, are as follows:

Year Ending Sept. 30	Governmental Activities					
	Certificates of Obligation		Tax Anticipation Notes		Capital Leases	
	Principal	Interest	Principal	Interest	Principal	Interest
2012	970,000	1,101,085	1,401,000	150,757	761,980	30,252
2013	1,190,000	1,062,285	1,452,000	106,751	-	-
2014	1,565,000	1,016,935	1,013,000	59,094	-	-
2015	1,615,000	957,185	574,000	27,480	-	-
2016	1,680,000	895,023	859,000	16,586	-	-
2017-2021	9,455,000	3,423,986	-	-	-	-
2022-2026	8,725,000	1,405,783	-	-	-	-
2027	1,595,000	70,181	-	-	-	-
Total	<u>\$ 26,795,000</u>	<u>\$ 9,932,463</u>	<u>\$ 5,299,000</u>	<u>\$ 360,668</u>	<u>\$ 761,980</u>	<u>\$ 30,252</u>

Machinery and equipment acquired under current capital lease obligations totaled of \$693,263.

POLK COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

E. Interfund Transactions

Operating transfers between the primary government funds during the 2011 year were as follows:

<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amounts</u>
General fund	Nonmajor governmental funds	\$ 49,258
Nonmajor governmental funds	General fund	208,437
		<u>\$ 257,695</u>

These transfers are for a wide variety of reasons, some of which are for operations within the various funds and salary subsidies.

The composition of interfund balances as of September 30, 2011, is as follows:

<u>Due to</u>	<u>Due from</u>	<u>Amounts</u>
Major funds:		
General fund	Road and bridge	\$ 266,699
General fund	Debt service	39,848
General fund	Grants	788,604
General fund	Other governmental funds	30,688
Road and bridge	General fund	2,210
Road and bridge	Other governmental funds	4,523
Grants	General fund	155
Nonmajor funds:		
Other governmental funds	General fund	4,833
Other governmental funds	Other governmental funds	89
	Total	<u>\$ 1,137,649</u>

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

V. OTHER INFORMATION

A. Risk Management

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

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

POLK COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

for claims and judgments is reported in the government-wide financial statements because it is not expected to be liquidated with expendable, available financial resources. However, none are reported at September 30, 2011.

B. Contingent Liabilities

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

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

C. Landfill Closure and Post Closure Care Cost

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

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

The County revised its estimated closure and post closure care costs in an application for a permit amendment submitted to the Texas Commission on Environmental Quality (T.C.E.Q.) in 2004 to modify the existing permit for expansion of total permit capacity. The County's estimate of total cost of closure and post closure care for 30 years, under permits and regulations currently in effect, is \$10,491,463.

The \$2,245,173 reported as landfill closure and post closure care liability at September 30, 2011 is based on the use of 21.4 percent of the estimated capacity of the landfill. The estimated net decrease in capacity after the permit modification during the year was one percent related to new estimates of airspace capacity using digital terrain modeling techniques. The accrued liability increased by \$315,704. The County will recognize the remaining estimated cost of closure and post closure care of \$8,246,290 as the remaining estimated capacity is filled. Based on the current rate of materials deposited, the life of the landfill is 57.7 years.

The estimated costs are based on what it would cost to perform all closure and post closure care in 2011 and do not include provisions for inflation. Based on current projections, the present landfill site will be closed in the year 2068. Monitoring would begin on this date and would continue for the next 30 years.

POLK COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

The County expects that future inflation costs will be paid from interest earnings on accumulated landfill earnings. However, if interest earnings are inadequate or additional post closure care requirements are determined (due to changes in technology or applicable laws or regulations, for example), these costs may need to be covered by charges to future landfill users or from future tax revenue.

The County is not currently required to make contributions to a trust fund to finance closure and post closure costs. The County has reserved \$758,046 in its debt service fund for post closure costs. The County intends to fund the deficiency in amounts currently available and the total estimated costs with contractor franchise fees.

D. Arbitrage

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

E. Other Postemployment Benefits (OPEB)

Plan Description

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

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

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

POLK COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

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

Funding Policy and Annual OPEB Cost

The County has elected to finance the OPEB plan on a pay-as-you-go basis.

Actuarial Information

The Projected Unit Credit actuarial cost method is used to calculate the GASB Annual Required Contribution (ARC) for the County's retiree health care plan. Using the plan benefits, the present health premiums and a set of actuarial assumptions, the anticipated future payments are projected. The projected unit credit method then provides for a systematic recognition of the cost of these anticipated payments. The yearly ARC is computed to cover the cost of benefits being earned by covered members as well as to amortize a portion of the unfunded accrued liability.

Projections of health benefits are based on the plan as understood by the County and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the County and its employees to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

Inflation rate	3.00% per annum
Investment rate of return	4.5%
Actuarial cost method	Projected unit credit
Amortization Method	Level % of payroll
Remaining Amortization Period	30 years - open period
Payroll Growth	3.00% per annum
Healthcare Cost Trend Rate (Initial/Ulimate)	9.0%/4.5% after 9

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status and the ARC of the County's retiree health care plan are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as RSI provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

As of the actuarial valuation date of December 31, 2010, the actuarial value of plan assets is zero, the actuarial accrued liability is \$5,394,882, the total unfunded actuarial liability (UAAL) is \$5,394,882, and the actuarial value of assets as a percentage of the actuarial accrued liability is zero. The actuarially determined ARC is \$684,028. The components of the ARC consist of the County's normal cost and the amortization of the unfunded actuarial accrued liabilities. The covered payroll was \$10,068,500 and the ratio of the UAAL to the covered payroll was 53.6 percent.

The County's annual other postemployment benefits (OPEB) cost is calculated based on the ARC of the employer, an amount actuarially determined in accordance with the parameter of GASB Statement No. 45. The ARC represents a level of accrual that is projected to recognize the normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

POLK COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

The annual OPEB cost for the fiscal year ending September 30, 2011, is as follows:

Annual required contribution	\$ 684,028
Interest on OPEB obligation	19,919
Adjustment to ARC	<u>(18,455)</u>
Annual OPEB cost (expense) end of year	685,492
Net estimated employer contributions	<u>(49,248)</u>
Increase in net OPEB obligation	\$ 636,244
Net OPEB obligation (asset) - as of beginning of year	<u>442,645</u>
Net OPEB obligation (asset) - as of end of year	<u><u>\$ 1,078,889</u></u>

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

Three-Year Contribution Information

The County’s annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year ending September 30, 2011 and the preceding two fiscal years were as follows:

Fiscal year	Annual OPEB	Employer	Percentage	Net OPEB Obligation	
	Cost	Amount Contributed		Contributed	Beginning
2009	\$ 242,410	\$ 18,454	7.60%	\$ -	\$ 223,956
2010	\$ 250,423	\$ 31,864	12.70%	\$ 223,956	\$ 442,645
2011	\$ 685,492	\$ 49,248	7.20%	\$ 442,645	\$ 1,078,889

F. Pension Plans

Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit pension plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 618 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the Commissioners’ Court within the options available in Texas state statutes governing TCDRS (TCDRS Act). Members can retire at ages 60 and above with eight or more years of service, with 30 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service, but must leave their accumulated contributions in the plan to receive any County-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the County. Benefit amounts are determined by the sum of the employee’s contribution to the plan, with interest, and County-financed monetary credits. The level of these monetary credits is adopted by the Commissioners’ Court within the actuarial constraints imposed by the TCDRS Act so that the resulting

POLK COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

benefits can be expected to be adequately financed by the County's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the County-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

Funding Policy

The County has elected the annually determined contribution rate (ADCR) plan provisions of the TCDRS Act. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually. The County contributed using the actuarially determined rate of 10.99 percent for the months of the accounting year in 2010 and 11.09 percent for the months of the accounting year in 2011.

The Commissioners' Court adopted the rate of seven percent as the contribution rate payable by the employee members for calendar year 2011. The Commissioners' Court may change the employee contribution rate and the County contribution rate within the options available in the TCDRS Act.

Annual Pension Costs

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

Actuarial Cost Method	Entry Age
Amortization Method	Level Percent of Payroll
Remaining Amortization Period	20 Years - Closed Period
Asset Valuation Method	10-yr smoothed value
	ESF: Fund value
Investment Rate of Return	8%
Projected Salary Increases	5.4%
Includes Inflation at	3.5%
Cost of Living Adjustments	None

	2011	2010	2009
Annual req. contrib. (ARC)	\$ 1,098,402	\$ 1,056,058	\$ 937,293
Contributions Made	1,098,402	1,056,058	937,293
NPO at the End of Period	\$ -	\$ -	\$ -

POLK COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

Funded Status and Funding Progress

As of December 31, 2010, the most recent actuarial valuation date, the plan was 88.79 percent funded. The actuarial accrued liability for benefits was \$32,165,860 and the actuarial value of assets was \$28,559,519 resulting in an unfunded actuarial accrued liability (UAAL) of \$3,606,341. The covered payroll (annual payroll of active employees covered by the plan) was \$10,068,500 and the ratio of the UAAL to the covered payroll was 35.82 percent.

The schedule of funding progress, presented as RSI following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

G. Jointly Governed and Related Organizations

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

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

H. Component Unit Disclosures

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

1. Financing Agreements and Practical Considerations

The Corporation was formed for the initial purpose of building a detention facility (the "Facility"). The project was initially financed with the issuance of the project revenue bonds series, 2004 (the "2004 bond issue") and was expanded with the issuance of the project revenue bonds series, 2006 (the "2006 bond issue"). The bonds are secured by the mortgage on the Facility and the Facility's revenues and are not secured by the full faith and credit of the County or tax revenues. In connection with these issuances on November 1, 2004 and December 21, 2006, the Corporation and/or the

POLK COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

County entered into a number of legal agreements for the financing of the project, many of which are designed to provide additional security to the bond holders.

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

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

In December 2009, the County extended their facility operation and management agreement with Civigenics-Texas, Inc. (the "Operator") for a one year term, containing options for both early cancellation and renewal. The Operator's compensation is payable solely from, and to the extent, monies are available in the operating account, as established in the trust account in accordance with the trust indenture. The Operator is paid a fixed fee per prisoner of \$43.40 from the available funds in the trust's operating account. The Operator pays the County an administrative fee of \$2.75 per prisoner per day for the first 526 prisoners and \$4.25 per prisoner per day for each prisoner in excess of 526 from the operator's fee and guarantees the County a minimum aggregate administrative fee of \$100,000 annually.

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

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

This financing transaction is being accounted for as an instance of "substance over form" in which the financials reflect the financial reality of the transaction rather than the legal form underlying the transaction. The Corporation is responsible for the repayment of the debt based on the funds that are available and all available funds are recorded in the trust. Accordingly, all monies held in the trust accounts are considered assets of the Corporation and restrictions shown where applicable.

POLK COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS (Continued)
For the Year Ended September 30, 2011

Similarly, all monies received by the trust are considered revenues of the Corporation. The Corporation also records a receivable in connection with the billings to federal agencies and the local government which are unpaid. All payments made by the trust are considered expenses of the Corporation. In addition, the Corporation accrues the amount due to the respective parties based on the accounts receivable. To the extent payment is not received, no obligation is due. Neither the County nor the Corporation accounts for the lease agreement as a lease transaction. The County only reports the administrative fee received in connection with these agreements.

2. Long-Term Debt

On November 5, 2004, the Corporation issued project revenue bonds, series 2004, in the amount of \$24,215,000 and on December 21, 2006, the Corporation issued project revenue bonds, series 2006, in the amount of \$24,820,000. Long-term debt obligations of the Corporation as of September 30, 2011 are as follows:

Year Ending Sept. 30	Principal	Interest	Total
2012	\$ 1,595,000	\$ 2,982,500	\$ 4,577,500
2013	1,695,000	2,879,550	4,574,550
2014	1,805,000	2,770,100	4,575,100
2015	1,920,000	2,653,500	4,573,500
2016	2,045,000	2,529,450	4,574,450
2017-2021	12,515,000	10,356,299	22,871,299
2022-2026	22,115,000	5,417,858	27,532,858
Total	\$ 43,690,000	\$ 29,589,257	\$ 73,279,257

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

I. Restatement

The County has restated beginning net assets due to a change in the reporting of capital assets. The County reviewed and corrected their capital assets listing including depreciation during the 2011 fiscal year. The conversion of prior year net assets to beginning net assets is as follows:

	Governmental Activities
Prior year ending net assets as reported	\$ 26,426,979
Change in reporting of capital assets	(1,681,233)
Change in reporting of depreciation	(3,534,384)
Beginning net assets	<u>\$ 21,211,362</u>

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REQUIRED SUPPLEMENTARY INFORMATION

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

For the Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 8,791,997	\$ 8,791,997	\$ 8,607,117	\$ (184,880)
Sales taxes	1,598,614	1,802,088	1,812,359	10,271
Other taxes	143,100	146,293	139,162	(7,131)
Fines and forfeitures	781,590	781,590	756,492	(25,098)
Charges for services	1,169,305	1,169,305	1,202,072	32,767
Intergovernmental	1,745,920	1,950,326	1,896,622	(53,704)
Licenses and permits	168,005	168,005	160,603	(7,402)
Investment income	21,000	21,000	26,484	5,484
Other revenue	1,021,720	1,085,464	1,284,572	199,108
Total Revenues	15,441,251	15,916,068	15,885,483	(30,585)
Expenditures				
General Government:				
County judge	213,220	214,019	213,402	617
Commissioners' court	555,109	526,897	483,581	43,316
County clerk	467,359	519,649	500,283	19,366
County treasurer	157,533	157,533	153,557	3,976
County auditor	273,836	273,835	268,114	5,721
Data processing	459,915	459,915	433,562	26,353
Personnel	138,200	139,172	132,475	6,697
Engineering	708,676	788,202	704,500	83,702
Fire department support	158,874	169,451	159,426	10,025
Emergency management	359,953	396,902	315,535	81,367
General operating	1,027,570	1,204,293	1,139,618	64,675
Other unclassified	246,371	271,237	262,597	8,640
	4,766,616	5,121,105	4,766,650	354,455
Administration of Justice:				
Jury	65,500	65,500	58,177	7,323
County clerk-at-law	477,663	484,457	472,568	11,889
District clerk	454,307	454,307	439,573	14,734
District judges	870,982	872,792	710,092	162,700
Justice of the peace pct. 1	163,112	163,183	158,335	4,848
Justice of the peace pct. 2	138,096	138,096	133,984	4,112
Justice of the peace pct. 3	146,377	146,546	144,826	1,720
Justice of the peace pct. 4	139,176	139,176	135,810	3,366
District attorney	993,679	993,678	968,850	24,828
Sheriff	3,352,436	3,882,848	3,823,813	59,035
Jail	2,051,883	2,030,128	1,873,804	156,324
Constables	175,286	249,537	236,977	12,560
DPS	59,008	59,008	58,236	772
	9,087,505	9,679,256	9,215,045	464,211

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

For the Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Expenditures (continued)				
Health and Human Services:				
Library	\$ 84,675	\$ 84,674	\$ 82,192	\$ 2,482
Social services	307,592	311,593	286,501	25,092
Veterans services	86,158	86,156	64,694	21,462
County extension	133,457	133,457	99,719	33,738
Environmental	73,362	80,237	77,967	2,270
	<u>685,244</u>	<u>696,117</u>	<u>611,073</u>	<u>85,044</u>
Tax Administration:				
Appraisal district	434,629	434,629	434,129	500
Tax assessor collector	623,938	623,939	607,109	16,830
	<u>1,058,567</u>	<u>1,058,568</u>	<u>1,041,238</u>	<u>17,330</u>
Debt Service:				
Debt issuance costs	-	30,025	30,025	-
	<u>-</u>	<u>30,025</u>	<u>30,025</u>	<u>-</u>
Total Expenditures	<u>15,597,932</u>	<u>16,585,071</u>	<u>15,664,031</u>	<u>921,040</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(156,681)</u>	<u>(669,003)</u>	<u>221,452</u>	<u>890,455</u>
Other Financing Sources (Uses)				
Transfers in	208,437	208,437	208,437	-
Transfers (out)	(49,258)	(49,258)	(49,258)	-
Debt issuance	-	442,175	442,175	-
Total Other Financing Sources (Uses)	<u>159,179</u>	<u>601,354</u>	<u>601,354</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 2,498</u>	<u>\$ (67,649)</u>	<u>822,806</u>	<u>\$ 890,455</u>
Beginning Fund Balance			<u>5,939,757</u>	
Ending Fund Balance			<u>\$ 6,762,563</u>	

Notes to Required Supplementary Information

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

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

For the Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
Revenues				
Property taxes	\$ 3,945,492	\$ 3,945,491	\$ 3,847,927	\$ (97,564)
Other taxes	1,007,154	1,007,153	1,006,081	(1,072)
Fines and forfeitures	81,000	81,000	74,070	(6,930)
Investment income	4,020	4,020	3,007	(1,013)
Other revenue	11,098	236,574	334,555	97,981
Total Revenues	<u>5,048,764</u>	<u>5,274,238</u>	<u>5,265,640</u>	<u>(8,598)</u>
Expenditures				
Roads and Bridges:				
Permanent	-	350,000	330,447	19,553
Pct. 1	1,115,207	1,265,076	1,082,723	182,353
Pct. 2	1,139,559	1,236,077	1,206,254	29,823
Pct. 3	1,302,310	1,437,346	1,218,148	219,198
Pct. 4	1,351,809	1,351,809	1,156,117	195,692
Debt Service:				
Principal	964,886	964,886	964,886	-
Interest	37,976	37,976	37,976	-
Capital Outlay	-	870,219	832,888	37,331
Total Expenditures	<u>5,911,747</u>	<u>7,513,389</u>	<u>6,829,439</u>	<u>683,950</u>
(Deficiency) of Revenue Over Expenditures	(862,983)	(2,239,151)	(1,563,799)	675,352
Other Financing Sources				
Debt issuance	-	752,604	752,604	-
Sale of capital assets	864,000	864,000	876,640	12,640
Total Other Financing Sources (Uses)	<u>864,000</u>	<u>1,616,604</u>	<u>1,629,244</u>	<u>12,640</u>
Net Change in Fund Balance	<u>\$ 1,017</u>	<u>\$ (622,547)</u>	65,445	<u>\$ 687,992</u>
Beginning Fund Balance			<u>1,464,873</u>	
Ending Fund Balance			<u>\$ 1,530,318</u>	

Notes to Required Supplementary Information

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

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

For the Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenue	\$ -	\$ 410,931	\$ 410,929	\$ (2)
Total Revenues	<u>-</u>	<u>410,931</u>	<u>410,929</u>	<u>(2)</u>
Expenditures				
General government	-	432,531	432,531	-
Total Expenditures	<u>-</u>	<u>432,531</u>	<u>432,531</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (21,600)</u>	<u>(21,602)</u>	<u>\$ (2)</u>
Beginning Fund Balance			<u>194,882</u>	
Ending Fund Balance			<u>\$ 173,280</u>	

Notes to Required Supplementary Information

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

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POLK COUNTY, TEXAS
SCHEDULE OF FUNDING PROGRESS
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
For the Year Ended September 30, 2011

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

Fiscal Year	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>
Actuarial Valuation Date	12/31/2010	12/31/2009	12/31/2008	12/31/2007
Actuarial Value of Assets	\$ 28,559,519	\$ 26,847,534	\$ 24,062,563	\$ 24,005,305
Actuarial Accrued Liability	\$ 32,165,860	\$ 30,002,739	\$ 27,493,065	\$ 25,040,374
Percentage Funded	88.8%	89.5%	87.5%	95.9%
Unfunded Actuarial				
Accrued Liability	\$ 3,606,341	\$ 3,155,205	\$ 3,430,502	\$ 1,035,069
Annual Covered Payroll	\$ 10,068,500	\$ 9,965,425	\$ 9,959,348	\$ 9,000,765
Unfunded Actuarial				
Accrued Liability				
(UAAL) % of Covered Payroll	35.82%	31.66%	34.45%	11.50%
Net Pension Obligation (NPO)				
at the Beginning of Period	\$ -	\$ -	\$ -	\$ -
Annual Req. Contrib. (ARC)	1,098,402	1,056,058	937,293	855,283
Contributions Made	1,098,402	1,056,058	937,293	855,283
NPO at the End of Period	\$ -	\$ -	\$ -	\$ -

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POLK COUNTY, TEXAS
SCHEDULE OF FUNDING PROGRESS
POST EMPLOYMENT HEALTHCARE BENEFITS¹
For the Year Ended September 30, 2011

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Projected Unit Credit (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Annual Covered Payroll (c)	UAAL as a Percentage of Covered Payroll [(b-a)/c]
12/31/08	\$ -	\$ 2,182,465	\$ 2,182,465	0.0%	\$ 9,965,425	21.9%
12/31/10	\$ -	\$ 5,394,882	\$ 5,394,882	0.0%	\$ 10,068,500	53.6%

¹Valuations are performed every two years in accordance with GASB Statement No. 45 parameters.

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***COMBINING STATEMENTS
AND SCHEDULES***

NONMAJOR GOVERNMENTAL FUNDS

Special Revenue Funds

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

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

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

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

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

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

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

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

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

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

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

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

NONMAJOR GOVERNMENTAL FUNDS (Continued)

Special Revenue Funds (continued)

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

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

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

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

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

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

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

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

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

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

Pre-Trial Intervention Fund - This fund is used to account for special fees collected for the purpose of defraying expenses related to the pretrial intervention program.

Permanent Fund

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

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

POLK COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (page 1 of 3)
September 30, 2011

	Special Revenue Funds			
	County and District Court Technology	Court- house Security	Law Library	Aging
<u>Assets</u>				
Cash and cash equivalents	\$ 702	\$ 11,055	\$ 54,242	\$ 147,847
Receivables, net	-	82	-	44,983
Due from other funds	-	3	-	-
Total Assets	\$ 702	\$ 11,140	\$ 54,242	\$ 192,830
<u>Liabilities and Fund Balances</u>				
Liabilities:				
Accounts payable	\$ -	\$ 2,408	\$ 145	\$ 11,486
Due to other funds	-	55	-	139
Due to other units	-	-	-	-
Deferred revenue	-	-	-	-
Total Liabilities	-	2,463	145	11,625
Fund Balances:				
Restricted:				
Special revenue funds	702	8,677	54,097	181,205
Endowments/trusts	-	-	-	-
Total Fund Balances	702	8,677	54,097	181,205
Total Liabilities and Fund Balances	\$ 702	\$ 11,140	\$ 54,242	\$ 192,830

Special Revenue Funds

County Records Mgmt.	County Clerk Records Preservation	Hotel/Motel Tax	JP Technology	Historical Commission	Available School
\$ -	\$ 160,067	\$ 14,230	\$ 114,774	\$ 400,250	\$ 227,992
-	21	4,261	109	-	-
4,781	-	-	65	-	-
<u>\$ 4,781</u>	<u>\$ 160,088</u>	<u>\$ 18,491</u>	<u>\$ 114,948</u>	<u>\$ 400,250</u>	<u>\$ 227,992</u>
\$ 2,489	\$ -	\$ 1,900	\$ -	\$ 581	\$ -
829	-	-	2	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>3,318</u>	<u>-</u>	<u>1,900</u>	<u>2</u>	<u>581</u>	<u>-</u>
1,463	160,088	16,591	114,946	399,669	-
-	-	-	-	-	227,992
<u>1,463</u>	<u>160,088</u>	<u>16,591</u>	<u>114,946</u>	<u>399,669</u>	<u>227,992</u>
<u>\$ 4,781</u>	<u>\$ 160,088</u>	<u>\$ 18,491</u>	<u>\$ 114,948</u>	<u>\$ 400,250</u>	<u>\$ 227,992</u>

POLK COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (page 2 of 3)
September 30, 2011

	Special Revenue Funds			
	District Attorney Collection	District Clerk Records Preservation	Forfeiture	District Clerk TDCJ
Assets				
Cash and cash equivalents	\$ 27,679	\$ 2,717	\$ 357,236	\$ 30,264
Receivables, net	-	-	-	-
Due from other funds	-	-	-	-
Total Assets	\$ 27,679	\$ 2,717	\$ 357,236	\$ 30,264
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Due to other units	-	-	-	20,317
Deferred revenue	-	-	106,948	-
Total Liabilities	-	-	106,948	20,317
Fund Balances:				
Restricted:				
Special revenue funds	27,679	2,717	250,288	9,947
Endowments/trusts	-	-	-	-
Total Fund Balances	27,679	2,717	250,288	9,947
Total Liabilities and Fund Balances	\$ 27,679	\$ 2,717	\$ 357,236	\$ 30,264

Special Revenue Funds

<u>Judiciary</u>	<u>Officials' Fee Account</u>	<u>Sheriff Federal Revenue Sharing</u>	<u>District Attorney's Check Restitution</u>	<u>Environmental Services</u>	<u>Jail Commissary</u>
\$ 138,510	\$ 12,873	\$ 3,221	\$ 494	\$ 1,082	\$ 20,004
2,229	235	-	-	35,526	1,548
-	-	-	-	-	-
<u>\$ 140,739</u>	<u>\$ 13,108</u>	<u>\$ 3,221</u>	<u>\$ 494</u>	<u>\$ 36,608</u>	<u>\$ 21,552</u>
\$ 140,739	\$ 473	\$ -	\$ 494	\$ 1,082	\$ 472
-	-	-	-	34,275	-
-	12,635	-	-	-	-
-	-	-	-	-	-
<u>140,739</u>	<u>13,108</u>	<u>-</u>	<u>494</u>	<u>35,357</u>	<u>472</u>
-	-	3,221	-	1,251	21,080
-	-	-	-	-	-
-	-	3,221	-	1,251	21,080
<u>\$ 140,739</u>	<u>\$ 13,108</u>	<u>\$ 3,221</u>	<u>\$ 494</u>	<u>\$ 36,608</u>	<u>\$ 21,552</u>

POLK COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS (page 3 of 3)
September 30, 2011

	Special Revenue Funds			Permanent Fund
	District Attorney Special	Justice Court Building Security	Pretrial Intervention Fund	Permanent School
	Special	Security	Fund	School
Assets				
Cash and cash equivalents	\$ 614	\$ 24,084	\$ 8,751	\$ 432,727
Receivables, net	-	25	-	-
Due from other funds	52	21	-	-
Total Assets	\$ 666	\$ 24,130	\$ 8,751	\$ 432,727
Liabilities and Fund Balances				
Liabilities:				
Accounts payable	\$ 666	\$ -	\$ -	\$ -
Due to other funds	-	-	-	-
Due to other units	-	-	-	-
Deferred revenue	-	-	-	-
Total Liabilities	666	-	-	-
Fund Balances:				
Restricted:				
Special revenue funds	-	24,130	8,751	-
Endowments/trusts	-	-	-	432,727
Total Fund Balances	-	24,130	8,751	432,727
Total Liabilities and Fund Balances	\$ 666	\$ 24,130	\$ 8,751	\$ 432,727

**Total
Nonmajor
Governmental
Funds**

\$	2,191,415
	89,019
	4,922
\$	<u>2,285,356</u>

\$	162,935
	35,300
	32,952
	<u>106,948</u>
	<u>338,135</u>

	1,286,502
	<u>660,719</u>
	<u>1,947,221</u>
\$	<u>2,285,356</u>

POLK COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS (page 1 of 3)
For the Year Ended September 30, 2011

	Special Revenue Funds			
	County and District Court Technology	Court- house Security	Law Library	Aging
Revenues				
Other taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	659	-	-	-
Charge for services	-	36,154	14,971	-
Intergovernmental	-	-	-	334,640
Investment income	-	-	-	-
Other revenue	-	-	-	1,911
Total Revenues	<u>659</u>	<u>36,154</u>	<u>14,971</u>	<u>336,551</u>
Expenditures				
Current:				
General government	-	-	13,627	-
Administration of justice	130	67,247	-	-
Health and human services	-	-	-	305,545
Total Expenditures	<u>130</u>	<u>67,247</u>	<u>13,627</u>	<u>305,545</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>529</u>	<u>(31,093)</u>	<u>1,344</u>	<u>31,006</u>
Other Financing Sources (Uses)				
Transfers in	-	34,940	-	-
Transfers (out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>34,940</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	529	3,847	1,344	31,006
Beginning Fund Balances	<u>173</u>	<u>4,830</u>	<u>52,753</u>	<u>150,199</u>
Ending Fund Balances	<u>\$ 702</u>	<u>\$ 8,677</u>	<u>\$ 54,097</u>	<u>\$ 181,205</u>

Special Revenue Funds

County Records Mgmt.	County Clerk Records Preservation	Hotel/Motel Tax	JP Technology	Historical Commission	Available School
\$ -	\$ -	\$ 20,280	\$ -	\$ -	\$ -
-	-	-	-	-	-
15,620	118,492	-	21,290	-	-
-	-	-	-	-	-
-	-	-	-	510	773
-	-	-	-	8,871	136,491
<u>15,620</u>	<u>118,492</u>	<u>20,280</u>	<u>21,290</u>	<u>9,381</u>	<u>137,264</u>
29,718	47,692	16,608	-	3,937	117,699
-	-	-	26,705	-	-
-	-	-	-	-	-
<u>29,718</u>	<u>47,692</u>	<u>16,608</u>	<u>26,705</u>	<u>3,937</u>	<u>117,699</u>
<u>(14,098)</u>	<u>70,800</u>	<u>3,672</u>	<u>(5,415)</u>	<u>5,444</u>	<u>19,565</u>
14,318	-	-	-	-	-
-	(68,437)	-	-	-	-
<u>14,318</u>	<u>(68,437)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
220	2,363	3,672	(5,415)	5,444	19,565
<u>1,243</u>	<u>157,725</u>	<u>12,919</u>	<u>120,361</u>	<u>394,225</u>	<u>208,427</u>
<u>\$ 1,463</u>	<u>\$ 160,088</u>	<u>\$ 16,591</u>	<u>\$ 114,946</u>	<u>\$ 399,669</u>	<u>\$ 227,992</u>

POLK COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS (page 2 of 3)
For the Year Ended September 30, 2011

	Special Revenue Funds			
	District Attorney Collection	District Clerk Records Preservation	Forfeiture	District Clerk TDCJ
Revenues				
Other taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Charge for services	7,921	12,103	-	-
Intergovernmental	-	-	9,819	-
Investment income	-	-	131	-
Other revenue	-	-	-	-
Total Revenues	<u>7,921</u>	<u>12,103</u>	<u>9,950</u>	<u>-</u>
Expenditures				
Current:				
General government	-	-	-	-
Administration of justice	1,574	12,528	23,658	1,333
Health and human services	-	-	-	-
Total Expenditures	<u>1,574</u>	<u>12,528</u>	<u>23,658</u>	<u>1,333</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>6,347</u>	<u>(425)</u>	<u>(13,708)</u>	<u>(1,333)</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	6,347	(425)	(13,708)	(1,333)
Beginning Fund Balances	<u>21,332</u>	<u>3,142</u>	<u>263,996</u>	<u>11,280</u>
Ending Fund Balances	<u>\$ 27,679</u>	<u>\$ 2,717</u>	<u>\$ 250,288</u>	<u>\$ 9,947</u>

Special Revenue Funds

Judiciary	Officials' Fee Account	Sheriff Federal Revenue Sharing	District Attorney's Check Restitution	Environmental Services	Jail Commissary
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	141,251	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	9,323
-	-	-	-	141,251	9,323
-	-	-	-	-	-
-	-	-	-	-	16,819
-	-	-	-	-	-
-	-	-	-	-	16,819
-	-	-	-	141,251	(7,496)
-	-	-	-	-	-
-	-	-	-	(140,000)	-
-	-	-	-	(140,000)	-
-	-	-	-	1,251	(7,496)
-	-	3,221	-	-	28,576
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,221</u>	<u>\$ -</u>	<u>\$ 1,251</u>	<u>\$ 21,080</u>

POLK COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
NONMAJOR GOVERNMENTAL FUNDS (page 3 of 3)
For the Year Ended September 30, 2011

	Special Revenue Funds			Permanent Fund
	District Attorney Special	Justice Court Building Security	Pretrial Intervention Fund	Permanent School
Revenues				
Other taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	5,144	-	-
Charge for services	-	-	-	-
Intergovernmental	-	-	8,751	-
Investment income	-	-	-	534
Other revenue	34,379	-	-	20,000
Total Revenues	<u>34,379</u>	<u>5,144</u>	<u>8,751</u>	<u>20,534</u>
Expenditures				
Current:				
General government	-	4,616	-	574
Administration of justice	34,379	-	-	-
Health and human services	-	-	-	-
Total Expenditures	<u>34,379</u>	<u>4,616</u>	<u>-</u>	<u>574</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>-</u>	<u>528</u>	<u>8,751</u>	<u>19,960</u>
Other Financing Sources (Uses)				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>528</u>	<u>8,751</u>	<u>19,960</u>
Beginning Fund Balances	-	23,602	-	412,767
Ending Fund Balances	<u>\$ -</u>	<u>\$ 24,130</u>	<u>\$ 8,751</u>	<u>\$ 432,727</u>

**Total
Nonmajor
Governmental
Funds**

\$ 20,280
5,803
367,802
353,210
1,948
210,975
960,018

234,471
184,373
305,545
724,389

235,629

49,258
(208,437)

(159,179)

76,450

1,870,771

\$ 1,947,221

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

For the Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Taxes	\$ 3,609,510	\$ 3,609,511	\$ 3,520,541	\$ (88,970)
Investment income	3,700	3,700	7,243	3,543
Total Revenues	<u>3,613,210</u>	<u>3,613,211</u>	<u>3,527,784</u>	<u>(85,427)</u>
Expenditures				
Principal	2,285,000	2,285,000	2,285,000	-
Interest and fiscal charges	1,326,536	1,326,535	1,326,035	500
Total Expenditures	<u>3,611,536</u>	<u>3,611,535</u>	<u>3,611,035</u>	<u>500</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>1,674</u>	<u>1,676</u>	<u>(83,251)</u>	<u>(84,927)</u>
Net Change in Fund Balance	<u>\$ 1,674</u>	<u>\$ 1,676</u>	<u>(83,251)</u>	<u>\$ (84,927)</u>
Beginning Fund Balance			<u>813,202</u>	
Ending Fund Balance			<u>\$ 729,951</u>	

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POLK COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ROAD AND BRIDGE FUND - Precinct One
For the Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 887,704	\$ 887,704	\$ 865,793	\$ (21,911)
Other taxes	223,100	223,100	222,764	(336)
Fines and forfeitures	18,630	18,630	17,036	(1,594)
Investment Income	900	900	569	(331)
Other	11,098	160,968	161,084	116
Total Revenues	<u>1,141,432</u>	<u>1,291,302</u>	<u>1,267,246</u>	<u>(24,056)</u>
Expenditures				
Roads and Bridges:				
Pct. 1	1,115,207	1,265,076	1,082,723	182,353
Debt Service:				
Principal	210,124	210,124	210,124	-
Interest	7,849	7,849	7,849	-
Total Expenditures	<u>1,333,180</u>	<u>1,483,049</u>	<u>1,300,696</u>	<u>182,353</u>
Deficiency of Revenues (Under)				
Expenditures	(191,748)	(191,747)	(33,450)	158,297
Other Financing Sources				
Sale of capital assets	192,000	192,000	192,000	-
Total Other Financing Sources	<u>192,000</u>	<u>192,000</u>	<u>192,000</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 252</u>	<u>\$ 253</u>	158,550	<u>\$ 158,297</u>
Beginning Fund Balance			94,609	
Ending Fund Balance			<u>\$ 253,159</u>	

POLK COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ROAD AND BRIDGE FUND - Precinct Two
For the Year Ended September 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Property taxes	\$ 912,311	\$ 912,311	\$ 889,825	\$ (22,486)
Other taxes	234,198	234,198	233,978	(220)
Fines and forfeitures	18,630	18,630	17,036	(1,594)
Investment income	620	620	364	(256)
Other	-	50,744	147,069	96,325
Total Revenues	<u>1,165,759</u>	<u>1,216,503</u>	<u>1,288,272</u>	<u>71,769</u>
<u>Expenditures</u>				
Roads and Bridges:				
Pct. 2	1,139,559	1,236,077	1,206,254	29,823
Debt Service:				
Principal	210,124	210,124	210,124	-
Interest	7,849	7,849	7,849	-
Capital Outlay	-	44,725	44,725	-
Total Expenditures	<u>1,357,532</u>	<u>1,498,775</u>	<u>1,468,952</u>	<u>29,823</u>
Deficiency of Revenues (Under)				
Expenditures	(191,773)	(282,272)	(180,680)	101,592
<u>Other Financing Sources</u>				
Debt issuance	-	6,825	6,825	-
Sale of capital assets	192,000	192,000	192,000	-
Total Other Financing Sources	<u>192,000</u>	<u>198,825</u>	<u>198,825</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 227</u>	<u>\$ (83,447)</u>	18,145	<u>\$ 101,592</u>
Beginning Fund Balance			<u>100,571</u>	
Ending Fund Balance			<u>\$ 118,716</u>	

POLK COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ROAD AND BRIDGE FUND - Precinct Three
For the Year Ended September 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Property taxes	\$ 1,065,622	\$ 1,065,622	\$ 1,039,355	\$ (26,267)
Other taxes	274,928	274,928	274,670	(258)
Fines and forfeitures	21,870	21,870	19,997	(1,873)
Investment income	1,100	1,100	996	(104)
Other	-	147	147	-
Total Revenues	<u>1,363,520</u>	<u>1,363,667</u>	<u>1,335,165</u>	<u>(28,502)</u>
<u>Expenditures</u>				
Roads and Bridges:				
Pct. 3	1,302,310	1,437,346	1,218,148	219,198
Debt Service:				
Principal	334,514	334,514	334,514	-
Interest	14,429	14,429	14,429	-
Capital Outlay	-	55,000	20,447	34,553
Total Expenditures	<u>1,651,253</u>	<u>1,841,289</u>	<u>1,587,538</u>	<u>253,751</u>
Deficiency of Revenues (Under)				
Expenditures	(287,733)	(477,622)	(252,373)	225,249
<u>Other Financing Sources</u>				
Sale of capital assets	288,000	288,000	300,640	12,640
Total Other Financing				
Sources	<u>288,000</u>	<u>288,000</u>	<u>300,640</u>	<u>12,640</u>
Net Change in Fund Balance	<u>\$ 267</u>	<u>\$ (189,622)</u>	48,267	<u>\$ 237,889</u>
Beginning Fund Balance			691,726	
Ending Fund Balance			<u>\$ 739,993</u>	

POLK COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ROAD AND BRIDGE FUND - Precinct Four
For the Year Ended September 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
<u>Revenues</u>				
Property taxes	\$ 1,079,855	\$ 1,079,854	\$ 1,052,953	\$ (26,901)
Other taxes	274,928	274,928	274,670	(258)
Fines and forfeitures	21,870	21,870	19,999	(1,871)
Investment income	1,400	1,400	1,078	(322)
Other	-	24,715	26,257	1,542
Total Revenues	<u>1,378,053</u>	<u>1,402,767</u>	<u>1,374,957</u>	<u>(27,810)</u>
<u>Expenditures</u>				
Roads and Bridges:				
Permanent	-	350,000	330,447	19,553
Pct. 4	1,351,809	1,351,809	1,156,117	195,692
Debt Service:				
Principal	210,124	210,124	210,124	-
Interest	7,849	7,849	7,849	-
Capital Outlay	-	24,715	21,937	2,778
Total Expenditures	<u>1,569,782</u>	<u>1,944,497</u>	<u>1,726,474</u>	<u>218,023</u>
Deficiency of Revenues (Under)				
Expenditures	(191,729)	(541,730)	(351,517)	190,213
<u>Other Financing Sources</u>				
Sale of capital assets	192,000	192,000	192,000	-
Total Other Financing				
Sources	<u>192,000</u>	<u>192,000</u>	<u>192,000</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 271</u>	<u>\$ (349,730)</u>	<u>(159,517)</u>	<u>\$ 190,213</u>
Beginning Fund Balance			577,967	
Ending Fund Balance			<u>\$ 418,450</u>	

POLK COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ROAD AND BRIDGE FUND - Debt Activity
For the Year Ended September 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u> <u>Amounts</u>	<u>Variance with</u> <u>Final Budget</u> <u>Positive</u> <u>(Negative)</u>
	<u>Original</u>	<u>Final</u>		
Capital Outlay	\$ -	\$ 745,779	\$ 745,779	\$ -
Total Expenditures	<u>-</u>	<u>745,779</u>	<u>745,779</u>	<u>-</u>
Deficiency of Revenues (Under) Expenditures	-	(745,779)	(745,779)	-
<u>Other Financing Sources</u>				
Debt issuance	<u>-</u>	<u>745,779</u>	<u>745,779</u>	<u>-</u>
Total Other Financing Sources	<u>-</u>	<u>745,779</u>	<u>745,779</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Beginning Fund Balance			<u>-</u>	
Ending Fund Balance			<u>\$ -</u>	

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

For the Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 34,450	\$ 34,450	\$ 36,154	\$ 1,704
Total Revenues	<u>34,450</u>	<u>34,450</u>	<u>36,154</u>	<u>1,704</u>
Expenditures				
Administration of justice	69,390	69,390	67,247	2,143
Total Expenditures	<u>69,390</u>	<u>69,390</u>	<u>67,247</u>	<u>2,143</u>
Deficiency of Revenues (Under) Expenditures	<u>(34,940)</u>	<u>(34,940)</u>	<u>(31,093)</u>	<u>3,847</u>
Other Financing Sources (Uses)				
Transfers in	34,940	34,940	34,940	-
Total Other Financing Sources (Uses)	<u>34,940</u>	<u>34,940</u>	<u>34,940</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>3,847</u>	<u>\$ 3,847</u>
Beginning Fund Balance			4,830	
Ending Fund Balance			<u>\$ 8,677</u>	

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

For the Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 14,800	\$ 14,800	\$ 14,971	\$ 171
Total Revenues	<u>14,800</u>	<u>14,800</u>	<u>14,971</u>	<u>171</u>
Expenditures				
General government	14,800	14,800	13,627	1,173
Total Expenditures	<u>14,800</u>	<u>14,800</u>	<u>13,627</u>	<u>1,173</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>1,344</u>	<u>\$ 1,344</u>
Beginning Fund Balance			52,753	
Ending Fund Balance			<u>\$ 54,097</u>	

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

For the Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ 255,100	\$ 301,007	\$ 334,641	\$ 33,634
Other	-	1,911	1,910	(1)
Total Revenues	255,100	302,918	336,551	33,633
Expenditures				
Health and human services	255,100	331,402	305,545	25,857
Total Expenditures	255,100	331,402	305,545	25,857
Net Change in Fund Balance	\$ -	\$ (28,484)	31,006	\$ 59,490
Beginning Fund Balance			150,199	
Ending Fund Balance			\$ 181,205	

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

For the Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 15,400	\$ 15,400	\$ 15,620	\$ 220
Total Revenues	15,400	15,400	15,620	220
Expenditures				
General government	29,718	29,718	29,718	-
Total Expenditures	29,718	29,718	29,718	-
Deficiency of Revenues (Under)				
Expenditures	(14,318)	(14,318)	(14,098)	220
Other Financing Sources (Uses)				
Transfers in	14,318	14,318	14,318	-
Total Other Financing Sources (Uses)	14,318	14,318	14,318	-
Net Change in Fund Balance	\$ -	\$ -	220	\$ 220
Beginning Fund Balance			1,243	
Ending Fund Balance			\$ 1,463	

POLK COUNTY, TEXAS

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

For the Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 112,200	\$ 112,200	\$ 118,492	\$ 6,292
Total Revenues	<u>112,200</u>	<u>112,200</u>	<u>118,492</u>	<u>6,292</u>
Expenditures				
General governmental	43,763	49,163	47,692	1,471
Total Expenditures	<u>43,763</u>	<u>49,163</u>	<u>47,692</u>	<u>1,471</u>
Excess of Revenues Over (Under) Expenditures	68,437	63,037	70,800	7,763
Other Financing Sources (Uses)				
Transfers (out)	(68,437)	(68,437)	(68,437)	-
Total Other Financing Sources (Uses)	<u>(68,437)</u>	<u>(68,437)</u>	<u>(68,437)</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (5,400)</u>	2,363	<u>\$ 7,763</u>
Beginning Fund Balance			157,725	
Ending Fund Balance			<u>\$ 160,088</u>	

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

For the Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other taxes	\$ 24,000	\$ 24,000	\$ 20,280	\$ (3,720)
Total Revenues	<u>24,000</u>	<u>24,000</u>	<u>20,280</u>	<u>(3,720)</u>
Expenditures				
General government	24,000	27,500	16,608	10,892
Total Expenditures	<u>24,000</u>	<u>27,500</u>	<u>16,608</u>	<u>10,892</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (3,500)</u>	3,672	<u>\$ 7,172</u>
Beginning Fund Balance			12,919	
Ending Fund Balance			<u>\$ 16,591</u>	

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

For the Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 21,700	\$ 21,700	\$ 21,290	\$ (410)
Total Revenues	<u>21,700</u>	<u>21,700</u>	<u>21,290</u>	<u>(410)</u>
Expenditures				
Adminstration of justice	21,700	27,355	26,705	650
Total Expenditures	<u>21,700</u>	<u>27,355</u>	<u>26,705</u>	<u>650</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (5,655)</u>	<u>(5,415)</u>	<u>\$ 240</u>
Beginning Fund Balance			120,361	
Ending Fund Balance			<u>\$ 114,946</u>	

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

For the Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Investment income	\$ -	\$ 66	\$ 510	\$ 444
Other	-	8,871	8,871	-
Total Revenues	<u>-</u>	<u>8,937</u>	<u>9,381</u>	<u>444</u>
Expenditures				
General government	-	3,937	3,937	-
Total Expenditures	<u>-</u>	<u>3,937</u>	<u>3,937</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 5,000</u>	<u>5,444</u>	<u>\$ 444</u>
Beginning Fund Balance			394,225	
Ending Fund Balance			<u>\$ 399,669</u>	

POLK COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
AVAILABLE SCHOOL FUND
For the Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Investment income	\$ 3,500	\$ 3,500	\$ 773	\$ (2,727)
Other	113,743	114,199	136,491	22,292
Total Revenues	117,243	117,699	137,264	19,565
Expenditures				
General government	117,243	117,699	117,699	-
Total Expenditures	117,243	117,699	117,699	-
Net Change in Fund Balance	\$ -	\$ -	19,565	\$ 19,565
Beginning Fund Balance			208,427	
Ending Fund Balance			\$ 227,992	

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DISTRICT ATTORNEY COLLECTION
For the Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 8,000	\$ 8,000	\$ 7,921	\$ (79)
Total Revenues	8,000	8,000	7,921	(79)
Expenditures				
Administration of justice	8,000	8,000	1,574	6,426
Total Expenditures	8,000	8,000	1,574	6,426
Net Change in Fund Balance	\$ -	\$ -	6,347	\$ 6,347
Beginning Fund Balance			21,332	
Ending Fund Balance			\$ 27,679	

POLK COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DISTRICT CLERK RECORDS PRESERVATION
For the Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 10,100	\$ 2,514	\$ 12,103	\$ 9,589
Total Revenues	<u>10,100</u>	<u>2,514</u>	<u>12,103</u>	<u>9,589</u>
Expenditures				
Administration of justice	10,100	12,528	12,528	-
Total Expenditures	<u>10,100</u>	<u>12,528</u>	<u>12,528</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (10,014)</u>	(425)	<u>\$ 9,589</u>
Beginning Fund Balance			3,142	
Ending Fund Balance			<u>\$ 2,717</u>	

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
FORFEITURE
For the Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental	\$ -	\$ 6,858	\$ 9,819	\$ 2,961
Investment income	-	-	131	131
Total Revenues	<u>-</u>	<u>6,858</u>	<u>9,950</u>	<u>3,092</u>
Expenditures				
Administration of justice	-	23,658	23,658	-
Total Expenditures	<u>-</u>	<u>23,658</u>	<u>23,658</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (16,800)</u>	(13,708)	<u>\$ 3,092</u>
Beginning Fund Balance			263,996	
Ending Fund Balance			<u>\$ 250,288</u>	

POLK COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
ENVIRONMENTAL SERVICES
For the Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Charges for services	\$ 140,000	\$ 140,000	\$ 141,251	1,251
Total Revenues	<u>140,000</u>	<u>140,000</u>	<u>141,251</u>	<u>1,251</u>
Excess of Revenues Over (Under)				
Expenditures	140,000	140,000	141,251	1,251
Other Financing Sources (Uses)				
Transfer (out)	(140,000)	(140,000)	(140,000)	-
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	1,251	<u>\$ 1,251</u>
Beginning Fund Balance			-	
Ending Fund Balance			<u>\$ 1,251</u>	

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
JAIL COMMISSARY
For the Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other	\$ 9,700	\$ 9,700	\$ 9,323	\$ (377)
Total Revenues	<u>9,700</u>	<u>9,700</u>	<u>9,323</u>	<u>(377)</u>
Expenditures				
Administration of justice	9,700	17,875	16,819	1,056
Total Expenditures	<u>9,700</u>	<u>17,875</u>	<u>16,819</u>	<u>1,056</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (8,175)</u>	(7,496)	<u>\$ 679</u>
Beginning Fund Balance			28,576	
Ending Fund Balance			<u>\$ 21,080</u>	

POLK COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
DISTRICT ATTORNEY SPECIAL
For the Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Other	\$ 25,000	\$ 34,379	\$ 34,379	\$ -
Total Revenues	<u>25,000</u>	<u>34,379</u>	<u>34,379</u>	<u>-</u>
Expenditures				
Administration of justice	25,000	34,379	34,379	-
Total Expenditures	<u>25,000</u>	<u>34,379</u>	<u>34,379</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Beginning Fund Balance			-	
Ending Fund Balance			<u>\$ -</u>	

SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
JUSTICE COURT BUILDING SECURITY
For the Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Fines and forfeitures	\$ 5,200	\$ 5,200	\$ 5,144	\$ (56)
Total Revenues	<u>5,200</u>	<u>5,200</u>	<u>5,144</u>	<u>(56)</u>
Expenditures				
General government	5,201	10,700	4,616	6,084
Total Expenditures	<u>5,201</u>	<u>10,700</u>	<u>4,616</u>	<u>6,084</u>
Net Change in Fund Balance	<u>\$ (1)</u>	<u>\$ (5,500)</u>	<u>528</u>	<u>\$ 6,028</u>
Beginning Fund Balance			23,602	
Ending Fund Balance			<u>\$ 24,130</u>	

POLK COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
PERMANENT SCHOOL FUND
For the Year Ended September 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues				
Intergovernmental revenue	\$ -	\$ 1,724	\$ 20,000	\$ 18,276
Investment Income	14,889	14,889	534	(14,355)
Total Revenues	14,889	16,613	20,534	3,921
Expenditures				
General government	12,354	12,354	574	11,780
Total Expenditures	12,354	12,354	574	11,780
Net Change in Fund Balance	\$ 2,535	\$ 4,259	19,960	\$ 15,701
Beginning Fund Balance			412,767	
Ending Fund Balance			\$ 432,727	

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POLK COUNTY, TEXAS
COMBINING STATEMENT OF NET ASSETS
AGENCY FUNDS
September 30, 2011

	<u>County Clerk's Probate Trust</u>	<u>District Clerk's Trust</u>	<u>Tax Collector</u>	<u>Total Agency Funds</u>
<u>Assets</u>				
Cash and cash equivalents	\$ 426,314	\$ 4,127,009	\$ 882,150	\$ 5,435,473
Total Assets	<u>\$ 426,314</u>	<u>\$ 4,127,009</u>	<u>\$ 882,150</u>	<u>\$ 5,435,473</u>
<u>Liabilities</u>				
Due to other units	\$ 426,314	\$ 4,127,009	\$ 882,150	\$ 5,435,473
Total Liabilities	<u>\$ 426,314</u>	<u>\$ 4,127,009</u>	<u>\$ 882,150</u>	<u>\$ 5,435,473</u>

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STATISTICAL SECTION

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

Contents

Financial Trends (Page 118)

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

Revenue Capacity (Page 126)

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

Debt Capacity (Page 136)

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

Demographic and Economic Information (Page 142)

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

Operating Information (Page 147)

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

POLK COUNTY, TEXAS

NET ASSETS BY COMPONENT

Last Nine Years (1)

(Accrual basis of accounting)

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

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

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 15,748,347	\$ 16,127,180	\$ 14,526,990	\$ 11,091,425	\$ 12,694,152
1,096,393	988,219	1,003,827	2,785,081	2,542,014
6,043,734	7,914,865	10,422,140	7,334,856	7,276,085
<u>\$ 22,888,474</u>	<u>\$ 25,030,264</u>	<u>\$ 25,952,957</u>	<u>\$ 21,211,362</u>	<u>\$ 22,512,251</u>

POLK COUNTY, TEXAS

CHANGES IN NET ASSETS

Last Nine Years (1)

(Accrual basis of accounting)

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

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$	5,503,708	\$ 5,086,750	\$ 13,153,683	\$ 4,730,688	\$ 5,400,250
	6,462,550	8,777,239	8,933,374	10,384,722	9,883,929
	4,984,706	6,737,830	6,126,250	5,774,317	6,343,810
	962,227	1,029,386	1,164,876	1,062,130	977,523
	865,141	903,615	1,001,973	992,019	1,042,231
	580,113	1,353,728	1,602,765	1,611,384	1,247,829
	<u>19,358,445</u>	<u>23,888,548</u>	<u>31,982,921</u>	<u>24,555,260</u>	<u>24,895,572</u>
\$	2,474,710	\$ 2,489,079	\$ 2,473,938	\$ 2,313,774	\$ 2,286,156
	53,985	54,658	97,530	42,364	52,826
	-	107,534	137,495	77,566	74,070
	255,530	229,727	148,421	138,900	141,251
	1,442,147	4,144,123	10,420,519	2,676,971	2,673,300
	<u>4,226,372</u>	<u>7,025,121</u>	<u>13,277,903</u>	<u>5,249,575</u>	<u>5,227,603</u>
\$	<u>(15,132,073)</u>	<u>(16,863,427)</u>	<u>(18,705,018)</u>	<u>(19,305,685)</u>	<u>(19,667,969)</u>
\$	16,189,813	\$ 16,198,654	\$ 17,595,693	\$ 18,207,997	\$ 19,089,029
	726,705	1,350,300	338,323	163,124	49,727
	1,747,855	1,456,263	1,693,695	1,408,586	1,830,102
	-	-	-	-	-
	<u>18,664,373</u>	<u>19,005,217</u>	<u>19,627,711</u>	<u>19,779,707</u>	<u>20,968,858</u>
\$	<u>3,532,300</u>	<u>2,141,790</u>	<u>922,693</u>	<u>474,022</u>	<u>1,300,889</u>

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

	Fiscal Year			
	2003	2004	2005	2006
General Fund				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Unassigned	1,761,633	1,707,692	2,702,905	2,975,092
Total general fund	<u>\$ 1,761,633</u>	<u>\$ 1,707,692</u>	<u>\$ 2,702,905</u>	<u>\$ 2,975,092</u>
All Other Governmental Funds				
Restricted	\$ 3,141,423	\$ 2,006,849	\$ 1,375,702	\$ 1,692,570
Assigned	622,032	622,032	622,032	688,804
Unassigned	-	-	-	-
Total all other governmental funds	<u>\$ 3,763,455</u>	<u>\$ 2,628,881</u>	<u>\$ 1,997,734</u>	<u>\$ 2,381,374</u>

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

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ -	\$ -	\$ -	\$ -	\$ 18,292
3,956,435	5,392,980	6,082,958	5,936,757	6,744,271
<u>\$ 3,956,435</u>	<u>\$ 5,392,980</u>	<u>\$ 6,082,958</u>	<u>\$ 5,936,757</u>	<u>\$ 6,762,563</u>
\$ 21,265,700	\$ 31,254,888	\$ 30,498,536	\$ 17,730,144	\$ 5,297,356
725,951	749,843	625,968	527,160	758,046
-	-	-	-	(28,095)
<u>\$ 21,991,651</u>	<u>\$ 32,004,731</u>	<u>\$ 31,124,504</u>	<u>\$ 18,257,304</u>	<u>\$ 6,027,307</u>

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

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

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

	2007	2008	2009	2010	2011
\$	15,635,471	\$ 16,345,276	\$ 17,590,374	\$ 17,956,886	\$ 18,953,467
	228,543	204,668	159,036	168,435	160,603
	854,030	931,688	1,034,937	810,322	836,365
	1,930,195	1,744,642	1,618,011	1,614,709	1,569,874
	1,442,147	4,144,123	10,465,919	2,656,109	2,660,761
	726,705	1,350,300	338,323	163,124	49,727
	1,519,312	1,456,263	1,693,695	1,408,586	1,830,102
	<u>22,336,403</u>	<u>26,176,960</u>	<u>32,900,295</u>	<u>24,778,171</u>	<u>26,060,899</u>
	5,545,641	6,207,669	12,980,872	5,221,830	5,433,652
	8,179,894	8,843,965	9,242,196	9,551,963	9,399,418
	6,051,944	6,533,096	5,289,566	5,473,262	4,993,689
	860,987	911,810	1,018,449	978,597	916,618
	859,964	897,198	994,935	985,611	1,041,238
	85,106	1,270,589	2,805,599	13,562,056	13,107,972
	2,770,449	2,365,761	3,006,295	3,181,266	3,249,886
	-	-	-	36,839	30,025
	922,972	1,550,143	1,536,376	1,450,296	1,364,011
	<u>25,276,957</u>	<u>28,580,231</u>	<u>36,874,288</u>	<u>40,441,720</u>	<u>39,536,509</u>
	(2,940,554)	(2,403,271)	(3,973,993)	(15,663,549)	(13,475,610)
	680,334	629,389	328,837	485,496	257,695
	(680,334)	(629,389)	(328,837)	(485,496)	(257,695)
	22,067,160	13,029,656	3,044,332	1,775,558	1,194,779
	-	-	-	-	-
	610,450	823,240	739,412	874,590	876,640
	<u>22,677,610</u>	<u>13,852,896</u>	<u>3,783,744</u>	<u>2,650,148</u>	<u>2,071,419</u>
\$	<u>19,737,056</u>	<u>\$ 11,449,625</u>	<u>\$ (190,249)</u>	<u>\$ (13,013,401)</u>	<u>\$ (11,404,191)</u>
	14.66%	14.34%	13.33%	11.96%	13.90%

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

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

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

	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>Change 2010-2011</u>
\$	12,653,787	\$ 13,081,465	\$ 14,495,487	\$ 15,346,309	\$ 16,111,147	5.0%
	2,283,286	1,940,152	1,941,259	1,623,603	1,812,359	11.6%
	1,252,740	1,177,037	1,158,947	1,238,085	1,165,523	-5.9%
	<u>16,189,813</u>	<u>16,198,654</u>	<u>17,595,693</u>	<u>18,207,997</u>	<u>19,089,029</u>	4.8%

POLK COUNTY, TEXAS

ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Years

	2002	2003	2004	2005
Real Property	\$ 1,203,724,356	\$ 1,372,314,784	\$ 1,404,145,426	\$ 1,455,026,685
Personal Property	275,825,054	290,713,868	286,155,369	308,964,819
Mineral	245,547,630	261,126,250	243,396,530	299,726,780
 Total assessed value (1)	 1,725,097,040	 1,924,154,902	 1,933,697,325	 2,063,718,284
Less: real property exemptions	(236,359,445)	(313,533,765)	(271,753,119)	(281,830,062)
Taxable value	\$ 1,488,737,595	\$ 1,610,621,137	\$ 1,661,944,206	\$ 1,781,888,222
 Assessed value	 86.3%	 83.7%	 85.9%	 86.3%

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

Source: Polk County Tax Assessor/Collector

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 1,503,984,334	\$ 1,640,053,202	\$ 1,662,956,029	\$ 1,954,019,389	\$ 2,149,623,793	\$ 1,864,972,789
311,314,465	312,333,843	319,782,986	415,350,005	447,387,229	432,705,637
<u>277,116,300</u>	<u>312,441,209</u>	<u>340,812,815</u>	<u>322,631,740</u>	<u>291,241,527</u>	<u>318,143,220</u>
2,092,415,099	2,264,828,254	2,323,551,830	2,692,001,134	2,888,252,549	2,615,821,646
(270,149,713)	(303,249,234)	(334,218,024)	(369,238,526)	(394,447,560)	(380,137,618)
<u>\$ 1,822,265,386</u>	<u>\$ 1,961,579,020</u>	<u>\$ 1,989,333,806</u>	<u>\$ 2,322,762,608</u>	<u>\$ 2,493,804,989</u>	<u>\$ 2,235,684,028</u>
87.1%	86.6%	85.6%	86.3%	86.3%	85.5%

POLK COUNTY, TEXAS

PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Years

	2002	2003	2004	2005
<u>Polk County by fund:</u>				
General	\$ 0.37630	\$ 0.36530	\$ 0.35670	\$ 0.35670
Road and Bridge	0.06290	0.06550	0.09140	0.09140
Debt Service	0.11580	0.12420	0.10690	0.10690
	0.55500	0.55500	0.55500	0.55500
<u>Cities:</u>				
City of Corrigan	0.59000	0.59000	0.59000	0.59000
City of Goodrich	0.63690	0.71340	0.81800	0.81800
<u>School Districts:</u>				
Big Sandy ISD	1.55570	1.57580	1.29000	1.29000
Corrigan-Camden ISD	1.50000	1.57200	1.61000	1.61000
Goodrich ISD	1.49610	1.49610	1.49610	1.49610
Leggett ISD	0.15000	1.50000	1.50000	1.50000
Livingston ISD	1.55250	1.55250	1.55250	1.55250
Onalaska ISD	1.67100	1.67100	1.67100	1.67100
<u>Utility Districts:</u>				
Memorial Point Utility District	0.86000	0.86000	0.86000	0.86000
Polk County FWSD	0.48000	0.48000	0.48000	0.48000
Total Direct and Overlapping Rates	\$ 11.04720	\$ 12.56580	\$ 12.42260	\$ 12.42260

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

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 0.38070	\$ 0.36790	\$ 0.30160	\$ 0.32370	\$ 0.33760	\$ 0.33760
0.12590	0.13760	0.17390	0.15410	0.15150	0.15150
0.12110	0.12220	0.15220	0.14990	0.13860	0.13860
<u>0.62770</u>	<u>0.62770</u>	<u>0.62770</u>	<u>0.62770</u>	<u>0.62770</u>	<u>0.62770</u>
0.59000	0.58580	0.48610	0.48610	0.48610	0.48610
0.72710	0.73500	0.68870	0.55170	0.55170	0.50000
1.58900	1.45600	1.11650	1.11130	1.11130	1.19750
1.61000	1.48860	1.17390	1.18900	1.16780	1.20200
1.50000	1.37000	1.04000	1.04000	1.04000	1.04000
1.50000	1.50700	1.18010	1.16610	1.16610	1.13520
1.55250	1.42450	1.11000	1.40000	1.40000	1.41350
1.67100	1.54290	1.20180	1.20020	1.20020	1.18000
0.86000	0.84000	0.84000	0.84000	0.84000	0.84000
0.48000	0.48000	0.44400	0.44000	0.44000	0.38700
<u>\$ 12.70730</u>	<u>\$ 12.05750</u>	<u>\$ 9.90880</u>	<u>\$ 10.05210</u>	<u>\$ 10.03090</u>	<u>\$ 10.00900</u>

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POLK COUNTY, TEXAS
PRINCIPAL PROPERTY TAXPAYERS
Current Year and Nine Years Ago

Property Taxpayer	2002			2011		
	2001 Taxable Assessed Value	Rank	% of Taxable Assessed Value	2010 Taxable Assessed Value	Rank	% of Taxable Assessed Value
Comstock Oil and Gas Inc.	\$ 113,703,988	2	7.64%	\$ 74,706,770	1	3.34%
Georgia Pacific LLC	-	n/a	0.00%	56,685,340	2	2.54%
ETC Katy Pipeline Limited	-	n/a	0.00%	43,771,165	3	1.96%
Unit Petroleum Company	-	n/a	0.00%	40,877,170	4	1.83%
Enbridge Pipelines	-	n/a	0.00%	28,872,450	5	1.29%
RMS Texas Timberlands	-	n/a	0.00%	27,761,630	6	1.24%
BBX Operating LLC	-	n/a	0.00%	23,135,320	7	1.03%
Kinder Morgan Texas Pipeline	-	n/a	0.00%	21,504,330	8	0.96%
Natural Gas Pipeline Co	-	n/a	0.00%	15,870,960	9	0.71%
Devon Energy Production Co LP	-	n/a	0.00%	18,158,100	10	0.81%
Champion International	164,572,930	1	11.05%	-	n/a	0.00%
Carter W.T. & Brothers	29,707,026	3	2.00%	-	n/a	0.00%
Famcor Oil, Inc.	23,982,933	4	1.61%	-	n/a	0.00%
Eastex Telephone Coop. Inc.	19,430,220	5	1.31%	-	n/a	0.00%
Wal-Mart	16,769,100	6	1.13%	-	n/a	0.00%
Louisiana Pacific Corp	16,712,480	7	1.12%	-	n/a	0.00%
Sam Houston Electric Coop. Inc.	14,199,130	8	0.95%	-	n/a	0.00%
Teco Pipeline	12,500,090	9	0.84%	-	n/a	0.00%
Blackstone Minerals	11,129,074	10	0.75%	-	n/a	0.00%
Subtotal	<u>422,706,971</u>		<u>28.39%</u>	<u>351,343,235</u>		<u>15.72%</u>
Other taxpayers	<u>1,066,030,624</u>		<u>71.61%</u>	<u>1,884,340,793</u>		<u>84.28%</u>
Total	<u>\$ 1,488,737,595</u>		<u>100.00%</u>	<u>\$ 2,235,684,028</u>		<u>100.00%</u>

Source: Polk County Appraisal District

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Adjusted tax levy	\$ 8,941,594	\$ 8,940,234	\$ 9,205,175	\$ 9,879,685
Current tax collected	\$ 8,486,390	\$ 8,477,198	\$ 8,726,521	\$ 9,383,100
Percent of current tax collections	94.91%	94.82%	94.80%	94.97%
Delinquent tax collections	\$ 262,300	\$ 290,849	\$ 355,596	\$ 434,328
Total tax collections	\$ 8,748,689	\$ 8,768,047	\$ 9,082,117	\$ 9,817,428
Total collections as a percentage of current levy	97.84%	98.07%	98.66%	99.37%
Outstanding delinquent taxes	\$ 192,905	\$ 172,188	\$ 123,058	\$ 62,257
Outstanding delinquent taxes as percentage of current levy	2.16%	1.93%	1.34%	0.63%

Source: Polk County Tax Assessor/Collector

	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$	11,565,442	\$ 11,953,364	\$ 13,038,903	\$ 14,226,340	\$ 15,110,680	\$ 15,868,728
\$	11,037,132	\$ 11,418,475	\$ 12,457,010	\$ 13,669,417	\$ 14,431,072	\$ 15,192,264
	94.80%	94.00%	95.54%	96.09%	95.50%	95.74%
\$	432,395	\$ 426,691	\$ 461,693	\$ 483,652	\$ 415,865	\$ 520,506
\$	11,469,526	\$ 11,845,166	\$ 12,918,703	\$ 14,153,069	\$ 14,846,937	\$ 15,712,771
	98.66%	95.65%	99.41%	97.00%	97.00%	97.00%
\$	95,915	\$ 108,199	\$ 120,199	\$ 73,271	\$ 263,742	\$ 155,958
	0.83%	0.91%	0.92%	0.52%	1.75%	0.98%

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

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Net Taxable Assessed Value				
All property	\$ 1,488,737,595	\$ 1,610,621,137	\$ 1,661,944,206	\$ 1,781,888,222
Net Bonded Debt				
Gross bonded debt	6,054,582	8,109,241	7,176,348	7,012,065
Less debt service funds	19,640	19,282	36,043	158,526
Net Bonded Debt	<u>\$ 6,034,942</u>	<u>\$ 8,089,959</u>	<u>\$ 7,140,305</u>	<u>\$ 6,853,539</u>
Ratio of Net Bonded Debt To Assessed Value	0.4054%	0.5023%	0.4296%	0.3846%
Population	44,129	45,064	45,708	45,944
Net Bonded Debt per Capita	\$ 137	\$ 180	\$ 156	\$ 149

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 1,822,265,386	\$ 1,961,579,020	\$ 1,989,333,806	\$ 2,322,762,608	\$ 2,493,804,989	\$ 2,235,684,028
6,369,635	24,933,372	35,020,686	35,335,000	33,930,000	32,094,000
246,801	127,418	78,923	40,825	56,042	-
<u>\$ 6,122,834</u>	<u>\$ 24,805,954</u>	<u>\$ 34,941,763</u>	<u>\$ 35,294,175</u>	<u>\$ 33,873,958</u>	<u>\$ 32,094,000</u>
0.3360%	1.2646%	1.7565%	1.5195%	1.3583%	1.4355%
46,291	46,206	46,604	46,530	45,413	45,413
\$ 132	\$ 537	\$ 750	\$ 759	\$ 746	\$ 707

POLK COUNTY, TEXAS
RATIO OF OUTSTANDING DEBT BY TYPE
 Last Two Years(1)

	2010	2011
Governmental activities:		
Certificates of obligation	\$ 27,640,000	\$ 26,795,000
Tax notes	6,290,000	5,299,000
Obligations under capital leases	981,087	761,980
Net Governmental Debt	\$ 34,911,087	\$ 32,855,980
Percentage of personal income	2.02%	1.90%
Net Bonded Debt per Capita	\$ 769	\$ 723

Note: Details regarding the outstanding debt can be found in the notes to the financial statements.

(1) The requirement for statistical data is ten years; only the current year and prior year is available at this time.

POLK COUNTY, TEXAS

DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2011

Governmental Unit	<u>Net Bonded Debt Outstanding</u>	<u>Estimated Percentage Applicable (1)</u>	<u>Estimated Share of Overlapping Debt</u>
Debt repaid with property taxes			
Cities:			
Corrigan	\$ 1,400,000	100%	\$ 1,400,000
Goodrich	\$ 260,000	100%	\$ 260,000
Livingston	\$ 6,790,000	100%	\$ 6,790,000
Onalaska	\$ -	100%	\$ -
School Districts:			
Big Sandy ISD	\$ 3,860,416	100%	\$ 3,860,416
Chester ISD	\$ 395,000	44.86%	\$ 177,197
Corrigan-Camden ISD	\$ 3,110,000	100%	\$ 3,110,000
Goodrich ISD	\$ -	100%	\$ -
Leggett ISD	\$ 1,595,000	100%	\$ 1,595,000
Livingston ISD	\$ 68,702,514	100%	\$ 68,702,514
Onalaska ISD	\$ 4,477,294	100%	\$ 4,477,294
Woodville ISD	\$ 4,780,000	3.07%	\$ 146,746
Utility Districts:			
Memorial Point	\$ -	100%	\$ -
Polk Co Freshwater	\$ -	100%	\$ -
Subtotal, overlapping debt	\$ 95,370,224		90,519,167
Polk County direct debt	<u>32,094,000</u>	100%	<u>32,094,000</u>
Total direct and overlapping debt	<u>\$ 127,464,224</u>		<u>\$ 122,613,167</u>

Source: Texas Municipal Reports

(1) Estimated Percentage Applicable obtained from Municipal Advisory Council of Texas. "The percentage of overlapping debt applicable is determined by dividing the County's certified taxable value within the taxing jurisdiction by the certified taxable value of the taxing jurisdiction."

POLK COUNTY, TEXAS
LEGAL DEBT MARGIN INFORMATION
 Last Ten Years

	<u>2002</u>	<u>2003</u>	<u>2004</u>	<u>2005</u>
Debt limit	\$ 148,873,760	\$ 161,062,114	\$ 166,194,421	\$ 178,188,822
Total net debt applicable to limit	<u>6,054,582</u>	<u>8,109,241</u>	<u>7,176,348</u>	<u>7,012,065</u>
Legal debt margin	<u>\$ 142,819,178</u>	<u>\$ 152,952,873</u>	<u>\$ 159,018,073</u>	<u>\$ 171,176,757</u>
 Total net debt applicable to the limit as a percentage of debt limit	 4.07%	 5.03%	 4.32%	 3.94%

Legal Debt Margin Calculation for 2011

Assessed value	\$ 2,235,684,028
Debt limit (25% of assessed value)	558,921,007
Debt applicable to limit:	
General obligation bonds	32,094,000
Less: amount set aside for repayment of general obligation debt	<u>-</u>
Total net debt applicable to limit	<u>32,094,000</u>
Legal debt margin	<u>\$ 526,827,007</u>

<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$ 182,226,539	\$ 196,157,902	\$ 198,933,381	\$ 232,276,261	\$ 249,380,499	\$ 558,921,007
6,369,635	24,933,372	35,020,868	35,335,000	33,930,000	32,094,000
<u>\$ 175,856,904</u>	<u>\$ 171,224,530</u>	<u>\$ 163,912,513</u>	<u>\$ 196,941,261</u>	<u>\$ 215,450,499</u>	<u>\$ 526,827,007</u>
3.50%	12.71%	17.60%	15.21%	13.61%	5.74%

POLK COUNTY, TEXAS
DEMOGRAPHIC AND ECONOMIC STATISTICS
 Last Ten Years

	2002	2003	2004	2005
Population (1,2,4)**	44,129	45,064	45,708	45,944
Personal income (1,4,5)**	\$1,115,830,000	\$1,164,011,000	\$1,198,247,000	\$1,289,580,000
Per capita personal income (1,4,5)**	\$ 25,286	\$ 25,830	\$ 26,215	\$ 28,069
Median age (1,4,5)**	39.0	39.1	39.0	39.1
School enrollment (2)				
Big Sandy ISD	447	452	458	484
Chester ISD	N/A	N/A	N/A	N/A
Corrigan Camden ISD	1,113	1,144	1,126	1,122
Goodrich ISD	293	304	308	317
Leggett ISD	270	278	267	255
Livingston ISD	4,096	4,111	4,048	4,072
Onalaska ISD	665	467	751	802
Total	6,884	6,756	6,958	7,052
Unemployment rate (3)	7.80%	8.10%	7.20%	6.80%

Data sources:

- (1) BEA**
- (2) TEA
- (3) Texas Workforce
- (4) Texas Association of Counties (County Information Project)**
- (5) US Census Bureau**

**Most current information available from these data sources.

2006	2007	2008	2009	2010	2011
46,291	46,206	46,604	46,530	45,413	45,413
\$1,381,286,000	\$1,470,836,000	\$ 1,597,567,000	\$ 1,726,151,000	\$1,726,151,000	\$1,726,151,000
\$ 29,839	\$ 31,832	\$ 34,280	\$ 37,098	\$ 38,747	\$ 38,747
39.2	38.7	38.3	42.9	42.9	42.9
433	456	471	465	451	453
45	77	73	71	171	174
1,028	990	990	956	947	923
289	259	247	241	247	224
221	205	202	190	173	170
3,742	3,753	3,728	3,733	3,741	3,829
826	813	817	846	880	889
6,584	6,553	6,528	6,502	6,610	6,663
6.10%	5.90%	6.40%	10.50%	10.00%	10.50%

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POLK COUNTY, TEXAS

PRINCIPAL EMPLOYERS

Current Year and Six Years Ago (1)

Employer	2011			2005		
	Employees	Rank	Percentage of Total County Employment	Employees	Rank	Percentage of Total County Employment
Georgia Pacific*	1,000	1	2.20%	1,600	1	3.48%
Texas Department of Criminal Justice	767	2	1.69%	900	2	1.96%
Livingston ISD	630	3	1.39%	547	3	1.19%
Wal-Mart Super Center	400	4	0.88%	450	4	0.98%
Memorial Medical Center Livingston	388	5	0.85%	124	9	0.27%
Polk County	300	6	0.66%	282	5	0.61%
Alabama-Coushatta Reservation	250	7	0.55%	197	6	0.43%
CEC Int'l (IAH Detention Facility)**	245	8	0.54%	-	-	0.00%
Brookshire Brothers (Corrigan, Livingston, Onalaska)	206	9	0.45%	-	-	0.00%
Corrigan Camden ISD	185	10	0.41%	178	7	0.39%
Total	<u>4,371</u>		<u>9.62%</u>	<u>4,278</u>		<u>9.31%</u>

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

*Previously named International Paper Company

**Opened in 2006

(1) The requirement for statistical data is current year and nine years ago; only current year and six years ago was available.

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POLK COUNTY, TEXAS

COUNTY EMPLOYEES

Last Ten Years

Function/Program	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government:										
County Judge	3	3	3	3	3	3	3	3	3	3
Commissioners' Court	1	1	1	1	1	1	1	1	1	1
County Clerk	9	10	10	10	10	10	10	10	10	10
County Auditor	5	4	4	4	4	5	5	5	5	5
County Treasurer	2	2	2	2	2	2	3	3	3	3
Data Processing	2	2	2	2	2	2	2	2	2	2
Maintenance/Custodial	3	3	3	2	2	3	3	3	3	3
Maintenance/Engineering	4	4	4	4	4	5	6	7	7	7
Emergency Management	5	5	5	5	5	5	5	5	5	5
Personnel/Human Resources	2	2	2	2	2	2	2	3	3	3
Road and Bridges:										
Commissioners	4	4	4	4	4	4	4	4	4	4
Road & Bridge Workers	42	42	40	40	40	40	39	37	37	45
Administration of Justice:										
County Court-at-Law	3	3	3	3	3	3	4	4	4	4
District Clerk	9	9	9	9	9	9	9	10	10	10
District Judges	5	5	5	5	5	6	7	7	7	7
JP Pct 1	3	3	3	3	3	3	3	4	4	4
JP Pct 2	2	2	2	2	2	2	2	3	3	3
JP Pct 3	3	3	3	3	3	3	3	3	3	3
JP Pct 4	2	3	3	3	3	3	3	3	3	3
District Attorney	13	13	13	13	13	15	15	15	17	18
Sheriff's Dept	43	44	44	44	46	47	50	50	50	50
Jail	24	24	24	25	30	31	31	33	33	35
Constables	4	4	4	4	4	4	4	4	4	4
DPS	1	1	1	1	1	1	1	1	1	1
Courthouse Security	2	2	2	2	1	1	1	1	1	1
Health and Human Services:										
Library & Museum	1	1	1	1	1	1	2	2	2	2
Social Services	3	3	2	2	2	2	2	2	2	2
Veterans Service	2	2	2	2	2	2	2	2	2	2
County Extension	1	1	1	4	4	4	4	4	4	4
Environmental Enforcement	1	1	1	1	1	1	1	1	1	1
Aging Services	14	14	6	6	6	6	6	4	4	4
Tax Administration:										
Tax Assessor/Collector	16	16	16	17	17	17	17	17	17	14
Totals:	<u>234</u>	<u>236</u>	<u>225</u>	<u>229</u>	<u>235</u>	<u>243</u>	<u>250</u>	<u>253</u>	<u>255</u>	<u>263</u>

Source: Polk County Human Resources (Based on Full Time Status)

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

	2002	2003	2004	2005
<u>County Court</u>				
Civil Cases				
Pending Beginning of Year	157	1,916	2,191	2,378
Docket Adjust	1,775	(43)	(3)	30
Added	395	1,352	1,189	1,443
Disposed	411	1,034	999	1,146
Pending End of Year	1,916	2,191	2,378	2,705
Criminal Cases				
Pending Beginning of Year	2,262	2,289	2,557	2,589
Docket Adjust	-	(2)	(8)	(5)
Added	1,674	2,055	1,830	2,001
Disposed	1,647	1,785	1,790	1,696
Pending End of Year	2,289	2,557	2,589	2,889
<u>District Court</u>				
Civil Cases				
Pending Beginning of Year	2,607	798	847	899
Docket Adjust	(1,952)	-	(11)	(10)
Added	867	403	421	303
Disposed	724	354	358	522
Pending End of Year	798	847	899	670
Criminal Cases				
Pending Beginning of Year	553	570	710	761
Docket Adjust	(35)	-	(28)	(102)
Added	604	939	802	900
Disposed	552	799	723	305
Pending End of Year	570	710	761	1,254
<u>Justice Of The Peace Courts</u>				
Cases Filed				
Traffic	6,172	4,955	6,692	8,092
Non Traffic	2,994	3,200	2,799	2,891
Small Claims Suits	177	239	131	133
Forcible Entry and Detainer	110	116	124	120
Other Civil Suits	184	200	172	177
Cases Disposed				
Traffic	5,557	4,939	7,566	7,007
Non Traffic	2,346	2,813	3,244	2,411
Small Claims Suits	140	173	97	90
Forcible Entry and Detainer	97	111	102	108
Other Civil Suits	150	136	132	121
Cases Appealed				
Traffic	6	2	2	16
Non Traffic	2	2	3	6
Small Claims Suits	-	3	2	-
Forcible Entry and Detainer	-	1	6	3
Other Civil Suits	-	1	2	-
Miscellaneous				
Examining Trials	1	5	-	2
Inquests	208	192	206	215

Source: Texas Courts Online (Office of Court Administration)

*FY11 had reporting changes

2006	2007	2008	2009	2010	2011*
2,705	2,836	2,829	2,980	3,212	1,051
27	(30)	75	56	(435)	-
1,442	1,304	1,230	1,352	1,306	743
1,338	1,281	1,154	1,176	1,051	(490)
2,836	2,829	2,980	3,212	3,032	1,305
2,889	2,935	2,798	2,719	2,669	2,560
13	(5)	(7)	113	(9)	(1)
1,774	1,779	1,446	1,307	1,002	1,276
1,741	1,911	1,518	1,470	1,079	(979)
2,935	2,798	2,719	2,669	2,583	2,856
670	757	842	885	784	803
(5)	(40)	20	(146)	(3)	(2)
328	411	336	342	324	330
236	286	313	297	227	(269)
757	842	885	784	878	862
1,254	1,385	1,033	810	823	778
(350)	(461)	(121)	(77)	(15)	(3)
930	924	890	980	847	1,187
449	815	992	890	848	(764)
1,385	1,033	810	823	807	1,198
7,342	6,387	7,472	8,007	4,772	4,922
2,439	2,565	2,725	2,526	1,961	1,828
114	84	83	127	68	73
146	154	119	155	130	106
218	219	327	217	174	209
6,338	6,252	6,834	6,826	4,837	4,240
1,923	2,337	2,148	2,102	1,903	1,971
79	81	54	174	123	61
124	143	109	134	111	101
108	170	205	272	212	145
19	14	19	22	18	15
1	2	1	2	5	9
1	-	-	-	2	-
1	1	-	-	2	1
-	-	-	1	1	-
1	-	-	-	1	4
206	195	210	181	178	212

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

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

Source: County Inventory Reports

2006	2007	2008	2009	2010	2011
3	4	4	4	4	1
14	14	15	15	15	4
1	1	1	1	1	-
26	31	34	34	40	41
3	3	3	3	3	1
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
4	4	4	4	4	4
5	5	6	6	6	6
4	4	4	4	4	2
3	3	3	3	3	2
5	4	4	4	4	3
1	1	1	1	1	1
11	11	13	12	13	13
2	2	3	4	-	-
19	20	23	28	37	36
8	13	13	14	17	9
1	1	1	1	1	1
1	1	2	2	1	1
1	1	1	1	1	1
1	1	1	1	1	1
49	60	66	70	79	77
4	4	4	4	4	3
1	1	1	1	1	1
12	13	13	14	14	11
1	1	1	2	2	2
78	79	80	84	49	46
55	60	63	67	40	39
63	77	82	83	80	77
55	68	76	78	67	66
1	1	1	1	1	1
2	2	2	2	2	2
46	46	46	36	35	35
3	6	7	8	9	8