

*COMPREHENSIVE  
ANNUAL FINANCIAL REPORT*

of

**POLK COUNTY, TEXAS**

For the Year Ended  
September 30, 2013

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# **POLK COUNTY, TEXAS**

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***INTRODUCTORY SECTION***

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*Polk County Auditor*  
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## **Polk County**

*Livingston, Texas*

March 17, 2014

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, 2013 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.

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 HISTORY**

The 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 the County.

The 1,095 square miles of the 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 1700s, 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**

Since 2009, the County has worked to re-establish an animal shelter after the existing shelter was closed for the Jail Expansion Project. Most of the work for this project has been done by the County Maintenance staff and inmate labor from available funds within the maintenance budget and progress has been slow. The Commissioners Court made the decision to bid out the remaining construction and would be funded as a capital project estimated at \$200,000 in fiscal year 2013 by issuance of debt. Bids came in much higher than the \$200,000 anticipated. The project is being re-evaluated and to complete it will require the issuance of debt. The Animal Shelter Project will be re-addressed in fiscal year 2014.

The Polk County College/Conference Center construction began in fiscal year 2012 and opened for its first event in August of 2013. Angelina College opened the doors for the fall 2013 semester with both day and evening classes. The County financed this project with an economic development grant of \$4,000,000 and an additional \$1,675,000 in disaster recovery funds. Locally additional funds were raised in the amount of \$1,500,000. The Polk County College/Conference Center is expected to have very favorable impact on the local economy.

### **For the Future**

Most of the offices that were located in the courthouse moved to the Judicial Center which provided relief to the overcrowding and safety issues. In fiscal year 2013 the Community Supervision and Corrections Department moved from the basement of the courthouse to offices available at the County's Dunbar campus. The courthouse elevator which provides ADA access throughout the building is outdated and attention is needed to address and correct structural issues. The County continues to seek the State's assistance through grants provided by the Texas Historical Commission to renovate and restore the elevator and other issues.

## **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.

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.

## **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, 2012. 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,



Margie N. Ainsworth, County Auditor



Government Finance Officers Association

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, 2012**

Executive Director/CEO

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**POLK COUNTY, TEXAS**  
*LIST OF ELECTED AND APPOINTED OFFICIALS*  
September 30, 2013

**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
Scott Hughes	Constable, Precinct #1
William Cunningham	Constable, Precinct #2
Ray Meyers	Constable, Precinct #3
Dana G. "Bubba" Piper	Constable, Precinct #4

**FINANCIAL ADMINISTRATION:**

Leslie Jones Burks	Tax Assessor/Collector
Terri Williams	County Treasurer
Margie Ainsworth	County Auditor*

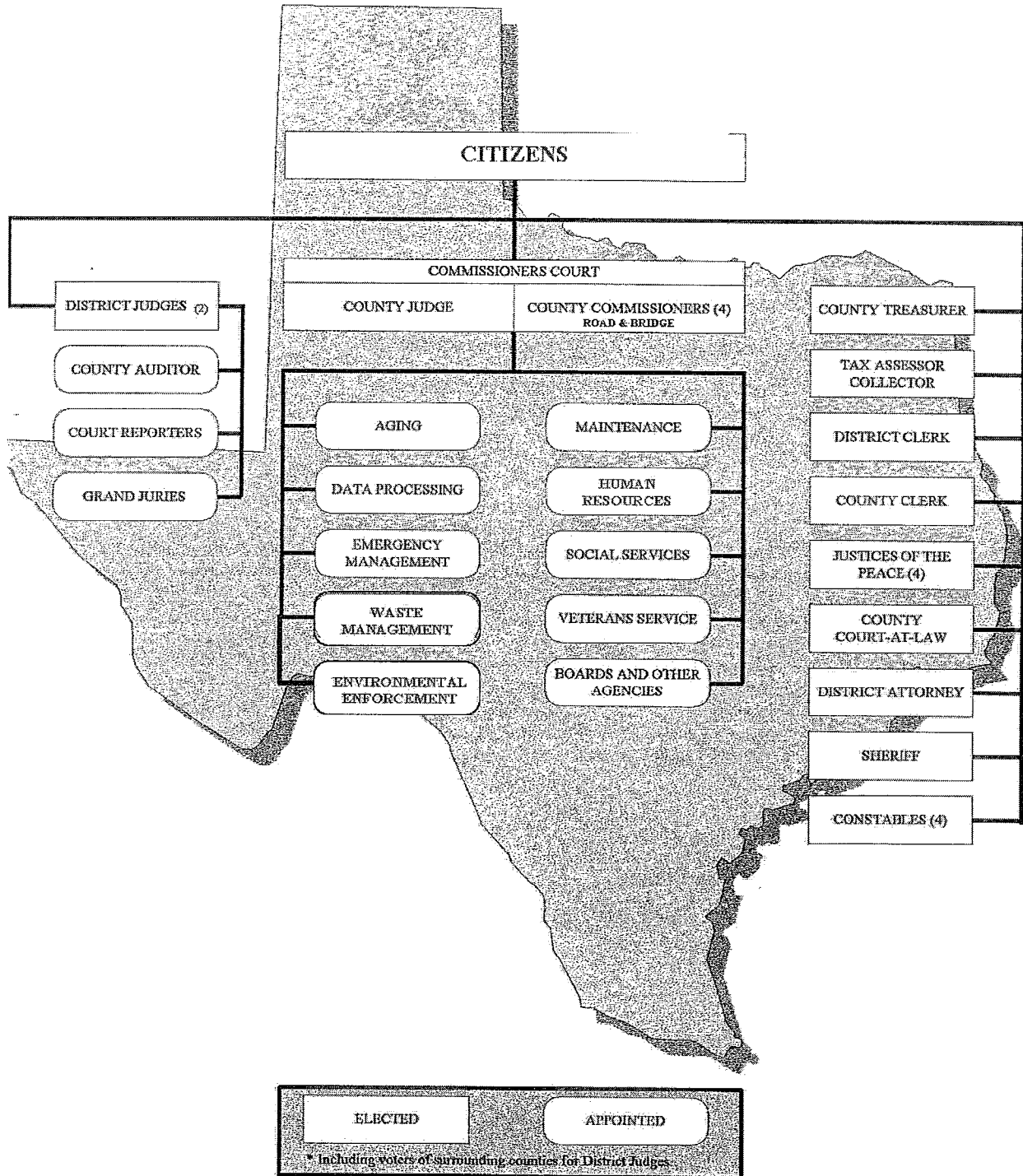
\*Designated appointed official. All others are elected.

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# POLK COUNTY, TEXAS

## ORGANIZATIONAL CHART

September 30, 2013

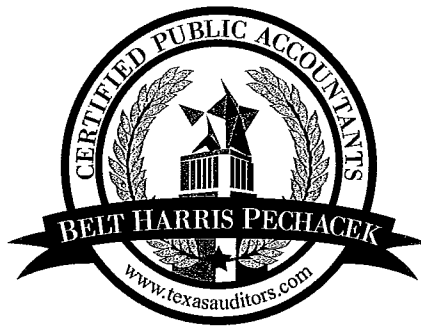


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***FINANCIAL SECTION***

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## INDEPENDENT AUDITORS' REPORT

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

### Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the County's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

---

#### Partners

Robert Belt, CPA  
Stephanie E. Harris, CPA  
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **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, 2013, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, budgetary comparison information, and schedules of funding progress, identified as Required Supplementary Information on the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Required Supplementary Information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the County's basic financial statements. The introductory section, combining statements and schedules, and statistical section are presented for purposes of additional analysis and are not required parts of the basic financial statements.

The combining 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining statements and schedules are fairly stated in all material respects in relation to the basic 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.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated March 17, 2014 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

*BELT HARRIS PECHACEK, LLLP*

Belt Harris Pechacek, LLLP  
*Certified Public Accountants*  
Houston, Texas  
March 17, 2014

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***MANAGEMENT'S DISCUSSION AND ANALYSIS***

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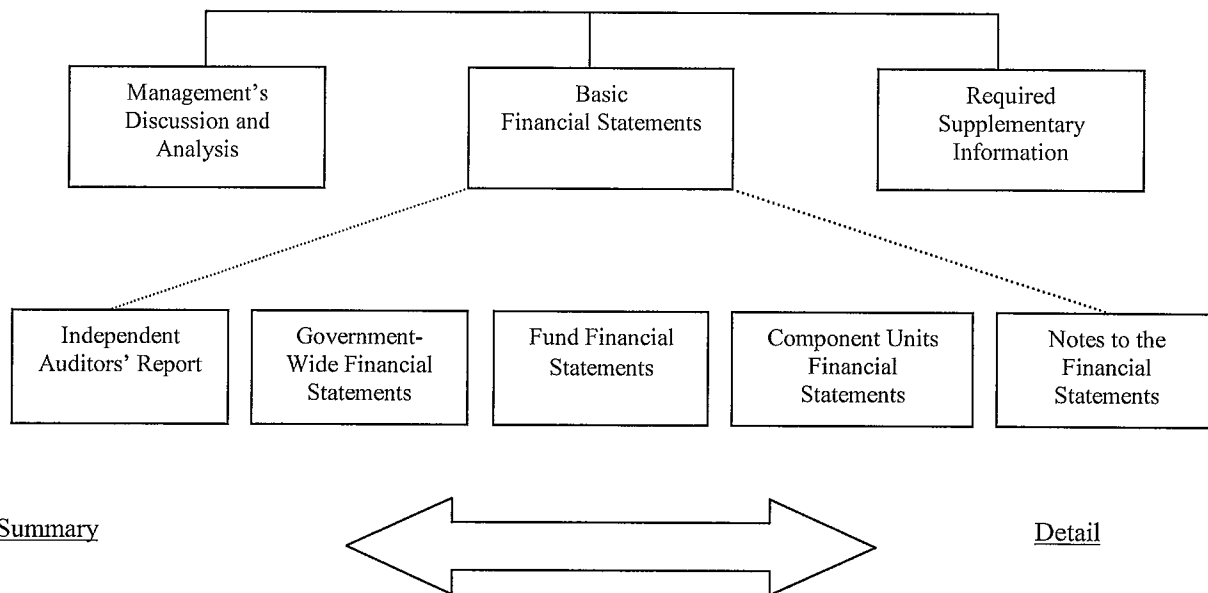
**POLK COUNTY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended September 30, 2013

The following Management's Discussion and Analysis (MD&A) of Polk County's (the "County") financial performance provides an overview of the County's financial activities for the year ended September 30, 2013. 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.

**THE STRUCTURE OF OUR ANNUAL REPORT**

**Components of the Financial Section**



The County's basic financial statements include (1) government-wide financial statements, (2) individual fund financial statements, and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

**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 Position 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, liabilities, and deferred inflows/outflows of resources on the accrual basis of accounting, which is similar to the basis of accounting used by most private sector entities. All of the current year's revenues and expenses are taken into account even if cash has not yet changed hands.

The Statement of Net Position presents information on all the County's assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time increases or decreases in net position provides one indicator as to whether the County's financial health is improving or deteriorating.

**POLK COUNTY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended September 30, 2013

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 position changed during the most recent year. All changes in net position 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 Position and the Statement of Activities, the County has only one type of activity:

1. *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 include not only the County itself (known as the primary government), but also a legally separate IAH Facility for which the County is financially accountable. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

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

## **FUND FINANCIAL STATEMENTS**

Funds may be considered as operating companies of the parent corporation, which is the County. They are usually segregated for specific activities or objectives. The County uses fund accounting to ensure and demonstrate compliance with finance related legal reporting requirements. The two categories of County funds are governmental and fiduciary

### **Governmental Funds**

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

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

The County maintains 31 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, debt service fund, road and bridge, grants, and college and commerce fund, which are considered to be major funds for reporting purposes.

The County adopts an annual appropriated budget for its general, road and bridge and debt service funds. A budgetary comparison schedule has been provided for the general, road and bridge, and debt service funds to demonstrate compliance with these budgets.

**POLK COUNTY, TEXAS**  
*MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)*  
For the Year Ended September 30, 2013

**Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available to support the County's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The County maintains four fiduciary funds. The County's fiduciary activities are reported separately in a statement of fiduciary net position.

**Notes to Financial Statements**

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

**Other Information**

In addition to basic financial statements, this MD&A, and accompanying notes, this report also presents certain Required Supplementary Information (RSI). The RSI includes budgetary comparison schedules for the general fund and road and bridge 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 notes to the basic financial statements.

**GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve, over time, as a useful indicator of the County's financial position. Assets and deferred outflows of resources exceed liabilities by \$35,794,194 as of September 30, 2013. This compares with \$31,085,746 from the prior fiscal year. A portion of the County's net position, 76.4% reflects its investments in capital assets (e.g., construction in progress, building, equipment, and infrastructure) less any debt used to acquire those assets that is still outstanding. The County uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the assets themselves cannot be used to liquidate these liabilities.

**POLK COUNTY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended September 30, 2013

**Statement of Net Position**

The following table reflects the condensed Statement of Net Position:

	<b>Governmental Activities</b>	
	<b>2013</b>	<b>2012</b>
Current and other assets	\$ 15,346,581	\$ 17,406,488
Capital assets, net	56,328,131	51,375,889
<b>Total Assets</b>	<b>71,674,712</b>	<b>68,782,377</b>
Deferred charge on refunding	346,356	371,096
<b>Total Deferred Outflows of Resources</b>	<b>346,356</b>	<b>371,096</b>
Long-term liabilities	34,520,555	36,655,254
Other liabilities	1,706,319	1,412,473
<b>Total Liabilities</b>	<b>36,226,874</b>	<b>38,067,727</b>
<b>Net position:</b>		
Net investment in capital assets	27,349,484	19,677,873
Restricted	4,430,353	5,086,759
Unrestricted	4,014,357	6,321,114
<b>Total Net Position</b>	<b>\$ 35,794,194</b>	<b>\$ 31,085,746</b>

A portion of the County's net position, \$4,430,353 or 12.4%, represents resources that are subject to external restriction on how they may be used. The remaining balance of unrestricted net position, \$4,014,357 or 11.2% may be used to meet the County's ongoing obligation to citizens and creditors.

The County's total net position increased by \$4,708,448, during the current fiscal year. This increase is primarily attributable to the increase in taxes and operating grants used for construction projects for improvement of the County's generator project, roads and College commerce center during the year.

Current assets decreased by \$2,059,907 to \$15,346,581 as compared to capital assets which increased by \$4,952,242 to \$56,328,131. Capital assets significant increase is due to construction in progress additions for the College and Commerce center and Texas General Land office grant related construction projects. Long-term liabilities decreased by \$2,134,699 in fiscal year 2013, as the County continues to reduce outstanding debt.

**POLK COUNTY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended September 30, 2013

**Statement of Activities**

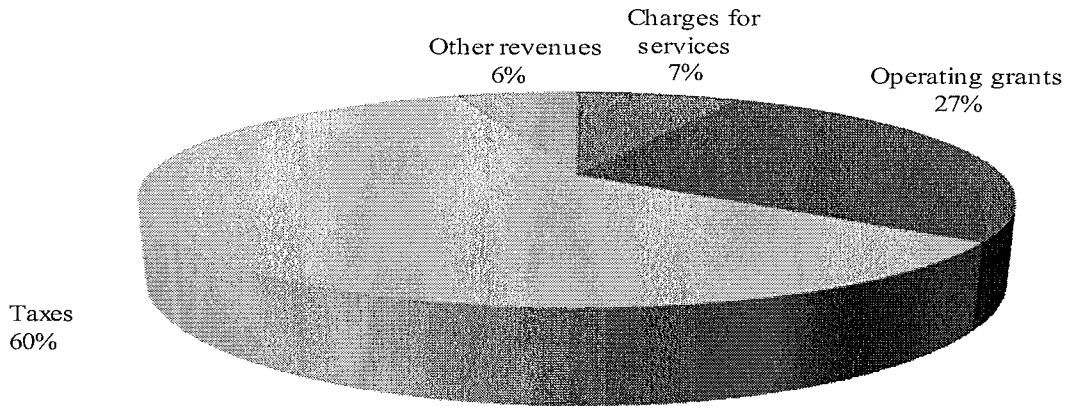
The following table provides a summary of the County's changes in net position:

	<b>Governmental Activities</b>	
	<b>2013</b>	<b>2012</b>
<b>Revenues</b>		
Program revenues:		
Charges for services	\$ 2,487,317	\$ 2,497,726
Operating grants	9,137,367	8,748,161
General revenues:		
Taxes	20,113,427	19,047,013
Investment income	20,216	58,869
Other revenues	1,834,354	4,081,736
<b>Total Revenues</b>	<b>33,592,681</b>	<b>34,433,505</b>
<b>Expenses</b>		
General government	10,804,098	7,113,066
Administration of justice	10,179,505	10,501,266
Roads and bridges	4,732,628	4,646,530
Health and human services	1,068,339	1,055,093
Tax administration	1,174,054	1,042,583
Interest and fiscal agent fees on long-term debt	925,609	1,527,916
<b>Total Expenses</b>	<b>28,884,233</b>	<b>25,886,454</b>
<b>Change in Net Position</b>	<b>4,708,448</b>	<b>8,547,051</b>
Beginning net position	31,085,746	22,538,695
<b>Ending Net Position</b>	<b>\$ 35,794,194</b>	<b>\$ 31,085,746</b>

**POLK COUNTY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended September 30, 2013

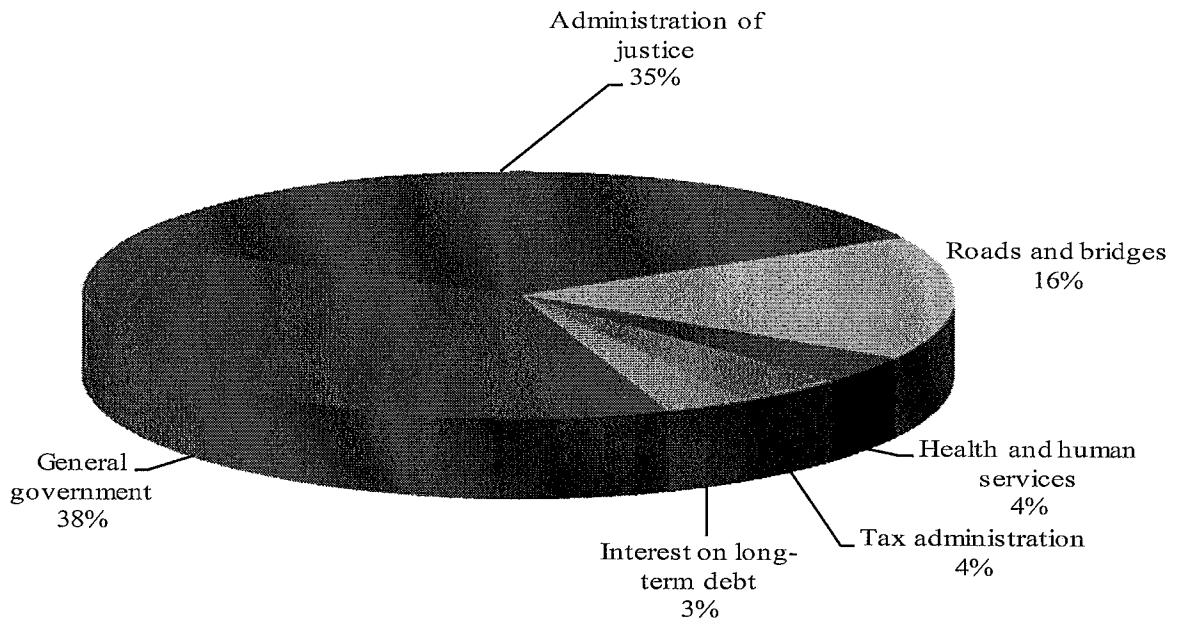
Graphic presentations of selected data from the summary tables follow to assist in the analysis of the County's activities.

**Governmental Revenues**



Total governmental revenues decreased by \$840,824 from the prior year. This decrease is primarily the result of decreases in other revenue. Other revenue decreased 56 percent as a result of the \$2.4 million in oil royalties earned in the prior year.

**Governmental Expenses**



Governmental expenses have increased by \$2,997,779 from the prior year. This increase is attributable to the increase of expenses for general government.

**POLK COUNTY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
For the Year Ended September 30, 2013

**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 spendable 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 \$11,808,762. Of this, \$13,763 is nonspendable, \$33,694 is restricted for debt service, \$860,780 is restricted for endowments/trusts, \$2,010,040 is restricted for road and bridge, \$163 is restricted for grants, \$111,785 is restricted for capital projects, and \$1,413,891 is restricted for special projects. The County has also assigned \$759,628 for post closure care costs. The amount of unassigned fund balance is \$6,605,018.

There was a decrease in the combined fund balance of \$2,277,702 from the prior year. The largest decrease is in the permanent fund balance of \$2,290,635. This decrease is related to the mineral royalties disbursed to the school districts within the County.

The general fund had a decrease of \$237,617, with an ending fund balance of \$6,618,781. This change can be attributed to a decrease in intergovernmental revenue. 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 has an unassigned balance of \$6,605,018, which is in compliance with the policy.

There was an increase of \$4,322 in the debt service fund providing an ending fund balance of \$793,322. Debt service payments totaled \$3,807,907 for the year.

The road and bridge fund had an increase in fund balance of \$126,209, which brings the ending fund balance to \$2,010,040. The increase was primarily due to a decrease in expenditures for road and bridges and principal debt payments.

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 Texas Department of Rural Affairs for Ike Recovery related expenditures. The end result was a decreased fund balance of \$19,660 in the grants fund.

There was an increase of \$53,771 in the college and commerce fund providing an ending fund balance of \$53,771. This increase is attributed to grant funds received during the fiscal year to construct the College and Commerce Center.

**GENERAL FUND BUDGETARY HIGHLIGHTS**

General fund expenditures were under the final budget by \$513,306. This is due to positive expenditure variances in all departments.

During the 2013 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, 2013, but not paid by that date;
- To appropriate monies from other governmental units received in year 2013;
- To re-appropriate monies within or between departments; and

**POLK COUNTY, TEXAS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**For the Year Ended September 30, 2013**

- To reflect department year end projections.

**CAPITAL ASSETS**

At the end of the year, the County's governmental activities funds had invested \$56,328,131 in a variety of capital assets and infrastructure, net of depreciation.

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

- Construction in progress for various Texas General Land Office projects
- Eight vehicles for the Sheriff's and other departments

More detailed information about the County's capital assets is presented in the note III.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 \$28,705,645. The County issued \$525,000 in tax notes during fiscal year 2013.

More detailed information about the County's long-term liabilities is presented in the note III.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**

Economic conditions in Polk County continued to improve in fiscal year 2013. Sales tax revenue increased over \$500,000 from \$1,824,271 in fiscal year 2012 to \$2,354,141 in fiscal year 2013.

In addition, the Certified Net Taxable Value continues to increase at a modest rate and the collection rate is at 96 percent.

The Polk County College/Conference Center construction began in fiscal year 2012 and opened for its first event in August of fiscal year 2013. Angelina College opened the doors for the fall 2013 semester with both day and evening classes. The County financed this project with an economic development grant of \$4,000,000 and an additional \$1,675,000 in disaster recovery funds. Locally additional funds were raised in the amount of \$1,500,000. The Polk County College/Conference Center is expected to have very favorable impact on the local economy.

The IAH Adult Detention Facility, constructed with no County funds, continues to provide a source of income. But due to the decrease in the prisoner population, the per diem fee the County collects for each prisoner decreased \$400,000 in revenues from \$1,272,361 in fiscal year 2012 to \$799,901 in fiscal year 2013. This facility provides much needed jobs to the local economy.

**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 Margie Ainsworth, 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 POSITION

September 30, 2013

	Primary Governmental Activities	Component Unit
<b>Assets</b>		
Cash and cash equivalents	\$ 9,466,401	\$ 2,937,254
Investments	-	4,787,343
Receivables, net	5,612,445	1,420,446
Prepays	13,763	-
Due from other units	2,404	-
Due from component unit	251,568	-
<b>Total Current Assets</b>	15,346,581	9,145,043
Capital assets:		
Nondepreciable capital assets	12,162,215	330,346
Capital assets, net of accumulated depreciation	44,165,916	23,865,381
	56,328,131	24,195,727
<b>Total Assets</b>	71,674,712	33,340,770
<b>Deferred Outflows of Resources</b>		
Deferred charge on refunding	346,356	-
<b>Liabilities</b>		
Current liabilities:		
Accounts payable and accrued liabilities	1,315,383	3,836,002
Due to primary government	-	251,568
Accrued interest payable	109,804	1,154,208
Due to other units	281,132	-
<b>Total Current Liabilities</b>	1,706,319	5,241,778
Noncurrent liabilities:		
Long-term liabilities due within one year	3,511,103	1,805,000
Long-term liabilities due in more than one year	31,009,452	37,988,951
	34,520,555	39,793,951
<b>Total Liabilities</b>	36,226,874	45,035,729
<b>Net Position</b>		
Net investment in capital assets	27,349,484	(7,826,140)
Restricted for:		
Debt service	33,694	-
Endowments/trusts:		
Expendable	224,723	-
Nonexpendable	636,057	-
Road and bridge	2,010,040	-
Grants	163	-
Special projects	1,413,891	
Capital projects	111,785	
Unrestricted	4,014,357	(3,868,819)
<b>Total Net Position</b>	\$ 35,794,194	\$ (11,694,959)

See Notes to Financial Statements.

# POLK COUNTY, TEXAS

## STATEMENT OF ACTIVITIES

For the Year Ended September 30, 2013

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Primary Government:</b>			
<b>Governmental Activities:</b>			
General government	\$ 10,804,098	\$ 2,044,160	\$ 8,685,521
Administration of justice	10,179,505	221,251	69,341
Roads and bridges	4,732,628	82,282	-
Health and human services	1,068,339	139,624	382,505
Tax administration	1,174,054	-	-
Interest and fiscal agent fees on long-term debt	925,609	-	-
<b>Total Governmental Activities</b>	<b>28,884,233</b>	<b>2,487,317</b>	<b>9,137,367</b>
<b>Total Primary Government</b>	<b>\$ 28,884,233</b>	<b>\$ 2,487,317</b>	<b>\$ 9,137,367</b>
 <b>IAH Public Facility Corporation</b>			
Detention facility	\$ 13,027,365	\$ 13,907,127	\$ -
Interest and fiscal agent fees on long-term debt	2,887,787	-	-
<b>Total Component Unit</b>	<b>\$ 15,915,152</b>	<b>\$ 13,907,127</b>	<b>\$ -</b>

**General Revenues:**

Property taxes  
Sales taxes  
Other taxes  
Investment income  
Other revenues

**Total General Revenues**

**Change in Net Position**

Beginning net position

**Ending Net Position**

See Notes to Financial Statements.

Net (Expense) Revenue and Changes in Net Position	
Governmental Activities	Component Unit
\$ (74,417)	\$ -
(9,888,913)	-
(4,650,346)	-
(546,210)	-
(1,174,054)	-
(925,609)	-
<u>(17,259,549)</u>	<u>-</u>
<u>(17,259,549)</u>	<u>-</u>
-	879,762
-	<u>(2,887,787)</u>
-	<u>(2,008,025)</u>
16,548,137	-
2,354,141	-
1,211,149	-
20,216	127,771
<u>1,834,354</u>	<u>-</u>
<u>21,967,997</u>	<u>127,771</u>
4,708,448	(1,880,254)
<u>31,085,746</u>	<u>(9,814,705)</u>
<u>\$ 35,794,194</u>	<u>\$ (11,694,959)</u>

# POLK COUNTY, TEXAS

## BALANCE SHEET

### GOVERNMENTAL FUNDS

September 30, 2013

	General	Debt Service	Road and Bridge	Grants
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 3,153,692	\$ 766,866	\$ 2,205,949	\$ 556,833
Receivables, net	1,792,132	439,215	469,054	1,134,645
Prepays	13,763	-	-	-
Due from other funds	3,779,291	26,520	514,679	500,678
Due from other units	253,972	-	-	-
<b>Total Assets</b>	<b>\$ 8,992,850</b>	<b>\$ 1,232,601</b>	<b>\$ 3,189,682</b>	<b>\$ 2,192,156</b>
 <b><u>Liabilities, Deferred Inflows of Resources, and Fund Balances</u></b>				
<b><u>Liabilities</u></b>				
Accounts payable and accrued liabilities	\$ 888,446	\$ 1,263	\$ 154,802	\$ 6,500
Due to other funds	420,068	4,616	490,690	2,185,493
Due to other units	-	-	91,801	-
<b>Total Liabilities</b>	<b>1,308,514</b>	<b>5,879</b>	<b>737,293</b>	<b>2,191,993</b>
 <b><u>Deferred Inflows of Resources</u></b>				
Unavailable revenue - property taxes	1,065,555	433,400	442,349	-
 <b><u>Fund Balances</u></b>				
Nonspendable:				
Prepays	13,763	-	-	-
Restricted:				
Debt service	-	33,694	-	-
Endowments/trusts	-	-	-	-
Road and bridge	-	-	2,010,040	-
Grants	-	-	-	163
Special projects	-	-	-	-
Capital project funds	-	-	-	-
Assigned:				
Post closure care costs	-	759,628	-	-
Unassigned	6,605,018	-	-	-
<b>Total Fund Balances</b>	<b>6,618,781</b>	<b>793,322</b>	<b>2,010,040</b>	<b>163</b>
 <b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	 <b>\$ 8,992,850</b>	 <b>\$ 1,232,601</b>	 <b>\$ 3,189,682</b>	 <b>\$ 2,192,156</b>

See Notes to Financial Statements.

<u>College and Commerce</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
\$ 489,460	\$ 2,293,601	\$ 9,466,401
1,700,000	77,399	5,612,445
-	-	13,763
-	365,297	5,186,465
-	-	253,972
<u>\$ 2,189,460</u>	<u>\$ 2,736,297</u>	<u>\$ 20,533,046</u>

\$ 79,228	\$ 185,144	\$ 1,315,383
2,056,461	29,137	5,186,465
-	189,331	281,132
<u>2,135,689</u>	<u>403,612</u>	<u>6,782,980</u>

-	-	1,941,304
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-	-	13,763
-	-	33,694
-	860,780	860,780
-	-	2,010,040
-	-	163
53,771	1,360,120	1,413,891
-	111,785	111,785
-	-	759,628
-	-	6,605,018
<u>53,771</u>	<u>2,332,685</u>	<u>11,808,762</u>

<u>\$ 2,189,460</u>	<u>\$ 2,736,297</u>	<u>\$ 20,533,046</u>
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**POLK COUNTY, TEXAS**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO**  
**THE STATEMENT OF NET POSITION**  
September 30, 2013

Fund balances - total governmental funds	\$	11,808,762
<b>Adjustments for the Statement of Net Position:</b>		
Capital assets used in governmental activities are not current financial resources and, therefore, not reported in the governmental funds.		
Nondepreciable capital assets		12,162,215
Depreciable capital assets, net		44,165,916
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the governmental funds.		
Deferred revenue		1,941,304
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		(109,804)
Deferred charge on refunding		346,356
Long-term liabilities due within one year		(3,511,103)
Long-term liabilities due in more than one year		(31,009,452)
<b>Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>35,794,194</u></b>

See Notes to Financial Statements.

# POLK COUNTY, TEXAS

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

For the Year Ended September 30, 2013

	General	Debt Service	Road and Bridge	Grants
<b><u>Revenues</u></b>				
Property taxes	\$ 8,845,496	\$ 3,811,387	\$ 3,991,745	\$ -
Sales taxes	2,354,141	-	-	-
Other taxes	242,585	-	946,900	-
Fines and forfeitures	612,500	-	82,282	-
Charges for services	1,242,932	-	-	-
Intergovernmental revenue	1,066,579	-	-	3,420,942
Licenses and permits	175,398	-	-	-
Investment income	14,248	721	2,022	-
Other revenue	1,168,749	-	350,380	-
<b>Total Revenues</b>	15,722,628	3,812,108	5,373,329	3,420,942
<b><u>Expenditures</u></b>				
<b>Current:</b>				
General government	5,072,751	-	-	3,440,602
Administration of justice	9,653,033	-	-	-
Roads and bridges	-	-	4,819,560	-
Health and human services	636,845	-	-	-
Tax administration	1,174,054	-	-	-
<b>Debt service:</b>				
Principal	-	2,867,000	391,789	-
Interest and fiscal charges	-	940,907	15,871	-
Debt issuance costs	28,213	-	-	-
<b>Capital outlay</b>	-	-	49,065	-
<b>Total Expenditures</b>	16,564,896	3,807,907	5,276,285	3,440,602
<b>Excess (Deficiency) of</b>				
<b>Revenues Over (Under) Expenditures</b>	(842,268)	4,201	97,044	(19,660)
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers in	210,307	121	126,413	-
Transfers (out)	(101,491)	-	(126,413)	-
Debt issued	495,835	-	29,165	-
<b>Total Other Financing Sources (Uses)</b>	604,651	121	29,165	-
<b>Net Change in Fund Balances</b>	(237,617)	4,322	126,209	(19,660)
Beginning fund balances	6,856,398	789,000	1,883,831	19,823
<b>Ending Fund Balances</b>	\$ 6,618,781	\$ 793,322	\$ 2,010,040	\$ 163

See Notes to Financial Statements.

<u>College and Commerce</u>	<u>Nonmajor Governmental</u>	<u>Total Governmental Funds</u>
\$ -	\$ -	\$ 16,648,628
-	-	2,354,141
-	21,664	1,211,149
-	24,178	718,960
-	350,027	1,592,959
4,198,000	451,846	9,137,367
-	-	175,398
-	3,225	20,216
-	315,225	1,834,354
<u>4,198,000</u>	<u>1,166,165</u>	<u>33,693,172</u>
4,144,229	2,649,677	15,307,259
-	233,783	9,886,816
-	-	4,819,560
-	334,345	971,190
-	-	1,174,054
-	-	3,258,789
-	-	956,778
-	-	28,213
-	44,150	93,215
<u>4,144,229</u>	<u>3,261,955</u>	<u>36,495,874</u>
53,771	(2,095,790)	(2,802,702)
-	2,489,513	2,826,354
-	(2,598,450)	(2,826,354)
-	-	525,000
<u>-</u>	<u>(108,937)</u>	<u>525,000</u>
53,771	(2,204,727)	(2,277,702)
-	4,537,412	14,086,464
<u>\$ 53,771</u>	<u>\$ 2,332,685</u>	<u>\$ 11,808,762</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, 2013**

Net changes in fund balances – total governmental funds \$ (2,277,702)

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

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	7,105,986
Depreciation expense	(1,942,978)
Capital retirements, net	(210,766)

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

Deferred revenue	(100,491)
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Bonds and note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Position.

Principal payment	3,258,789
Debt issuance	(525,000)
Changes to bond premiums	59,682
Amortization of deferred charges	(24,740)
Landfill closure and post closure increase	(166,612)

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.

Net OPEB obligation	(494,657)
Compensated absences	2,497

<b>Change in Net Position of Governmental Activities</b>	<b>\$ <u>4,708,448</u></b>
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See Notes to Financial Statements.

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**POLK COUNTY, TEXAS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
September 30, 2013

	<b>Retiree Health Benefit Trust</b>	<b>Agency</b>
<b><u>Assets</u></b>		
Cash and cash equivalents	\$ 595,609	\$ 5,237,756
<b>Total Assets</b>	\$ 595,609	\$ 5,237,756
<b><u>Liabilities</u></b>		
Due to other units	\$ 4,057	\$ 5,237,756
<b>Total Liabilities</b>	\$ 4,057	\$ 5,237,756
<b><u>Net Position</u></b>		
Held in trust for other post employment benefits	\$ 591,552	

See Notes to Financial Statements.

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**POLK COUNTY, TEXAS**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
For the Year Ended September 30, 2013

		<u>Retiree Health Benefit Trust</u>
<b><u>Additions</u></b>		
Employer contributions	\$	200,000
Other revenue		160,819
Investment income		911
<b>Total Additions</b>		<u>361,730</u>
<b><u>Deductions</u></b>		
Benefits		52,407
Administrative expenses		5,115
<b>Total Deductions</b>		<u>57,522</u>
	<b>Change in Net Position</b>	304,208
Beginning net position		287,344
	<b>Ending Net Position</b>	<u>\$ 591,552</u>

See Notes to Financial Statements.

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**POLK COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS**  
For the Year Ended September 30, 2013

**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. Separate financial statements of the Corporation may be obtained from the County Auditor’s office.

**B. Government-Wide Financial Statements**

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the nonfiduciary activities of the primary government and its component units. All fiduciary activities are reported only in the fund financial statements. *Governmental activities*, which normally are supported by taxes, intergovernmental revenues, and other nonexchange transactions, are reported separately from *business-type activities*, of which the County has none. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

**POLK COUNTY, TEXAS**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended September 30, 2013

**C. Basis of Presentation – Government-Wide Financial Statements**

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds. Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements.

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

**D. Basis of Presentation – Fund Financial Statements**

The fund financial statements provide information about the County's funds, including its fiduciary funds. Separate statements for each fund category – governmental and fiduciary – are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

The County reports the following governmental funds:

**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. The general fund is considered a major fund 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.

**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.

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**NOTES TO FINANCIAL STATEMENTS (Continued)**  
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**Grant Fund** – This fund is used to account for various grants received by the County which are not reported in a separate fund.

**College and Commerce Fund** – This fund is used to account for grants received by the County which are used for construction of the new College and Commerce Center.

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

**Capital Projects Funds**

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

Additionally, the County reports the following fund types:

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

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

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**NOTES TO FINANCIAL STATEMENTS (Continued)**  
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*Tax Assessor Collector's Fund* – Tax collections are deposited intact in the tax collector's agency accounts pending distribution.

**Employee Benefit Trust Fund**

The retiree health benefit trust fund accounts for the funds held in trust for the health care benefit payments for the qualified retired employees of the County.

During the course of operations, the County has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

**E. Measurement Focus and Basis of Accounting**

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

The government-wide and fiduciary fund financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the County considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property taxes, sales tax, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Entitlements are recorded as revenues when all eligibility requirements are met, including any time requirements, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). Expenditure-driven grants are recognized as revenue when

**POLK COUNTY, TEXAS**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
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the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the County.

**F. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance**

**1. Cash and Cash Equivalents**

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.

**2. Investments**

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 Texas Government Code authorizes the County to invest in:

- Direct obligations of U.S. government or U.S. Government agencies
- Fully collateralized certificates of deposit
- Fully collateralized repurchase agreements
- Securities Lending Program that meets requirements of 2256.0115
- Money market mutual funds that meet certain criteria
- Bankers' acceptances
- Commercial paper that meets certain criteria
- Guaranteed investment contracts that meets the requirements of 2256.015 for bond proceeds
- Statewide investment pools

**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 County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets

**POLK COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2013

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	10 to 45 years
Buildings	20 to 50 years
Improvements other than buildings	5 to 30 years
Equipment	3 to 25 years

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

**5. Deferred Outflows/Inflows of Resources**

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The County only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide Statement of Net Position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The County has only one type of item, which arises only under a modified accrual basis of accounting, that qualifies for reporting in this category. Accordingly, the item, *unavailable revenue*, is reported only in the governmental funds balance sheet. The governmental funds report unavailable revenues from property taxes. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available.

**6. 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.



**POLK COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2013

**7. 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 Position. The long-term debt consists primarily of bonds payable and accrued compensated absences.

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

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

**8. Net Position Flow Assumption**

Sometimes the County will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

**9. Fund Balance Flow Assumptions**

Sometimes the County will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the County's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**10. Fund Balance Policies**

Fund balances of governmental funds are reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The County itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

Amounts that cannot be spent because they are either not in spendable form or legally or contractually required to be maintained intact are classified as nonspendable fund balance. Amounts that are

**POLK COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2013**

externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through constitutional provisions are classified as restricted.

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the County's highest level of decision-making authority. The Commissioners' Court is the highest level of decision-making authority for the County that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation.

Amounts in the assigned fund balance classification are intended to be used by the County for specific purposes but do not meet the criteria to be classified as committed. The Commissioners' Court may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

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

**11. 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.

**G. Revenues and Expenditures/Expenses**

**1. Program Revenues**

Amounts reported as *program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions (including special assessments) that are restricted to meeting the operational or capital requirements of a particular function or segment. All taxes, including those dedicated for specific purposes, and other internally dedicated resources are reported as general revenues rather than as program revenues.

**2. Property Taxes**

General property taxes are recorded as revenue when levied for the current year and are 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

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**NOTES TO FINANCIAL STATEMENTS (Continued)**  
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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.

**II. 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 funds' legal level of control is at the fund level. The remaining special revenue funds with adopted budgets are: County and district court technology, courthouse security, law library, aging, County records management, County clerk records preservation, hotel/motel tax, JP technology, available school, district attorney collection, district clerk records preservation, environmental services, jail commissary, district attorney special, justice court building security and permanent school fund. 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. Budgets are adopted on a generally accepted accounting principles 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, 2013.

**III. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

As of September 30, 2013, the County had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (Years)</u>
TexPool	\$ 6,000,339	0.00
Texas CLASS	1,671,585	0.00
	<u>\$ 7,671,924</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.

**POLK COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2013**

*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, 2013, 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, 2013, 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 Texas Cooperative Liquid Assets Securities System Trust – 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 December 14, 2011 (the "Agreement"), among certain Texas governmental entities investing in the pool (the "Participants"), with Cutwater Investor Services Corporation as Program Administrator and Wells Fargo Bank Texas, NA 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 Cutwater Investors Service Corporation to provide for the investment and management of the public funds of CLASS. Separate financial statements for Texas CLASS may be obtained from CLASS' website at [www.texasclass.com](http://www.texasclass.com).

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.

**POLK COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2013

**B. Receivables**

The following comprise receivable balances at year end:

	General	Debt Service	Road and Bridge	Grants	College and Commerce	Nonmajor	Total
Property taxes	\$ 1,065,555	\$ 433,400	\$ 442,349	\$ -	\$ -	\$ -	\$ 1,941,304
Other taxes	354,108	-	-	-	-	-	354,108
Other	372,469	5,815	26,705	1,134,645	1,700,000	77,399	3,317,033
	<u>\$ 1,792,132</u>	<u>\$ 439,215</u>	<u>\$ 469,054</u>	<u>\$ 1,134,645</u>	<u>\$ 1,700,000</u>	<u>\$ 77,399</u>	<u>\$ 5,612,445</u>

**C. Capital Assets**

A summary of changes in capital assets for the year ended September 30, 2013 is as follows:

	Beginning Balance*	Increases	(Decreases)	Ending Balance
<b>Governmental Activities</b>				
Capital assets not being depreciated:				
Land	\$ 1,574,713	\$ -	\$ -	\$ 1,574,713
Construction in progress	3,819,719	6,767,783	-	10,587,502
<b>Total capital assets not being depreciated</b>	<u>5,394,432</u>	<u>6,767,783</u>	<u>-</u>	<u>12,162,215</u>
Other capital assets:				
Infrastructure	90,933,322	-	(3,353)	90,929,969
Buildings	35,990,953	-	-	35,990,953
Improvements	1,998,396	-	-	1,998,396
Equipment	14,303,570	338,203	(823,523)	13,818,250
<b>Total other capital assets</b>	<u>143,226,241</u>	<u>338,203</u>	<u>(826,876)</u>	<u>142,737,568</u>
Less accumulated depreciation for:				
Infrastructure	(86,714,547)	(84,379)	-	(86,798,926)
Buildings	(2,403,994)	(674,685)	-	(3,078,679)
Improvements	(1,119,674)	(79,270)	-	(1,198,944)
Equipment	(7,006,569)	(1,104,644)	616,110	(7,495,103)
<b>Total accumulated depreciation</b>	<u>(97,244,784)</u>	<u>(1,942,978)</u>	<u>616,110</u>	<u>(98,571,652)</u>
Other capital assets, net	45,981,457	(1,604,775)	(210,766)	44,165,916
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 51,375,889</u>	<u>\$ 5,163,008</u>	<u>\$ (210,766)</u>	<u>56,328,131</u>
			Less associated debt	(29,436,788)
			Plus deferred charge on refunding	346,356
			Plus remaining bond proceeds	111,785
			<b>Net Investment in Capital Assets</b>	<u>\$ 27,349,484</u>

\* Beginning balances have been restated

**POLK COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2013

Depreciation was charged to governmental functions as follows:

General government	\$	(446,885)
Administration of justice		(524,604)
Roads and bridges		(874,340)
Health and human services		(97,149)
<b>Total Governmental Activities Depreciation Expense</b>	<b>\$</b>	<b><u>(1,942,978)</u></b>

**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, 2013. 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>
<b>Governmental Activities:</b>					
Bonds, notes payable, and capital leases:					
General obligation	\$ 25,735,000	\$ -	\$ (1,280,000)	\$ 24,455,000	\$ 1,645,000
Tax notes	4,913,000	525,000	(1,587,000)	3,851,000	1,223,000
Obligations under capital leases	791,434	-	(391,789)	399,645	399,645
Less deferred amounts:					
Premium	790,825	-	(59,682)	731,143	-
	<u>32,230,259</u>	<u>525,000</u>	<u>(3,318,471)</u>	<u>29,436,788</u>	<u>* 3,267,645</u>
Other:					
Compensated absences	273,006	535,698	(538,195)	270,509	243,458
Net OPEB obligation	1,716,878	929,046	(434,389)	2,211,535	-
Landfill closure and post closure care costs	2,435,111	166,612	-	2,601,723	-
	<u>4,424,995</u>	<u>1,631,356</u>	<u>(972,584)</u>	<u>5,083,767</u>	<u>243,458</u>
<b>Total Governmental Activities</b>	<b>\$ 36,655,254</b>	<b>\$ 2,156,356</b>	<b>\$ (4,291,055)</b>	<b>\$ 34,520,555</b>	<b>\$ 3,511,103</b>

**Long-term liabilities due in more than one year**      **\$ 31,009,452**

**\* Debt associated with capital assets**      **\$ 29,436,788**

See note IV.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. The governmental activities compensated absences and net OPEB obligation are generally liquidated by the general fund. 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, 2013

Long-term debt obligations of the County as of September 30, 2013, are as follows:

	<u>Percentage Interest Rate</u>	<u>Original Amount</u>	<u>Balance</u>
<b>Capital leases</b>			
Bankcorp South Corporation	2.65	\$ 791,434	\$ 399,645
			<u>399,645</u>
<b>Tax notes</b>			
Series 2007	4.00-6.00	\$ 2,530,000	460,000
Series 2009	2.00-3.00	\$ 2,525,000	1,170,000
Series 2010	1.50-2.00	\$ 830,000	490,000
Series 2011	1.83	\$ 449,000	326,000
Series 2012	2.00	\$ 1,015,000	880,000
Series 2013	1.85	\$ 525,000	525,000
			<u>3,851,000</u>
<b>General obligation</b>			
Certificates of Obligation, Series 2008	4.00-4.12	\$ 10,120,000	7,385,000
Refunding Bonds, Series 2012	2.00-3.00	\$ 17,760,000	17,070,000
			<u>24,455,000</u>
		<b>TOTAL</b>	<b>\$ 28,705,645</b>

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

Year Ending Sept. 30	<b>Governmental Activities</b>					
	<b>General Obligation</b>		<b>Tax Anticipation Notes</b>		<b>Capital Leases</b>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2014	\$ 1,645,000	\$ 777,194	\$ 1,223,000	\$ 83,644	\$ 399,645	\$ 8,013
2015	1,685,000	731,994	784,000	48,663	-	-
2016	1,730,000	685,494	815,000	29,805	-	-
2017	1,780,000	637,594	421,000	15,797	-	-
2018	1,840,000	577,294	293,000	8,882	-	-
2019-2023	10,175,000	1,906,069	315,000	4,515	-	-
2024-2027	5,600,000	426,300	-	-	-	-
<b>Totals</b>	<u>\$ 24,455,000</u>	<u>\$ 5,741,939</u>	<u>\$ 3,851,000</u>	<u>\$ 191,306</u>	<u>\$ 399,645</u>	<u>\$ 8,013</u>

Machinery and equipment acquired under current capital lease obligations totaled of \$638,645.

**POLK COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2013

**E. Interfund Transactions**

Operating transfers between the primary government funds during the 2013 year were as follows:

<u>Transfer In</u>	<u>Transfer Out</u>	<u>Amounts</u>
Major funds:		
General fund	Nonmajor governmental funds	\$ 210,307
Road and bridge	Road and bridge	\$ 126,413
Debt service fund	Nonmajor governmental funds	121
Nonmajor funds:		
Nonmajor governmental funds	Nonmajor governmental funds	2,388,022
Nonmajor governmental funds	General fund	101,491
	<b>Total</b>	<u><u>\$ 2,826,354</u></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, 2013 is as follows:

<u>Due to</u>	<u>Due from</u>	<u>Amounts</u>
Major funds:		
General fund	College and commerce	\$ 1,555,783
General fund	Grant funds	2,185,493
General fund	Debt Service	4,616
General fund	Other governmental funds	22,375
General fund	General fund	11,024
Debt service fund	General fund	26,520
Grant funds	College and commerce	500,678
Road and Bridge funds	Road and Bridge funds	490,690
Road and Bridge funds	General fund	23,989
Nonmajor funds:		
Other governmental funds	General fund	358,535
Other governmental funds	Other governmental funds	6,762
	<b>Total</b>	<u><u>\$ 5,186,465</u></u>

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

**F. Restatement of Net Position**

In the fiscal year ending September 30, 2013, they County implemented GASB Statement No. 65, *Items Previously reported as Assets and Liabilities*. In accordance with this statement, beginning net position of the governmental activities has been reduced by \$926,536 to remove previously capitalized bond issuance costs. There is also an increase to the net position of governmental activities due to the restatement of capital assets. Prior year capital assets were changed due to the recording of additional construction in progress expenses, offset by the removal of an asset that was recorded twice in the prior year.



**POLK COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2013**

The restatement of prior year net position to beginning net position is as follows:

	<b>Governmental Activities</b>
Beginning net position	\$ 31,570,276
Restatement - bond issuance costs	(926,536)
Restatement - capital assets	442,006
Beginning net position - restated	\$ 31,085,746

**IV. 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 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, 2013.

**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.

**POLK COUNTY, TEXAS**  
*NOTES TO FINANCIAL STATEMENTS (Continued)*  
For the Year Ended September 30, 2013

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 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 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 \$10,840,514.

The \$2,601,723 reported as landfill closure and post closure care liability at September 30, 2013 is based on the use of 24 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 \$166,612. The County will recognize the remaining estimated cost of closure and post closure care of \$8,238,791 as the remaining estimated capacity is filled. Based on the current rate of materials deposited, the life of the landfill is 53.7 years.

The estimated costs are based on what it would cost to perform all closure and post closure care in 2013 and do not include provisions for inflation. Based on current projections, the present landfill site will be closed in the year 2065. Monitoring would begin on this date and would continue for the next 30 years.

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

The County is not currently required to make contributions to a trust fund to finance closure and post closure costs. The County has reserved \$759,628 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 (IRS) at least every five years for applicable bond issues. Accordingly, there is the risk that if such calculations are not performed, or not performed correctly, a substantial liability to the County could result. Although the County does not anticipate that

**POLK COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2013**

it will have any arbitrage liability, it periodically engages an arbitrage consultant to perform the calculations in accordance with IRS rules and regulations.

**E. Other Post Employment 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 Post Employment Benefits (OPEB) plan, known as Polk County Retiree Health Care Plan (the "Plan").

Each full time employee who separates from the service of the 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 20 years or more, or (2) has total creditable service with the TCDRS and continuous service as an elected official of the County for 16 years or more; and whose full salary has been paid entirely from the County funds, or Grant funds received from Federal, State, or other local governments by the County continuously, for 20 years or more, or for 16 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 paid by the retiree. Coverage 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.

**POLK COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2013**

Significant methods and assumptions were as follows:

Inflation Rate	3.00% per annum
Actuarial Value of Assets	Market value
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)	7.5%/4.5% after 8 years

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, 2012, the actuarial value of plan assets is \$194,467, the actuarial accrued liability is \$8,154,612, the total unfunded actuarial accrued liability (UAAL) is \$7,960,145, and the actuarial value of assets as a percentage of the actuarial accrued liability is 2.4 percent. The actuarially determined ARC is \$923,366. The components of the ARC consist of the County's normal cost and the amortization of the UAAL. The covered payroll was \$10,160,869, and the ratio of the UAAL to the covered payroll was 78.3 percent.

The County's annual 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 UAAL (or funding excess) over a period not to exceed 30 years.

The annual OPEB cost for the fiscal year ending September 30, 2013, is as follows:

Annual required contribution	\$ 923,366
Interest on OPEB obligation	77,260
Adjustment to ARC	(71,580)
Annual OPEB cost (expense) end of year	<u>929,046</u>
Net estimated employer contributions	(434,389)
Increase in net OPEB obligation	<u>\$ 494,657</u>
Net OPEB obligation (asset) - as of beginning of year	1,716,878
Net OPEB obligation (asset) - as of end of year	<u><u>\$ 2,211,535</u></u>

A separate audited generally accepted accounting principles- basis post employment benefit plan report is not available.

**POLK COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2013

**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, 2013 and the preceding two fiscal years were as follows:

<u>Fiscal Year</u>	<u>Annual OPEB Cost</u>	<u>Employer</u>		<u>Net OPEB Obligation</u>	
		<u>Amount Contributed</u>	<u>Percentage Contributed</u>	<u>Beginning</u>	<u>Ending</u>
2011	\$ 685,492	\$ 49,248	7.18%	\$ 442,645	\$ 1,078,889
2012	\$ 708,118	\$ 70,129	9.90%	\$ 1,078,889	\$ 1,716,878
2013*	\$ 929,046	\$ 434,389	46.76%	\$ 1,716,878	\$ 2,211,535

\* The employer contribution for fiscal year end 2013 includes the fiscal year end 2012 trust contribution of \$196,957 which was not previously reflected and an adjustment for benefits paid from the trust in fiscal year end 2012.

**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 641 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 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 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 11.44

**POLK COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2013

percent for the months of the accounting year in 2012 and 11.70 percent for the months of the accounting year in 2013.

The Commissioners' Court adopted the rate of seven percent as the contribution rate payable by the employee members for calendar year 2013. 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, 2012 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2012 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, 2012 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

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Annual req. contrib. (ARC)	\$ 1,180,961	\$ 1,153,406	\$ 1,098,402
Contributions made	1,180,961	1,153,406	1,098,402
<b>NPO at the End of Period</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Funded Status and Funding Progress**

As of December 31, 2012, the most recent actuarial valuation date, the plan was 87.9 percent funded. The actuarial accrued liability for benefits was \$36,054,240 and the actuarial value of assets was \$31,684,867, resulting in a UAAL of \$4,369,373. The covered payroll (annual payroll of active employees covered by the plan) was \$10,160,869 and the ratio of the UAAL to the covered payroll was 43 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 258<sup>th</sup> and 411<sup>th</sup> Community Supervision and Correction Departments (the

**POLK COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2013**

“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’ budgets.

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 the County. The Department and its divisions are considered to be legally separate from the County. In addition, the 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 the County since the County’s approvals are ministerial in nature. While the Department’s divisions are closely affiliated with the County, they are not considered to be part of the reporting entity, i.e., component units of the County.

**H. Component Unit Disclosures**

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

**1. Financing Agreements and Practical Considerations**

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

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

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.

**POLK COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2013**

On February 1, 2012, the County extended their facility operation and management agreement with Civigenics-Texas, Inc. (the "Operator") for a three year term, containing options for both early cancellation and renewal. The Operator's compensation is payable solely from, and to the extent available, monies in the operating account, as established in the trust account in accordance with the trust indenture. The Operator is paid a fixed fee per prisoner of \$34.75 for all non-Immigration and Customs Enforcement (ICE) inmates and a fixed per prisoner, per diem fee for ICE inmates of \$54.34 per inmate, in consideration of the additional contracted for services unique to the ICE inmate population. The Operator shall pay the County monthly, as a first priority from its Operator fee, a County administrative fee of \$1 per prisoner per day for each ICE inmate, in addition to \$2.75 per prisoner per day for each prisoner when the Facility's inmate population is 526 or less. The Operator will pay the County \$4.60 per prisoner per day for each prisoner when the Facility's inmate population is in excess of 526 prisoners, and it guarantees the County a minimum aggregate administrative fee of \$100,000 annually.

To the extent that the County has a shortage of space in its own jail for its own inmates (not contract inmates), the Operator shall house the overflow prisoner at the request of the Sheriff at a discounted per diem fee of \$24, for up to 25 prisoners.

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



**POLK COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
For the Year Ended September 30, 2013

**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, 2013 are as follows:

Year Ending Sept. 30	Principal	Interest	Total
2014	\$ 1,805,000	\$ 2,770,100	\$ 4,575,100
2015	1,920,000	2,653,500	4,573,500
2016	2,045,000	2,529,450	4,574,450
2017	2,180,000	2,390,125	4,570,125
2018	2,330,000	2,241,475	4,571,475
2019-2023	14,295,000	8,584,043	22,879,043
2023-2026	15,825,000	2,558,508	18,383,508
<b>Total</b>	<b>\$ 40,400,000</b>	<b>\$ 23,727,201</b>	<b>\$ 64,127,201</b>

The bonds were issued to finance a project that consists of the acquisition of real property in the 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.

**3. Material Event Notice and Uncertainty of the Taxability of Bonds**

Nationwide, the Internal Revenue Service (IRS) has begun challenging on an unprecedented scale the tax exempt status of debt issued by certain local governments, including other facility corporations holding federal prisoners like IAH. Should the tax exempt status of bonds be reclassified as taxable by the IRS, IAH could be responsible for an additional 40 percent of bond interest. The IRS's reclassifications would likely cause havoc within the tax exempt bond industry, bond holders, local facility corporations, sponsoring local governments, and prison housing sector. Such changes could result in protracted litigation, increased legal expenses, and changes in the housing of prisoners on behalf of the federal government.

IAH intends to vigorously contest any unfavorable IRS decision. Although IAH is steadfast in its position on its compliance with applicable laws, as a matter of prudence, IAH is exploring the feasibility of refunding the bonds to permanently resolve the IRS matter and to reduce regulations the facility must currently operate under to maintain its tax exempt status.

Subsequent to year end, on December 17, 2013, IAH's bond counsel filed the following event notice regarding its 2004 and 2006 series bonds:

*EVENT NOTICE*

**INTRODUCTION**

*The information in this filing is provided solely to comply with a Continuing Disclosure Undertaking, dated December 21, 2006 between Polk County (the "County") and U.S. Bank National Association (the "Trustee") and pursuant to a First Supplemental Trust Indenture dated December 1, 2006 (the "Supplemental Indenture"); and a Trust Indenture, dated November 1, 2004 (the "Indenture"), executed between the IAH Public Facility Corporation (the "Issuer") and the Trustee authorizing the hereinafter-defined Obligations, pursuant to which the County, on behalf of the Issuer, is to provide notice of certain events specified therein*

**POLK COUNTY, TEXAS**  
**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**For the Year Ended September 30, 2013**

*with respect to the Issuer's \$24,215,000 Project Revenue Bonds, Series 2004 and \$24,820,000 Project Revenue Bonds, Series 2006 (the "Obligations"), to certain identified parties. The County makes this disclosure under the terms of the Continuing Disclosure Undertaking and in a Sublease Agreement, dated as of November 1, 2004 as amended December 1, 2006 (the "Sublease") between the County, as lessee, and the Issuer, as lessor, especially Article 14 thereof, relating to the issuance of the Obligations by the Issuer and with respect to the Project (as defined in the Sublease). The information set forth herein has been obtained from the Issuer's records and other sources which are considered reliable.*

*Any statement in this filing which includes a matter of opinion, whether or not expressly so stated, is intended as such, and not as a representation of fact. The information contained in this filing is provided as of the respective dates specified herein and is subject to change without notice, and the filing of this filing shall not, under any circumstances, create any implication that there has been no change in the affairs of the Issuer, or the Project, or in the other matters described herein since the date as of which such information is provided. The County has disclaimed any contractual or tort liability arising under the Continuing Disclosure Agreement, although holders of the Obligations may seek a writ of mandamus to compel the compliance with such agreement.*

*This filing is not made by the County or the Issuer in connection with a purchase or sale of bonds and accordingly is not intended to contain all information material to a decision to purchase or sell bonds.*

**RECEIPT OF NOTICE OF INTERNAL REVENUE SERVICE EXAMINATION**

*The Issuer received a letter dated March 29, 2012, from the Internal Revenue Service (the "IRS"), Tax-Exempt Bonds and Governmental Entities Division regarding the above-mentioned 2004 Bonds as part of the IRS' limited scope correspondence examination of municipal public safety debt issuances. The Issuer was requested to respond to the Information Document Request #01 Form 4564. The Issuer timely responded to the Information Document Request #1.*

*The Issuer received a letter dated September 18, 2012, from the IRS, Tax-Exempt Bonds and Government Entities Division regarding the above-mentioned Bonds. The Issuer was requested to respond to second Information Document Request Form 4564 seeking additional information regarding the 2004 Bonds. The Issuer timely responded to the Information Document Request #2.*

*The Issuer received a letter dated December 7, 2012, from the IRS, Tax-Exempt Bonds and Government Entities Division regarding the 2004 Bonds. The Issuer was requested to respond to a third Information Document Request Form 4564 seeking additional information regarding the 2004 Bonds. The Issuer timely responded to the Information Document Request #3.*

*The Issuer received a letter dated December 11, 2012, from the IRS, Tax-Exempt Bonds and Government Entities Division regarding the 2006 Bonds. The Issuer was requested to respond to a first Information Document Request Form 4564 seeking additional information regarding the 2006 Bonds. The Issuer timely responded to the Information Document Request #1 related to the 2004 and the 2006 Bonds.*

*The issuer received a letter dated March 15, 2013, from the IRS, Tax-Exempt Bonds and Government Entities Division regarding the 2004 and 2006 Bonds. The Issuer was requested to respond to a fourth Information Document Request Form 4564 seeking additional information regarding a preliminary conclusion by the IRS that the above-mentioned Bonds violate certain Internal Revenue Code rules that cause the Bonds to be taxable. The Issuer timely responded to the Information Document Request #4.*

*The Issuer has cooperated and will continue to cooperate with the IRS in its examination and has provided the IRS with copies of the requested document and with additional information regarding the Bonds. It is unknown at this time what the outcome of the IRS examination will be.*

*This Event Notice may contain information material to the Bond owners but does not purport to contain all material information with respect to the Bonds or the financial condition of Issuer.*

**I. Subsequent Event**

On November 13, 2013, the County entered into a capital lease purchase agreement in the amount of \$825,860 with an interest rate of 2.24 percent. This lease will be used for the purchase of seven 2014 Mack dump trucks. Lease period is from November 13, 2013 through December 13, 2014.

***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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 8,838,726	\$ 8,838,726	\$ 8,845,496	\$ 6,770
Sales taxes	1,730,168	1,730,168	2,354,141	623,973
Other taxes	182,148	192,164	242,585	50,421
Fines and forfeitures	736,000	736,000	612,500	(123,500)
Charges for services	1,124,700	1,236,297	1,242,932	6,635
Intergovernmental	1,629,207	1,629,207	1,066,579	(562,628)
Licenses and permits	162,230	162,230	175,398	13,168
Investment income	20,000	20,000	14,248	(5,752)
Other revenue	1,005,072	1,187,535	1,168,749	(18,786)
<b>Total Revenues</b>	<b>15,428,251</b>	<b>15,732,327</b>	<b>15,722,628</b>	<b>(9,699)</b>
<b>Expenditures</b>				
<b>General Government:</b>				
County judge	218,305	219,173	210,478	8,695
Commissioners' court	511,054	708,856	636,150	72,706
County clerk	516,725	532,118	512,246	19,872
County treasurer	158,024	161,095	148,462	12,633
County auditor	278,732	284,452	274,330	10,122
Data processing	311,689	311,689	281,256	30,433
Personnel	141,388	142,222	129,234	12,988
Engineering	792,937	848,518	834,693	13,825
Fire department support	158,874	158,874	142,573	16,301
Emergency management	290,939	291,906	280,894	11,012
General operating	1,291,233	1,310,557	1,310,557	-
Other unclassified	309,304	313,303	311,878	1,425
	4,979,204	5,282,763	5,072,751	210,012
<b>Administration of Justice:</b>				
Jury	60,500	60,500	35,297	25,203
County clerk-at-law	483,147	539,835	530,211	9,624
District clerk	461,984	464,965	426,428	38,537
District judges	862,398	881,487	860,484	21,003
Justice of the peace pct. 1	166,017	166,394	159,301	7,093
Justice of the peace pct. 2	150,760	150,760	147,716	3,044
Justice of the peace pct. 3	149,598	149,598	147,750	1,848
Justice of the peace pct. 4	142,331	142,331	136,240	6,091
District attorney	952,941	958,025	939,485	18,540
Sheriff	3,476,720	3,815,409	3,779,897	35,512
Jail	2,264,822	2,281,682	2,231,756	49,926
Constables	197,196	205,296	195,691	9,605
DPS	59,998	62,803	62,777	26
	9,428,412	9,879,085	9,653,033	226,052

**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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Expenditures (continued)</b>				
<b>Health and Human Services:</b>				
Library	\$ 87,025	\$ 89,842	\$ 89,840	\$ 2
Social services	308,647	327,549	327,232	317
Veterans services	54,785	54,785	49,029	5,756
County extension	133,722	133,850	109,626	24,224
Environmental	74,118	75,431	61,118	14,313
	<u>658,297</u>	<u>681,457</u>	<u>636,845</u>	<u>44,612</u>
<b>Tax Administration:</b>				
Appraisal district	400,216	400,216	400,216	-
Tax assessor collector	806,467	806,468	773,838	32,630
	<u>1,206,683</u>	<u>1,206,684</u>	<u>1,174,054</u>	<u>32,630</u>
<b>Debt Service:</b>				
Debt issuance costs	-	28,213	28,213	-
	<u>-</u>	<u>28,213</u>	<u>28,213</u>	<u>-</u>
<b>Total Expenditures</b>	<u>16,272,596</u>	<u>17,078,202</u>	<u>16,564,896</u>	<u>513,306</u>
<b>(Deficiency) of Revenues (Under) Expenditures</b>	<u>(844,345)</u>	<u>(1,345,875)</u>	<u>(842,268)</u>	<u>503,607</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	204,639	210,308	210,307	(1)
Transfers (out)	(101,491)	(101,491)	(101,491)	-
Debt issuance	-	495,835	495,835	-
<b>Total Other Financing Sources</b>	<u>103,148</u>	<u>604,652</u>	<u>604,651</u>	<u>(1)</u>
<b>Net Change in Fund Balance</b>	<u>\$ (741,197)</u>	<u>\$ (741,223)</u>	<u>(237,617)</u>	<u>\$ 503,606</u>
Beginning fund balance			<u>6,856,398</u>	
<b>Ending Fund Balance</b>			<u>\$ 6,618,781</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		Positive (Negative)
<b>Revenues</b>				
Property taxes	\$ 3,988,692	\$ 3,988,692	\$ 3,991,745	\$ 3,053
Other taxes	971,800	971,800	946,900	(24,900)
Fines and forfeitures	81,000	81,000	82,282	1,282
Investment income	2,275	2,275	2,022	(253)
Other revenue	48,252	349,666	350,380	714
<b>Total Revenues</b>	<u>5,092,019</u>	<u>5,393,433</u>	<u>5,373,329</u>	<u>(20,104)</u>
<b>Expenditures</b>				
<b>Roads and Bridges:</b>				
Permanent	-	300,000	-	300,000
Pct. 1	1,113,726	1,266,840	1,197,594	69,246
Pct. 2	1,130,847	1,336,610	1,334,221	2,389
Pct. 3	1,358,019	1,283,019	1,131,054	151,965
Pct. 4	1,360,438	1,387,976	1,156,691	231,285
<b>Debt Service:</b>				
Principal	791,434	791,433	391,789	399,644
Interest	20,979	20,979	15,871	5,108
<b>Capital Outlay</b>				
	-	930,030	49,065	880,965
<b>Total Expenditures</b>	<u>5,775,443</u>	<u>7,316,887</u>	<u>5,276,285</u>	<u>2,040,602</u>
<b>Excess (Deficiency) of</b>				
<b>Revenues Over (Under) Expenditures</b>	(683,424)	(1,923,454)	97,044	2,020,498
<b>Other Financing Sources (Uses)</b>				
Transfers in	126,413	126,413	126,413	-
Transfers out	(126,413)	(126,413)	(126,413)	-
Debt issuance	-	855,029	29,165	(825,864)
Sale of capital assets	686,000	686,000	-	(686,000)
<b>Total Other Financing Sources</b>	<u>686,000</u>	<u>1,541,029</u>	<u>29,165</u>	<u>(1,511,864)</u>
<b>Net Change in Fund Balance</b>	<u>\$ 2,576</u>	<u>\$ (382,425)</u>	126,209	<u>\$ 508,634</u>
Beginning fund balance			1,883,831	
<b>Ending Fund Balance</b>			<u>\$ 2,010,040</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, 2013

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.

<b>Fiscal Year</b>	<u><b>2013</b></u>	<u><b>2012</b></u>	<u><b>2011</b></u>
Actuarial Valuation Date	12/31/2012	12/31/2011	12/31/2010
Actuarial Value of Assets	\$ 31,684,867	\$ 30,449,729	\$ 28,559,519
Actuarial Accrued Liability	\$ 36,054,240	\$ 34,257,586	\$ 32,165,860
Percentage Funded	87.9%	88.9%	88.8%
Unfunded Actuarial			
Accrued Liability (UAAL)	\$ 4,369,373	\$ 3,807,857	\$ 3,606,341
Annual Covered Payroll	\$ 10,160,869	\$ 9,944,776	\$ 10,068,500
UAAL % of Covered Payroll	43.0%	38.3%	35.8%
Net Pension Obligation (NPO)			
at the Beginning of Period	\$ -	\$ -	\$ -
Annual Req. Contrib. (ARC)	1,180,961	1,153,406	1,098,402
Contributions Made	1,180,961	1,153,406	1,098,402
<b>NPO at the End of Period</b>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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**POLK COUNTY, TEXAS**  
**SCHEDULE OF FUNDING PROGRESS**  
**POST EMPLOYMENT HEALTHCARE BENEFITS<sup>1</sup>**  
For the Year Ended September 30, 2013

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%
12/31/12	\$ 194,467	\$ 8,154,612	\$ 7,960,145	2.4%	\$ 10,160,869	78.3%

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



***COMBINING STATEMENTS  
AND SCHEDULES***

## **NONMAJOR GOVERNMENTAL FUNDS**

### **Special Revenue Funds**

**County and District Court Technology** - This fund and the associated fee assessed to certain offenders and case filings were 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.

**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 department.

## ***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 Fund*** - 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 is deposited into this fund and used for the purposes of defraying costs of salaries within the District Attorney's office. Also, funds from the state for the District Attorney's investigators for education and training expenses are included.

***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.

***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 Fund*** - This fund is used to account for mineral lease revenue derived from property awarded in Texas land grants to be held for the benefit of schools with the County. These funds may be distributed if approved by the Commissioners' Court.

### **Capital Projects Funds**

Capital projects funds are governmental funds which are used to account for the expenditures of resources accumulated from certificates of obligation and related interest earnings for capital improvement projects.

***Jail Expansion Fund*** - This fund was established from proceeds received from the Certificates of Obligation Series 2007. Its purpose was to expand the County Detention Center to provide a safer environment for both the prisoners and staff.

***Judicial Center Fund*** - This fund was established from proceeds received from the Certificates of Obligation Series 2008. The Judicial Center was constructed to address space and security concerns with courtrooms in the County Courthouse.

**POLK COUNTY, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS (page 1 of 3)**  
September 30, 2013

	Special Revenue Funds			
	County and District Court Technology	Court- house Security	Law Library	Aging
<b>Assets</b>				
Cash and cash equivalents	\$ 2,514	\$ 21,176	\$ 57,411	\$ 4,151
Receivables, net	4	166	140	33,605
Due from other funds	-	-	-	230,000
<b>Total Assets</b>	<b>\$ 2,518</b>	<b>\$ 21,342</b>	<b>\$ 57,551</b>	<b>\$ 267,756</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 3,184	\$ 267	\$ 7,528
Due to other funds	-	-	-	-
Due to other units	-	-	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>3,184</b>	<b>267</b>	<b>7,528</b>
<b>Fund Balances:</b>				
Restricted:				
Special projects	2,518	18,158	57,284	260,228
Capital projects	-	-	-	-
Endowments/trusts	-	-	-	-
<b>Total Fund Balances</b>	<b>2,518</b>	<b>18,158</b>	<b>57,284</b>	<b>260,228</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,518</b>	<b>\$ 21,342</b>	<b>\$ 57,551</b>	<b>\$ 267,756</b>



**Special Revenue Funds**

<b>County Records Mgmt.</b>	<b>County Clerk Records Preservation</b>	<b>Hotel/Motel Tax</b>	<b>JP Technology</b>	<b>Historical Commission</b>	<b>Available School</b>
\$ 1,229	\$ 113,056	\$ 26,875	\$ 54,271	\$ 420,597	\$ 224,723
-	87	3,336	104	-	-
1,250	-	-	1,353	-	-
<u>\$ 2,479</u>	<u>\$ 113,143</u>	<u>\$ 30,211</u>	<u>\$ 55,728</u>	<u>\$ 420,597</u>	<u>\$ 224,723</u>
\$ 2,479	\$ -	\$ 3,019	\$ 5,203	\$ 603	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
<u>2,479</u>	<u>-</u>	<u>3,019</u>	<u>5,203</u>	<u>603</u>	<u>-</u>
-	113,143	27,192	50,525	419,994	-
-	-	-	-	-	-
-	-	-	-	-	224,723
<u>-</u>	<u>113,143</u>	<u>27,192</u>	<u>50,525</u>	<u>419,994</u>	<u>224,723</u>
<u>\$ 2,479</u>	<u>\$ 113,143</u>	<u>\$ 30,211</u>	<u>\$ 55,728</u>	<u>\$ 420,597</u>	<u>\$ 224,723</u>

**POLK COUNTY, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS (page 2 of 3)**  
September 30, 2013

	Special Revenue Funds			
	District Attorney Collection	District Clerk Records Preservation	Forfeiture	District Clerk TDCJ
<b>Assets</b>				
Cash and cash equivalents	\$ 33,941	\$ 27,094	\$ 348,298	\$ 41,790
Receivables, net	-	170	-	-
Due from other funds	-	-	-	-
<b>Total Assets</b>	<b>\$ 33,941</b>	<b>\$ 27,264</b>	<b>\$ 348,298</b>	<b>\$ 41,790</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	\$ 5,073	\$ -	\$ -
Due to other funds	-	-	-	-
Due to other units	-	-	125,677	36,142
<b>Total Liabilities</b>	<b>-</b>	<b>5,073</b>	<b>125,677</b>	<b>36,142</b>
<b>Fund Balances:</b>				
Restricted:				
Special projects	33,941	22,191	222,621	5,648
Capital projects	-	-	-	-
Endowments/trusts	-	-	-	-
<b>Total Liabilities and Fund Balances</b>	<b>\$ 33,941</b>	<b>\$ 27,264</b>	<b>\$ 348,298</b>	<b>\$ 41,790</b>

**Special Revenue Funds**

<b>Judiciary</b>	<b>Officials' Fee Account</b>	<b>Sheriff Federal Revenue Sharing</b>	<b>District Attorney's Check Restitution</b>	<b>Environmental Services</b>	<b>Jail Commissary</b>
\$ 15,071	\$ 27,409	\$ 18,340	\$ 494	\$ 2,333	\$ 33,059
4,222	235	-	-	33,762	1,538
132,694	-	-	-	-	-
<u>\$ 151,987</u>	<u>\$ 27,644</u>	<u>\$ 18,340</u>	<u>\$ 494</u>	<u>\$ 36,095</u>	<u>\$ 34,597</u>
\$ 151,987	\$ 132	\$ 1,099	\$ 494	\$ 1,082	\$ 283
-	-	-	-	29,137	-
-	27,512	-	-	-	-
<u>151,987</u>	<u>27,644</u>	<u>1,099</u>	<u>494</u>	<u>30,219</u>	<u>283</u>
-	-	17,241	-	5,876	34,314
-	-	-	-	-	-
-	-	-	-	-	-
-	-	17,241	-	5,876	34,314
<u>\$ 151,987</u>	<u>\$ 27,644</u>	<u>\$ 18,340</u>	<u>\$ 494</u>	<u>\$ 36,095</u>	<u>\$ 34,597</u>

**POLK COUNTY, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS (page 3 of 3)**  
September 30, 2013

	Special Revenue Funds			Permanent Fund
	District Attorney Special	Justice Court Building Security	Pretrial Intervention	Permanent School
<b>Assets</b>				
Cash and cash equivalents	\$ 2,069	\$ 28,800	\$ 41,058	\$ 636,057
Receivables, net	-	30	-	-
Due from other funds	-	-	-	-
<b>Total Assets</b>	<b>\$ 2,069</b>	<b>\$ 28,830</b>	<b>\$ 41,058</b>	<b>\$ 636,057</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 1,981	\$ -	\$ 730	\$ -
Due to other funds	-	-	-	-
Due to other units	-	-	-	-
<b>Total Liabilities</b>	<b>1,981</b>	<b>-</b>	<b>730</b>	<b>-</b>
<b>Fund Balances:</b>				
Restricted:				
Special projects	88	28,830	40,328	-
Capital projects	-	-	-	-
Endowments/trusts	-	-	-	636,057
	88	28,830	40,328	636,057
<b>Total Liabilities and Fund Balances</b>	<b>\$ 2,069</b>	<b>\$ 28,830</b>	<b>\$ 41,058</b>	<b>\$ 636,057</b>

**Capital  
Projects Fund**

<b>Jail Expansion</b>	<b>Judicial Center</b>	<b>Total Nonmajor Governmental Funds</b>
\$ -	\$ 111,785	\$ 2,293,601
-	-	77,399
-	-	365,297
<u>\$ -</u>	<u>\$ 111,785</u>	<u>\$ 2,736,297</u>

\$ -	\$ -	\$ 185,144
-	-	29,137
-	-	189,331
<u>-</u>	<u>-</u>	<u>403,612</u>

-	-	1,360,120
-	111,785	111,785
-	-	860,780
<u>-</u>	<u>111,785</u>	<u>2,332,685</u>
<u>\$ -</u>	<u>\$ 111,785</u>	<u>\$ 2,736,297</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, 2013

	Special Revenue Funds			
	County and District Court Technology	Court- house Security	Law Library	Aging
<b>Revenues</b>				
Other taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	864	-	-	-
Charge for services	-	33,224	12,294	-
Intergovernmental	-	-	-	382,505
Investment income	-	-	-	-
Other revenue	-	-	-	5,409
<b>Total Revenues</b>	<u>864</u>	<u>33,224</u>	<u>12,294</u>	<u>387,914</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	-	-	5,977	-
Administration of justice	-	116,779	-	-
Health and human services	-	-	-	334,345
<b>Capital outlay</b>	-	-	-	-
<b>Total Expenditures</b>	<u>-</u>	<u>116,779</u>	<u>5,977</u>	<u>334,345</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>864</u>	<u>(83,555)</u>	<u>6,317</u>	<u>53,569</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	86,549	-	-
Transfers (out)	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>86,549</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	864	2,994	6,317	53,569
Beginning fund balances	<u>1,654</u>	<u>15,164</u>	<u>50,967</u>	<u>206,659</u>
<b>Ending Fund Balances</b>	<u>\$ 2,518</u>	<u>\$ 18,158</u>	<u>\$ 57,284</u>	<u>\$ 260,228</u>

**Special Revenue Funds**

<b>County Records Mgmt.</b>	<b>County Clerk Records Preservation</b>	<b>Hotel/Motel Tax</b>	<b>JP Technology</b>	<b>Historical Commission</b>	<b>Available School</b>
\$ -	\$ -	\$ 21,664	\$ -	\$ -	\$ -
-	-	-	18,705	-	-
13,330	133,573	-	-	-	-
-	-	-	-	-	-
-	-	-	-	417	311
-	-	-	-	17,941	136,492
<u>13,330</u>	<u>133,573</u>	<u>21,664</u>	<u>18,705</u>	<u>18,358</u>	<u>136,803</u>
28,484	68,659	17,244	-	2,890	2,526,423
-	-	-	39,149	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>28,484</u>	<u>68,659</u>	<u>17,244</u>	<u>39,149</u>	<u>2,890</u>	<u>2,526,423</u>
(15,154)	64,914	4,420	(20,444)	15,468	(2,389,620)
14,942	-	-	-	-	2,388,022
-	(75,308)	-	-	-	-
<u>14,942</u>	<u>(75,308)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,388,022</u>
(212)	(10,394)	4,420	(20,444)	15,468	(1,598)
<u>212</u>	<u>123,537</u>	<u>22,772</u>	<u>70,969</u>	<u>404,526</u>	<u>226,321</u>
<u>\$ -</u>	<u>\$ 113,143</u>	<u>\$ 27,192</u>	<u>\$ 50,525</u>	<u>\$ 419,994</u>	<u>\$ 224,723</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, 2013

	Special Revenue Funds			
	District Attorney Collection	District Clerk Records Preservation	Forfeiture	District Clerk TDCJ
<b>Revenues</b>				
Other taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Charge for services	5,881	12,101	-	-
Intergovernmental	-	-	52,466	-
Investment income	-	-	97	-
Other revenue	-	-	-	-
<b>Total Revenues</b>	<u>5,881</u>	<u>12,101</u>	<u>52,563</u>	<u>-</u>
<b>Expenditures</b>				
<b>Current:</b>				
General government	-	-	-	-
Administration of justice	1,114	5,073	29,786	2,062
Health and human services	-	-	-	-
<b>Capital outlay</b>	-	-	-	-
<b>Total Expenditures</b>	<u>1,114</u>	<u>5,073</u>	<u>29,786</u>	<u>2,062</u>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<u>4,767</u>	<u>7,028</u>	<u>22,777</u>	<u>(2,062)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	4,767	7,028	22,777	(2,062)
Beginning fund balances	<u>29,174</u>	<u>15,163</u>	<u>199,844</u>	<u>7,710</u>
<b>Ending Fund Balances</b>	<u>\$ 33,941</u>	<u>\$ 22,191</u>	<u>\$ 222,621</u>	<u>\$ 5,648</u>



**Special Revenue Funds**

<b>Judiciary</b>	<b>Officials' Fee Account</b>	<b>Sheriff Federal Revenue Sharing</b>	<b>District Attorney's Check Restitution</b>	<b>Environmental Services</b>	<b>Jail Commissary</b>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	139,624	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	16,821	-	-	15,970
-	-	16,821	-	139,624	15,970
-	-	-	-	-	-
-	-	2,801	-	-	3,889
-	-	-	-	-	-
-	-	-	-	-	-
-	-	2,801	-	-	3,889
-	-	14,020	-	139,624	12,081
-	-	-	-	-	-
-	-	-	-	(134,999)	-
-	-	-	-	(134,999)	-
-	-	14,020	-	4,625	12,081
-	-	3,221	-	1,251	22,233
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,241</u>	<u>\$ -</u>	<u>\$ 5,876</u>	<u>\$ 34,314</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, 2013**

	Special Revenue Funds			Permanent Fund
	District Attorney Special	Justice Court Building Security	Pretrial Intervention Fund	Permanent School
<b>Revenues</b>				
Other taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	4,609	-	-
Charge for services	-	-	-	-
Intergovernmental	-	-	16,875	-
Investment income	-	-	-	2,295
Other revenue	27,500	-	-	95,092
<b>Total Revenues</b>	<b>27,500</b>	<b>4,609</b>	<b>16,875</b>	<b>97,387</b>
<b>Expenditures</b>				
<b>Current:</b>				
General government	-	-	-	-
Administration of justice	27,500	-	5,630	-
Health and human services	-	-	-	-
<b>Capital outlay</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total Expenditures</b>	<b>27,500</b>	<b>-</b>	<b>5,630</b>	<b>-</b>
<b>Excess (Deficiency) of Revenues Over (Under) Expenditures</b>	<b>-</b>	<b>4,609</b>	<b>11,245</b>	<b>97,387</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	(2,388,022)
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(2,388,022)</b>
<b>Net Change in Fund Balances</b>	<b>-</b>	<b>4,609</b>	<b>11,245</b>	<b>(2,290,635)</b>
Beginning fund balances	88	24,221	29,083	2,926,692
<b>Ending Fund Balances</b>	<b>\$ 88</b>	<b>\$ 28,830</b>	<b>\$ 40,328</b>	<b>\$ 636,057</b>

<b>Capital Projects Fund</b>		<b>Total Nonmajor Governmental Funds</b>
<b>Jail Expansion</b>	<b>Judicial Center</b>	
\$ -	\$ -	\$ 21,664
-	-	24,178
-	-	350,027
-	-	451,846
-	105	3,225
-	-	315,225
-	105	1,166,165
-	-	2,649,677
-	-	233,783
-	-	334,345
-	44,150	44,150
-	44,150	3,261,955
-	(44,045)	(2,095,790)
-	-	2,489,513
(121)	-	(2,598,450)
(121)	-	(108,937)
(121)	(44,045)	(2,204,727)
121	155,830	4,537,412
\$ -	\$ 111,785	\$ 2,332,685

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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, 2013

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b><u>Revenues</u></b>				
Property taxes	\$ 3,808,471	\$ 3,808,471	\$ 3,811,387	\$ 2,916
Investment income	1,200	1,200	721	(479)
<b>Total Revenues</b>	<u>3,809,671</u>	<u>3,809,671</u>	<u>3,812,108</u>	<u>2,437</u>
<b><u>Expenditures</u></b>				
Principal	2,867,000	2,867,000	2,867,000	-
Interest and fiscal charges	942,392	942,392	940,907	1,485
<b>Total Expenditures</b>	<u>3,809,392</u>	<u>3,809,392</u>	<u>3,807,907</u>	<u>1,485</u>
<b>Excess of Revenues Over Expenditures</b>	<u>279</u>	<u>279</u>	<u>4,201</u>	<u>3,922</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers in	-	-	121	121
<b>Total Other Financing Sources</b>	<u>-</u>	<u>-</u>	<u>121</u>	<u>121</u>
<b>Net Change in Fund Balance</b>	<u>\$ 279</u>	<u>\$ 279</u>	<u>4,322</u>	<u>\$ 4,043</u>
Beginning fund balance			<u>789,000</u>	
<b>Ending Fund Balance</b>			<u>\$ 793,322</u>	

**Notes to Other 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 - Precinct One**  
For the Year Ended September 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 878,716	\$ 878,716	\$ 879,382	\$ 666
Other taxes	223,514	223,514	217,787	(5,727)
Fines and forfeitures	18,630	18,630	18,925	295
Investment income	400	400	350	(50)
Other	11,098	164,212	164,367	155
<b>Total Revenues</b>	<u>1,132,358</u>	<u>1,285,472</u>	<u>1,280,811</u>	<u>(4,661)</u>
<b>Expenditures</b>				
<b>Roads and bridges:</b>				
Pct. 1	1,113,726	1,266,840	1,197,594	69,246
<b>Total Expenditures</b>	<u>1,113,726</u>	<u>1,266,840</u>	<u>1,197,594</u>	<u>69,246</u>
<b>Excess of</b>				
<b>Revenues Over Expenditures</b>	<u>18,632</u>	<u>18,632</u>	<u>83,217</u>	<u>64,585</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(18,065)	(18,065)	(18,065)	-
<b>Total Other Financing (Uses)</b>	<u>(18,065)</u>	<u>(18,065)</u>	<u>(18,065)</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ 567</u>	<u>\$ 567</u>	65,152	<u>\$ 64,585</u>
Beginning fund balance			<u>591,413</u>	
<b>Ending Fund Balance</b>			<u>\$ 656,565</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 914,036	\$ 914,036	\$ 914,735	\$ 699
Other taxes	223,514	223,514	217,787	(5,727)
Fines and forfeitures	18,630	18,630	18,925	295
Investment income	275	275	245	(30)
Other	11,098	131,861	132,055	194
<b>Total Revenues</b>	<u>1,167,553</u>	<u>1,288,316</u>	<u>1,283,747</u>	<u>(4,569)</u>
<b>Expenditures</b>				
<b>Roads and bridges:</b>				
Pct. 2	1,130,847	1,336,610	1,334,221	2,389
Capital outlay	-	29,165	29,165	-
<b>Total Expenditures</b>	<u>1,130,847</u>	<u>1,365,775</u>	<u>1,363,386</u>	<u>2,389</u>
<b>Excess Deficiency of Revenues Over Over (Under) Expenditures</b>	<u>36,706</u>	<u>(77,459)</u>	<u>(79,639)</u>	<u>(2,180)</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(36,116)	(36,116)	(36,116)	-
Debt issuance	-	29,165	29,165	-
<b>Total Other Financing (Uses)</b>	<u>(36,116)</u>	<u>(6,951)</u>	<u>(6,951)</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ 590</u>	<u>\$ (84,410)</u>	<u>(86,590)</u>	<u>\$ (2,180)</u>
Beginning fund balance			<u>122,559</u>	
<b>Ending Fund Balance</b>			<u>\$ 35,969</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 1,096,710	\$ 1,096,710	\$ 1,097,553	\$ 843
Other taxes	262,386	262,386	255,663	(6,723)
Fines and forfeitures	21,870	21,870	22,216	346
Investment income	850	850	752	(98)
Other	13,028	13,028	13,210	182
<b>Total Revenues</b>	<u>1,394,844</u>	<u>1,394,844</u>	<u>1,389,394</u>	<u>(5,450)</u>
<b>Expenditures</b>				
<b>Roads and bridges:</b>				
Pct. 3	1,358,019	1,283,019	1,131,054	151,965
Capital outlay	-	75,000	19,900	55,100
<b>Total Expenditures</b>	<u>1,358,019</u>	<u>1,358,019</u>	<u>1,150,954</u>	<u>207,065</u>
<b>Excess of</b>				
<b>Revenues Over Expenditures</b>	<u>36,825</u>	<u>36,825</u>	<u>238,440</u>	<u>201,615</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(36,116)	(36,116)	(36,116)	-
<b>Total Other Financing (Uses)</b>	<u>(36,116)</u>	<u>(36,116)</u>	<u>(36,116)</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ 709</u>	<u>\$ 709</u>	202,324	<u>\$ 201,615</u>
Beginning fund balance			<u>586,351</u>	
<b>Ending Fund Balance</b>			<u>\$ 788,675</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 1,099,230	\$ 1,099,230	\$ 1,100,075	\$ 845
Other taxes	262,386	262,386	255,663	(6,723)
Fines and forfeitures	21,870	21,870	22,216	346
Investment income	750	750	675	(75)
Other	13,028	40,565	40,748	183
<b>Total Revenues</b>	<u>1,397,264</u>	<u>1,424,801</u>	<u>1,419,377</u>	<u>(5,424)</u>
<b>Expenditures</b>				
<b>Roads and bridges:</b>				
Permanent	-	300,000	-	300,000
Pct. 4	1,360,438	1,387,976	1,156,691	231,285
<b>Total Expenditures</b>	<u>1,360,438</u>	<u>1,687,976</u>	<u>1,156,691</u>	<u>531,285</u>
<b>Excess of Deficiency of Revenues Over (Under) Expenditures</b>	<u>36,826</u>	<u>(263,175)</u>	<u>262,686</u>	<u>525,861</u>
<b>Other Financing Sources (Uses)</b>				
Transfers out	(36,116)	(36,116)	(36,116)	-
<b>Total Other Financing (Uses)</b>	<u>(36,116)</u>	<u>(36,116)</u>	<u>(36,116)</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ 710</u>	<u>\$ (299,291)</u>	<u>226,570</u>	<u>\$ 525,861</u>
Beginning fund balance			<u>583,508</u>	
<b>Ending Fund Balance</b>			<u>\$ 810,078</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Expenditures</b>				
<b>Debt Service:</b>				
Principal	\$ 791,434	\$ 791,433	\$ 391,789	\$ 399,644
Interest	20,979	20,979	15,871	5,108
<b>Capital outlay</b>	-	825,865	-	825,865
<b>Total Expenditures</b>	<u>812,413</u>	<u>1,638,277</u>	<u>407,660</u>	<u>1,230,617</u>
<b>Deficiency of Revenues (Under)</b>				
<b>Expenditures</b>	<u>(812,413)</u>	<u>(1,638,277)</u>	<u>(407,660)</u>	<u>1,230,617</u>
<b>Other Financing Sources (Uses)</b>				
Transfers in	126,413	126,413	126,413	-
Debt issued	-	825,864	-	(825,864)
Sale of capital assets	686,000	686,000	-	(686,000)
<b>Total Other Financing Sources</b>	<u>812,413</u>	<u>1,638,277</u>	<u>126,413</u>	<u>(1,511,864)</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>(281,247)</u>	<u>\$ (281,247)</u>
Beginning fund balance			-	
<b>Ending Fund Balance</b>			<u>\$ (281,247)</u>	

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

For the Year Ended September 30, 2013

	<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>		
<b><u>Revenues</u></b>				
Fines and forfeitures	\$ 940	\$ 940	864	\$ (76)
<b>Total Revenues</b>	<u>940</u>	<u>940</u>	<u>864</u>	<u>(76)</u>
<b><u>Expenditures</u></b>				
Administration of justice	940	940	-	940
<b>Total Expenditures</b>	<u>940</u>	<u>940</u>	<u>-</u>	<u>940</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	864	<u>\$ 864</u>
Beginning fund balance			<u>1,654</u>	
<b>Ending Fund Balance</b>			<u>\$ 2,518</u>	

**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**COURTHOUSE SECURITY**

For the Year Ended September 30, 2013

	<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>		
<b><u>Revenues</u></b>				
Charges for services	\$ 35,050	\$ 35,050	\$ 33,224	\$ (1,826)
<b>Total Revenues</b>	<u>35,050</u>	<u>35,050</u>	<u>33,224</u>	<u>(1,826)</u>
<b><u>Expenditures</u></b>				
Administration of justice	121,600	121,600	116,779	4,821
<b>Total Expenditures</b>	<u>121,600</u>	<u>121,600</u>	<u>116,779</u>	<u>4,821</u>
<b>Deficiency of Revenues (Under)</b>				
<b>Expenditures</b>	<u>(86,550)</u>	<u>(86,550)</u>	<u>(83,555)</u>	<u>2,995</u>
<b><u>Other Financing Sources (Uses)</u></b>				
Transfers in	86,550	86,550	86,549	(1)
<b>Total Other Financing Sources</b>	<u>86,550</u>	<u>86,550</u>	<u>86,549</u>	<u>(1)</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	2,994	<u>\$ 2,994</u>
Beginning fund balance			<u>15,164</u>	
<b>Ending Fund Balance</b>			<u>\$ 18,158</u>	

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

For the Year Ended September 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ 12,350	\$ 12,350	\$ 12,294	\$ (56)
<b>Total Revenues</b>	<u>12,350</u>	<u>12,350</u>	<u>12,294</u>	<u>(56)</u>
<b>Expenditures</b>				
General government	12,350	12,350	5,977	6,373
<b>Total Expenditures</b>	<u>12,350</u>	<u>12,350</u>	<u>5,977</u>	<u>6,373</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	6,317	<u>\$ 6,317</u>
Beginning fund balance			<u>50,967</u>	
<b>Ending Fund Balance</b>			<u>\$ 57,284</u>	

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

For the Year Ended September 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Intergovernmental	\$ 261,873	\$ 346,424	\$ 382,505	\$ 36,081
Other	9,761	13,226	5,409	(7,817)
<b>Total Revenues</b>	<u>271,634</u>	<u>359,650</u>	<u>387,914</u>	<u>28,264</u>
<b>Expenditures</b>				
Health and human services	271,634	359,650	334,345	25,305
<b>Total Expenditures</b>	<u>271,634</u>	<u>359,650</u>	<u>334,345</u>	<u>25,305</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	53,569	<u>\$ 53,569</u>
Beginning fund balance			<u>206,659</u>	
<b>Ending Fund Balance</b>			<u>\$ 260,228</u>	

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

For the Year Ended September 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ 14,800	\$ 14,800	\$ 13,330	\$ (1,470)
<b>Total Revenues</b>	<b>14,800</b>	<b>14,800</b>	<b>13,330</b>	<b>(1,470)</b>
<b>Expenditures</b>				
General government	29,742	29,742	28,484	1,258
<b>Total Expenditures</b>	<b>29,742</b>	<b>29,742</b>	<b>28,484</b>	<b>1,258</b>
<b>Deficiency of Revenues (Under)</b>				
<b>Expenditures</b>	<b>(14,942)</b>	<b>(14,942)</b>	<b>(15,154)</b>	<b>(212)</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	14,942	14,942	14,942	-
<b>Total Other Financing Sources</b>	<b>14,942</b>	<b>14,942</b>	<b>14,942</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>(212)</b>	<b>\$ (212)</b>
Beginning fund balance			212	
<b>Ending Fund Balance</b>			<b>\$ -</b>	

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

For the Year Ended September 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ 112,750	\$ 112,750	\$ 133,573	\$ 20,823
<b>Total Revenues</b>	<b>112,750</b>	<b>112,750</b>	<b>133,573</b>	<b>20,823</b>
<b>Expenditures</b>				
General governmental	72,064	72,064	68,659	3,405
<b>Total Expenditures</b>	<b>72,064</b>	<b>72,064</b>	<b>68,659</b>	<b>3,405</b>
<b>Excess of Revenues Over</b>				
<b>Expenditures</b>	<b>40,686</b>	<b>40,686</b>	<b>64,914</b>	<b>24,228</b>
<b>Other Financing Sources (Uses)</b>				
Transfers (out)	(69,639)	(75,308)	(75,308)	-
<b>Total Other Financing (Uses)</b>	<b>(69,639)</b>	<b>(75,308)</b>	<b>(75,308)</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>\$ (28,953)</b>	<b>\$ (34,622)</b>	<b>(10,394)</b>	<b>\$ 24,228</b>
Beginning fund balance			123,537	
<b>Ending Fund Balance</b>			<b>\$ 113,143</b>	

**POLK COUNTY, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**HOTEL/MOTEL TAX**

For the Year Ended September 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Other taxes	\$ 20,000	\$ 20,000	\$ 21,664	\$ 1,664
<b>Total Revenues</b>	<u>20,000</u>	<u>20,000</u>	<u>21,664</u>	<u>1,664</u>
<b>Expenditures</b>				
General government	20,000	20,000	17,244	2,756
<b>Total Expenditures</b>	<u>20,000</u>	<u>20,000</u>	<u>17,244</u>	<u>2,756</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	4,420	<u>\$ 4,420</u>
Beginning fund balance			<u>22,772</u>	
<b>Ending Fund Balance</b>			<u>\$ 27,192</u>	

**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**JP TECHNOLOGY**

For the Year Ended September 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Fines and forfeitures	\$ 23,200	\$ 23,200	\$ 18,705	\$ (4,495)
<b>Total Revenues</b>	<u>23,200</u>	<u>23,200</u>	<u>18,705</u>	<u>(4,495)</u>
<b>Expenditures</b>				
Administration of justice	35,000	39,149	39,149	-
<b>Total Expenditures</b>	<u>35,000</u>	<u>39,149</u>	<u>39,149</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ (11,800)</u>	<u>\$ (15,949)</u>	(20,444)	<u>\$ (4,495)</u>
Beginning fund balance			<u>70,969</u>	
<b>Ending Fund Balance</b>			<u>\$ 50,525</u>	



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

For the Year Ended September 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Investment income	\$ 1,500	\$ 2,974	\$ 311	\$ (2,663)
Other	136,492	136,492	136,492	-
<b>Total Revenues</b>	<u>137,992</u>	<u>139,466</u>	<u>136,803</u>	<u>(2,663)</u>
<b>Expenditures</b>				
General government	137,992	2,526,423	2,526,423	-
<b>Total Expenditures</b>	<u>137,992</u>	<u>2,526,423</u>	<u>2,526,423</u>	<u>-</u>
<b>Deficiency of Revenues (Under)</b>				
<b>Expenditures</b>	-	(2,386,957)	(2,389,620)	(2,663)
<b>Other Financing Sources (Uses)</b>				
Transfers in	-	2,385,359	2,388,022	2,663
<b>Total Other Financing Sources</b>	<u>-</u>	<u>2,385,359</u>	<u>2,388,022</u>	<u>2,663</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ (1,598)</u>	(1,598)	<u>\$ -</u>
Beginning fund balance			226,321	
<b>Ending Fund Balance</b>			<u>\$ 224,723</u>	

**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**DISTRICT ATTORNEY COLLECTION**

For the Year Ended September 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ 5,000	\$ 5,000	\$ 5,881	\$ 881
<b>Total Revenues</b>	<u>5,000</u>	<u>5,000</u>	<u>5,881</u>	<u>881</u>
<b>Expenditures</b>				
Administration of justice	5,000	5,000	1,114	3,886
<b>Total Expenditures</b>	<u>5,000</u>	<u>5,000</u>	<u>1,114</u>	<u>3,886</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	4,767	<u>\$ 4,767</u>
Beginning fund balance			29,174	
<b>Ending Fund Balance</b>			<u>\$ 33,941</u>	

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

For the Year Ended September 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ 12,150	\$ 12,150	\$ 12,101	\$ (49)
<b>Total Revenues</b>	<u>12,150</u>	<u>12,150</u>	<u>12,101</u>	<u>(49)</u>
<b>Expenditures</b>				
Administration of justice	12,150	12,150	5,073	7,077
<b>Total Expenditures</b>	<u>12,150</u>	<u>12,150</u>	<u>5,073</u>	<u>7,077</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	7,028	<u>\$ 7,028</u>
Beginning fund balance			<u>15,163</u>	
<b>Ending Fund Balance</b>			<u>\$ 22,191</u>	

**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**ENVIRONMENTAL SERVICES**

For the Year Ended September 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Charges for services	\$ 135,000	\$ 135,000	\$ 139,624	4,624
<b>Total Revenues</b>	<u>135,000</u>	<u>135,000</u>	<u>139,624</u>	<u>4,624</u>
<b>Excess of Revenues Over Expenditures</b>	<u>135,000</u>	<u>135,000</u>	<u>139,624</u>	<u>4,624</u>
<b>Other Financing Sources (Uses)</b>				
Transfers (out)	(135,000)	(135,000)	(134,999)	1
<b>Total Other Financing (Uses)</b>	<u>(135,000)</u>	<u>(135,000)</u>	<u>(134,999)</u>	<u>1</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	4,625	<u>\$ 4,625</u>
Beginning fund balance			<u>1,251</u>	
<b>Ending Fund Balance</b>			<u>\$ 5,876</u>	

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

For the Year Ended September 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Other	\$ 8,000	\$ 8,000	\$ 15,970	\$ 7,970
<b>Total Revenues</b>	<b>8,000</b>	<b>8,000</b>	<b>15,970</b>	<b>7,970</b>
<b>Expenditures</b>				
Administration of justice	8,000	8,000	3,889	4,111
<b>Total Expenditures</b>	<b>8,000</b>	<b>8,000</b>	<b>3,889</b>	<b>4,111</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>12,081</b>	<b>\$ 12,081</b>
Beginning fund balance			22,233	
<b>Ending Fund Balance</b>			<b>\$ 34,314</b>	

**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**DISTRICT ATTORNEY SPECIAL**

For the Year Ended September 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Other	\$ 24,000	\$ 27,500	\$ 27,500	\$ -
<b>Total Revenues</b>	<b>24,000</b>	<b>27,500</b>	<b>27,500</b>	<b>-</b>
<b>Expenditures</b>				
Administration of justice	24,000	27,500	27,500	-
<b>Total Expenditures</b>	<b>24,000</b>	<b>27,500</b>	<b>27,500</b>	<b>-</b>
<b>Net Change in Fund Balance</b>	<b>\$ -</b>	<b>\$ -</b>	<b>-</b>	<b>\$ -</b>
Beginning fund balance			88	
<b>Ending Fund Balance</b>			<b>\$ 88</b>	

**POLK COUNTY, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**JUSTICE COURT BUILDING SECURITY**

For the Year Ended September 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Fines and forfeitures	\$ 5,600	\$ 5,600	\$ 4,609	\$ (991)
<b>Total Revenues</b>	<u>5,600</u>	<u>5,600</u>	<u>4,609</u>	<u>(991)</u>
<b>Expenditures</b>				
General government	5,600	5,600	-	5,600
<b>Total Expenditures</b>	<u>5,600</u>	<u>5,600</u>	<u>-</u>	<u>5,600</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	4,609	<u>\$ 4,609</u>
Beginning fund balance			<u>24,221</u>	
<b>Ending Fund Balance</b>			<u>\$ 28,830</u>	

**SCHEDULE OF REVENUES, EXPENDITURES, AND**  
**CHANGES IN FUND BALANCE - BUDGET AND ACTUAL**  
**PERMANENT SCHOOL**

For the Year Ended September 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Investment income	\$ -	\$ 2,295	\$ 2,295	\$ -
Other	1,150	95,092	95,092	-
<b>Total Revenues</b>	<u>1,150</u>	<u>97,387</u>	<u>97,387</u>	<u>-</u>
<b>Expenditures</b>				
General government	1,150	1,150	-	1,150
<b>Total Expenditures</b>	<u>1,150</u>	<u>1,150</u>	<u>-</u>	<u>1,150</u>
<b>Excess of Revenues Over Expenditures</b>	<u>-</u>	<u>96,237</u>	<u>97,387</u>	<u>1,150</u>
<b>Other Financing Sources (Uses)</b>				
Transfers (out)	-	(2,388,022)	(2,388,022)	-
<b>Total Other Financing (Uses)</b>	<u>-</u>	<u>(2,388,022)</u>	<u>(2,388,022)</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ (2,291,785)</u>	(2,290,635)	<u>\$ 1,150</u>
Beginning fund balance			<u>2,926,692</u>	
<b>Ending Fund Balance</b>			<u>\$ 636,057</u>	

**POLK COUNTY, TEXAS**  
**COMBINING STATEMENT OF NET POSITION**  
**AGENCY FUNDS**  
September 30, 2013

	<u>County Clerk's Probate Trust</u>	<u>District Clerk's Trust</u>	<u>Tax Collector</u>	<u>Total Agency Funds</u>
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 829,714	\$ 3,357,857	\$ 1,050,185	\$ 5,237,756
<b>Total Assets</b>	<b>\$ 829,714</b>	<b>\$ 3,357,857</b>	<b>\$ 1,050,185</b>	<b>\$ 5,237,756</b>
<b><u>Liabilities</u></b>				
Due to other units	\$ 829,714	\$ 3,357,857	\$ 1,050,185	\$ 5,237,756
<b>Total Liabilities</b>	<b>\$ 829,714</b>	<b>\$ 3,357,857</b>	<b>\$ 1,050,185</b>	<b>\$ 5,237,756</b>

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**POLK COUNTY, TEXAS**  
**STATEMENT OF CHANGES IN ASSETS AND LIABILITIES**  
**AGENCY FUNDS**  
September 30, 2013

	<u>Balance</u> <u>October 1, 2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>September 1,</u> <u>2013</u>
<b><u>County Clerk Probate Trust</u></b>				
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 572,112	\$ 257,602	\$ -	\$ 829,714
<b>Total Assets</b>	<b>\$ 572,112</b>	<b>\$ 257,602</b>	<b>\$ -</b>	<b>\$ 829,714</b>
<b><u>Liabilities</u></b>				
Due to other units	\$ 572,112	\$ 257,602	\$ -	\$ 829,714
<b>Total Liabilities</b>	<b>\$ 572,112</b>	<b>\$ 257,602</b>	<b>\$ -</b>	<b>\$ 829,714</b>
<b><u>District Clerk Trust</u></b>				
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 3,381,075	\$ -	\$ (23,218)	\$ 3,357,857
<b>Total Assets</b>	<b>\$ 3,381,075</b>	<b>\$ -</b>	<b>\$ (23,218)</b>	<b>\$ 3,357,857</b>
<b><u>Liabilities</u></b>				
Due to other units	\$ 3,381,075	\$ -	\$ (23,218)	\$ 3,357,857
<b>Total Liabilities</b>	<b>\$ 3,381,075</b>	<b>\$ -</b>	<b>\$ (23,218)</b>	<b>\$ 3,357,857</b>
<b><u>Tax Assessor Collector</u></b>				
<b><u>Assets</u></b>				
Cash and cash equivalents	\$ 1,066,993	\$ -	\$ (16,808)	\$ 1,050,185
<b>Total Assets</b>	<b>\$ 1,066,993</b>	<b>\$ -</b>	<b>\$ (16,808)</b>	<b>\$ 1,050,185</b>
<b><u>Liabilities</u></b>				
Due to other units	\$ 1,066,993	\$ -	\$ (16,808)	\$ 1,050,185
<b>Total Liabilities</b>	<b>\$ 1,066,993</b>	<b>\$ -</b>	<b>\$ (16,808)</b>	<b>\$ 1,050,185</b>

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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 POSITION BY COMPONENT

Last Ten Years

(Accrual basis of accounting)

	Fiscal Year			
	2004	2005	2006	2007
Governmental activities				
Net investment in capital assets	\$ 6,516,831	\$ 5,768,223	\$ 13,101,783	\$ 15,748,347
Restricted	994,579	1,159,707	1,315,496	1,096,393
Unrestricted	2,068,436	2,890,488	4,751,455	6,043,734
<b>Total governmental activities net position</b>	<b>\$ 9,579,846</b>	<b>\$ 9,818,418</b>	<b>\$ 19,168,734</b>	<b>\$ 22,888,474</b>

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 16,127,180	\$ 14,526,990	\$ 11,091,425	\$ 13,205,126	\$ 19,677,873	\$ 27,349,484
988,219	1,003,827	2,785,081	2,542,014	5,086,759	4,430,353
7,914,865	10,422,140	7,334,856	7,276,085	6,321,114	4,014,357
<u>\$ 25,030,264</u>	<u>\$ 25,952,957</u>	<u>\$ 21,211,362</u>	<u>\$ 23,023,225</u>	<u>\$ 31,085,746</u>	<u>\$ 35,794,194</u>

# POLK COUNTY, TEXAS

## CHANGES IN NET POSITION

Last Ten Years

(Accrual basis of accounting)

	Fiscal Year			
	2004	2005	2006	2007
<b>Expenses</b>				
Governmental activities				
General government	\$ 3,679,583	\$ 3,604,151	\$ 4,758,365	\$ 5,503,708
Administration of justice	5,978,981	6,700,554	7,215,233	6,462,550
Roads and bridges	3,268,923	4,887,005	5,220,888	4,984,706
Health and human services	1,091,520	945,272	981,990	962,227
Tax administration	755,033	733,937	807,230	865,141
Interest and fiscal agent fees	232,831	267,913	205,970	580,113
<b>Total governmental activities expenses</b>	<b>\$ 15,006,871</b>	<b>\$ 17,138,832</b>	<b>\$ 19,189,676</b>	<b>\$ 19,358,445</b>
<b>Program Revenues</b>				
Governmental activities				
Charges for services				
General government	\$ 1,749,638	\$ 1,729,362	\$ 2,158,693	\$ 2,474,710
Administration of justice	163,064	157,036	176,852	53,985
Roads and bridges	-	-	-	-
Health and human services	188,256	201,730	186,991	255,530
Operating grants and contributions	483,404	840,948	1,819,107	1,442,147
<b>Total governmental activities program revenues</b>	<b>2,584,362</b>	<b>2,929,076</b>	<b>4,341,643</b>	<b>4,226,372</b>
<b>Net (Expense)</b>				
Governmental activities	<b>\$ (12,422,509)</b>	<b>\$ (14,209,756)</b>	<b>\$ (14,848,033)</b>	<b>\$ (15,132,073)</b>
<b>General Revenues and Other Changes in Net Position</b>				
Governmental activities				
Taxes	\$ 12,307,581	\$ 12,299,881	\$ 14,864,665	\$ 16,189,813
Investment earnings	74,210	173,301	338,495	726,705
Other revenues	1,430,703	1,975,146	2,044,675	1,747,855
Gain on sale of capital assets	-	-	415,906	-
<b>Total governmental activities</b>	<b>13,812,494</b>	<b>14,448,328</b>	<b>17,663,741</b>	<b>18,664,373</b>
<b>Change in Net Position</b>				
Governmental activities	<b>\$ 1,389,985</b>	<b>\$ 238,572</b>	<b>\$ 2,815,708</b>	<b>\$ 3,532,300</b>

Fiscal Year

2008	2009	2010	2011	2012	2013
\$ 5,086,750	\$ 13,153,683	\$ 4,730,688	\$ 5,400,250	\$ 7,113,066	\$ 10,804,098
8,777,239	8,933,374	10,384,722	9,883,929	10,501,266	10,179,505
6,737,830	6,126,250	5,774,317	6,343,810	4,646,530	4,732,628
1,029,386	1,164,876	1,062,130	977,523	1,055,093	1,068,339
903,615	1,001,973	992,019	1,042,231	1,042,583	1,174,054
1,353,728	1,602,765	1,611,384	1,247,829	1,527,916	925,609
<u>\$ 23,888,548</u>	<u>\$ 31,982,921</u>	<u>\$ 24,555,260</u>	<u>\$ 24,895,572</u>	<u>\$ 25,886,454</u>	<u>\$ 28,884,233</u>
\$ 2,489,079	\$ 2,473,938	\$ 2,313,774	\$ 2,286,156	\$ 2,227,281	\$ 2,044,160
54,658	97,530	42,364	52,826	39,145	221,251
107,534	137,495	77,566	74,070	99,227	82,282
229,727	148,421	138,900	141,251	132,073	139,624
4,144,123	10,420,519	2,676,971	2,673,300	8,748,161	9,137,367
<u>7,025,121</u>	<u>13,277,903</u>	<u>5,249,575</u>	<u>5,227,603</u>	<u>11,245,887</u>	<u>11,624,684</u>
<u>\$ (16,863,427)</u>	<u>\$ (18,705,018)</u>	<u>\$ (19,305,685)</u>	<u>\$ (19,667,969)</u>	<u>\$ (14,640,567)</u>	<u>\$ (17,259,549)</u>
\$ 16,198,654	\$ 17,595,693	\$ 18,207,997	\$ 19,089,029	\$ 19,047,013	\$ 20,113,427
1,350,300	338,323	163,124	49,727	58,869	20,216
1,456,263	1,693,695	1,408,586	1,830,102	4,081,736	1,834,354
-	-	-	-	-	-
<u>19,005,217</u>	<u>19,627,711</u>	<u>19,779,707</u>	<u>20,968,858</u>	<u>23,187,618</u>	<u>21,967,997</u>
<u>\$ 2,141,790</u>	<u>\$ 922,693</u>	<u>\$ 474,022</u>	<u>\$ 1,300,889</u>	<u>\$ 8,547,051</u>	<u>\$ 4,708,448</u>

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

	Fiscal Year			
	2004	2005	2006	2007
General Fund				
Nonspendable	\$ -	\$ -	\$ -	\$ -
Unassigned	1,707,692	2,702,905	2,975,092	3,956,435
<b>Total general fund</b>	<u>\$ 1,707,692</u>	<u>\$ 2,702,905</u>	<u>\$ 2,975,092</u>	<u>\$ 3,956,435</u>
All Other Governmental Funds				
Restricted	\$ 2,006,849	\$ 1,375,702	\$ 1,692,570	\$ 21,265,700
Assigned	622,032	622,032	688,804	725,951
Unassigned	-	-	-	-
<b>Total all other governmental funds</b>	<u>\$ 2,628,881</u>	<u>\$ 1,997,734</u>	<u>\$ 2,381,374</u>	<u>\$ 21,991,651</u>

**Fiscal Year**

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ -	\$ -	\$ -	\$ 18,292	\$ 15,547	\$ 13,763
5,392,980	6,082,958	5,936,757	6,744,271	6,840,851	6,605,018
<u>\$ 5,392,980</u>	<u>\$ 6,082,958</u>	<u>\$ 5,936,757</u>	<u>\$ 6,762,563</u>	<u>\$ 6,856,398</u>	<u>\$ 6,618,781</u>
\$ 31,254,888	\$ 30,498,536	\$ 17,730,144	\$ 5,297,356	\$ 6,471,158	\$ 4,430,353
749,843	625,968	527,160	758,046	758,908	759,628
-	-	-	(28,095)	-	-
<u>\$ 32,004,731</u>	<u>\$ 31,124,504</u>	<u>\$ 18,257,304</u>	<u>\$ 6,027,307</u>	<u>\$ 7,230,066</u>	<u>\$ 5,189,981</u>

# POLK COUNTY, TEXAS

## CHANGES IN FUND BALANCES, GOVERNMENTAL FUNDS

Last Ten Years  
(Modified accrual basis of accounting)

	Fiscal Year			
	2004	2005	2006	2007
<b>Revenues</b>				
Taxes	\$ 11,828,927	\$ 12,573,534	\$ 14,583,975	\$ 15,635,471
Permits, licenses, and fees	155,755	138,966	202,912	228,543
Fines and forfeitures	847,623	882,212	927,082	854,030
Charges for services	1,253,335	1,205,916	1,595,454	1,930,195
Intergovernmental	483,404	840,948	1,819,107	1,442,147
Investment earnings	74,210	173,301	338,495	726,705
Other revenues	1,274,948	1,836,180	1,841,763	1,519,312
<b>Total revenues</b>	<b>15,918,202</b>	<b>17,651,057</b>	<b>21,308,788</b>	<b>22,336,403</b>
<b>Expenditures</b>				
General government	3,534,920	4,247,963	4,850,509	5,545,641
Administration of justice	6,244,004	6,463,676	7,312,142	8,179,894
Roads and bridges	4,313,004	5,203,705	4,885,421	6,051,944
Health and human services	970,567	806,084	877,338	860,987
Tax administration	702,591	728,523	802,646	859,964
Capital outlay	-	-	-	85,106
Debt service				
Principal	1,806,026	1,715,749	2,448,376	2,770,449
Debt issuance costs	-	-	-	-
Interest and paying agent	407,160	250,668	229,130	922,972
Payment to refunded bond escrow agent	-	-	-	-
Advance refunding escrow	-	-	-	-
<b>Total expenditures</b>	<b>17,978,272</b>	<b>19,416,368</b>	<b>21,405,562</b>	<b>25,276,957</b>
Deficiency of revenues (under) expenditures	(2,060,070)	(1,765,311)	(96,774)	(2,940,554)
<b>Other Financing Sources (Uses)</b>				
Transfers in	407,623	658,218	2,136,685	680,334
Transfers out	(407,623)	(658,218)	(2,136,685)	(680,334)
Issuance of debt	2,122,113	1,606,139	1,714,497	22,067,160
Payment to refunded bond escrow agent	(1,250,558)	-	-	-
Premium on bonds issued	-	-	-	-
Sale of capital assets	-	-	415,906	610,450
<b>Total other financing sources</b>	<b>871,555</b>	<b>1,606,139</b>	<b>2,130,403</b>	<b>22,677,610</b>
<b>Net change in fund balances</b>	<b>\$ (1,188,515)</b>	<b>\$ (159,172)</b>	<b>\$ 2,033,629</b>	<b>\$ 19,737,056</b>
Debt service as a percentage of noncapital expenditures	12.31%	10.13%	12.51%	14.66%



Fiscal Year						
2008	2009	2010	2011	2012	2013	
\$ 16,345,276	\$ 17,590,374	\$ 17,956,886	\$ 18,953,467	\$ 19,189,170	\$ 20,213,918	
204,668	159,036	168,435	160,603	164,353	175,398	
931,688	1,034,937	810,322	836,365	866,696	718,960	
1,744,642	1,618,011	1,614,709	1,569,874	1,466,677	1,592,959	
4,144,123	10,465,919	2,656,109	2,660,761	8,748,161	9,137,367	
1,350,300	338,323	163,124	49,727	58,869	20,216	
1,456,263	1,693,695	1,408,586	1,830,102	4,081,736	1,834,354	
<u>26,176,960</u>	<u>32,900,295</u>	<u>24,778,171</u>	<u>26,060,899</u>	<u>34,575,662</u>	<u>33,693,172</u>	
6,207,669	12,980,872	5,221,830	5,433,652	12,269,676	15,307,259	
8,843,965	9,242,196	9,551,963	9,399,418	9,992,612	9,886,816	
6,533,096	5,289,566	5,473,262	4,993,689	4,613,980	4,819,560	
911,810	1,018,449	978,597	916,618	972,777	971,190	
897,198	994,935	985,611	1,041,238	1,041,590	1,174,054	
1,270,589	2,805,599	13,562,056	13,107,972	2,280,999	93,215	
2,365,761	3,006,295	3,181,266	3,249,886	3,137,930	3,258,789	
-	-	36,839	30,025	600,040	28,213	
1,550,143	1,536,376	1,450,296	1,364,011	1,013,583	956,778	
-	-	-	-	17,834,875	-	
-	-	-	-	386,221	-	
<u>28,580,231</u>	<u>36,874,288</u>	<u>40,441,720</u>	<u>39,536,509</u>	<u>54,144,283</u>	<u>36,495,874</u>	
(2,403,271)	(3,973,993)	(15,663,549)	(13,475,610)	(19,568,621)	(2,802,702)	
629,389	328,837	485,496	257,695	612,412	2,826,354	
(629,389)	(328,837)	(485,496)	(257,695)	(612,412)	(2,826,354)	
13,029,656	3,044,332	1,775,558	1,194,779	19,566,434	525,000	
-	-	-	-	-	-	
-	-	-	-	658,576	-	
823,240	739,412	874,590	876,640	640,205	-	
<u>13,852,896</u>	<u>3,783,744</u>	<u>2,650,148</u>	<u>2,071,419</u>	<u>20,865,215</u>	<u>525,000</u>	
<u>\$ 11,449,625</u>	<u>\$ (190,249)</u>	<u>\$ (13,013,401)</u>	<u>\$ (11,404,191)</u>	<u>\$ 1,296,594</u>	<u>\$ (2,277,702)</u>	
14.34%	13.33%	11.96%	13.90%	50.80%	14.44%	

# POLK COUNTY, TEXAS

## TAX REVENUES BY SOURCE, GOVERNMENTAL ACTIVITIES

Last Ten Years

(Accrual basis of accounting)

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

Fiscal Year						Change
2008	2009	2010	2011	2012	2013	2012-2013
\$ 13,081,465	\$ 14,495,487	\$ 15,346,309	\$ 16,111,147	\$ 16,000,772	\$ 16,548,137	3.4%
1,940,152	1,941,259	1,623,603	1,812,359	1,824,271	2,354,141	29.0%
1,177,037	1,158,947	1,238,085	1,165,523	1,221,970	1,211,149	-0.9%
<u>\$ 16,198,654</u>	<u>\$ 17,595,693</u>	<u>\$ 18,207,997</u>	<u>\$ 19,089,029</u>	<u>\$ 19,047,013</u>	<u>\$ 20,113,427</u>	5.6%

# POLK COUNTY, TEXAS

## ASSESSED VALUE AND ESTIMATED ACTUAL VALUE OF TAXABLE PROPERTY

Last Ten Years

	Fiscal Year			
	2004	2005	2006	2007
Real Property	\$ 1,404,145,426	\$ 1,455,026,685	\$ 1,503,984,334	\$ 1,640,053,202
Personal Property	286,155,369	308,964,819	311,314,465	312,333,843
Mineral	243,396,530	299,726,780	277,116,300	312,441,209
 Total assessed value (1)	 1,933,697,325	 2,063,718,284	 2,092,415,099	 2,264,828,254
Less: real property exemptions	(271,753,119)	(281,830,062)	(270,149,713)	(303,249,234)
<b>Total Taxable Assessed Value (1)</b>	<b>\$ 1,661,944,206</b>	<b>\$ 1,781,888,222</b>	<b>\$ 1,822,265,386</b>	<b>\$ 1,961,579,020</b>
 <b>Total Direct Tax Rate</b>	 0.5550	 0.5550	 0.6277	 0.6277

(1) Property is assessed at actual value; therefore, the assessed values are equal to actual value.

Source: Polk County Tax Assessor/Collector

Fiscal Year					
2008	2009	2010	2011	2012	2013
\$ 1,662,956,029	\$ 1,954,019,389	\$ 2,149,623,793	\$ 1,864,972,789	\$ 1,888,429,689	\$ 1,886,501,642
319,782,986	415,350,005	447,387,229	432,705,637	443,841,435	470,556,096
340,812,815	322,631,740	291,241,527	318,143,220	287,995,665	349,102,310
2,323,551,830	2,692,001,134	2,888,252,549	2,615,821,646	2,620,266,789	2,706,160,048
(334,218,024)	(369,238,526)	(394,447,560)	(380,137,618)	(415,465,243)	(422,127,500)
<u>\$ 1,989,333,806</u>	<u>\$ 2,322,762,608</u>	<u>\$ 2,493,804,989</u>	<u>\$ 2,235,684,028</u>	<u>\$ 2,204,801,546</u>	<u>\$ 2,284,032,548</u>
0.6277	0.6277	0.6277	0.6277	0.6277	0.6277

# POLK COUNTY, TEXAS

## PROPERTY TAX RATES - DIRECT AND OVERLAPPING GOVERNMENTS

Last Ten Years

	Fiscal Year			
	2004	2005	2006	2007
<b><u>Polk County by fund:</u></b>				
General	\$ 0.35670	\$ 0.35670	\$ 0.38070	\$ 0.36790
Road and Bridge	0.09140	0.09140	0.12590	0.13760
Debt Service	0.10690	0.10690	0.12110	0.12220
	0.55500	0.55500	0.62770	0.62770
<b><u>Cities:</u></b>				
City of Corrigan	0.59000	0.59000	0.59000	0.58580
City of Goodrich	0.81800	0.81800	0.72710	0.73500
<b><u>School Districts:</u></b>				
Big Sandy ISD	1.29000	1.29000	1.58900	1.45600
Corrigan-Camden ISD	1.61000	1.61000	1.61000	1.48860
Goodrich ISD	1.49610	1.49610	1.50000	1.37000
Leggett ISD	1.50000	1.50000	1.50000	1.50700
Livingston ISD	1.55250	1.55250	1.55250	1.42450
Onalaska ISD	1.67100	1.67100	1.67100	1.54290
<b><u>Utility Districts:</u></b>				
Memorial Point Utility District	0.86000	0.86000	0.86000	0.84000
Polk County FWSD	0.48000	0.48000	0.48000	0.48000
<b>Total Direct and Overlapping Rates</b>	<b>\$ 12.42260</b>	<b>\$ 12.42260</b>	<b>\$ 12.70730</b>	<b>\$ 12.05750</b>

Tax rates per \$100 of assessed valuation

Source: Polk County Tax Assessor/Collector

Fiscal Year						
2008	2009	2010	2011	2012	2013	
\$ 0.30160	\$ 0.32370	\$ 0.33760	\$ 0.33760	\$ 0.33310	\$ 0.33350	
0.17390	0.15410	0.15150	0.15150	0.15430	0.15050	
0.15220	0.14990	0.13860	0.13860	0.14030	0.14370	
0.62770	0.62770	0.62770	0.62770	0.62770	0.62770	
0.48610	0.48610	0.48610	0.48610	0.48610	0.48150	
0.68870	0.55170	0.55170	0.50000	0.50000	0.55150	
1.11650	1.11130	1.11130	1.19750	1.21610	1.19480	
1.17390	1.18900	1.16780	1.20200	1.20750	1.19290	
1.04000	1.04000	1.04000	1.04000	1.04000	1.04000	
1.18010	1.16610	1.16610	1.13520	1.13150	1.14500	
1.11000	1.40000	1.40000	1.41350	1.39500	1.39500	
1.20180	1.20020	1.20020	1.18000	1.16800	1.16500	
0.84000	0.84000	0.84000	0.84000	0.89000	0.89000	
0.44400	0.44000	0.44000	0.38700	0.37300	0.37300	
<u>\$ 9.90880</u>	<u>\$ 10.05210</u>	<u>\$ 10.03090</u>	<u>\$ 10.00900</u>	<u>\$ 10.03490</u>	<u>\$ 10.05640</u>	

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# POLK COUNTY, TEXAS

## PRINCIPAL PROPERTY TAXPAYERS

Current Year and Nine Years Ago

Property Taxpayer	2004			2013		
	2003 Taxable Assessed Value	Rank	% of Taxable Assessed Value	2012 Taxable Assessed Value	Rank	% of Taxable Assessed Value
Comstock Oil and Gas Inc.	\$ 185,966,530	1	11.19%	\$ 66,255,055	1	2.90%
Georgia Pacific LLC*	103,919,462	2	6.25%	63,150,450	2	2.76%
Wapiti Operating LLC	-	n/a	0.00%	47,838,698	3	2.09%
ETC Katy Pipeline LTD	-	n/a	0.00%	45,041,870	4	1.97%
BBX Operating LLC	-	n/a	0.00%	37,753,411	5	1.65%
Enbridge Pipelines (East TX)	-	n/a	0.00%	35,868,460	6	1.57%
Blackstone Minerals	20,165,140	3	1.21%	24,204,357	7	1.06%
RMS Texas Timberlands LLP	-	n/a	0.00%	22,489,556	8	0.98%
Eastex Telephone Co-op. Inc.	15,043,330	6	0.91%	19,751,280	9	0.86%
Union Pacific Railroad Co.	-	n/a	0.00%	17,118,290	10	0.75%
Corrigan Timberland	17,722,130	4	1.07%	-	n/a	0.00%
Wal-Mart	15,437,016	5	0.93%	-	n/a	0.00%
Sam Houston Electric Co-op. Inc.	13,321,930	7	0.80%	-	n/a	0.00%
Carter W.T. & Brothers	12,250,890	8	0.74%	-	n/a	0.00%
Louisana Pacific Corp	10,657,580	9	0.64%	-	n/a	0.00%
Deron	10,476,141	10	0.63%	-	n/a	0.00%
Subtotal	<u>404,960,149</u>		<u>24.37%</u>	<u>379,471,427</u>		<u>16.61%</u>
Other taxpayers	<u>1,256,984,057</u>		<u>75.63%</u>	<u>1,904,561,121</u>		<u>83.39%</u>
Total	<u>\$ 1,661,944,206</u>		<u>100.00%</u>	<u>\$ 2,284,032,548</u>		<u>100.00%</u>

Source: Polk County Appraisal District

\*Previously named International Paper Company

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

	Fiscal Year			
	2004	2005	2006	2007
Adjusted tax levy	\$ 9,205,175	\$ 9,879,685	\$ 11,565,442	\$ 11,953,364
Current tax collected	\$ 8,726,521	\$ 9,383,100	\$ 11,037,132	\$ 11,418,475
Percent of current tax collections	94.80%	94.97%	94.80%	94.00%
Delinquent tax collections	\$ 355,596	\$ 434,328	\$ 432,395	\$ 426,691
Total tax collections	\$ 9,082,117	\$ 9,817,428	\$ 11,469,526	\$ 11,845,166
Total collections as a percentage of current levy	98.66%	99.37%	98.66%	95.65%
Outstanding delinquent taxes	\$ 123,058	\$ 62,257	\$ 95,915	\$ 108,199
Outstanding delinquent taxes as percentage of current levy	1.34%	0.63%	0.83%	0.91%

Source: Polk County Tax Assessor/Collector

<b>Fiscal Year</b>						
<b>2008</b>	<b>2009</b>	<b>2010</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>	
\$ 13,038,903	\$ 14,226,340	\$ 15,110,680	\$ 15,868,728	\$ 15,837,389	\$ 16,354,546	
\$ 12,457,010	\$ 13,669,417	\$ 14,431,072	\$ 15,192,264	\$ 15,230,709	\$ 15,776,269	
95.54%	96.09%	95.50%	95.74%	96.17%	96.46%	
\$ 461,693	\$ 483,652	\$ 415,865	\$ 520,506	\$ 560,625	\$ 507,835	
\$ 12,918,703	\$ 14,153,069	\$ 14,846,937	\$ 15,712,771	\$ 15,791,334	\$ 16,284,104	
99.41%	97.00%	97.00%	97.00%	97.00%	99.57%	
\$ 120,199	\$ 73,271	\$ 263,742	\$ 155,958	\$ 46,055	\$ 70,441	
0.92%	0.52%	1.75%	0.98%	0.29%	0.43%	

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

	Fiscal Year			
	2004	2005	2006	2007
<b>Net Taxable Assessed Value</b>				
All property	\$ 1,661,944,206	\$ 1,781,888,222	\$ 1,822,265,386	\$ 1,961,579,020
<b>Net Bonded Debt</b>				
Gross bonded debt	7,176,348	7,012,065	6,369,635	24,933,372
Less debt service funds	36,043	158,526	246,801	127,418
<b>Net Bonded Debt</b>	<u>\$ 7,140,305</u>	<u>\$ 6,853,539</u>	<u>\$ 6,122,834</u>	<u>\$ 24,805,954</u>
<b>Ratio of Net Bonded Debt     To Assessed Value</b>	0.4296%	0.3846%	0.3360%	1.2646%
<b>Population (1,2,3)**</b>	45,708	45,944	46,291	46,206
<b>Net Bonded Debt per Capita</b>	\$ 156	\$ 149	\$ 132	\$ 537

Data sources:

- (1) U.S. Bureau of Economic Analysis\*\*
- (2) Texas Association of Counties (County Information Project)\*\*
- (3) US Census Bureau\*\*

\*\*Most current information available from these data sources.

**Fiscal Year**

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 1,989,333,806	\$ 2,322,762,608	\$ 2,493,804,989	\$ 2,235,684,028	\$ 2,204,801,546	\$ 2,284,032,548
35,020,686	35,335,000	33,930,000	32,094,000	30,648,000	28,306,000
78,923	40,825	56,042	-	30,092	33,694
<u>\$ 34,941,763</u>	<u>\$ 35,294,175</u>	<u>\$ 33,873,958</u>	<u>\$ 32,094,000</u>	<u>\$ 30,617,908</u>	<u>\$ 28,272,306</u>
1.7565%	1.5195%	1.3583%	1.4355%	1.3887%	1.2378%
46,604	46,530	45,413	45,413	45,725	45,419
\$ 750	\$ 759	\$ 746	\$ 707	\$ 670	\$ 622

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

	Fiscal Year			
	2010	2011	2012	2013
<b>Governmental activities:</b>				
Certificates of obligation	\$ 27,640,000	\$ 26,795,000	\$ 25,735,000	\$ 24,455,000
Tax notes	6,290,000	5,299,000	4,913,000	3,851,000
Obligations under capital leases	981,087	761,980	791,434	399,645
<b>Net Governmental Debt</b>	<u>\$ 34,911,087</u>	<u>\$ 32,855,980</u>	<u>\$ 31,439,434</u>	<u>\$ 28,705,645</u>
<b>Percentage of personal income</b>	2.02%	1.90%	1.81%	1.62%
<b>Net Bonded Debt per Capita</b>	\$ 769	\$ 723	\$ 688	\$ 632

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 three years are available at this time.

# POLK COUNTY, TEXAS

## DIRECT AND OVERLAPPING GOVERNMENTAL ACTIVITIES DEBT

September 30, 2013

Governmental Unit	Net Bonded Debt Outstanding	Estimated Percentage Applicable (1)	Estimated Share of Overlapping Debt
<b>Debt repaid with property taxes</b>			
Cities:			
Corrigan	\$ 1,264,000	100%	\$ 1,264,000
Goodrich	\$ 119,087	100%	\$ 119,087
Livingston	\$ 10,360,000	100%	\$ 10,360,000
Onalaska	\$ -	100%	\$ -
School Districts:			
Big Sandy ISD	\$ 3,285,477	100%	\$ 3,285,477
Chester ISD	\$ 295,000	43.90%	\$ 129,505
Corrigan-Camden ISD	\$ 2,340,000	100%	\$ 2,340,000
Goodrich ISD	\$ -	100%	\$ -
Leggett ISD	\$ 1,480,000	100%	\$ 1,480,000
Livingston ISD	\$ 68,806,758	100%	\$ 68,806,758
Onalaska ISD	\$ 3,923,582	100%	\$ 3,923,582
Woodville ISD	\$ 3,660,560	3.01%	\$ 110,183
Subtotal, overlapping debt	\$ 95,534,464		\$ 91,818,592
<b>Polk County direct debt</b>	<u>28,705,645</u>	100%	<u>28,705,645</u>
<b>Total direct and overlapping debt</b>	<u>\$ 124,240,109</u>		<u>\$ 120,524,237</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

	Fiscal Year			
	2004	2005	2006	2007
Debt limit	\$ 166,194,421	\$ 178,188,822	\$ 182,226,539	\$ 196,157,902
Total net debt applicable to limit	7,176,348	7,012,065	6,369,635	24,933,372
Legal debt margin	\$ 159,018,073	\$ 171,176,757	\$ 175,856,904	\$ 171,224,530
Total net debt applicable to the limit as a percentage of debt limit	4.32%	3.94%	3.50%	12.71%

**Legal Debt Margin Calculation for 2013**

Assessed value	\$ 2,284,032,548
Debt limit (25% of assessed value)	571,008,137
Debt applicable to limit:	
General obligation bonds	24,455,000
Tax notes	3,851,000
Less: amount set aside for repayment of debt	(33,694)
Total net debt applicable to limit	28,272,306
Legal debt margin	\$ 542,735,831



**Fiscal Year**

<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>
\$ 198,933,381	\$ 232,276,261	\$ 249,380,499	\$ 558,921,007	\$ 551,200,387	\$ 571,008,137
35,020,868	35,335,000	33,930,000	32,094,000	25,704,908	28,272,306
<u>\$ 163,912,513</u>	<u>\$ 196,941,261</u>	<u>\$ 215,450,499</u>	<u>\$ 526,827,007</u>	<u>\$ 525,495,479</u>	<u>\$ 542,735,831</u>
17.60%	15.21%	13.61%	5.74%	4.66%	4.95%

**POLK COUNTY, TEXAS**  
**DEMOGRAPHIC AND ECONOMIC STATISTICS**  
Last Ten Years

	Fiscal Year			
	2004	2005	2006	2007
Population (1,2,4)**	45,708	45,944	46,291	46,206
Personal income (1,4,5)**	\$1,198,247,000	\$1,289,580,000	\$1,381,286,000	\$1,470,836,000
Per capita personal income (1,4,5)**	\$ 26,215	\$ 28,069	\$ 29,839	\$ 31,832
Median age (1,4,5)**	39.0	39.1	39.2	38.7
School enrollment (2)				
Big Sandy ISD	458	484	433	456
Chester ISD	N/A	N/A	45	77
Corrigan Camden ISD	1,126	1,122	1,028	990
Goodrich ISD	308	317	289	259
Leggett ISD	267	255	221	205
Livingston ISD	4,048	4,072	3,742	3,753
Onalaska ISD	751	802	826	813
<b>Total</b>	<b>6,958</b>	<b>7,052</b>	<b>6,584</b>	<b>6,553</b>
Unemployment rate (3)	7.20%	6.80%	6.10%	5.90%

Data sources:

- (1) U.S. Bureau of Economic Analysis\*\*
- (2) Texas Education Association
- (3) Texas Workforce
- (4) Texas Association of Counties (County Information Project)\*\*
- (5) US Census Bureau\*\*

\*\*Most current information available from these data sources.

Fiscal Year					
2008	2009	2010	2011	2012	2013
46,604	46,530	45,413	45,413	45,725	45,419
\$ 1,597,567,000	\$ 1,726,151,000	\$1,726,151,000	\$1,726,151,000	\$1,735,258,000	\$1,776,250,000
\$ 34,280	\$ 37,098	\$ 38,747	\$ 38,747	\$ 37,950	\$ 39,108
38.3	42.9	42.9	42.9	43.2	42.9
471	465	451	453	470	494
73	71	171	174	166	181
990	956	947	923	930	1,018
247	241	247	224	220	235
202	190	173	170	174	187
3,728	3,733	3,741	3,829	3,862	4,098
817	846	880	889	881	942
<u>6,528</u>	<u>6,502</u>	<u>6,610</u>	<u>6,663</u>	<u>6,701</u>	<u>7,155</u>
6.40%	10.50%	10.00%	10.50%	7.70%	8.00%

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# POLK COUNTY, TEXAS

## PRINCIPAL EMPLOYERS

Current Year and Eight Years Ago (1)

Employer	2013			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 Dept of Criminal Justice, Polunsky Unit	654	2	1.44%	900	2	1.96%
Livingston ISD	600	3	1.32%	547	3	1.19%
Wal-Mart	483	4	1.06%	450	4	0.98%
Polk County	300	5	0.66%	124	9	0.27%
CEC, Int'l (IAH Detention Facility)	224	6	0.49%	282	5	0.61%
Alabama Coushatta Indian Reservation	220	7	0.48%	197	6	0.43%
Brookshire Brothers	200	8	0.44%	-	-	0.00%
Memorial Medical Center Livingston	185	9	0.41%	-	-	0.00%
Corrigan Camden ISD	178	10	0.39%	178	7	0.39%
Total	<u>4,044</u>		<u>8.90%</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 eight years ago was available.

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# POLK COUNTY, TEXAS

## COUNTY EMPLOYEES

Last Ten Years

Function/Program	Fiscal Year									
	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
<b>General Government:</b>										
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	10	10	10	10	10	10	10	10	10	10
County Auditor	4	4	4	5	5	5	5	5	5	5
County Treasurer	2	2	2	2	3	3	3	3	3	3
Data Processing	2	2	2	2	2	2	2	2	2	2
Maintenance/Custodial	3	2	2	3	3	3	3	3	4	0
Maintenance/Engineering	4	4	4	5	6	7	7	7	7	11
Emergency Management	5	5	5	5	5	5	5	5	5	5
Personnel/Human Resources	2	2	2	2	2	3	3	3	3	3
<b>Road and Bridges:</b>										
Commissioners	4	4	4	4	4	4	4	4	4	4
Road & Bridge Workers	40	40	40	40	39	37	37	45	45	47
<b>Administration of Justice:</b>										
County Court-at-Law	3	3	3	3	4	4	4	4	4	4
District Clerk	9	9	9	9	9	10	10	10	10	10
District Judges	5	5	5	6	7	7	7	7	7	8
JP Pct 1	3	3	3	3	3	4	4	4	4	3
JP Pct 2	2	2	2	2	2	3	3	3	4	3
JP Pct 3	3	3	3	3	3	3	3	3	3	3
JP Pct 4	3	3	3	3	3	3	3	3	3	3
District Attorney	13	13	13	15	15	15	17	18	17	16
Sheriff's Dept	44	44	46	47	50	50	50	50	52	54
Jail	24	25	30	31	31	33	33	35	37	41
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	1	1	1	1	1	1	2	2
<b>Health and Human Services:</b>										
Library & Museum	1	1	1	1	2	2	2	2	2	2
Social Services	2	2	2	2	2	2	2	2	2	2
Veterans Service	2	2	2	2	2	2	2	2	1	1
County Extension	1	4	4	4	4	4	4	4	4	4
Environmental Enforcement	1	1	1	1	1	1	1	1	1	1
Aging Services	6	6	6	6	6	4	4	4	4	4
<b>Tax Administration:</b>										
Tax Assessor/Collector	16	17	17	17	17	17	17	14	17	17
<b>Totals:</b>	<u>225</u>	<u>229</u>	<u>235</u>	<u>243</u>	<u>250</u>	<u>253</u>	<u>255</u>	<u>263</u>	<u>271</u>	<u>277</u>

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

**POLK COUNTY, TEXAS**  
**OPERATING INDICATORS BY FUNCTION**  
 Last Ten Years

	Fiscal Year			
	2004	2005	2006	2007
<b><u>County Court</u></b>				
<b>Civil Cases</b>				
Pending Beginning of Year	2,191	2,378	2,705	2,836
Docket Adjust	(3)	30	27	(30)
Added	1,189	1,443	1,442	1,304
Disposed	999	1,146	1,338	1,281
Pending End of Year	2,378	2,705	2,836	2,829
<b>Criminal Cases</b>				
Pending Beginning of Year	2,557	2,589	2,889	2,935
Docket Adjust	(8)	(5)	13	(5)
Added	1,830	2,001	1,774	1,779
Disposed	1,790	1,696	1,741	1,911
Pending End of Year	2,589	2,889	2,935	2,798
<b><u>District Court</u></b>				
<b>Civil Cases</b>				
Pending Beginning of Year	847	899	670	757
Docket Adjust	(11)	(10)	(5)	(40)
Added	421	303	328	411
Disposed	358	522	236	286
Pending End of Year	899	670	757	842
<b>Criminal Cases</b>				
Pending Beginning of Year	710	761	1,254	1,385
Docket Adjust	(28)	(102)	(350)	(461)
Added	802	900	930	924
Disposed	723	305	449	815
Pending End of Year	761	1,254	1,385	1,033
<b><u>Justice Of The Peace Courts</u></b>				
<b>Cases Filed</b>				
Traffic	6,692	8,092	7,342	6,387
Non Traffic	2,799	2,891	2,439	2,565
Small Claims Suits	131	133	114	84
Forcible Entry and Detainer	124	120	146	154
Other Civil Suits	172	177	218	219
<b>Cases Disposed</b>				
Traffic	7,566	7,007	6,338	6,252
Non Traffic	3,244	2,411	1,923	2,337
Small Claims Suits	97	90	79	81
Forcible Entry and Detainer	102	108	124	143
Other Civil Suits	132	121	108	170
<b>Cases Appealed</b>				
Traffic	2	16	19	14
Non Traffic	3	6	1	2
Small Claims Suits	2	-	1	-
Forcible Entry and Detainer	6	3	1	1
Other Civil Suits	2	-	-	-
<b>Miscellaneous</b>				
Examining Trials	-	2	1	-
Inquests	206	215	206	195

Source: Texas Courts Online (Office of Court Administration)

\*FY11 had reporting changes



Fiscal Year

2008	2009	2010	2011*	2012	2013
2,829	2,980	3,212	1,051	1,305	1,472
75	56	(435)	-	(16)	(31)
1,230	1,352	1,306	743	723	813
1,154	1,176	1,051	(490)	(540)	(576)
2,980	3,212	3,032	1,305	1,472	1,678
2,798	2,719	2,669	2,560	2,856	3,120
(7)	113	(9)	(1)	(8)	(15)
1,446	1,307	1,002	1,276	1,243	874
1,518	1,470	1,079	(979)	(971)	(837)
2,719	2,669	2,583	2,856	3,120	3,142
842	885	784	803	862	860
20	(146)	(3)	(2)	(50)	(35)
336	342	324	330	1,021	304
313	297	227	(269)	(973)	(240)
885	784	878	862	860	889
1,033	810	823	778	1,198	1,639
(121)	(77)	(15)	(3)	(14)	(48)
890	980	847	1,187	1,256	967
992	890	848	(764)	(801)	(997)
810	823	807	1,198	1,639	1,561
7,472	8,007	4,772	4,922	5,833	4,290
2,725	2,526	1,961	1,828	2,962	2,913
83	127	68	73	38	44
119	155	130	106	128	106
327	217	174	209	292	238
6,834	6,826	4,837	4,240	4,798	3,780
2,148	2,102	1,903	1,971	2,382	2,373
54	174	123	61	42	33
109	134	111	101	113	95
205	272	212	145	233	200
19	22	18	15	16	12
1	2	5	9	26	2
-	-	2	-	2	-
-	-	2	1	5	-
-	1	1	-	-	-
-	-	1	4	-	-
210	181	178	212	209	215

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

Function/Program	Fiscal Year			
	2004	2005	2006	2007
<b><u>General Government</u></b>				
Commissioners' Court	3	3	3	4
County Clerk	12	12	14	14
Veterans Service	1	1	1	1
General Operations	26	26	26	31
District Clerk	3	3	3	3
JP Pct 1	-	-	-	-
JP Pct 2	-	-	-	-
JP Pct 3	-	-	-	-
JP Pct 4	-	-	-	-
Judicial	4	4	4	4
District Attorney	4	4	5	5
County Auditor	4	4	4	4
County Treasurer	2	2	3	3
Tax Assessor/Collector	4	4	5	4
Delinquent Tax Collection	1	1	1	1
Data Processing	12	12	11	11
Maintenance/Custodial	2	2	2	2
Maintenance/Engineering	17	17	19	20
Jail	5	6	8	13
Constable Pct 1	1	1	1	1
Constable Pct 2	1	1	1	1
Constable Pct 3	1	1	1	1
Constable Pct 4	1	1	1	1
Sheriff's Department	31	39	49	60
Social Services	2	4	4	4
Extension	1	1	1	1
Emergency Management	6	11	12	13
Environmental Enforcement	2	1	1	1
<b><u>Road &amp; Bridge</u></b>				
Road and Bridge Pct 1	60	71	78	79
Road and Bridge Pct 2	40	55	55	60
Road and Bridge Pct 3	53	55	63	77
Road and Bridge Pct 4	44	53	55	68
<b><u>Security</u></b>				
Security Department	1	1	1	1
<b><u>Historical Commission</u></b>				
Historical	2	2	2	2
<b><u>Waste Management</u></b>				
Waste Management	46	46	46	46
<b><u>Aging</u></b>				
Aging Services	4	3	3	6

Source: County Inventory Reports

Fiscal Year						
2008	2009	2010	2011	2012	2013	
4	4	4	1	1	2	
15	15	15	4	4	6	
1	1	1	-	-	-	
34	34	40	41	54	69	
3	3	3	1	1	2	
-	-	-	-	-	-	
-	-	-	-	1	1	
-	-	-	-	-	-	
-	-	-	-	-	-	
4	4	4	4	5	5	
6	6	6	6	7	6	
4	4	4	2	2	2	
3	3	3	2	2	2	
4	4	4	3	3	3	
1	1	1	1	1	-	
13	12	13	13	13	14	
3	4	-	-	-	-	
23	28	37	36	34	30	
13	14	17	9	8	13	
1	1	1	1	1	1	
2	2	1	1	1	2	
1	1	1	1	1	1	
1	1	1	1	1	1	
66	70	79	77	80	88	
4	4	4	3	3	2	
1	1	1	1	1	1	
13	14	14	11	11	12	
1	2	2	2	2	3	
80	84	49	46	46	40	
63	67	40	39	38	39	
82	83	80	77	78	83	
76	78	67	66	66	66	
1	1	1	1	1	1	
2	2	2	2	2	2	
46	36	35	35	35	34	
7	8	9	8	9	11	

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