

VOL. 41 PAGE 666

FILED FOR RECORD



95 AUG 23 AM 9:36

BARBARA MIDDLETON
COUNTY CLERK
POLK COUNTY, TEXAS

**NOTICE OF MEETING OF THE
COMMISSIONERS COURT OF POLK COUNTY, TEXAS # 47**

Notice is hereby given that a Regular meeting of the above named Commissioners' Court will be held on Monday, August 28, 1995 at 10 00 a m in the County Courthouse, Livingston, Texas, at which time the following subjects will be discussed, to wit

SEE ATTACHED AGENDA

Dated August 23, 1995

Commissioners' Court of Polk County, Texas

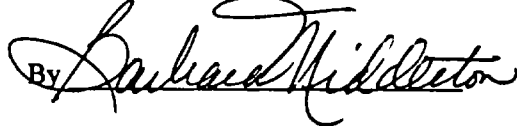
By 

John P. Thompson, County Judge

I, the undersigned County Clerk, do hereby certify that the above Notice of Meeting of Polk County Commissioners Court, is a true and correct copy of said Notice, and that I posted a true and correct copy of said notice in the County Courthouse of Polk County, Texas, at a place readily accessible to the general public at all times on August 23, 1995, and said notice remained so posted continuously for at least 72 hours preceding the scheduled time of said meeting

Notice filed, August 23, 1995

Barbara Middleton, County Clerk

By 



POLK COUNTY, TEXAS

41 PAGE 667
COMMISSIONERS COURT
AGENDA

for: **MONDAY - AUGUST 28, 1995 - 10:00 A.M.**

FILED FOR RECORD
95 AUG 23 AM 9 37
BARBARA A. JOLETON
COUNTY CLERK
POLK COUNTY, TEXAS

CALL TO ORDER

- 1 WELCOME - Public Comments & Discussion
- 2 INFORMATIONAL REPORTS
- 3 CONSIDER APPROVAL OF MINUTES for meeting of, August 14, 1995

OLD BUSINESS

- 4 CONSIDER APPROVAL OF OFFER FOR NEGOTIATED SALE OF TAX FORECLOSURE PROPERTY, AS DESCRIBED IN CAUSE #93-036 (Paradise Acres III - Pct #2) [Item tabled from 8/14/95 meeting]

NEW BUSINESS

- 5 CONSIDER APPROVAL OF OFFER FOR NEGOTIATED SALE OF TAX FORECLOSURE PROPERTY, AS DESCRIBED IN CAUSE #90-275 (Holly Hills #4, Pct #4) and Cause #93-099 (River Lake Estates #1, Pct #1)
- 6 CONSIDER ANY/ALL NECESSARY ACTION PERTAINING TO BID #95-18 "SALE OF TRAILER LOCATED ON COUNTY PROPERTY"
- 7 CONSIDER APPROVAL TO ADVERTISE FOR NECESSARY BIDS PERTAINING TO THE REPAIR OF "HIDDEN VALLEY" BRIDGE, PCT #2
- 8 RECEIVE 1994 INDEPENDENT AUDIT / REPORT
- 9 CONSIDER APPROVAL OF ORDER DESIGNATING COUNTY FISCAL YEAR AS A ONE YEAR PERIOD BEGINNING OCTOBER 1 OF EACH YEAR
- 10 CONSIDER APPROVAL OF EXTENDED CONTRACT FOR INDEPENDENT AUDITING AND ADDITIONAL SCOPE OF SERVICES
- 11 CONSIDER APPROVAL OF \$10 ON-SITE SEWAGE PERMIT FEE INCREASE AND SETTING OF ON-SITE SEWAGE FACILITY ADD-ON PERMIT FEE, TO COVER \$10 AMOUNT REQUIRED FOR SUBMITTAL TO STATE
- 12 CONSIDER APPOINTMENT OF CITIZEN'S COMMITTEE TO RECEIVE AND CONSIDER APPLICATIONS FOR COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM FOR CONSTRUCTION OF ON-SITE SEWAGE FACILITIES - INDIAN SPRINGS AND REILEY VILLAGE
- 13 CONSIDER APPROVAL OF ORDER JOINTLY CREATING A RURAL RAIL TRANSPORTATION DISTRICT WITH DETCOG COUNTIES

CONSENT AGENDA ITEMS

- 14 CONSIDER APPROVAL AND PAYMENT OF BILLS (by Schedule)
- 15 CONSIDER APPROVAL OF PERSONNEL ACTION FORMS
 - A Consider request for Personnel Update - adding "Captain" position in Sheriff's Department and creating appropriate job description

ADJOURN

Next regularly scheduled meeting - Monday, September 11, 1995, 10 00 a m



ADDENDUM TO
NOTICE OF MEETING # 47

COMMISSIONERS COURT OF POLK COUNTY, TEXAS

FILED FOR RECORD

95 AUG 25 AM 9:25

BARBARA J. MIDDLETON
COUNTY CLERK
POLK COUNTY, TEXAS

THE FOLLOWING WILL SERVE TO AMEND THE AGENDA OF THE COMMISSIONERS COURT MEETING SCHEDULED FOR AUGUST 28, 1995 AT 10 00 A M

ADD,

- 16 Consider approval of Mental Health Deputy Program renewal.
- 17. Consider approval of 1995 budget amendments.
- 18 Consider any/all necessary action pertaining to County application for TCDP Grant funding to fund County's 25% matching share of 404 Hazard Mitigation Grant

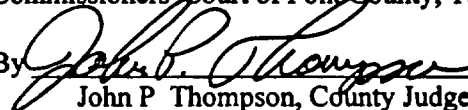
EXECUTIVE SESSION

As authorized by the Texas Open Meetings Act, TEX GOVERNMENT CODE ANN, Chapter 551, Subchapter "D", Section 551 073 Deliberation regarding real property

Posted on August 25, 1995

Commissioners' Court of Polk County, Texas

By

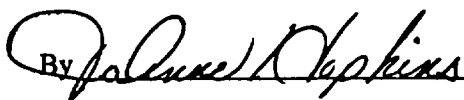

John P. Thompson, County Judge

I, the undersigned County Clerk, do hereby certify that the above Notice of Meeting of Polk County Commissioners Court, is a true and correct copy of said Notice, and that I posted a true and correct copy of said notice in the County Courthouse of Polk County, Texas, at a place readily accessible to the general public at all times on August 25, 1995 and said notice remained so posted continuously for at least 72 hours preceding the scheduled time of said meeting

Dated August 25, 1995

Barbara Middleton, County Clerk

By



STATE OF TEXAS }
 COUNTY OF POLK }

DATE: AUGUST 28, 1995
 REGULAR CALLED MEETING
 ALL PRESENT

BE IT REMEMBERED ON THIS THE 28th DAY OF AUGUST, 1995 THE HONORABLE COMMISSIONERS COURT MET IN A REGULAR CALLED MEETING WITH THE FOLLOWING OFFICERS AND MEMBERS PRESENT, TO WIT JOHN P. THOMPSON, COUNTY JUDGE, PRESIDING. B.E. "SLIM" SPEIGHTS, COMMISSIONER PCT#1, BOBBY SMITH, COMMISSIONER PCT#2, JAMES J. "BUDDY" PURVIS, COMMISSIONER PCT#3, R R "DICK" HUBERT, COMMISSIONER PCT#4, AND BARBARA MIDDLETON, COUNTY CLERK, WHEN & WERE AMONG OTHER PROCEEDINGS HAD, CONSIDERED AND PASSED.

1. MEETING WAS CALLED TO ORDER AT 10:00 AM BY JUDGE JOHN THOMPSON.
2. INFORMATIONAL REPORTS:
 - A. JUDGE THOMPSON, INVITED EVERYONE TO ATTEND THE OPEN HOUSE AT THE WASTE MANAGEMENT - LANDFILL, LEGGETT ON FRIDAY, 9:00 AM TO 2 00 PM, SEPTEMBER 1st. RIBBON CUTTING WILL BE AT 10 00 AM.
 - B. COMMISSIONER HUBERT, ASKED A QUESTION ABOUT SPEED LIMITS ON ALL COUNTY ROADS BEING 35 M.P.H. HE SAID HE WILL BE POSTING NEW SIGNS WHEREEVER NECESSARY
3. TABLED ITEM #3 - MINUTES WILL BE APPROVED AT NEXT MEETING.
4. MOTIONED BY BOBBY SMITH, SECONDED BY JAMES J. "BUDDY" PURVIS TO APPROVE OF OFFER FOR NEGOTIATED SALE OF TAX FORECLOSURE PROPERTY, AS DESCRIBED IN CAUSE #93-036 (PARADISE ACRES, III-PRECINCT#2). ALL VOTING YES.
5. (a) MOTIONED BY R R "DICK" HUBERT, SECONDED BY JAMES J. "BUDDY" PURVIS, TO " REJECT" OFFER FOR NEGOTIATED SALE OF TAX FORECLOSURE PROPERTY, AS DESCRIBED IN CAUSE #90-275 (HOLLY HILLS, #4-PRECINCT#4) ALL VOTING YES.
 (b) MOTIONED BY B E. "SLIM" SPEIGHTS, SECONDED BY R.R. "DICK" HUBERT TO "ACCEPT" OFFER FOR NEGOTIATED SALE OF TAX FORECLOSURE PROPERTY, AS DESCRIBED IN CAUSE#93-099 (RIVER LAKES ESTATES #1-PRECINCT#1). ALL VOTING YES.
6. BID #95-18 "SALE OF TRAILER LOCATED ON COUNTY PROPERTY". BIDS WERE RECEIVED & READ TO THE COURT.
 MOTIONED BY B.E. "SLIM" SPEIGHTS, SECONDED BY JAMES J. "BUDDY" PURVIS TO SELL TRAILER TO EDWARD JONES, FOR THE HIGHEST BID OF \$1250.00.
 ALL VOTING YES.
7. MOTIONED BY BOBBY SMITH, SECONDED BY R.R. "DICK" HUBERT TO ADVERTISE FOR NECESSARY BIDS PERTAINING TO THE REPAIR OF "HIDDEN VALLEY" BRIDGE, PRECINCT#2.
 ALL VOTING YES.

8. MOTIONED BY BOBBY SMITH, SECONDED BY JAMES J. "BUDDY" PURVIS TO RECEIVE 1994 INDEPENDENT AUDIT/REPORT.
ALL VOTING YES. (SEE ATTACHED)
9. MOTIONED BY BOBBY SMITH, SECONDED BY JAMES J. "BUDDY" PURVIS TO APPROVE OF ORDER DESIGNATING COUNTY FISCAL YEAR AS A ONE YEAR PERIOD BEGINNING OCTOBER 1st, OF EACH YEAR THROUGH SEPTEMBER 31st OF THE NEXT YEAR, AND DESIGNATE THE YEAR OF 1995-AS A NINE MONTH YEAR. (SEE ATTACHED)
ALL VOTING YES.
10. MOTIONED BY JAMES J. "BUDDY" PURVIS, SECONDED BY BOBBY SMITH TO APPROVE OF EXTENDED CONTRACT (3 Years) FOR INDEPENDENT AUDITING & ADDITIONAL SCOPE OF SERVICES FOR LAIRSON, STEPHENS, & REIMER (SEE ATTACHED)
ALL VOTING YES.
11. MOTIONED BY JAMES J. "BUDDY" PURVIS, SECONDED BY BOBBY SMITH TO APPROVE OF \$10 00 ON-SITE SEWAGE PERMIT FEE INCREASE & SETTING OF ON-SITE SEWAGE FACILITY ADD-ON PERMIT FEE, TO COVER AMOUNT REQUIRED FOR SUBMITTAL TO STATE.
ALL VOTING YES
12. MOTIONED BY BOBBY SMITH, SECONDED BY B.E. "SLIM" SPEIGHTS TO APPROVE APPOINTMENT OF CITIZEN'S COMMITTEE TO RECEIVE & CONSIDER APPLICATIONS FOR COMMUNITY DEVELOPMENT BLOCK GRANT PROGRAM FOR CONSTRUCTION OF ON-SITE SEWAGE FACILITIES-IN INDIAN SPRINGS & REILY VILLAGE. JUDGE THOMPSON WILL CONFER WITH COMMISSIONER HUBERT & COMMISSIONER PURVIS AND REPORT BACK TO THE COURT AT NEXT MEETING.
ALL VOTING YES.
13. MOTIONED BY BOBBY SMITH, SECONDED BY B.E. "SLIM" SPEIGHTS TO APPROVE OF ORDER JOINTLY CREATING A RURAL RAIL TRANSPORTATION DISTRICT WITH DETCOG COUNTIES. (SEE ATTACHED)
ALL VOTING YES
14. MOTIONED BY JAMES J. "BUDDY" PURVIS, SECONDED BY R.R. "DICK" HUBERT TO APPROVE PAYMENT OF BILLS (BY SCHEDULE).
ALL VOTING YES.

DATE:	AMOUNT:	CHECK NUMBERS:
8-14-95	\$ 5,424 93	110131-110269
8-15-95	41,063 08	19-22, 9142-9145, & 110270
8-16-95	980.00	110271
8-25-95	219.23	110457-110459
8-25-95	728,718 10	110272-110456
8-28-95	6,489.73	MANUAL CHECK/ ADDENDUM

15. (a) MOTIONED BY BOBBY SMITH, SECONDED BY B.E. "SLIM" SPEIGHTS TO APPROVE OF PERSONNEL UPDATE, CREATING "1033-CAPTAIN" JOB DESCRIPTION FOR SHERIFF'S DEPT. ALL VOTING YES.
- (b) MOTIONED BY BOBBY SMITH, SECONDED BY B.E. "SLIM" SPEIGHTS TO APPROVE PERSONNEL ACTION FORMS. ALL VOTING YES. (SEE ATTACHED)
16. MOTIONED BY BOBBY SMITH, SECONDED BY JAMES J. "BUDDY" PURVIS TO APPROVE TO RENEW CONTRACT WITH BURKE CENTER, FOR MHRM HEALTH DEPUTY PROGRAM (SEE ATTACHED) ALL VOTING YES.
17. MOTIONED BY BOBBY SMITH, SECONDED BY JAMES J "BUDDY" PURVIS TO APPROVE (1995) BUDGET AMENDMENTS, AS REQUESTED BY POLK COUNTY AUDITOR, KAREN REMMERT. (SEE ATTACHED) ALL VOTING YES.
18. MOTIONED BY BOBBY SMITH, SECONDED BY B.E. "SLIM" SPEIGHTS TO APPROVE JOHN McDOWELL PROCEEDING WITH APPLICATION FOR TCDP DISASTER RELIEF GRANT TO FUND COUNTY'S 25% MATCHING SHARE OF 404-HAZARD MITIGATION GRANT. ALL VOTING YES.

EXECUTIVE SESSION - 10:45 AM.
 "DELIBERATION REGARDING REAL PROPERTY"

RESUMED REGULAR SESSION - 11.24 AM

19. MOTIONED BY R.R. "DICK" HUBERT, SECONDED BY B.E. "SLIM" SPEIGHTS TO ADJOURN COURT THIS 28th DAY OF AUGUST, 1995 AT 11:26 AM. ALL VOTING YES.


 JOHN THOMPSON, COUNTY JUDGE

ATTEST:


 BARBARA MIDDLETON, COUNTY CLERK

COPY

Polk County
Commissioners Court
\$1,300 00
09/01/95 through 08/31/96

JUL 41 PAGE 669

THE STATE OF TEXAS <
COUNTY OF ANGELINA <

PROFESSIONAL SERVICES CONTRACT

Pursuant to the authority granted under the Texas Health and Safety Code, Title 7, Chapter 534, Burke Center enters into this Contract with Polk County Commissioners Court, (hereafter, "SERVICE PROVIDER")

Recitals

WHEREAS, SERVICE PROVIDER, is a Law Enforcement Agency with Licensed Peace Officers for the State of Texas, whose present address is County Courthouse, Livingston, Texas 77351, and whose Social Security or Federal Employer Identification number is 74 6001621

WHEREAS, SERVICE PROVIDER, has the following qualifications

County Sheriff's Department

AND WHEREAS, Burke Center desires to be provided by SERVICE PROVIDER and SERVICE PROVIDER wishes to provide to Burke Center, certain support services in the area of patient transportation

Contract Term

1 The parties agree that this Contract shall be for one year, beginning on September 1, 1995, and ending on August 31, 1996, or upon the completion of all services requested by Burke Center, whichever is earlier, unless otherwise terminated as provided herein

Renewal

2 The Contract may be renewed with the written approval of both parties. The term of any renewal shall be for one year immediately following the expiration of the term of this Contract or any renewal thereof, as the case may be. Unless otherwise agreed, any renewal shall be agreed to in writing prior to thirty (30) days before the expiration of the term of this Contract or any renewal thereof, as the case may be. Burke Center and SERVICE PROVIDER agree to negotiate any contract renewal at arms length and in good faith

Services

3 SERVICE PROVIDER agrees to provide Burke Center with the following services,

- a To provide Mental Health Deputy Transportation to clientele identified by Burke Center via the local Mental Healthcare Center or Burke Center Crisis Line who is in need of transportation to an inpatient psychiatric facility
- b To transport Mental Health clientele identified by Burke Center to the inpatient facility designated by Burke Center (Substance Abuse clientele are excluded from this Contract)
- c To transport identified Mental Health clientele on a timely basis in which transportation occurs within four (4) hours of notification by Burke Center

4 SERVICE PROVIDER will provide services in accordance with the following specifications:

- a To provide Burke Center with a monthly statement of services rendered indicating the patient's name, date of service, type of service and destination, total Deputy time per trip, and the cost of the service, and
- b The SERVICE PROVIDER agrees to complete the necessary paperwork required by Burke Center and submit it no later than the fifteenth (15th) of the following month in order for Burke Center to provide client data and budgetary information on a timely basis

5 SERVICE PROVIDER will be allowed the use of the following property, equipment, space or staff to be provided by Burke Center:

The SERVICE PROVIDER will not require the use of property, equipment, space or staff of Burke Center

6 SERVICE PROVIDER will, in the performance of services pursuant to this Contract, interact with staff, other service agents, service providers and consultants of Burke Center in a cooperative manner and will consult with such persons regarding services provided under this Contract as necessary

Delivery of Service

7 SERVICE PROVIDER will coordinate with Burke Center the SERVICE PROVIDER'S schedule for providing services under this Contract SERVICE PROVIDER'S schedule must be mutually agreed upon by SERVICE PROVIDER and Burke Center, but may be altered at the request of either party whenever possible

8 SERVICE PROVIDER agrees to provide the aforementioned services in such facilities, and at such locations as requested by Burke Center

Billing and Method of Payment

9 The parties agree that SERVICE PROVIDER shall bill Polk County Mental Healthcare Center, an organizational unit of Burke Center, and Burke Center shall pay for services provided herein according to the rate established in the following schedule

Patient Transportation Rate Schedule

	<u>Destination</u>	<u>One Way Mileage</u>	<u>Rate Per Trip</u>
A	Pineywoods Hospital Lufkin, Texas	48	\$12 00
B	Rusk State Hospital	90	\$22 50
C	Austin State Hospital	200	\$50 00
D	Daybreak Beaumont, Texas	81	\$20 25
E	Waco Center for Youth; VA Hospital Waco, Texas	177	\$44 25
F	Lufkin/Rusk State Hospital	92	\$23 00

In addition to the above payment schedule, the SERVICE PROVIDER shall be reimbursed at the rate of FIVE AND NO/100 (\$5 00) DOLLARS per hour for transportation which is one half of the actual costs Calculation of transportation costs begin when the patient and Deputy leave the county in route to the location identified by Burke Center and ends when Deputy returns to county Transportation of mental health clients within the SERVICE PROVIDER'S county shall not be covered under this contract

The parties agree that the total amount which may be expended under this Contract shall not exceed the sum of \$1,300 00 In the event such amount is reached, SERVICE PROVIDER shall provide transportation services as outlined in the Texas Mental Health Code, Section 14 Should the SERVICE PROVIDER be detained at any of the locations listed in the rate schedule, in the performance of his duties, he shall be reimbursed at the rate of FIVE AND NO/100 (\$5 00) DOLLARS per hour

10 Burke Center agrees to make payment to SERVICE PROVIDER by check payable to SERVICE PROVIDER and mailed to SERVICE PROVIDER'S address shown herein or to such other address which SERVICE PROVIDER may provide to Burke Center in writing

Independent Contractor

11 It is the intent of Burke Center and SERVICE PROVIDER that SERVICE PROVIDER is an independent contractor and not an employee of Burke for any purpose SERVICE PROVIDER and Burke Center understand and agree that (a) Burke Center will not withhold or pay on behalf of SERVICE PROVIDER any sums for income tax, unemployment insurance, Social Security, or any other withholding pursuant to any law or requirement of any governmental body, or make available to SERVICE PROVIDER any of the benefits, including workers compensation insurance coverage, afforded to employees of Burke Center (b) all such withholdings payments and benefits, if any, are the sole responsibility of SERVICE PROVIDER SERVICE PROVIDER indemnifies Burke Center from any and all causes of action, claims, damages, or liability including attorneys fees and legal expenses, incurred by Burke Center with respect to such payments, withholdings, and benefits SERVICE PROVIDER will be free from Burke Center control in the manner and method of providing services as long as such services are provided in accordance with accepted procedures of SERVICE PROVIDER'S profession, the Rules of the Texas Department of Mental Health and Mental Retardation (hereafter "TDMHMR") and applicable standards of accrediting or certifying agencies

Laws, Rules, and Regulations

12 The parties agree that SERVICE PROVIDER shall abide by the following laws, rules and regulations and orders:

a All applicable federal laws, rules regulations Executive Orders, and standards, including but not limited to, the Civil Rights Act of 1964, as amended; Section 504 of the Rehabilitation Act of 1973, as amended; the Age Discrimination in Employment Act; the Americans With Disabilities Act of 1990, as amended; and,

b All applicable state and local laws, rules, regulations, including, but not limited to T R C S , Article 5561(h) and T R C S , Article 5547 300, et seq , TDMHMR Abuse/Neglect Rules, and TDMHMR Commissioner's Rule, Chapter 403, Subchapter K relating to the confidentiality of records and other identifying information of clients served by Burke Center

c All applicable standards, rules, regulations, resolutions, directives, settlements, or plans of TDMHMR, including but not limited to the following:

1) TDMHMR Mental Health and Mental Retardation Community Service Standards,

2) TDMHMR Commissioner's Rule, Chapter 403, Subchapter T, Client Abuse and Neglect in Community Mental Health and Mental Retardation Centers, and

3) TDMHMR Commissioner's Rule, Chapter 401, Subchapter E, Contracts Management

d All applicable TCADA, Medicare/Medicaid, ICF/MR and JCAHO rules, regulations, and standards

e This agreement incorporates the policies and procedures, rules and regulations and purposes of TDMHMR, TCADA, and Burke Center, as if recited herein verbatim and the SERVICE PROVIDER agrees to become familiar with and abide by all such applicable policies, procedures, rules and regulations

13 If SERVICE PROVIDER is required to comply with any additional requirement pursuant to rules, standards, regulations, resolutions, settlements, or plans, and compliance results in a material change in SERVICE PROVIDER'S rights or obligations under this Contract or places a significant financial burden on SERVICE PROVIDER SERVICE PROVIDER may, upon giving sixty (60) days' notice of such intention, be entitled to renegotiate this Contract SERVICE PROVIDER shall have the burden of bringing forth proof of the financial burden placed on SERVICE PROVIDER caused by the compliance with Burke Center standards Burke Center agrees to negotiate amendments to this Contract in good faith as needed

14 SERVICE PROVIDER agrees that in receiving, storing, processing, or otherwise dealing with any information regarding drug and alcohol abuse clients, SERVICE PROVIDER will abide by the provisions of 42 U S C Sec 290 dd 3 regarding the confidentiality of client information, will institute appropriate procedures for safeguarding such information, and will undertake to resist in judicial proceedings all efforts to obtain access to such information, except as provided by 42 U S C Sec 290 dd 3

15 SERVICE PROVIDER will institute appropriate procedures for safeguarding the confidentiality of information received during the performance of this Contract, including information which identifies any person being served by Burke Center

Eligibility to Contract and Status of Service Agent

16 The parties agree that SERVICE PROVIDER shall notify Burke Center immediately if, during the term of the Contract, SERVICE PROVIDER is held in abeyance or barred from the award of a federal or state contract Such abeyance or bar shall constitute grounds for termination of this Contract without notice SERVICE PROVIDER hereby certifies that it is not currently held in abeyance or barred from the award of any federal or state contract

17 SERVICE PROVIDER shall maintain all certifications, registrations or licenses required by law to remain in good standing in its professional during the term of this Contract In addition, SERVICE PROVIDER will inform Burke Center immediately of any changes to said certifications, registrations or licenses during the term of this Contract

18 SERVICE PROVIDER certifies that it is current in its payment of Texas franchise tax or that it is exempt from the payment of Texas franchise tax A false statement regarding franchise tax status will be treated as a material breach of this Contract and will constitute grounds for termination of this Contract at the option of Burke Center If SERVICE PROVIDER becomes delinquent in the payment of its Texas franchise tax during the term of this Contract, payment by Burke Center may be withheld until such delinquency is remedied

Conviction Disclosure

19 SERVICE PROVIDER certifies that neither SERVICE PROVIDER nor any of its employees, officers or other persons directly or indirectly involved in negotiating or providing services under this Contract have been convicted of a criminal offense related to any state or federally funded program SERVICE PROVIDER shall immediately disclose the identify of any person convicted of any such crime If SERVICE PROVIDER is so convicted, this Contract may be terminated without prior notice

20 SERVICE PROVIDER certifies that neither SERVICE PROVIDER nor any of its employees, officers, or other persons directly or indirectly involved in negotiating or providing services under this Contract have been convicted of any crime listed in Exhibit "B" of the Departmental Rule regarding Contracts Management (Texas Administrative Code Title 25, Chapter 401, Subchapter E) SERVICE PROVIDER shall immediately disclose to Burke Center the identify of any person convicted of any such crime and immediately remove that individual from direct contact with all persons served If SERVICE PROVIDER is so convicted, this Contract may be terminated without prior notice

Non Discrimination

21 SERVICE PROVIDER will ensure that no person working or acting under its right of control will, on the basis of race, color, national origin, religion, sex, age, handicap or political affiliation, be excluded from participation in, be denied the benefits of, or be subject to discrimination under any of the policies of Burke Center or under any applicable law

Access To, and Retention Of, Information

22 The SERVICE PROVIDER agrees that it will provide Burke Center, TCADA and the TDMHMR unrestricted access to all facilities service providers, individuals served records, data, and other information under its control as necessary to enable Burke Center, TCADA and TDMHMR to audit, monitor and review all financial and programmatic activities and services associated with this Contract including the creation of reports and other records which may not be contained in the files of the SERVICE PROVIDER

23 SERVICE PROVIDER agrees to furnish Burke Center with any and all information, records, reports documents, test results, and professional opinions which SERVICE PROVIDER acquires, develops, or generates in the course of providing services under this Contract All files and patient records of the SERVICE PROVIDER shall be available for review and copying at any time during or after the conclusion of this Contract

24 SERVICE PROVIDER shall retain all financial records, all supporting documents, statistical records and any other records pertinent to the services of which request for payment is submitted to Burke Center for a period of five (5) years following the expiration or termination of this Contract If any audit findings have not been resolved at the end of five (5) years, the records shall be retained until resolution of the audit findings, provided Burke Center gives SERVICES PROVIDER notice of such unresolved findings before the end of such five (5) year period

25 SERVICE PROVIDER agrees to comply with applicable provisions of the Social Security Act requiring SERVICE PROVIDER to make available to the Secretary of the United States Department of Health and Human Services the Comptroller General or any of the duly authorized agents, any and all books, documents or records necessary to certify the nature and extent of costs claimed from Medicare/Medicaid relating to the services provided by SERVICE PROVIDER under this Contract or relating to the services provided by any of SERVICE PROVIDER'S subcontractors who furnish services under this Contract, for a period of four (4) years after such services are provided

Report of Misconduct

26 SERVICE PROVIDER will report to Burke Center, in writing, any allegation of abuse and neglect of persons served by Burke Center in accordance with federal and state law and TDMHMR rules, including but not limited to TDMHMR Commissioner's Rule, Chapter 404, Subchapter, A, B, C and D Burke Center will immediately submit a copy of such report to the appropriate state agency

27 SERVICE PROVIDER will report to Burke Center, in writing, any allegation that a professional, licensed or certified by the State of Texas and employed by SERVICE PROVIDER, has committed any action that constitutes grounds for the denial or revocation of certification or licensure Burke Center will immediately submit a copy of such report to the appropriate state agency

Conflict of Interest

28 SERVICE PROVIDER certifies that none of its current employees who have procured or directly or indirectly aided in the procurement of this Contract, were within the last year former employees or officers of TDMHMR, the Texas Department of Human Services (TDHS), or Burke Center. For purposes of this paragraph, "employee" means a person who on the last date of employment with TDMHMR, TDHS, or Burke Center was compensated at or above the amount designated for a salary group 17, step 1 of the state position classification salary schedule, including a state employee who is exempt from the state position classification plan. This paragraph does not apply to a former officer or employee if the person was employed by a state agency other than TDMHMR, TDHS, or a community center other than Burke Center.

Investigation and Reports

29 If SERVICE PROVIDER provides any direct client care under this Contract, SERVICE PROVIDER understands and agrees that, as required or allowed by law, Burke Center may request information from federal/state/local agencies, departments, or other appropriate sources, regarding any criminal history background of the SERVICE PROVIDER and its agents, employees and subcontractors.

30 SERVICE PROVIDER further understands and agrees that Burke Center shall make appropriate reports to federal/state agencies, departments, commissions and/or boards in the event of a case of suspected client abuse in which SERVICE PROVIDER is involved, or when a report of other information relating to SERVICE PROVIDER is otherwise required by law.

Assignment

31 SERVICE PROVIDER shall not assign this Contract or any of the duties or obligations required herein, nor any person who is not an employee of SERVICE PROVIDER to perform such duties or obligations, without first obtaining the prior written approval of Burke Center. If Burke Center permits any assignments of this Contract or the duties or obligations required herein, SERVICE PROVIDER shall require each person or entity approved by Burke Center to comply with all duties and obligations required herein of SERVICE PROVIDER, and notwithstanding such assignment, SERVICE PROVIDER shall continue to be liable for the default of any person or entity who provides services under this Contract.

Other Contracts

32 Nothing herein shall prevent SERVICE PROVIDER from furnishing similar services to other persons or entities provided such other contractors do not interfere with the delivery of services required herein. Nothing herein shall prevent Burke Center from contracting to obtain services required herein from other providers.

Development of Agreement

33 Both the SERVICE PROVIDER and Burke Center have contributed to the development of this Contract and mutually agree to evaluate its effectiveness and plan for any changes or improvements.

Insurance

34 The SERVICE PROVIDER shall be an independent contractor and not an employee, agent, or representative of Burke Center under this Contract and shall maintain a policy of errors and omissions professional liability insurance in the amount necessary to cover any claims arising out of the performance of its services under this agreement and shall further indemnify, save harmless, and defend Burke Center from any such claims arising from any act or omission of the SERVICE PROVIDER. The SERVICE PROVIDER shall be required to provide a copy of its certificate of insurance upon the return of this signed Contract. The SERVICE PROVIDER shall require that Burke Center be shown as an added named insured party on such policy owned by SERVICE PROVIDER. The SERVICE PROVIDER shall also be required to submit a copy of the renewal certificate within fifteen (15) days in advance of termination.

The SERVICE PROVIDER shall also provide automobile liability insurance in amounts necessary to cover the limits of liability established by statute for units of local government such as Burke Center.

The insurance coverage provided by the SERVICE PROVIDER shall be the primary coverage in the event of any claim. SERVICE PROVIDER shall be responsible for all deductible amounts, excess policy limits claim and non covered claims and amounts.

Indemnification

35 SERVICE PROVIDER agrees to indemnify and hold harmless Burke Center, its Board of Trustees, employees and agents from all suits, actions, claims, costs or liability of any character type or description, including attorneys fees and legal expenses, brought, made for or on account of any death, injury or damage received or sustained by any person or property arising out of or occasioned by the acts or omissions, including the negligence, of SERVICE PROVIDER or SERVICE PROVIDER'S agents or employees in the executive or performance of this Contract

Termination

36 A default shall occur under the terms of this Contract in the event of the following

a If either party has failed to cure its failure, actual or anticipatory, to perform any of the obligations required herein or in any of the instruments and/or exhibits attached hereto within ten (10) days after receiving notice of such failure from the other party, and/or

b If SERVICE PROVIDER submits falsified information, documents or fraudulent billings to Burke Center, if SERVICE PROVIDER has made false statements as part of this Contract, or if SERVICE PROVIDER has failed to disclose information required by this Contract

37 In the event of a default under the terms of this Contract, the non defaulting party may (a) proceed by court action to enforce performance of any obligations required under this Contract and/or to recover all damages and expenses incurred by that party by reason of such breach or other failure of performance, (b) exercise any other right of remedy available at law or equity, and/or (c) terminate this Contract. In the event of any termination of this Contract, the non defaulting party shall not be liable for any further payments or for any payment for undelivered work or unprovided services required under the Contract, and shall be entitled to repayment of payments for undelivered work or unprovided services required herein. These remedies are cumulative of all other rights or remedies specified in this Contract or now or hereafter existing at law or in equity or by statute or otherwise, and may be enforced concurrently therewith or from time to time

38 Burke Center may terminate this Contract, without prior notice, if it reasonably believes that the health or safety of any person served by Burke Center is in immediate jeopardy due to the acts or omissions of SERVICE PROVIDER or any agent, employee or associate of SERVICE PROVIDER

39 In addition, either party may terminate the Contract at will by providing the other party with notice of termination at least thirty (30) days prior to the proposed termination date

40 The parties agree that upon any termination, Burke Center may, if necessary, conduct a fiscal audit of SERVICE PROVIDER to determine existence of any overpayment. If Burke Center conducts an audit and verifies that SERVICE PROVIDER has been overpaid because of improper billing or accounting practices or failure to comply with terms of the Contract, Burke Center shall notify the SERVICE PROVIDER in writing of the overpayment, the method of computing the reasonable dollar amount to be refunded, and any other actions Burke Center may take over the Contract, and SERVICE PROVIDER shall immediately repay Burke Center the amount of the overpayment

41 The parties agree that upon termination of the Contract, SERVICE PROVIDER is responsible for the prompt settlement of any termination claims, including claims from its employees, subcontractors or vendors

42 Upon termination of the Contract, SERVICE PROVIDER and Burke Center will be discharged from any further obligation created under the terms of this Contract, excepting the indemnification and insurance against liability obligations, which obligations shall continue in full force and effect without reduction or abatement, for the full term of the period of limitations applicable to the claim, and except for the equitable settlement of their respective accrued interest or obligations incurred prior to the termination. Termination does not, however, constitute a waiver of any remedies for breach of this Contract. In addition, the obligations of SERVICE PROVIDER to retain records and maintain the confidentiality of information shall survive this Contract

Waiver

43 In no event shall any payment to SERVICE PROVIDER hereunder or any other act or failure of Burke Center to insist in any one or more instances upon the terms and conditions of this Contract constitute or be construed in any way to be a waiver by Burke Center of any breach of covenant or default which may then or subsequently be committed by SERVICE PROVIDER. Neither shall such payment act or omission in any manner impair or prejudice any right, power, privilege, or remedy available to Burke Center to enforce its rights hereunder, which rights, powers, privileges, remedies are always specifically preserved. No representative or agent of Burke Center may waive the effect of this provision

Amendment

44 The parties agree that this Contract may not be altered, changed or otherwise modified, except where done in writing, and duly signed by an authorized representative of SERVICE PROVIDER and the Burke Center Chief Executive Officer

Notice

45 Except as expressly provided herein, any notice required or permitted to be given under this Contract must be in writing and delivered in person or by certified or registered mail, return receipt requested, postage prepaid, to the individual at the address shown below:

SERVICE PROVIDER
Polk County Sheriff's Department
C/O County Auditor Karen Remmert
Polk County Courthouse
Livingston, Texas 77351

BURKE CENTER
 4101 South Medford Drive
 Lufkin, Texas 75901
 Attn Chief Financial Officer

Notice shall be effective on the date of delivery

Legal Construction

46 The parties agree that this Contract shall be construed under the laws of the State of Texas, and is performable in Lufkin, Angelina County, Texas

47 If any one or more of the provisions in this Contract shall be for any reason held invalid illegal or unenforceable in any respect, such matter shall not affect any other provision herein, and this Contract shall be construed as if such objectionable provision(s) had not been a part of the Contract

48 The parties agree that this Contract shall inure to the benefit of and be enforceable against the parties hereto and their respective successors

Entire Contract

49 This instrument and any attached Exhibit(s) incorporated herein contain the entire agreement and supersede all previous agreements, whether oral or written, between the parties hereto relating to the subject matter herein, and there are no other verbal or written understandings, promises, representations, or other terms relating to the subject matter of this agreement which are not included herein

Executed in multiple originals on the day and year first above written

SERVICE PROVIDER

By: *John P. Stouffer*

Tax ID No

74 6013623

BURKE CENTER

By: *Susan Rushing*

Susan Rushing
 Chief Executive Officer

AUDITED FINANCIAL STATEMENTS

**POLK COUNTY,
TEXAS**

December 31, 1994

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INTRODUCTORY SECTION



May 19, 1995

To the Citizens of Polk County;

During 1994, Polk County made important strides toward improving our financial management and reporting system. We set a goal to reach all "Generally Accepted Accounting Principals (GAAP)" and to ensure clear and accurate reporting of County finances. As a part of this move, we have concentrated on preparing to change the County's budget year from the calendar year, to a budget year which begins October 1st and ends September 30th, coinciding with our "tax year". Along with other positive results, this change will solve the reoccurring problem of "overlapping" future tax revenues into an existing budget. To further improve our financial management, the County is changing from a "cash" to a "modified accrual" basis of accounting, as required by GAAP. Among other advantages, this method will recognize expenditures at the point of purchase - rather than waiting until payment is made.

Expanding County Law Enforcement facilities and services was another major concern in 1994. With completion of the County Jail addition, our Law Enforcement Center has - for the first time in years - met the criteria of the State Jail Commission's inspections, without exception. Our concentration in law enforcement has now shifted toward increasing and equipping departmental staff. Additionally, we have focused on securing funding for the renovation and restoration of County buildings, primarily the Courthouse/Annex project which received the Texas Department Of Transportation's Enhancement Program Award. Improvement of the County's Waste Management program was another major endeavor in 1994, with the construction of regional Citizens Collection Stations and vast improvements of the County Landfill.

For the last four years, Polk County has been forced to concentrate on meeting regulations and related costs of state and federal mandates. 1996 will be a year to turn our attention, efforts and resources toward long overdue improvements needed on sub-standard roads within the County, while continuing our commitment to meeting the changing needs of all departments. A concerted effort will be made over the next several years to reduce the County debt, while building contingency reserves. Continued improvement of the County's financial rating and financial reporting process is expected, with our goal in sight: to receive the "Certificate of Achievement for Excellence in Financial Reporting" awarded by the Government Finance Officers Association (GFOA).

The County has an economic climate that provides desirable conditions for industrial development. Polk County's philosophy is to be proactive toward economic development and diligently strives to diversify the industrial and commercial base, while protecting the residential base and quality of life of our residents.

(Continued)

To the Citizens of Polk County
May 19, 1995
Page 2

I appreciate the interest and support of each of the County Commissioners in planning and conducting the financial operations of the County in a responsible and progressive manner. I also appreciate the support of the County Auditor's office in the preparation of this report. The County has made significant strides over the past year toward our goal of financial reporting excellence. As a public servant, I feel that my foremost responsibility is ensure that the spending of public funds is clearly and accurately reported to the taxpayer. With this in mind, I will continue to work for the improvement and efficiency of County operations.

Respectfully submitted,



John P. Thompson
County Judge

ELECTED OFFICIALS

December 31, 1994

Commissioners Court

County Judge
 Precinct 1
 Precinct 2
 Precinct 3
 Precinct 4

John P Thompson
 B E "Slim" Speights
 Bobby Smith
 James J "Buddy" Purvis
 R R Dick Hubert

Sheriff

District Attorney

Tax Assessor/Collector

District Clerk

County Clerk

County Treasurer

Billy Rav Nelson
 Terry M Brown
 Marion A "Bid" Smith
 Nell Lowe
 Jo Anne Hopkins
 Cheryl Henry

Justices of the Peace

Precinct 1
 Precinct 2
 Precinct 3
 Precinct 4

Marv Placker
 David Johnson
 Harvey Stamper
 Howard Lilley

Constables

Precinct 1
 Precinct 2
 Precinct 3
 Precinct 4

John Holt
 Jim A Vail
 Ray Myers
 Marvin Taylor

District Judges

2nd 9th district
 9th Judicial district
 258th district

John Martin
 Fred Edwards
 Joe Ned Dean

County Court at Law

County Surveyor

Stephen Phillips
 James R Lowe

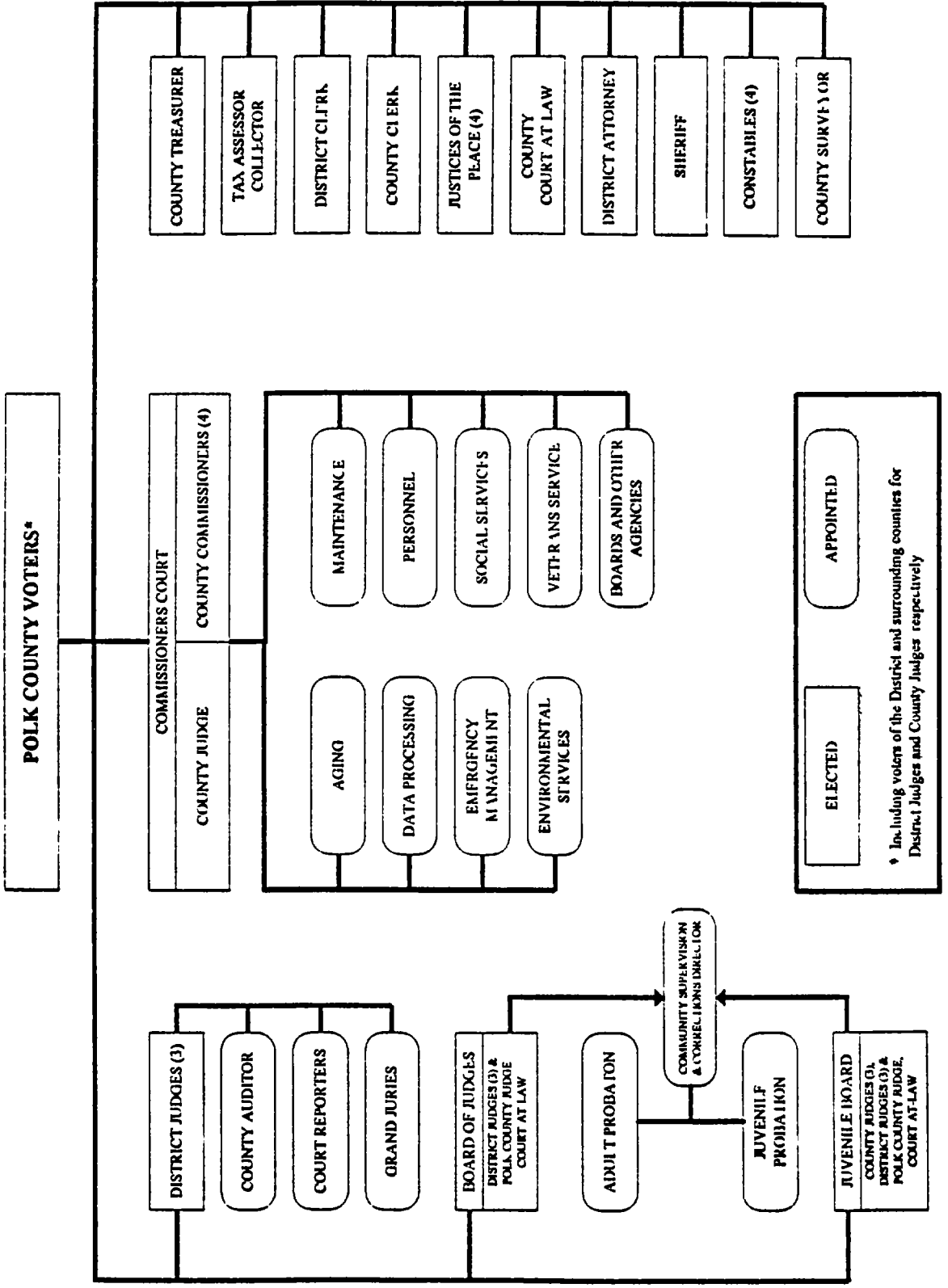
Appointed Officials

County Auditor
 Community Supervision and Corrections Director
 Environmental Service Director
 Emergency Management Coordinator
 Personnel Officer
 Aging Services Director
 Data Processing Manager
 Veterans Service Officer
 Maintenance Director
 Social Services Coordinator

Karen Remmert
 Richard Morris
 James H. McAlister
 John McDowell, Sr
 Betty Rundell
 Virginia Smith
 Steve Hulihan
 Glenn Clarke
 Elgin Davis
 Molly Locke

POLK COUNTY, TEXAS ORGANIZATION CHART

DECEMBER 31, 1994



* Including voters of the District and surrounding counties for District Judges and County Judges respectively

FINANCIAL SECTION



LAIRSON • STEPHENS • REIMER, PC

*Trusted Business Advisors Since 1970***INDEPENDENT AUDITORS' REPORT**

Honorable County Judge and Members of
Commissioners Court
Polk County, Texas

We have audited the accompanying general purpose financial statements of Polk County Texas (the County) as of and for the year ended December 31, 1994. These general purpose financial statements are the responsibility of the County's management. Our responsibility is to express an opinion on these general purpose financial statements based on our audit.

Except as discussed in the following three paragraphs we conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall general purpose financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The general purpose financial statements referred to above do not include the general fixed assets account group which should be included in order to conform with generally accepted accounting principles. The amount that should be recorded in the general fixed asset account group is not known.

The general purpose financial statements referred to in the first paragraph do not include the financial activities of the Polk County Memorial Hospital which should be included in order to conform with generally accepted accounting principles, see note VI-E.

In accordance with the terms of our engagement we have not applied audit procedures necessary to satisfy ourselves about the classifications and amounts comprising the balance sheet at December 31, 1993 prepared on the cash basis. The amount of receivables and payables at December 31, 1993, and other significant aspects of the balance sheet at that date, including classifications and amounts, materially affect the determination of the results of operations and cash flows for the year ended December 31, 1994. Accordingly, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the accompanying Combined Statement of Revenues, Expenditures and Changes in Fund Balances, Statement of Revenues, Expenses and Changes in Fund Balance and Statement of Cash Flows for the year ended December 31, 1994, or on the consistency of application of accounting principles with the preceding year.

In our opinion, except for the effects of the omissions from the financial statements as discussed in the third and fourth paragraphs, the combined balance sheet presents fairly in conformity with generally accepted accounting principles the financial position of Polk County Texas at December 31, 1994.

Certified Public Accountants

5 Post Oak Park, Suite 250
Houston, Texas 77027-3413
Tel. (713) 629-6000 Fax (713) 629-6004

We were engaged to audit the general purpose financial statements for the purpose of forming an opinion on those statements taken as a whole. The combining, individual fund and account group financial statements and schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements of Polk County, Texas. Such additional information has been subject to the auditing procedures applied in our audit of the general purpose financial statements, and, in our opinion, except for the effects of matters discussed in the third and fourth paragraphs, the combining and individual balance sheets are fairly stated in all material respects when considered in relation to the general purpose financial statements taken as a whole. As discussed in the fifth paragraph above, the scope of our audit was not sufficient to enable us to express an opinion on the operating statements. Similarly, we are unable to express an opinion on the accompanying combining and individual operating statements.

Houston Texas

May 19, 1995

**GENERAL PURPOSE
FINANCIAL STATEMENTS**

POLK COUNTY, TEXAS

COMBINED BALANCE SHEET - ALL FUND TYPES
AND ACCOUNT GROUPS

December 31, 1994

ASSETS AND OTHER DEBITS	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
ASSETS				
CASH AND CASH EQUIVALENTS	\$ 96,945	\$ 902,799	\$ 100,515	\$ 1,772,233
INVESTMENTS				
RECEIVABLES				
Taxes	3,248,302	1,073,687	1,203,329	
DUE FROM OTHER FUNDS	106,439		33,775	
OTHER DEBITS				
Amount to be provided for retirement of general long term debt				
TOTAL ASSETS AND OTHER DEBITS	<u>\$ 3,451,686</u>	<u>\$ 1,976,486</u>	<u>\$ 1,337,619</u>	<u>\$ 1,772,233</u>

<u>FIDUCIARY FUND TYPES</u>	<u>ACCOUNT GROUP</u>	<u>TOTAL</u>
<u>TRUST AND AGENCY</u>	<u>GENERAL LONG TERM DEBT</u>	<u>(MEMORANDUM ONLY)</u>
\$ 1,527,937		\$ 4,400,429
258,937		258,937
		5,525,318
		140,214
	\$ 9,291,579	9,291,579
<u>\$ 1,786,874</u>	<u>\$ 9,291,579</u>	<u>\$ 19,616,477</u>

See notes to financial statements.

POLK COUNTY, TEXAS

COMBINED BALANCE SHEET - ALL FUND TYPES
AND ACCOUNT GROUPS

December 31, 1994

LIABILITIES, EQUITY AND OTHER CREDITS	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
LIABILITIES				
Accounts payable and accrued items	\$ 167,550	\$ 471,570		
Compensated absences				
Other liabilities				
Due to other funds	33,775		\$ 106,439	
Deferred revenues	3,885,571	1,299,374	1,439,218	
Certificates of Obligation				
Notes payable				
Time warrants				
Deferred compensation benefits payable				
TOTAL LIABILITIES	<u>4,086,896</u>	<u>1,770,944</u>	<u>1,545,657</u>	
EQUITY AND OTHER CREDITS				
Fund balances (deficit)				
Unreserved				
Designated for year's expenditures		205,542	(208,038)	\$ 1,772,233
Undesignated	(635,210)			
TOTAL EQUITY AND OTHER CREDITS	<u>(635,210)</u>	<u>205,542</u>	<u>(208,038)</u>	<u>1,772,233</u>
TOTAL LIABILITIES EQUITY AND OTHER CREDITS	<u>\$ 3,451,686</u>	<u>\$ 1,976,486</u>	<u>\$ 1,337,619</u>	<u>\$ 1,772,233</u>

<u>FIDUCIARY FUND TYPES TRUST AND AGENCY</u>	<u>ACCOUNT GROUP GENERAL LONG- TERM DEBT</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
		\$ 639 120
	\$ 53 865	53 865
\$ 1 132.499		1 132.499
		140 214
		6 624 163
	7 400 000	7 400 000
	236 115	236 115
	1 601.599	1 601.599
258 937		258 937
<u>1,391 436</u>	<u>9,291,579</u>	<u>18 086,512</u>
395 438		2,165 175
<u> </u>	<u> </u>	<u>(635 210)</u>
		<u>1,529 965</u>
<u>\$ 1 786.874</u>	<u>\$ 9 291,579</u>	<u>\$ 19 616 477</u>

See notes to financial statements.

POLK COUNTY, TEXAS

COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - ALL GOVERNMENTAL FUND TYPES

Year ended December 31, 1994

	GOVERNMENTAL FUND TYPES			
	GENERAL	SPECIAL REVENUE	DEBT SERVICE	CAPITAL PROJECTS
REVENUES				
Taxes	\$ 3 681,516	\$ 1 776 620	\$ 1 671 980	
Fines and forfeitures	350 463	92,098		
Charges for services	887,566	969 981		
Intergovernmental	7,358	1,329,552		
Licenses and permits	41 495			
Interest	28 668	28 749	20,066	\$ 66 210
Miscellaneous	361 170	123 487		
TOTAL REVENUES	5,358 236	4,320 487	1 692,046	66 210
EXPENDITURES				
Current				
General government	742,467	449 083		
Administration of justice	2,308 428	915 204		
Roads and bridges		2,160 478		
Health and human services	465 832	1 186 359		
Tax administration	286 834			
Other unclassified	1 065 832			
Capital outlay				1 474 883
Debt service				
Principal			1 420 029	
Interest and fiscal charges			510 097	
TOTAL EXPENDITURES	4 869,393	4 711 124	1 930 126	1 474 883
REVENUES OVER (UNDER) EXPENDITURES	488 843	(390 637)	(238 080)	(1 408 673)
OTHER FINANCING SOURCES (USES)				
Debt proceeds	138 980			2,675 000
Operating transfers in		564 637	291 096	
Operating transfers out	(338 961)	(84 843)		(440 634)
	(199 981)	479 794	291 096	2,234,366
REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	288 862	89 157	53 016	825 693
Fund balances (deficit) at beginning of year	(924 072)	116,385	(261 054)	946,540
FUND BALANCES (DEFICIT) AT END OF YEAR	\$ (635,210)	\$ 205,542	\$ (208 038)	\$ 1 772,233

<u>FIDUCIARY FUND TYPES</u>	<u>TOTAL (MEMORANDUM ONLY)</u>
<u>EXPENDABLE TRUST</u>	
	\$ 7 130 116
\$ 11 147	453 708
17 736	1 875 283
24,834	1,361 744
1 735	43 230
43,525	187,218
<u>98 977</u>	<u>484 657</u>
	11,535 956
67 278	1 258 828
25 983	3 249 615
	2,160 478
	1 652,191
	286 834
	1 065 832
	1 474 883
	1 420 029
	<u>510 097</u>
<u>93 261</u>	<u>13 078 787</u>
5 716	(1,542,831)
	2,813 980
	855 733
	(864 438)
	<u>2,805,275</u>
5,716	1,262,444
<u>88 003</u>	<u>(34 198)</u>
<u>\$ 93 719</u>	<u>\$ 1,241,735</u>

See notes to financial statements.

POLK COUNTY, TEXAS

**COMBINED STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES - BUDGET AND ACTUAL - (BUDGET BASIS)
ALL GOVERNMENTAL FUND TYPES**

Year ended December 31, 1994

	<u>GENERAL FUND</u>		
	<u>BUDGET</u>	<u>ACTUAL (BUDGET BASIS)</u>	<u>VARIANCE FAVORABLE (UNFAVORABLE)</u>
REVENUES			
Taxes	\$ 3,662,365	\$ 3,622,419	\$ (39,946)
Fines and forfeitures	43,000	350,463	307,463
Charges for services	894,000	887,566	(6,434)
Intergovernment	350,000	7,358	(342,642)
Licenses and permits	20,000	41,495	21,495
Interest	15,000	28,668	13,668
Miscellaneous	382,850	358,891	(23,959)
TOTAL REVENUES	<u>5,367,215</u>	<u>5,296,860</u>	<u>(70,355)</u>
EXPENDITURES			
Current			
General government	828,858	793,056	35,802
Administration of justice	2,300,682	2,358,484	(57,802)
Roads and bridges			
Health and human services	561,455	508,826	52,629
Tax administration	304,868	287,068	17,800
Other unclassified	1,092,498	1,108,415	(15,917)
Capital outlay			
Debt service			
Principal			
Interest and fiscal charges			
TOTAL EXPENDITURES	<u>5,088,361</u>	<u>5,055,849</u>	<u>32,512</u>
REVENUES OVER (UNDER) EXPENDITURES	278,854	241,011	(37,843)
OTHER FINANCING SOURCES (USES)			
Debt proceeds		138,980	138,980
Operating transfers in			
Operating transfers out	(278,875)	(338,961)	(60,086)
	<u>(278,875)</u>	<u>(199,981)</u>	<u>78,894</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ (21)</u>	41,030	<u>\$ 41,051</u>
Fund balances (deficit) at beginning of year		<u>(924,072)</u>	
FUND BALANCES (DEFICIT) AT END OF YEAR		<u>\$ (883,042)</u>	

SPECIAL REVENUE FUND (BUDGETED FUNDS ONLY)			DEBT SERVICE FUND		
BUDGET	ACTUAL (BUDGET BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)	BUDGET	ACTUAL (BUDGET BASIS)	VARIANCE FAVORABLE (UNFAVORABLE)
\$ 1 897 301	\$1 742,072	\$(155 229)	\$ 1 674 600	\$ 1,475 607	\$ (198,993)
87,500	92,098	4,598			
718 486	679 822	(38 664)			
241 400	642 477	401 077			
10 000	26 087	16 087	20 000	20,066	66
80 000	99 737	19 737			
<u>3,034 687</u>	<u>3 282,293</u>	<u>247 606</u>	<u>1 694 600</u>	<u>1 495 673</u>	<u>(198 927)</u>
160 000	449 083	(289 083)			
14 000	6 676	7 324			
1,840 880	1,804 472	36 408			
954 887	1 221 628	(266 741)			
			1 121,566	1 420 029	(298 463)
			493 034	510 097	(17 063)
<u>2,969 767</u>	<u>3 481 859</u>	<u>(512 092)</u>	<u>1 614 600</u>	<u>1 930 126</u>	<u>(315,526)</u>
64 920	(199,566)	(264 486)	80 000	(434 453)	(514 453)
278 875	564 637	285 762		291 096	291,096
88 921	(84 843)	(173 764)			
<u>367,796</u>	<u>479 794</u>	<u>111 998</u>		<u>291 096</u>	<u>291 096</u>
<u>\$ 432,716</u>	280,228	<u>\$(152,488)</u>	<u>\$ 80 000</u>	(143,357)	<u>\$ (223,357)</u>
	<u>53 725</u>			<u>(261 054)</u>	
	<u>\$ 333 953</u>			<u>\$ (404,411)</u>	

See notes to financial statements

STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN FUND BALANCE NONEXPENDABLE TRUST FUND

Year ended December 31, 1994

	<u>FIDUCIARY FUND TYPE NONEXPENDABLE TRUST</u>
Operating revenues	
Other	\$ 1 190
	<hr/>
NET INCOME	1 190
	<hr/>
Fund balance at beginning of year	300,529
	<hr/>
FUND BALANCE AT END OF YEAR	\$ 301 719
	<hr/> <hr/>

See notes to financial statements

POLK COUNTY, TEXAS

STATEMENTS OF CASH FLOWS -
NONEXPENDABLE TRUST FUND

Year ended December 31, 1994

	FIDUCIARY FUND TYPE <u>NONEXPENDABLE</u> <u>TRUST</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Operating income (loss)	\$ 1,190
Increase in other liabilities	2,801
	<u>3,991</u>
Cash balance at beginning of year	<u>300,529</u>
CASH AT END OF YEAR	\$ <u>304,520</u>

See notes to financial statements.

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POLK COUNTY, TEXAS**NOTES TO FINANCIAL STATEMENTS**

December 31, 1994

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Polk County, Texas ("County") have been prepared in conformity with generally accepted accounting principles ("GAAP") for local governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The most significant accounting and reporting policies of the County are described in the following notes to the financial statements.

A. REPORTING ENTITY

Polk County, Texas is an independent government entity created in 1846 from Liberty County by an act of the Texas Legislature. The County is governed by a Commissioners Court, composed of four County Commissioners and the County Judge, all of which 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, public safety, culture and recreation, public improvements and general administration.

As required by generally accepted accounting principles, these financial statements present the County and its component units, entities for which the County is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the government's operations and so data from these units would be combined with data of the County. Each discretely presented component unit, on the other hand, would be reported in a separate column in the combined financial statements to emphasize it is legally separate from the County.

Blended Component Units The Juvenile Probation and Adult Probation operations of the 258th Judicial District serve the County and two adjacent counties. Each of these entities are reported as special revenue funds and have a fiscal year end of August 31.

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION

The County's accounts are organized and operated on the basis of funds and account groups. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements. Account groups are a reporting device to account for certain assets and liabilities of the governmental funds not recorded directly in those funds.

POLK COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

December 31, 1994

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION (continued)

The government has the following fund types and account groups

Governmental funds are used to account for the government's general government activities. Governmental fund types use the flow of current financial resources measurement focus and the modified accrual basis of accounting. Under the modified accrual basis of accounting revenues are recognized when susceptible to accrual (i.e. when they are "measurable and available") "Measurable" means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to pay liabilities of the current period. The County considers all revenues available if they are collected within 60 days after year end. Expenditures are recorded when the related fund liability is incurred except for unmatured interest on general long term debt which is recognized when due, and certain compensated absences and claims and judgments which are recognized when the obligations are expected to be liquidated with expendable available financial resources

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

Governmental funds include the following fund types

The *General Fund* is the County's primary operating fund. It accounts for all financial resources of the County, except those to be accounted for in another fund.

The *Special Revenue Funds* account for revenue sources that are legally restricted to expenditure for specific purposes (not including expendable trusts or major capital projects)

The *Debt Service Fund* accounts for the servicing of general long-term

The *Capital Projects Funds* accounts for the acquisition of fixed assets or construction of major capital facilities

Fiduciary funds account for assets held by the government in a trustee capacity or as an agent on behalf of others

The *expendable trust funds* are accounted for in essentially the same manner as the governmental fund types, using the same measurement focus and basis of accounting. Expendable trust funds account for assets where both the principal and interest may be spent

The *nonexpendable trust fund* are accounted for in essentially the same manner as the proprietary funds using the same measurement focus and basis of accounting. Nonexpendable trust funds account for assets of which the principal may not be spent

POLK COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

December 31, 1994

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND BASIS OF PRESENTATION (continued)

The *agency funds* are custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the government holds for others in an agency capacity.

The *General Fixed Assets Account Group* is normally used to account for fixed assets however, these records are unavailable and such a fund has not been established.

The *General Long Term Debt Account Group* is used to account for general long term debt and certain other liabilities that are not specific liabilities of proprietary funds.

C. ASSETS, LIABILITIES AND EQUITY

1. DEPOSITS AND INVESTMENTS

The County's cash and cash equivalent 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. Investments are stated at cost or amortized cost, except for investments in the deferred compensation agency fund which are reported at market value.

Section 105.034 of the Local Government Code of Texas Codes Annotated authorizes the County to invest in:

- (a) obligations of the United States or its agencies or instrumentalities
- (b) direct obligations of the State of Texas or its agencies
- (c) other obligations the principal and interest on which are unconditionally guaranteed or insured by the State of Texas or the United States
- (d) obligations of state, agencies, counties, cities and other political subdivisions of any state having been rated as to investment quality by a nationally recognized investment rating firm and having received a rating of not less than A or its equivalent,
- (e) certificates of deposit issued by state and national banks domiciled in Texas which are
 - (1) guaranteed or insured by the Federal Deposit Insurance Corporation, or its successor, or
 - (2) secured by obligations of paragraphs (a) to (d) above and that have a market value of not less than the principal amount of the certificates and
- (f) fully collateralized by direct repurchase agreements.

POLK COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

December 31, 1994

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B ASSETS, LIABILITIES AND EQUITY (continued)

2. RECEIVABLES AND PAYABLES

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

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

All trade receivables are shown net of an allowance for uncollectibles

General property taxes are recorded as revenue when levied for the current year and due, payable and collected in the current year. Uncollected amounts at year end are reported as deferred revenue. In addition, taxes collected within the 1994 fiscal year (levied October 1, 1994) for the 1995 fiscal year are deferred until 1995. Property taxes collected within sixty days subsequent to December 31, 1994 for 1993 and prior years' tax levies were not considered material.

The property tax calendar dates are

- a. Levy date - October 1
- b. Due date - October 1
- c. Collection dates - October 1 through January 31
- d. Lien date - February 1

The County bills and collects its own taxes and those for certain government entities within the County. Collections of the property taxes and subsequent remittances to the proper entities are accounted for in the Tax Assessor's Agency Fund. Tax collections deposited for the County are distributed on a periodic basis to the General, Road and Bridge, and Debt Service Funds of the County. This distribution is based upon the tax rate established for each fund by order of the Commissioners Court for the tax year for which the collections are made.

The appraisal of property within the County is the responsibility of the county-wide appraisal district which is required under the Property Tax Code to assess all property within the appraisal district on the basis of 100 percent of its appraised value and is prohibited from applying any assessment ratios. The value of property within the County must be reviewed every four years by the appraisal district 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 continues to set tax rates on county property.

NOTES TO FINANCIAL STATEMENTS

December 31, 1994

L. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. ASSETS, LIABILITIES AND EQUITY (continued)

3 INVENTORIES AND PREPAIDS

The costs of governmental fund type inventories are recorded as expenditures when purchased. In addition, certain payments to vendors reflect costs applicable to future accounting periods and are also recorded as expenditures when purchased.

4 RESTRICTED ASSETS

Certain assets of the County are classified as restricted assets because their use is restricted by various agreements.

5 FIXED ASSETS

Costs incurred for the purpose of construction of general fixed assets are recorded as capital outlay expenditures in the General, Special Revenue and Capital Projects Funds. All such costs would normally be capitalized in the General Fixed Assets Account Group.

Generally accepted accounting principles require a statement of general fixed assets to be included in the combined financial statements. The County has not maintained a record of all general fixed assets acquired; therefore, the omission of the statement of general fixed assets results in an incomplete presentation of the combined financial statements. Additionally, summary disclosures of changes in general fixed assets by asset class have been omitted from the notes.

6 COMPENSATED ABSENCES

It is the County's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. No liability is reported for unpaid accumulated sick leave since it does not vest. Vacation 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. Amounts not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for these amounts.

7 LONG-TERM OBLIGATIONS

The County reports long term debt of governmental funds at face value in the general long term debt account group. Certain other governmental fund obligations not expected to be financed with current available financial resources are also reported in the general long-term debt account group.

For governmental fund types, bond premiums and discounts, as well as issuance costs, are recognized during the current period. Bond proceeds are reported as an other financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

POLK COUNTY, TEXAS**NOTES TO FINANCIAL STATEMENTS**

December 31, 1994

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**B ASSETS, LIABILITIES AND EQUITY (continued)****8 FUND EQUITY**

Reservations of fund balance represent amounts that are not appropriable or are legally segregated for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

9 "MEMORANDUM ONLY" CAPTIONS

The "Memorandum Only" captions on the columns of the combined statements mean totals are presented for overview informational purposes only and they do not fairly present financial position or results of operations for the County as a whole in conformity with GAAP. "Memorandum Only" columns do not include eliminations for interfund activity, and consolidated financial information is not presented.

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**A. BUDGETARY INFORMATION**

The accompanying financial statements have been prepared and each budget is adapted on a cash basis.

The original budget is adopted by the Commissioners Court prior to the beginning of the fiscal year. The legal level of control is the total approved budget for each fund. The County may transfer funds within department category without Council approval and between departments from one category to another within department budgets. All transfers from one fund to another must be approved by Council. The final amended budget is used in this report. Appropriations lapse at the end of the year. Budgets are adopted on a GAAP basis for all funds except the Enterprise Fund which does not budget for depreciation and the Capital Projects Fund, which adopts a project length budget. A budget is not adopted by the County for the Adult Probation and Juvenile Probation Funds, which are blended component units.

Polk County has complied with all budget requirements for the year ended December 31, 1994. Several supplemental budget appropriations were made for the year ended December 31, 1994.

Encumbrances represent the estimated amount of expenditures ultimately to result when unperformed contracts (in progress at year end) are completed. Such encumbrances are reported as reservations of fund balances and do not constitute expenditures or liabilities. No encumbrances were outstanding at December 31, 1994.

POLK COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

December 31, 1994

II. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

B. BUDGET/GAAP RECONCILIATION

The County's 1994 budget was prepared using the cash basis of accounting which differs from generally accepted accounting principles (GAAP). The following schedule reconciles the amounts on the Combined Statement of Revenues, Expenditures and Changes in Fund Balance Budget to Actual to the amounts on the Combined Statement of Revenues, Expenditures and Changes in Fund Balances for timing and perspective differences.

	<u>GENERAL</u>	<u>SPECIAL REVENUE</u>	<u>DEBT SERVICE</u>
GAAP REVENUES AND OTHER SOURCES OVER EXPENDITURES AND OTHER USES	\$ 288,862	\$ 89,157	\$ 53,016
Less operational results of unbudgeted funds		(95,118)	
Net differences in results of operations from GAAP basis to the non-GAAP (Cash basis)			
Decrease in deferred taxes	(59,097)	(34,548)	(196,373)
Increase (decrease) in accounts payable	(188,729)	320,737	
BUDGET ACTUAL REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	<u>\$ 41,036</u>	<u>\$ 280,228</u>	<u>\$ (143,357)</u>

C. DEFICIT FUND EQUITY

The funds noted in the preceding table had a deficit fund balance at December 31, 1994 as indicated. The County changed its basis of accounting to conform with generally accepted accounting principles as of January 1, 1994. The prior years' financial statements were prepared using the cash basis of accounting. The new basis of accounting, the modified accrual method, presents a better representation of the financial condition of the County. The change in the basis of accounting resulted in the ending fund balance of these funds being substantially lower than if the cash basis of accounting had been used.

The following schedule is a reconciliation of ending fund balance per GAAP to fund balance using the cash basis of accounting.

	<u>GENERAL</u>	<u>ROAD & BRIDGE</u>	<u>DEBT SERVICE</u>
GAAP basis FUND BALANCE (deficit) AT DECEMBER 31, 1994	\$ (635,210)	\$ (486,451)	\$ (208,038)
Plus accounts payable at year end	167,550	400,774	
Plus tax collections deferred for the 1995 fiscal year	637,269	225,687	235,889
Cash Basis FUND BALANCE AT DECEMBER 31, 1994	<u>\$ 169,609</u>	<u>\$ 140,010</u>	<u>\$ 27,851</u>

POLK COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

December 31, 1994

II STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (continued)

C. DEFICIT FUND EQUITY (continued)

The County is in the process of changing from a calendar year to a fiscal year that will coincide with the County's tax year for the purposes of simplifying the budget process and determination of the tax rate. The County's next fiscal period will be for a short nine month period and will result in the recognition of one years tax levy in a nine month period. As a result of this additional tax revenue and FEMA grant monies, fund balance for these funds should be at or near a break even point by September 30, 1995. Management intends to implement other measures to build a reserve in each of these funds.

D. EXCESS OF EXPENDITURES OVER APPROPRIATIONS

For the year ended December 31, 1994, expenditures exceeded appropriations at the department level for five departments in the General Fund and at the fund level for four funds as follows

General Fund	
County Clerk	\$ 338
County Auditor	7,666
Data Processing	37,512
Jury	6,482
Sheriff	115,622
	<u>\$ 167,620</u>
Debt Service Fund	\$ 315,526
Environmental Service Fund	\$ 292,456
County Clerk Records Preservation Fund	\$ 9,765
Historical Fund	\$ 10,510

POLK COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

December 31, 1994

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS

A. DEPOSITS AND INVESTMENTS

At year end, the carrying amount of the County's deposits was \$4,400,429 and the bank balance was \$5,173,401. Of the bank balance \$961,611 was covered by federal depository insurance and \$4,210,411 by collateral held in the pledging financial institutions trust department in the County's name. Deposits of \$1,380 were in excess of FDIC insurance and collateral pledged.

The County's deposits and investments are categorized as either (1) Insured or collateralized with securities held by the entity or by its agent in the entity's name (2) Collateralized with securities held by the pledging financial institutions trust department or agent in the entity's name or (3) Uncollateralized including any bank balance that is collateralized with securities held by the pledging financial institution, or by its trust department or agent but not in the entity's name.

Cash temporarily idle during the year was invested in Texas Local Government Investment Pool (TexPool). 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. This investment is not subject to categorization of credit risk since it is an investment pool managed by other governments.

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

	Categories			Carrying Amount	Market Value
	1	2	3		
Deposits	\$ 5,172,022		\$ 1,380	\$ 4,400,429	\$ 4,400,429
Investments not to categorization					
TexPool				\$ 3,801	\$ 3,801
Deferred - Mutual Fund				\$ 258,937	\$ 258,937

POLK COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

December 31, 1994

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

B RECEIVABLES

On October 1, 1993 (tax levy for 1994 revenues) and October 1, 1994 (tax levy for 1995 revenues), the County levied the following tax rates per \$100 valuation

	1994	1995
Maintenance and operation		
General	\$ 0 2700	\$ 0 3123
Road and bridge	0 1009	0 1106
	<u>0 3709</u>	<u>0 4229</u>
Debt Service	0 1676	0 1156
	<u>\$ 0.5385</u>	<u>\$ 0.5385</u>

C. INTERFUND RECEIVABLE/PAYABLE

The following is a summary of interfund balances at December 31, 1994

DUE FROM/TO OTHER FUNDS		
Receivable Fund	Payable Fund	Amount
General	Debt service	\$ 106,439
Debt service	General	33,775
	TOTAL	<u>\$ 140,214</u>

D DEFERRED REVENUE

A summary of deferred revenue at December 31, 1994 is as follows

	General	Special Revenue	Debt Service	Total
Property tax collections from October 1 1994 to December 31 1995 for the 1995 fiscal year	\$ 637,269	\$ 225,687	\$ 235 889	\$1,098,845
Delinquent property taxes	3,248,302	1 073,687	1,203,329	5,525,318
	<u>\$3 885,571</u>	<u>\$1,299,374</u>	<u>\$1 439,218</u>	<u>\$6 624 163</u>

POLK COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

December 31, 1994

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

E. LONG-TERM DEBT (continued)

A summary of the County's certificates of obligations, time warrants and notes payable debt service requirements, including interest are as follows

<u>FISCAL YEAR</u>	<u>CERTIFICATES OF OBLIGATION</u>	<u>TIME WARRANTS</u>	<u>NOTES</u>	<u>TOTAL</u>
1995	\$ 803,255	\$ 654,243	\$ 106,405	\$ 1,563,903
1996	910,104	500,831	85,304	1,496,239
1997	898,966	413,617	79,347	1,391,930
1998	890,425	302,495	1,521	1,194,441
1999	901,612	176,558		1,078,170
2000	894,415			894,415
2001	889,890			889,890
2002	905,570			905,570
2003	903,550			903,550
2004	895,275			895,275
2005	749,200			749,200
2006	507,750			507,750
2007	206,625			206,625
2008	222,000			222,000
2009	211,000			211,000
	<u>10,789,637</u>	<u>2,047,744</u>	<u>272,577</u>	<u>13,109,958</u>
Less amount representing interest	<u>3,389,637</u>	<u>446,145</u>	<u>36,462</u>	<u>482,607</u>
TOTAL	<u>\$ 7,400,000</u>	<u>\$ 1,601,599</u>	<u>\$ 236,115</u>	<u>\$ 12,627,351</u>

POLK COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

December 31, 1994

III. DETAILED NOTES ON ALL FUNDS AND ACCOUNT GROUPS (continued)

E. LONG-TERM DEBT (continued)

The summary of all long-term debt of the County as of December 31, 1994 is as follows

	Interest Rates	Original Issue	Balance at Dec 31, 1994
CERTIFICATES OF OBLIGATION			
C O Series 1990	6 7 9.5	\$ 2 000 000	\$ 1,650,000
C O Series 1986	6 6 7 8	2 000 000	800,000
Tax and Solid Waste Revenue Series 1991	5.5 8.5	2,500 000	2,275,000
1994 Tax and Solid Waste Revenue Disposal System Surplus Revenue	5 62	2 050,000	2,050,000
C O Series 1994	5 16	625 000	625 000
TOTAL CERTIFICATES OF OBLIGATION			\$ 7,400,000
NOTES PAYABLE			
1987 Hospital note	4 42	\$ 244 609	\$ 19,096
IBM equipment note	5 72 6 78	463,381	217,019
TOTAL NOTES PAYABLE			\$ 236,115
TIME WARRANTS			
Series 1988	9.36-9.5	n/a	\$ 209,902
Series 1989	7 15-9.5	n/a	61,215
Series 1990	9	n/a	24,795
Series 1991	7 7.5	n/a	94,843
Series 1992	5 95	n/a	245 642
Series 1994	4.5-6 25	n/a	412,202
TOTAL TIME WARRANTS			\$ 1,601,599

During the year ended December 31, 1994 the following changes occurred in liabilities reported in the general long term account group

	Balance Jan 1, 1993	Additions	Reductions	Balance Dec. 31, 1994
Certificates of Obligation	\$ 5,100,000	\$ 2 675 000	\$ 375 000	\$ 7,400 000
Notes payable	325,354		119,239	236 115
Compensated absences	53 865			53 865
Time warrants	2,084 280	452 475	935 156	1 601,599
TOTAL	\$ 7,593 499	\$ 3 127 475	\$ 1 429 395	\$ 9 291,579

POLK COUNTY, TEXAS**NOTES TO FINANCIAL STATEMENTS**

December 31, 1994

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 government carries commercial insurance

Liabilities are reported 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 (IBNRs) Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay outs and other economic and social factors The liability for claims and judgments is reported in the general long term debt account group because it is not expected to be liquidated with expendable available financial resources However none are reported at December 31 1994

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

C. DEFERRED COMPENSATION PLAN

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457 The plan, available to all full time County employees at their option, permits participants to defer a portion of their salary until future years The deferred compensation is not available to participants until termination, retirement, death, or unforeseeable emergency

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property or rights are (until paid or made available to the participant or beneficiary) solely the property of the County subject only to the claims of the government's general creditors. Participant's rights under the plan are equal to those of general creditors of the government in an amount equal to the fair market value of the deferred account for each participant

It is the opinion of the County's legal counsel that the government has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor The County believes it is unlikely that it will use the assets to satisfy the claims of general creditors in the future

POLK COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

December 31, 1994

IV OTHER INFORMATION (continued)

D EMPLOYEE RETIREMENT SYSTEM

1 Plan Description

The County provides pension, disability, and death benefits for all of its full time employees through a nontraditional, joint contributory, defined contribution plan in the state-wide Texas County and District Retirement (TCDRS) one of over 450 administered by TCDRS, an agent multiple employer public employee retirement system. It is the opinion of the TCDRS management that the plans in the TCDRS are substantially defined contribution plans, but they have elected to provide additional voluntary disclosure to help foster a better understanding of some of the nontraditional characteristics of the plan.

Under the state law governing TCDRS the contribution rate of the county is a fixed percent equal to the contribution rate payable by the employee member, which is 7% as adopted by the governing body of the county. This rate is not actuarially determined and is one of the rates that can be adopted in accordance with the TCDRS Act. However, the plan of benefits adopted by the employer at the time of plan inception or when benefit increases were adopted was limited by statute to what the actuary determined could be adequately financed by the commitment of the employer to contribute the same amount as the employees. The statute specified that the actuary's determination was based on a maximum period for amortizing the unfunded pension benefit obligation of 30 years.

The plan provisions are adopted by the governing body of the county, within the options available in the state statutes governing TCDRS. Members can retire at ages 60 and above with 10 or more years of service or with 30 years regardless of age or when the sum of their age and years of service equals 80 or more. A member is vested after 10 years but must leave his accumulated contributions in the plan. If a member withdraws his personal contributions in a lump-sum he is not entitled to any amounts contributed by the employer.

Benefit amounts are determined by the sum of the employee's contributions to the plan with interest, and employer financed monetary credits, with interest. The level of these monetary credits, with interest. The level of these monetary credits is adopted by the governing body of the county conditioned by the actuarial constraints imposed by statute that the resulting benefits can be expected to be adequately financed by the commitment of the county to contribute the same amount as the member employees. The county's current benefit plan provides for employer financed monetary credits for service since the plan began of 220% of the employee's accumulated contributions and for employer financed monetary credits for service before the plan began of 160% of a theoretical amount equal to twice what would have been contributed by the employee, with interest, prior to establishment of the plan. At retirement the benefit is calculated as if the sum of the employee's accumulated contributions and the employer financed monetary credits were used to purchase an annuity within TCDRS.

POLK COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

December 31, 1994

IV OTHER INFORMATION (continued)

D EMPLOYEE RETIREMENT SYSTEM (continued)

2. Payroll and Contribution Information

The County's total payroll in calendar year 1993 was \$4,053,926 and the County's contributions were based on a covered payroll of \$4,791,723 including wages of hospital employees for the first six months of the year of \$1,142,292. Employer and employee contributions for the year were made as required and are detailed below. Employee contributions may include the purchase of credits for military or legislative service or the buyback of previously forfeited service credit. There were no related party transactions.

	Contributions for Year	Contribution Rate
Employee	\$ 391,311	7%
Employer	\$ 391,336	7.00%

3. Voluntary Additional Disclosure

Even though the substance of the county's plan is not to provide a defined benefit in some form, some additional voluntary disclosure is appropriate due to the nontraditional (for a defined contribution plan) existence of an unfunded pension benefit obligation in earlier years and employer-financed monetary credits in excess of 100% of the employee's personal contribution. Part of the county's 7% contribution, the normal cost of 5.08%, is to fund the currently accruing monetary credits while the remaining portion, 1.92%, is available to amortize any unfunded pension benefit obligation which may arise in the future. The plan had an initial unfunded pension benefit obligation due to the monetary credits granted by the county for services rendered before the plan began and might later have an unfunded pension benefit obligation through adverse experience.

Statement No. 5 of the Governmental Accounting Standards Board (GASB 5) defines pension benefit obligation as a standardized disclosure measure of the actuarial present value of pension benefits, adjusted for the effects of projected salary increases, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of public employee pension plans, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among public employee pension plans.

POLK COUNTY, TEXAS

NOTES TO FINANCIAL STATEMENTS

December 31, 1994

IV OTHER INFORMATION (continued)

D EMPLOYEE RETIREMENT SYSTEM (continued)

3 Voluntary Additional Disclosure (continued)

The pension benefit obligation shown below is similar in nature to the standardized disclosure measure required by GASB 5 for defined benefit plans except that there is no need to project salary increases since the benefit credits earned for service to date are not dependent upon future salaries. The calculations were made as part of the annual actuarial valuation as of December 31, 1993. Because of the money purchase nature of the plan, the interest rate assumptions, currently 9% and 7% per year with a weighted average of 8%, do not have as much impact on the results as for a defined benefit plan. An annual rate of 9% is used for calculating the actuarial liability and normal cost contribution rate. For accumulating existing monetary credits after the valuation date, an annual rate of 7% is assumed, 2% lower than the 9% assumption in recognition of the statutory interest allocation method. Market value assets is not determined separately for each plan but the market value of assets for TCDRS as a whole was 111.8% of book value as of December 31, 1993.

Pension Benefit Obligation

Annuitants currently receiving benefits	\$ 514,060
Terminated employees	812,588
Current employees	
Accumulated employee contributions including	
allocated invested earnings	2,002,380
Employer-financed vested	1,276,436
Employer-financed nonvested	1,029,189
Total Pension Benefit Obligation	<u>5,634,653</u>
Net Assets Available for Benefits at Book Value	6,669,890
Assets in Excess of Pension Benefit Obligation	<u>\$ 1,035,237</u>
Amortization Period	0.0 years

The funded ratio, the portion of the pension benefit obligation that is fully funded, is 118.4% for the county. A funded ratio of 100% or more indicates that the pension benefit obligation is fully funded and the plan has no amortization period.

The pension benefit obligation amounts shown above reflect changes in the actuarial assumptions since the previous actuarial valuation. These changes in assumptions had the net effect of increasing the pension benefit obligation by \$182,129.

Trend Information

Ten year historical trend information presenting the progress in accumulating sufficient assets to pay benefits when due is presented in the back of the financial section.

POLK COUNTY, TEXAS**NOTES TO FINANCIAL STATEMENTS**

December 31, 1994

IV OTHER INFORMATION (continued)**E. HOSPITAL LEASE**

The County entered into a lease agreement and related agreements with Memorial Health Systems of East Texas for their subsidiary Memorial Hospital of Polk County (MHPC) to lease the Polk County Memorial Hospital (the Hospital). Pursuant to such lease and related agreements, MHPC would repair maintain renovate equip and operate the Hospital at a specified level of service and use its best efforts to build a new hospital.

As part of these agreements, MHPC would among other things lease the hospital and certain hospital equipment acquire certain hospital contract rights purchase the inventory and supplies on hand at the Hospital have the option to purchase leased equipment and trade in old equipment for new equipment. In addition MHPC would have to provide certain levels of inpatient and outpatient services, including services to medically indigent residents of the County.

An escrow agreement was entered into as part of the agreements whereas an escrow fund was established containing four accounts entitled the Renovations Account Physician Recruitment Account Equipment Account and the New Facility Account. The County is required to deposit in total \$600,000 to the escrow fund over the term of the lease in increments of \$25,000 to \$75,000 per month. The County's payments are to be used to repair and improve the Hospital develop and build the new hospital, purchase equipment for the hospital and the new hospital and recruit additional physicians to practice at the hospital.

The County assigned responsibility for the collections of accounts receivable for services provided prior to July 1, 1994 to MHPC. The receipts generated are restricted for use under the terms of the collection agreement. Funds available after paying certain contractual costs can be used to satisfy the County's escrow account requirements.

The lease of the hospital facility and related equipment is the form of an operating lease and capital lease, respectively, and calls for payments of \$1 per year for the term of the lease commencing July 1, 1994 through June 30, 1999.

Although considered part of the County through June 30, 1994 by generally accepted accounting principles, the financial operations of the Hospital are excluded from the County's financial statements.

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**INDIVIDUAL FUND AND ACCOUNT
GROUP STATEMENTS AND
SCHEDULES**

GENERAL FUND

The *General Fund* is used to account for resources traditionally associated with the County for which a separate fund has not been established

POLK COUNTY, TEXAS

GENERAL FUND

BALANCE SHEET

December 31, 1994

	<u>1994</u>
ASSETS	
CASH including cash equivalents	\$ 96,945
RECEIVABLES	
Taxes	3,248,302
DUE FROM OTHER FUNDS	<u>106,439</u>
TOTAL ASSETS	<u>\$ 3,451,686</u>
LIABILITIES AND FUND BALANCES	
ACCOUNTS PAYABLE	\$ 167,550
DUE TO OTHER FUNDS	33,775
DEFERRED REVENUES	<u>3,885,571</u>
TOTAL LIABILITIES	4,086,896
FUND BALANCE	
Unreserved	
Undesignated (deficit)	<u>(635,210)</u>
	<u>(635,210)</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 3,451,686</u>

POLK COUNTY, TEXAS

GENERAL FUND

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE**

Year ended December 31, 1994

	<u>1994</u>
REVENUES	
Taxes	\$ 3,681,516
Licenses and permits	41,495
Charges for services	887,566
Fines and forfeitures	350,463
Intergovernmental	7,358
Interest	28,668
Other	361,170
	<u>5,358,236</u>
EXPENDITURES	
General Government	
County Judge	86,097
Commissioners Court	95,258
County Clerk	154,060
County Treasurer	61,948
County Auditor	80,852
Data Processing	107,256
Personnel	28,186
Maintenance	90,114
Emergency Management	38,696
	<u>742,467</u>
TOTAL GENERAL GOVERNMENT	
Administration of Justice	
Judicial	39,122
Jury	120,187
County Court-at Law	144,379
District Clerk	134,092
Justice of the Peace	219,555
District Attorney	149,181
Sheriff	946,262
Jail	555,650
	<u>2,308,428</u>
TOTAL ADMINISTRATION OF JUSTICE	

POLK COUNTY, TEXAS

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

Year ended December 31, 1994

	1994
Health and Human Services	<u> </u>
Social Services	413,554
Veterans Services	16,691
County extension	35,587
TOTAL HEALTH AND HUMAN SERVICES	<u>465,832</u>
Tax Administration	
Tax Assessor Collector	286,834
TOTAL TAX ADMINISTRATION	<u>286,834</u>
Other unclassified	1,065,832
TOTAL EXPENDITURES	<u>4,869,393</u>
REVENUES OVER (UNDER) EXPENDITURES	488,843
OTHER FINANCING SOURCES (USES)	
Operating transfer out	(338,961)
Debt proceeds	138,980
	<u>(199,981)</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	288,862
Fund balance (deficit) at beginning of year	<u>(924,072)</u>
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ (635,210)</u>

POLK COUNTY, TEXAS

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)

Year ended December 31, 1994

	1994		
	BUDGET	ACTUAL (BUDGET BASIS)	VARIANCE- FAVORABLE (UNFAVORABLE)
REVENUES			
Taxes	\$ 3,662,365	\$ 3,622,419	\$ (39,946)
Licenses and permits	43,000	41,495	(1,505)
Charges for services	894,000	887,566	(6,434)
Fines and forfeitures	350,000	350,463	463
Intergovernmental	20,000	7,358	(12,642)
Interest	15,000	28,668	13,668
Other	382,850	358,891	(23,959)
	<u>5,367,215</u>	<u>5,296,860</u>	<u>(70,355)</u>
EXPENDITURES			
General Government			
County Judge	87,496	86,097	1,399
Commissioners Court	171,623	105,855	65,768
County Clerk	157,676	158,014	(338)
County Treasurer	63,225	61,948	1,277
County Auditor	72,906	80,572	(7,666)
Data Processing	101,768	139,280	(37,512)
Personnel	30,155	28,186	1,969
Maintenance	107,286	93,814	13,472
Emergency Management	36,723	39,290	(2,567)
TOTAL GENERAL GOVERNMENT	<u>828,858</u>	<u>793,056</u>	<u>35,802</u>
Administration of Justice			
Judicial	39,507	39,122	385
Jury	138,105	144,587	(6,482)
County Court at-Law	158,890	144,579	14,311
District Clerk	141,743	134,092	7,651
Justice of the Peace	222,707	219,520	3,187
District Attorney	164,832	149,181	15,651
Sheriff	844,231	959,853	(115,622)
Jail	590,667	567,550	23,117
TOTAL ADMINISTRATION OF JUSTICE	<u>2,300,682</u>	<u>2,358,484</u>	<u>(57,802)</u>

POLK COUNTY, TEXAS

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL (BUDGET BASIS)

Year ended December 31, 1994

	1994		
	BUDGET	ACTUAL (BUDGET BASIS)	VARIANCE- FAVORABLE (UNFAVORABLE)
Health and Human Services			
Social Services	503,416	456,692	46,724
Veterans Services	20,801	16,547	4,254
County extension	37,238	35,587	1,651
TOTAL HEALTH AND HUMAN SERVICES	<u>561,455</u>	<u>508,826</u>	<u>52,629</u>
Tax Administration			
Tax Assessor Collector	304,868	287,068	17,800
TOTAL TAX ADMINISTRATION	<u>304,868</u>	<u>287,068</u>	<u>17,800</u>
Other unclassified	<u>1,092,498</u>	<u>1,108,415</u>	<u>15,917</u>
TOTAL EXPENDITURES	<u>5,088,361</u>	<u>5,055,849</u>	<u>32,512</u>
REVENUES OVER (UNDER) EXPENDITURES	278,854	241,011	(37,843)
OTHER FINANCING SOURCES (USES)			
Operating transfer out	(278,875)	(338,961)	(60,086)
Debt proceeds		138,980	138,980
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	<u>\$ (21)</u>	<u>41,030</u>	<u>\$ 41,051</u>
Fund balance (deficit) at beginning of year		<u>(924,072)</u>	
FUND BALANCE (DEFICIT) AT END OF YEAR		<u>\$ (883,042)</u>	

SPECIAL REVENUE FUNDS

These funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes. The following is a brief discussion of the various types of Special Revenue Funds utilized by the Polk County.

Road & Bridge Fund - This fund is used to account for revenues of property taxes levied and vehicle registration fees for the road & 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.

Lateral Road Fund - Funds received from the State of Texas for the County's portion of the State's Lateral Road Fund are recorded in this fund, as well as the expenditure of such funds as restricted by the State.

Environmental Service Fund - This fund has been established by the County to account for all revenues generated from the County's environmental related services. Revenues include fees collected for the disposal and storage of solid waste, permits and inspection fees, for items such as septic systems, as well as penalties assessed for instances of noncompliance. Expenses are limited to the cost of providing environmentally related services.

(continued)

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. The Clerks of the respective courts are responsible for collecting such fees and expenditures from the fund are at the discretion of the Commissioner's Court.

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

County Records Management Fund Fees collected by the District Clerk and County Clerk at Law, as approved by the Texas Legislature are account for in this fund. The requests to expend funds collected are addressed to Commissioner's Court and are only used for specific records management and automation projects, with Commissioners Court approval.

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, with Commissioners Court approval.

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.

Grant Fund Various grants received by the County which are not reported in a separate fund are included in the grant fund.

Adult Probation Fund This fund includes the combined funds of the Community Corrections and Supervision Department - Adult Probation of the Board of Judges of the 258th Judicial District. The 258th District includes Polk County as well as Trinity and San Jacinto Counties. Revenues of the Adult Probation Fund are derived from funds supplied by the State from supervision fees imposed by the Courts and collected from the probationers, and contributions provided by each of the Counties. Each county is required by statute to provide occupancy, utilities, and equipment for operations of the department. Polk County's County Auditor is the Fiscal Agent for the Board of Judges of the 258th Judicial District. Adult probation operations for the entire 258th District are presented in this fund.

Juvenile Probation Fund This fund includes the combined funds of the Community Corrections and Supervision Department - Juvenile Probation of the Juvenile Board of the 258th Judicial District. The 258th District includes Polk County as well as Trinity and San Jacinto counties. Revenues of the Juvenile Probation Fund are derived from funds supplied by the State, from supervision fees imposed by the Courts and collected from the probationers, and contributions provided by each of the counties. Each county is required by statute to provide occupancy, utilities, and equipment for operations of the department. Polk County's County Auditor is the Fiscal Agent for the Juvenile Board of the 258th Judicial District. Juvenile probation operations for the entire 258th District are presented in this fund.

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.

POLK COUNTY, TEXAS

SPECIAL REVENUE FUNDS

COMBINING BALANCE SHEET

December 31, 1994

ASSETS	ROAD AND BRIDGE	LATERAL ROAD	ENVIRON- MENTAL SERVICE	COURT- HOUSE SECURITY	LAW LIBRARY	AGING
Cash and cash equivalents	\$ 140 010	\$ 17 653	\$ 200 971	\$ 16 342	\$ 8,277	\$ 47 070
Taxes receivable	1 073 687					
TOTAL ASSETS	<u>\$ 1 213 697</u>	<u>\$ 17 653</u>	<u>\$ 200 971</u>	<u>\$ 16 342</u>	<u>\$ 8 277</u>	<u>\$ 47 070</u>
LIABILITIES AND FUND						
Liabilities						
Deferred tax revenue	\$ 1,299,374					
Accounts payable	400 774		\$ 26 927		\$ 269	
TOTAL LIABILITIES	1 700 148		26 927		269	
Fund Balances (deficit)						
Unreserved and Undesignated	(486 451)	\$ 17 653	174 044	\$ 16,342	8 008	\$ 47 070
TOTAL LIABILITIES AND AND FUND BALANCES	<u>\$ 1,213 697</u>	<u>\$ 17 653</u>	<u>\$ 200 971</u>	<u>\$ 16,342</u>	<u>\$ 8 277</u>	<u>\$ 47,070</u>

COUNTY RECORDS MANAGEMENT	COUNTY CLERK RECORDS PRESERVATION	GRANT	ADULT PROBATION	JUVENILE PROBATION	HISTORICAL COMMISSION	TOTAL
	\$ 56 125	\$ 36 835	\$ 160 378	\$ 17 992	\$ 201 146	\$ 902,799
						1 073 687
	<u>\$ 56 125</u>	<u>\$ 36 835</u>	<u>\$ 160 378</u>	<u>\$ 17 992</u>	<u>\$ 201 146</u>	<u>\$ 1 976 486</u>
						\$ 1 299 374
<u>\$ 12,248</u>	<u>\$ 10,136</u>	<u>\$ 624</u>	<u>\$ 19,396</u>	<u>\$ 1 196</u>		<u>471,570</u>
12,248	10 136	624	19 396	1 196		1,770 944
<u>(12,248)</u>	<u>45,989</u>	<u>36,211</u>	<u>140 982</u>	<u>16,796</u>	<u>\$ 201,146</u>	<u>205,542</u>
	<u>\$ 56 125</u>	<u>\$ 36 835</u>	<u>\$ 160,378</u>	<u>\$ 17 992</u>	<u>\$ 201 146</u>	<u>\$ 1 976 486</u>

POLK COUNTY, TEXAS

SPECIAL REVENUE FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

December 31, 1994

	ROAD AND BRIDGE	LATERAL ROAD	ENVIRON- MENTAL SERVICE	COURT- HOUSE SECURITY	LAW LIBRARY	AGING
REVENUES						
Taxes	\$ 1 776 620					
Intergovernmental			\$ 8,508			\$ 227 083
Charges for services			581 908	\$ 16,342	\$ 13 000	
Fines and forfeitures	92,098					
Interest	17 128		230			
Miscellaneous			3,500			89,601
TOTAL REVENUES	1 885 846		594 146	16,342	13,000	316,684
EXPENDITURES						
General government						
Administration of justice					6 676	
Roads and bridges	2,125 728	\$ 34 750				
Health and human services			801 674			384 685
TOTAL EXPENDITURES	2,125 728	34 750	801 674		6 676	384 685
REVENUES OVER (UNDER) EXPENDITURES	(239 882)	(34,750)	(207,528)	16,342	6,324	(68,001)
OTHER FINANCING SOURCES SOURCES (USES)						
Operating transfers in			440 637			124 000
Operating transfers out	(84 843)					
	<u>(84 843)</u>		<u>440 637</u>			<u>124 000</u>
REVENUES AND OTHER FINANCING SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(324 725)	(34,750)	233,109	16,342	6,324	55,999
Fund balances (deficit) at beginning of year	(161 726)	52,403	(59 065)		1 684	(8,929)
FUND BALANCES AT END OF YEAR (DEFICIT)	\$ (486 451)	\$ 17 653	\$ 174 044	\$ 16 342	\$ 8 008	\$ 47 070

COUNTY RECORDS MGMT	COUNTY CLERK RECORDS PRE-SERVATION	GRANT	ADULT PROBATION	JUVENILE PROBATION	HISTORICAL	TOTALS
		\$ 406,886	\$ 484,116 290,159	\$ 202,959		\$1,776,620 1,329,552 969,981 92,098 28,749 123,487
\$ 5,885	\$ 62,687 1,316		2,662 23,750		\$ 7,413 6,636	
5,885	64,003	406,886	800,687	202,959	14,049	4,320,487
18,133	49,765	370,675	717,217	191,311	10,510	449,083 915,204 2,160,478 1,186,359
18,133	49,765	370,675	717,217	191,311	10,510	4,711,124
(12,248)	14,238	36,211	83,470	11,648	3,539	(390,637)
						564,637 (84,843) 479,794
(12,248)	14,238	36,211	83,470	11,648	3,539	89,157
	31,751		57,512	5,148	197,607	116,385
<u>\$ (12,248)</u>	<u>\$ 45,989</u>	<u>\$ 36,211</u>	<u>\$ 140,982</u>	<u>\$ 16,796</u>	<u>\$ 201,146</u>	<u>\$ 205,542</u>

DEBT SERVICE FUND

The *Debt Service Fund* is used to account for the accumulation of resources and payment of principal and interest on general long term debt of the County

POLK COUNTY, TEXAS

DEBT SERVICE FUNDBALANCE SHEET

December 31, 1994

	<u>1994</u>
<u>ASSETS</u>	
CASH - including cash equivalents	\$ 100,515
RECEIVABLES	
Taxes	1 203,329
DUE FROM OTHER FUND	<u>33,775</u>
	TOTAL ASSETS
	<u>\$ 1 337 619</u>
<u>LIABILITIES AND FUND BALANCE</u>	
LIABILITIES	
Deferred revenue	\$ 1 439 218
Due to other fund	106,439
	TOTAL LIABILITIES
	<u>1,545,657</u>
FUND BALANCE	
Unreserved	
Designated for debt service (deficit)	<u>(208,038)</u>
	TOTAL LIABILITIES AND FUND BALANCE
	<u>\$ 1,337 619</u>

POLK COUNTY, TEXAS

DEBT SERVICE FUND

**STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE**

For the year ended December 31, 1994

	<u>1994</u>
REVENUES	
Taxes	\$ 1,671,980
Interest	<u>20,066</u>
TOTAL REVENUES	1,692,046
EXPENDITURES	
Debt service	
Principal	1,420,029
Interest and fiscal charge	<u>510,097</u>
TOTAL EXPENDITURES	<u>1,930,126</u>
REVENUES OVER (UNDER) EXPENDITURES	(238,080)
OTHER FINANCING SOURCES (USES)	
Operating transfers in	291,096
Operating transfers out	
	<u>291,096</u>
REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES	53,016
Fund balance (deficit) at beginning of year	<u>(261,054)</u>
FUND BALANCE (DEFICIT) AT END OF YEAR	<u>\$ (208,038)</u>

CAPITAL PROJECTS FUND

These funds are used to account for financial resources to be used for the acquisition and construction of major capital facilities which are principally financed by grants, certificates of obligation and the bond proceeds

Environmental Service C/O 94 Issue This fund accounts for the proceeds of the 1994 Environmental Service Certificates of Obligation and related uses of funds.

Jail Renovation C/O 94 Issue - This fund accounts for the proceeds of the Jail Renovation Certificates of Obligation and related uses of funds

Prison Construction Fund This fund accounts for the proceeds of the Prison Construction Certificates of Obligation and related uses of funds

Solid Waste C/O 91 Issue - This fund accounts for the proceeds of the 1991 Tax Revenue Solid Waste Certificates of Obligation and related uses of funds.

POLK COUNTY, TEXAS

CAPITAL PROJECTS FUND

COMBINING BALANCE SHEET

December 31, 1994

	ENVIRONMENT SERVICE C/O 94 ISSUE	JAIL RENOVATION C/O 94 ISSUE	PRISON CONS- TRUCTION	SOLID WASTE C/O 91 ISSUE	TOTAL
ASSETS					
CASH including cash equivalents	\$ 937 626	\$ 217 711	\$ 549 075	\$ 67 821	\$ 1 772,233
TOTAL ASSETS	\$ 937 626	\$ 217 711	\$ 549 075	\$ 67 821	\$ 1 772 233
FUND BALANCES					
Unreserved Designated for subsequent years expenditures	\$ 937 626	\$ 217 711	\$ 549 075	\$ 67 821	\$ 1 772,233
TOTAL LIABILITIES AND FUND BALANCE	\$ 937 626	\$ 217 711	\$ 549 075	\$ 67 821	\$ 1 772,233

POLK COUNTY, TEXAS

CAPITAL PROJECTS FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE

For the year ended December 31, 1994

	ENVIRON- MENTAL SERVICE C/O 94 ISSUE	JAIL RENO- VATION C/O 94 FUND	PRISON CONSTRUC- TION FUND	SOLID WASTE C/O 91 ISSUE	TOTAL
REVENUES					
Interest	\$ 24 287	\$ 14 817	\$ 20,226	\$ 6 880	\$ 66,210
EXPENDITURES					
Capital outlay	696 027	422 106		356 750	1 474 883
REVENUES OVER (UNDER) EXPENDITURES	(671 740)	(407 289)	20 226	(349 870)	(1,408 673)
OTHER FINANCING SOURCES (USES)					
Operating transfer out	(440,634)				(440 634)
C/O debt proceeds	2,050 000	625 000			2,675 000
REVENUES OVER (UNDER) EXPENDITURES AND OTHER SOURCES	937 626	217 711	20 226	(349,870)	825,693
Fund balances at beginning of year			528 849	417 691	946,540
FUND BALANCE AT END OF YEAR	\$ 937 626	\$ 217 711	\$ 549 075	\$ 67 821	\$ 1,772,233

TRUST AND AGENCY FUNDS

Trust and Agency Funds are used to account for assets held by the government in a trustee capacity. *Agency funds* are used to account for assets held by the government as an agent for individuals, private organizations, other governments and/or other funds.

Expendable Trust Funds

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

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

Available School Fund - This fund is used to accumulated investment earnings from the permanent school fund including lease payments received on properties owned by the County in Throckmorton and Baylor counties. Revenues received during the year are allocated to school districts within Polk County.

(continued)

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's Attorney's office

District Attorney Special Fund This fund is used to account additional monies received from the State for the purposes of defraying the salaries and expenses of the District's Attorney's office

Forfeiture Fund Funds collected in connection with gambling and drug seizures and forfeitures for the use of the District Attorney and Sheriff are deposited into this fund. Depending on the nature of funds obtained, these monies can be used for either costs of special investigations conducted by the District Attorney or for investigations of alleged violations of criminal law by the Sheriff

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

Nonexpendable Trust Funds

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

Agency Funds

Tax Collector's Fund Tax collections are deposited intact in the Tax Collector's agency accounts pending distribution to other County funds, the State and other taxing authorities for which the County serves as their tax collector

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

Official Fee Account Fund This fund is used to account for monies held in official fee bank accounts. County officials ((2) Justices of the Peace and County Clerk) have bank accounts into which they deposit their collections. From these accounts they disburse monies to the County

Payroll Clearing Fund - This fund is used as a clearing account for County payrolls

Deferred Compensation Fund - This fund is used to account for monies collected from employees to make deferred compensation payments to the County deferred compensation program.

POLK COUNTY, TEXAS

TRUST AND AGENCY FUNDS

COMBINING BALANCE SHEET

December 31, 1994

<u>ASSETS</u>	<u>EXPENDABLE TRUST</u>	<u>NON-EXPENDABLE TRUST</u>	<u>AGENCY</u>	<u>TOTAL</u>
Cash and cash equivalents	\$ 829,970	\$ 304,520	\$ 393,447	\$ 1,527,937
Investments			258,937	258,937
TOTAL ASSETS	\$ 829,970	\$ 304,520	\$ 652,384	\$ 1,786,874
 <u>LIABILITIES</u>				
Other liabilities	\$ 736,251	\$ 2,801	\$ 78,483	\$ 817,535
Liability to employees' compensation plan			258,937	258,937
Due to other governmental entities			314,964	314,964
TOTAL LIABILITIES	736,251	2,801	652,384	1,391,436
 <u>FUND BALANCES</u>				
Reserved for county schools	29,967	301,719		331,686
Reserved for future years expenditures	63,752			63,752
TOTAL FUND BALANCES	93,719	301,719		395,438
TOTAL LIABILITIES AND FUND BALANCES	\$ 829,970	\$ 304,520	\$ 652,384	\$ 1,786,874

POLK COUNTY, TEXAS

EXPENDABLE TRUST FUNDS

COMBINING BALANCE SHEET

December 31, 1994

	COUNTY CLERK PROBATE TRUST	DISTRICT CLERK TRUST	AVAILABLE SCHOOL	DISTRICT ATTORNEY COLLECTION
ASSETS				
Cash and cash equivalents	\$ 9,118	\$ 726,960	\$ 29,967	\$ 10,002
TOTAL ASSETS	\$ 9,118	\$ 726,960	\$ 29,967	\$ 10,002
 LIABILITIES				
Other liabilities	\$ 9,118	\$ 726,960		\$ 173
TOTAL LIABILITIES	9,118	726,960		173
 FUND BALANCES				
Reserved for future years expenditures			\$ 29,967	9,829
TOTAL FUND BALANCES			29,967	9,829
TOTAL LIABILITIES AND FUND BALANCES	\$ 9,118	\$ 726,960	\$ 29,967	\$ 10,002

<u>DISTRICT ATTORNEY SPECIAL</u>	<u>FOR- FEITURE</u>	<u>DISTRICT CLERK TDCJ</u>	<u>DISTRICT CLERK SPECIAL</u>	<u>TOTALS</u>
\$ 5,742	\$ 28,678	\$ 9,895	\$ 9,608	\$ 829,970
<u>\$ 5,742</u>	<u>\$ 28,678</u>	<u>\$ 9,895</u>	<u>\$ 9,608</u>	<u>\$ 829,970</u>
				\$ 736,251
				736,251
\$ 5,742	\$ 28,678	\$ 9,895	\$ 9,608	93,719
<u>5,742</u>	<u>28,678</u>	<u>9,895</u>	<u>9,608</u>	<u>93,719</u>
<u>\$ 5,742</u>	<u>\$ 28,678</u>	<u>\$ 9,895</u>	<u>\$ 9,608</u>	<u>\$ 829,970</u>

POLK COUNTY, TEXAS

EXPENDABLE TRUST FUNDS

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

December 31, 1994

	<u>AVAIL- ABLE SCHOOL</u>	<u>DISTRICT ATTORNEY COLLECTION</u>	<u>DISTRICT ATTORNEY SPECIAL</u>	<u>FORFEITURE</u>
REVENUES				
Intergovernmental			\$ 5,331	
Forfeitures				\$ 11,147
Charges for services		\$ 17,736		
Interest	\$ 800			935
Miscellaneous	43,525			
TOTAL REVENUES	44,325	17,736	5,331	12,082
EXPENDITURES				
General government	67,278			
Administration of justice		13,489	5,292	7,202
TOTAL EXPENDITURES	67,278	13,489	5,292	7,202
REVENUES OVER (UNDER) EXPENDITURES	(22,953)	4,247	39	4,880
Fund balances at beginning of year	52,920	5,582	5,703	23,798
FUND BALANCES AT END OF YEAR	\$ 29,967	\$ 9,829	\$ 5,742	\$ 28,678

<u>DISTRICT</u> <u>ATTORNEY</u> <u>TDCJ</u>	<u>DISTRICT</u> <u>CLERK</u> <u>SPECIAL</u> <u>MONIES</u>	<u>TOTALS</u>
\$ 9,895	\$ 9,608	\$ 24,834
		11,147
		17,736
		1,735
		43,525
<u>9,895</u>	<u>9,608</u>	<u>98,977</u>
		67,278
		25,983
<u>0</u>	<u>0</u>	<u>93,261</u>
9,895	9,608	5,716
		88,003
<u>\$ 9,895</u>	<u>\$ 9,608</u>	<u>\$ 93,719</u>

POLK COUNTY, TEXAS

AGENCY FUNDS

COMBINING BALANCE SHEET

December 31, 1994

	<u>TAX COLLECTORS</u>	<u>JUDICIARY</u>	<u>OFFICIAL FEE ACCOUNT</u>
ASSETS			
Cash and cash equivalents	\$ 314,964	\$ 60,826	\$ 14,973
Investments			
TOTAL ASSETS	\$ 314,964	\$ 60,826	\$ 14,973
LIABILITIES			
Other liabilities		\$ 60,826	\$ 14,973
Liability to employees' compensation plan			
Due to other governmental entities	\$ 314,964		
TOTAL LIABILITIES	\$ 314,964	\$ 60,826	\$ 14,973

<u>PAYROLL CLEARING</u>	<u>DEFERRED COMPEN- SATION</u>	<u>TOTALS</u>
\$ 2,684	\$ 258,937	\$ 393,447
		<u>258,937</u>
<u>\$ 2,684</u>	<u>\$ 258,937</u>	<u>\$ 652,384</u>

\$ 2,684	\$ 258,937	\$ 78,483
		258,937
		<u>314,964</u>
<u>\$ 2,684</u>	<u>\$ 258,937</u>	<u>\$ 652,384</u>

GENERAL LONG-TERM DEBT ACCOUNT GROUP

The purpose of this account group is to account for general obligation indebtedness and other specific debts

POLK COUNTY, TEXAS

GENERAL LONG-TERM DEBT ACCOUNT GROUP

STATEMENT OF CHANGES IN GENERAL LONG-TERM DEBT

For the year ended December 31, 1994

	<u>BALANCE JAN 1, 1993</u>	<u>DEBT ISSUED</u>	<u>DEBT RETIRED</u>	<u>BALANCE DEC 31, 1994</u>
Classification of debt				
Certificates of obligation	\$ 5 100 000	\$ 2,675 000	\$ 375 000	\$ 7,400,000
Notes payable	355,354		119,239	236,115
Time warrants	2,084,280	452,475	935 156	1,601,599
Compensated absences	53,865			53,865
TOTAL GENERAL LONG-TERM DEBT	<u>\$ 7,593 499</u>	<u>\$ 3 127 475</u>	<u>\$ 1 429,395</u>	<u>\$ 9,291,579</u>

SCHEDULES

POLK COUNTY, TEXAS

STATEWIDE TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
ANALYSIS OF FUNDING PROGRESS

Last ten fiscal years

FISCAL YEAR	NET ASSETS AVAILABLE FOR BENEFITS	PENSION BENEFIT OBLIGATION	PERCENTAGE FUNDED
1985	A	A	A
1986	A	A	A
1987	A	A	A
1988	\$ 2,249,235	\$ 2,526,339	89.03%
1989	2,975,756	3,266,741	91.09%
1990	3,553,696	3,624,611	98.04%
1991	4,100,780	3,475,136	118.00%
1992	4,988,672	4,200,334	118.77%
1993	6,669,890	4,707,315	141.69%
1994	6,669,890	5,634,653	118.37%

A. Information unavailable

<u>UNDER (OVER)</u> <u>FUNDED</u> <u>PENSION</u> <u>BENEFIT</u> <u>OBLIGATION</u>	<u>ANNUAL</u> <u>COVERED</u> <u>PAYROLL-A</u>	<u>UNFUNDED PENSION</u> <u>BENEFIT OBLIGATION</u> <u>AS A PERCENTAGE</u> <u>OF COVERED PAYROLL-A</u>
A	A	A
A	A	A
A	A	A
\$ 276,104	\$ 2,873,901	9.61%
290,985	2,685,672	10.83%
70,915	A	A
(625,644)	2,938,140	(21.29)%
(788,338)	3,252,101	(24.24)%
(1,962,575)	3,562,764	(55.08)%
(1,035,237)	4,791,723	(21.60)%



LAIRSON • STEPHENS • REIMER, PC

Trusted Business Advisors Since 1970

May 1995

Honorable Judge and Members
of Commissioners Court of Polk County, Texas
Livingston, Texas

At the conclusion of every audit we issue a management letter to the governing body. We utilize this letter to formally communicate to the entity concerns that we have noted during the audit and opportunities for operational improvements. As the governing body for Polk County (the County) we suggest that you carefully review this letter and obtain a written response and action plan (if appropriate) from management or County officials for each item listed. You should satisfy yourself that our recommendation is appropriate and that management's and/or County official's response(s) are adequate and their action plan is acceptable.

In planning and performing our audit of the general purpose financial statements of Polk County, Texas for the year ended December 31, 1994, we considered its internal control structure in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control structure. However, we noted certain matters involving the internal control structure and its operation that we consider to be *reportable conditions* under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control structure that, in our judgment, could adversely affect the County's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements.

A *material weakness* is a reportable condition in which the design or operation of one or more of the internal control structure elements do not reduce to a relatively low level the risk that errors or irregularities in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of the internal control structure would not necessarily disclose all matters in the internal control structure that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. In addition to matters related to the internal control structure, we also noted other conditions while conducting our audit deserving of your attention.

Although we have made an attempt to research all items noted during the audit, the source of problems, or the extent of the problems, may not have been fully determined. However, the information should be sufficient for the County Judge and Commissioner's to determine if additional procedures are considered necessary.

Certified Public Accountants

5 Post Oak Park, Suite 250
Houston Texas 77027 3413
Tel. (713) 629-6000 Fax (713) 629-6004

Honorable Judge and Members
of Commissioners' Court of Polk County, Texas
May 1995
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Our findings are classified as follows

Findings	Classification of Findings		
	Reportable Condition		Other items
	Material Weakness	Other	
1 Decentralized cash management system			
A Unaccounted funds held	X		
B Unreported cash accounts	X		
C Supporting records	X		
D Safety of deposits	X		
E Depository agreements	X		
2 Unposted bank accounts	X		
3 Bank reconciliations		X	
4 Incorrect opening fund balance	X		
5 Period end procedures	X		
6 Internal audit and other compliance duties	X		
7 Unbudgeted expenditures	X		
8 Netting transactions	X		
9 Fixed asset controls	X		
10 Financial reporting			
A Fund types		X	
B Omitted fiduciary fund	X		
C Number of funds in use			X
11 Financing			X
12 Payroll			

NOTE: This report is intended for the information and use of the County Judge, Member of Commissioners' Court, County officials and management of Polk County, Texas and should not be used for any other purpose.

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Findings	Classification of Findings		
	Reportable Condition		Other items
	Material Weakness	Other	
A Penalties and interest		X	
B Processing payroll for other entities			X
13 Hospital Operating Account	X		

1 DECENTRALIZED CASH MANAGEMENT SYSTEM

A. UNACCOUNTED FUNDS HELD

Finding

The County Auditor does not account for monies held by the District Clerk, Tax Assessor/Collector and two of the Justices of the Peace on the County's general ledger system. Other bank accounts in the name of the District Attorney and County Clerk are also excluded from the County's general ledger. In addition, neither the County Treasurer's office nor the County Auditor's office maintains any records for these accounts. Consequently, these records are not prepared and presented in a standardized manner. All supporting ledgers and bank statements are kept at each of the respective official's offices.

The County has, as in prior years, relied on its external auditors to compile information regarding the above funds for presentation in the County's annual financial report. The likelihood of funds being omitted or incorrectly reported is increased when the County relies, only annually, on its external auditors to both compile the financial data of the County and audit the information that they themselves have prepared.

The County's method of managing cash and investments is decentralized, making it difficult for the County to monitor, manage, provide internal controls, and report cash activity.

See recommendations and benefits below

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B UNREPORTED CASH ACCOUNTS

Background

During interim audit field work we requested a listing of all bank accounts and certificates of deposits of Polk County and Polk County Officials as of December 31, 1994. Based on the information provided by the County Auditor, we confirmed with each of the respective financial institutions the balance of these accounts.

Based on our assessment of audit risk in the cash area we conducted an additional procedure not typically performed during an audit. We requested, from all financial institutions within the County, a listing of any accounts that appeared to be in the name of the County office of the County or deviations thereof. We compared this listing of accounts to the listing of the accounts provided by the County Auditor.

Finding

Our additional procedures resulted in the discovery of twelve bank accounts totaling \$90,731.59, at December 31, 1994 that were not identified to us prior to beginning our audit as follows:

Account Name	Financial Institution	Date Opened	Balance @12/31/94
H L Stamper JP Account	Citizens State Bank of Corrigan	12/01/78	\$ 11,092.00
Nell Lowe District Clerk	First National Bank of Livingston	3/01/69	7,896.56
Nell Lowe District Clerk Criminal Fund	First National Bank of Livingston	3/01/69	4,175.54
Nell Lowe District Clerk Trust Fund	First National Bank of Livingston	3/01/69	41,965.83
David G Johnson, Justice of the Peace	First National Bank of Livingston	1/02/92	3,880.50
Polk County Clerks Probate Trust Account	First National Bank of Livingston	1/09/91	5,879.68
Polk County Court Fee Account	First National Bank of Livingston	1/02/87	0.00
Polk County Criminal District Attorney, Trust Fund	First State Bank of Livingston	n/p	451.44
Polk County Criminal District Attorney	First State Bank of Livingston	n/p	5,251.82

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Account Name	Financial Institution	Date Opened	Balance @12/31/94
Nell Lowe, District Clerk of Criminal Justice	First State Bank of Livingston	n/p	9,895 01
Polk County Treasures Office - County Treasurers	First State Bank of Livingston	n/p	225 06
Polk County Housing Finance Co C/O Polk County Auditor	First State Bank of Livingston	n/p	18 15
		TOTAL	\$90,731 59

n/p Information not provided

In addition, none of these accounts were reported on the County's general ledger at December 31, 1994, as discussed in comment A above. Had we not performed this additional procedure these accounts could have been overlooked and excluded from the County's financial statements.

See recommendations and benefits below

C. SUPPORTING RECORDS

Finding

The County does not currently have sufficient supporting records to determine if the accounts noted in comment B above were included within its audited financial statements for the year ended December 31, 1993. As noted in comment A above the County relies on its external auditors to compile this information for the County at the end of each year. The County does not have copies of these records and has been unable to obtain them from their prior year auditor.

While performing preliminary analytical review procedures, comparing cash balances at December 31, 1994 to balances at the end of 1993 and 1992, we noted two significant fluctuations. An analysis of cash balances for the District Clerk's and the Tax Collector's funds per audited financial statements are as follows:

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Fund	(under audit) Balance 12/31/94	Balance 12/31/93	Balance 12/31/92
District Clerk	\$742,236	\$33,475	\$897,724
Tax Collector	\$222,973	\$1,109,031	\$391,420

Total cash for the District Clerk reported by the prior year auditors in their reissued report dated October 7, 1994 appears to be too low and cash held by the Tax Collector too high. At December 31, 1994, the District Clerk had fifty-eight accounts i.e. bank accounts, savings accounts or certificates of deposits that totaled \$742,236. The majority of this balance consists of funds held by the District Clerk in a trust capacity.

The cash balance reported for the Tax Collector appeared to be unusually high for the year-ended December 31, 1993. Based on conversations with the Tax Collector it appears that tax payments that had been assigned an effective receipt date prior to January 1, 1994 were included by the prior year auditors as cash on hand at year end. According to the Tax Collector the effective receipt date is used to record the postmarked date and these payments had not been received by the Tax Collector's department by December 31, 1993.

Despite these large fluctuations it does not appear that anyone within the County questioned these balances or properly communicated their questions or concerns to the County Judge or County Auditor.

Again, as noted in comment B above, the County does not have copies of records supporting the amounts reported in the prior year financial statement and the County is unable to verify the amounts presented or explain the fluctuations noted.

See recommendations and benefits below

D SAFETY OF DEPOSITS

Finding

As noted in comment A above, the County's cash management is decentralized making monitoring of deposits difficult. At year-end we noted that the County had funds of \$103,830 on deposit at a financial institution without additional collateral pledged to protect the County's funds that were in excess of FDIC insurance of \$100,000. Based on this finding it appears highly likely that a larger amount of funds were at risk during the year.

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Based on our discussions with the County Treasurer it appears that the County relies on each of the County's depositories to monitor the County's cash balances and pledges additional collateral as needed. Based on finding A above it does not appear that the County Treasurer or County Auditor has a complete list of all bank accounts at each financial institution. Therefore, it would appear to be impossible for the County Treasurer to determine if all of the County's deposits were either covered by FDIC insurance or adequate collateral was pledged to protect the County's funds in the event that one of the banks was to fail.

E DEPOSITORY AGREEMENTS

Finding

The Tax Assessor Collector had five bank accounts at two banks where the County did not have a depository contract. State law requires that all taxes collected by the Tax Assessor Collector be deposited in the County's depository. As a result of opening accounts at a non depository bank as noted in comment D some of the Tax Assessor's funds were at risk at year end. Some of these accounts appear to have been opened to facilitate the efficient collection of funds at outlying areas such as Corrigan and Onalaska.

Other County officials had bank accounts at financial institutions at year end where the County did not have a depository contract. However, we did not note any instances where the accounts exceed FDIC insurance.

State law provides procedures to be followed by the County Clerk and District Clerk if the Commissioners Court fails to name a depository for trust funds held by the County Clerk and District Clerk. The minutes of the Commissioners Court meeting did not separately state that the County's depository would also serve as the depository for the trust funds, as required by state law.

Recommendations

Based on the nature of the findings above it appears that each of the officials mentioned above, particularly those directly responsible for the County's funds and compliance with laws and regulations, need to review the applicable statutes related to deposits and the duties of their office. This review should be made to determine if the County is in full compliance and that the duties of their office are being properly executed.

The County Auditor's office should take greater responsibility for data presented in the County's financial statement. The County auditor should obtain copies of all reconciled bank statements each month along with other supporting records in order to determine if all funds are being accounted for in a proper manner.

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All monies held by the County, including County officials, should be recorded on the County's general ledger system. The County should consider providing limited access to the general ledger system to the Tax Assessor Collector, District Clerk, and other officials, so that their daily activity can be posted directly to the general ledger. If access to the general ledger is not provided, these offices will need to prepare a summary of activity recorded in their separate bank accounts. The summation of activity would need to be provided to the County Auditor's office each month for posting to the general ledger and for verification.

The County should determine the degree of responsibility shared by the County Auditor and the County Treasurer for ensuring that all County deposits are properly insured and/or collateralized, including accounts not directly under the Treasurer's control. It appears that one of these officials should be maintaining a current and up to date list of all bank and savings accounts, certificates of deposit, and similar investments held by the County in any capacity. Furthermore, on at least a weekly basis, one of these officials should obtain the total bank balance at each financial institution and compare that amount to the FDIC insurance and fair market value of collateral pledged.

County officials should take a more active roll in the financial statement audit process. At a minimum, they should review the County's financial statements, particularly as it relates to their area of responsibility, to ensure that all funds are included and properly reported. If questions arise, they should communicate their questions or comments in writing to both the County Judge and County Auditor.

Commissioners Court should temporarily name all banks where County funds are held, which includes accounts controlled by elected officials as a depository for the County, and enter into a depository agreement with these banks, or instruct the various County officials to close applicable accounts and deposit these funds in a bank where the County has a depository contract. The County Judge or County Auditor should send a letter to each of the elected officials advising them of the local government code as it relates to depositories.

Commissioners Court should designate, in the minutes of the Commissioners Court meeting, the banks in which trust funds are currently on deposit as trust depositories for the County. Next February, while selecting the County depository, Commissioners Court should also select the trust depository and separately state the trust depository within the minutes. After selection of a new depository (if a change is made), all trust funds should be transferred by the County Clerk and District Clerk to the new depository. Between now and February, the County Clerk and District Clerk should invest funds for a term that would allow the trust funds to be available for transfer without early withdrawal penalties at the end of February, 1996.

The County should review the need for the bank accounts being used by County officials to determine if any of these accounts can be eliminated.

Honorable Judge and Members
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Since evidence suggests that the District Clerk's funds were excluded from the prior year audit, Commissioners Court should request a special audit be conducted on the trust funds for the year-ended 1993

Benefits

By implementing these recommendations numerous benefits can be achieved, primarily compliance with state law. Financial activity can be accounted for more efficiently and accurately. In addition internal controls can be put into place where none previously existed. Most notably, these controls will result in the early detection of errors and/or improprieties. Risk of loss of deposits in the event of a bank failure can be reduced at no additional cost to the County by simply monitoring cash balances and placing deposits in banks where the County has a depository contract.

2 UNPOSTED BANK ACCOUNTS

Finding

When we began our audit a number of general ledger cash accounts did not agree to the corresponding reconciled bank statements. The County Auditor was able to quickly identify the source of these variances and recorded activity that had not been posted to the general ledger.

The following funds had bank accounts and/or certificates of deposits that were not in balance with the general ledger as of March 15, 1995 for the year-ended December 31, 1994:

- Payroll
- Historical Commission
- Available School
- TCDP Water Grant
- ACF-Proj Grant
- Permanent School
- Debt Service

Recommendations

All bank accounts should be reconciled to the general ledger within days of the County receiving the statements from the bank. If necessary a checklist should be developed and signed off each month. This list will help to ensure that all bank statements have been reconciled to the cash balances reported by the Treasurer and the general ledger book balance maintained by the County Auditor.

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Benefits

By maintaining a checklist and reconciling all bank accounts to the general ledger, the County Auditor can ensure that all activity for the period has been properly posted to the general ledger. This should reduce the likelihood of incomplete financial reports being produced and increase the likelihood that unauthorized transactions would be discovered in a timely manner.

3 BANK RECONCILIATIONS

Finding

The year-end bank reconciliations for Polk County's two primary bank accounts, the consolidated bank account and the payroll account, were prepared in a very informal manner. Adjustments were hand written on the reconciliation schedule without a sufficient explanation as to the nature of the adjustments. Consequently, we were unable to follow the format used and had to obtain an explanation from the preparer regarding the nature of adjustments necessary to balance the account.

Recommendation

The Treasurer's office should take greater care when preparing bank account reconciliations. Standard forms or the back of the bank statement itself at a minimum should be used to help demonstrate the nature of reconciling items. The reconciliation should be prepared in such a manner that supplemental explanation is not needed.

Benefit

Clear and concise reconciliations will reduce the likelihood of misunderstanding because of a poorly documented bank reconciliation. In addition, time required to verify the reconciliation will be reduced. Furthermore, a well documented bank reconciliation will provide information which may be forgotten through the passage of time or unavailable if the preparer is absent.

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4 INCORRECT OPENING FUND BALANCE

Finding

A number of the County's fund balances reported on the general ledger did not agree to the ending balance reported on the prior year audit report. The County should have compared these balances to the prior year report and investigated accounts that were not in balance.

Recommendation

At the conclusion of every audit, the County Auditor should obtain copies of all audit adjustments and post those entries to the general ledger. Part of the period end closing procedures should include verifying that each fund's fund balance on the general ledger is in balance with the ending fund balance in the audited financial statements.

Benefits

By verifying that the beginning fund balance is in balance, the County Auditor will ensure that all entries have been provided and correctly posted, resulting in accurate account balances.

5 PERIOD END PROCEDURES

Finding

Based on our previous audit findings it does not appear the County Auditor's office has formally established procedures to be followed at the close of each accounting period.

Recommendation

The County Auditor should establish formal procedures for closing each period and document them in the form of a checklist or policies and procedures manual. These closing duties should be delegated to staff and verified that they have been performed by the County Auditor. These procedures would include verification of records supplied by other officials as well as verifying that the accounts on the general ledger are in balance with supporting records.

The County Auditor should work closely with the Treasurer and Tax Assessor Collector to develop period end closing procedures. Monies collected by the Tax Assessor belonging to the County will need to be recognized as revenue when received by the Tax Assessor and payable to the respective fund. In addition, the County Auditor will need to work closely with the various County departments and offices of the County to develop procedures to ensure that all invoices have been remitted to the County Auditor's office so that they can be recorded as a payable at period end.

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Benefit

The accuracy of financial statements can be greatly improved if the County has good month ending cut-off procedures. Transactions can be correctly recorded in the proper period, resulting in financial information that is more meaningful.

6 INTERNAL AUDIT AND OTHER COMPLIANCE DUTIES

Finding

State law requires the County Auditor to examine in detail the reports of the Tax Assessor Collector, the County Treasurer, and all other officers, and make a report to Commissioners Court. During the year, the County Auditor performed two special audits of the Justice of Peace records. However, the procedures performed do not appear to fulfill the requirements set forth in the local government code.

Recommendations

Records should be examined by the County Auditor as prescribed by the local government code. The County should evaluate the workload of the County Auditor's office to determine if additional resources are needed or if non statutory duties are being performed.

The County Auditor should establish a list of duties by priority and allocate resources of the County Auditor's office accordingly.

Benefits

The County Auditor will be in compliance with the local government code when records are properly examined. The likelihood of detection of improprieties in a timely manner will be increased if records are examined by the auditor as prescribed by law.

By prioritizing duties and assigning resources to the highest priorities, the County Auditor's office should be able to focus on the core statutory duties of the office. In the event that sufficient resources, i.e., qualified personnel, are not available, this system of asset allocation should result in the duties that are considered to be the least critical not being performed.

7 UNBUDGETED EXPENDITURES

Finding

Expenditures exceeded the amounts approved by Commissioners Court at the fund level for three funds and at the department level for seven departments within the General Fund, as noted in the financial statements.

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Recommendations

The County Auditor should develop adequate procedures to ensure that the County does not overspend budgeted amounts. Vouchers should not be approved for payment by the County Auditor if budgeted funds are not available. The County Auditor should supply County officials with timely and accurate financial statements so that they may determine if budget amendments are necessary. County officials should anticipate the need for budget amendments and make an amendment request in sufficient time to prevent a procurement crisis.

The County Auditor should only update the budget numbers in the computer system after the budget has been formally amended by Commissioners Court.

Benefits

By implementing adequate budget control procedures the County will re-establish the primary procurement control procedure. In addition the County will be in compliance with budgetary laws when expenditures are less than budgeted amounts at the legal level of control.

8 NETTING TRANSACTIONS

Finding

We noted that it appeared to be common for the County to record both receipts and disbursements of monies in the same general ledger expenditure account. Recording transactions in this manner resulted in ending balances that were not representative of the total amount of financial activity that took place. Recording transactions in this manner is not consistent with basic accounting principles.

Recommendations

Receipts should normally be recorded in revenue accounts. The County Auditor should carefully review the accounts coded by the County Treasurer. If possible, the computer system should be modified to prevent the County Treasurer from posting receipts to expenditure account codes.

Benefits

Recording revenues and expenditures in the appropriate accounts should result in the correct ending balance and will result in more useful financial data. Posting these entries correctly the first time will reduce the amount of time required by the Auditor's office and independent auditors to correct these entries, which should ultimately save the County money.

NOTE: This report is intended for the information and use of the County Judge, Members of Commissioners Court, County officials and management of Polk County, Texas and should not be used for any other purpose.

Honorable Judge and Members
of Commissioners' Court of Polk County, Texas
May 1995
Page 14 of 21

9 FIXED ASSETS CONTROLS

Findings

The County has not capitalized the cost of purchasing property, plant and equipment in a general fixed asset account group as required by generally accepted accounting principles. In addition, the County does not have a complete listing of property, plant and equipment, i.e., fixed assets. Without a listing of all County-owned fixed assets the County does not have a place to start from to determine the amounts that should be reported in the County's financial statements. Consequently, this year as in the past the County's independent auditors have issued a qualified audit opinion for the omission of this account group from the financial statements.

The County is most likely unaware of fixed assets that have been lost, abandoned or stolen since the County does not have a detailed listing of fixed assets that has been verified periodically through a physical count. Consequently, the County may not be aware of the extent of loss of County-owned property.

Besides not having a fixed asset listing, the core to a fixed asset control system, the County also does not have other procedures in place such as a policy for documenting the sale, abandonment and intra-County transfer of equipment that are needed for an effective fixed asset control system.

Recommendations

A physical inventory of fixed assets should be taken of all County-owned fixed assets and applicable furniture and equipment marked with bar code property tags. A listing of furniture and equipment should be constructed and historical costs assigned to fixed assets.

A schedule of property, plant and equipment should be created and maintained by the County that would include a description of the asset, year acquired, historical cost, location, custodian and depreciation information, if applicable. Such a listing should be used to establish a general fixed asset account group.

After completion of the above recommendation, the County should keep an up-to-date detail listing of equipment in such a manner that periodic inventory of equipment can be performed in a timely and cost-efficient manner. Assets that cannot be found during the physical count should be reported to Commissioners Court and approved for write-off. Assets should be tagged when purchased and added to the fixed asset register. The sale, abandonment and intra-County transfer should be accounted for on preprinted forms and recorded on the fixed asset register.

The County should develop applicable policies and procedures for the establishment of a fixed asset control system.

Honorable Judge and Members
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Benefits

By implementing these recommendations the County will have a complete and up-to date listing of all property owned. This listing would help provide assurance that the amount reported on the County's financial statements is correct, which would result in the County receiving a 'clean' audit opinion as it relates to fixed assets. These procedures should help to safeguard fixed assets by the early detection of theft or loss. Detailed fixed asset records can also simplify reporting for insurance policies and improve the County's ability to collect from insurance in the event of a loss.

10 FINANCIAL REPORTING

A. FUND TYPES

Background

During this year's audit we have consulted with management and reclassified certain funds in the County's financial statements to present these funds in a different fund type. These changes to the fund reporting structure were made so that the County's financial statements would be more in line with current reporting trends.

For example, the County has reclassified, based on our recommendations, individual funds presented in prior years' financial statements as a special revenue fund type to a trust and agency fund type and vice versa. In addition, where practical, we have also further segregated funds and presented them as two or more funds.

Finding

The County currently records activity related to its Data Processing Center in the General Fund. Many governments, particularly those that provide services to outside entities, record similar activities in an internal service fund. The purpose of this fund type is to account for the financing of goods or services provided by one department to other departments or other governments on a cost reimbursement basis.

The County currently accounts for its Environmental Service Fund as a special revenue fund type. Depending on the intent of the County, accounting for this fund as an enterprise fund type may be more appropriate. Enterprise funds are used to account for operations that are financed and operated in a manner similar to a private business enterprise where the intent of the governing body is for the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis, be financed or recovered primarily through user charges. Also, it is our understanding that the director of this division is currently trying to maintain a separate set of financial statements for this purpose, which appears to be a duplication of effort.

See recommendation and benefits below

NOTE: This report is intended for the information and use of the County Judge, Members of Commissioners' Court, County Officials and management of Polk County, Texas and should not be used for any other purpose.

Honorable Judge and Members
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May 1995
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B OMITTED FIDUCIARY FUND

Background

The County offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits participants to defer a portion of their salary until future years. All amounts of compensation deferred under the plan, all investments and investment earnings, are solely the properties of the County subject to the claims of the County's general creditors. Therefore, the investments held under this plan should be accounted for by the County as a fiduciary fund type since these funds are held in an agency capacity.

Finding

The County has not reported investments in PEBSICO in any of its previously issued audited financial statements although required by generally accepted accounting principles. Investments in PEBSICO totaled \$258,937 and \$249,293 at December 31, 1994 and 1993, respectively.

See recommendation and benefits below

C. NUMBER OF FUNDS IN USE

Finding

The County currently uses six different funds to account for the County's road and bridge operations. These funds are combined and presented as one fund in the annual financial report. In addition, the County has a number of federal and state grants that it has received for which a fund has been established for each of these individual grants.

Recommendations

The County's financial personnel in both the County Treasurer's office and County Auditor's office should be provided sufficient training so that they will both be knowledgeable about how the finances of the County should be reported within the County's financial statements. Both the County Treasurer and County Auditor should maintain a file of items noted during the year that might be of relevance to the financial statement audit. The contents of this file should be reviewed with the independent auditor during the planning stage of the annual audit.

The County should thoroughly investigate the reputation of any firms bidding on the County's audit and governmental audit experience of key staff to be assigned to the County's audit.

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Honorable Judge and Members
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May 1995
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The County should examine its financial objectives, and if desired, begin accounting for the Environmental Service Fund as an enterprise fund type and the Data Processing Center as an internal service fund type

In addition, the County should thoroughly evaluate the type and the number of funds to determine if they are sufficient to aid management in demonstrating compliance with finance related legal and contractual provisions. During this process the County should also determine that the minimum number of funds are maintained consistent with legal and managerial requirements to reduce the accounting burden of the County. It appears that in some instances the number of funds being maintained by the County can be reduced by taking advantage of the accounting software's ability to report information by department. For example, one road and bridge fund can be established and each precinct accounted for as a separate department.

Benefits

Having a well trained financial staff should result in an overall level of operations that would be deserving of a county the size of Polk County. Obtaining an audit firm with sufficient governmental audit experience will complement the improved operating environment of the County and result in additional refinements to the County's operating procedures and financial reporting practices. Examining the number of and type of funds in use by the County should help ensure that the County's financial objectives are met while minimizing any unnecessary burden on the accounting staff.

11 FINANCING

Findings

In the past, the County has used time warrants as its primary instrument to finance capital purchases including vehicles, heavy equipment and building improvement projects as well as to finance other operating costs. At December 31, 1994 the principal balances of these time warrants were \$935,156 bearing interest ranging from 4.5% to 9.66%.

Generally, more favorable interest rates can be obtained by bidding the financing of equipment through leasing companies. Many governments use capital leases to finance the purchase of similar equipment, at significant savings.

The warrant documents we reviewed had a provision whereby the County reserved the right to pay off the warrants ahead of the scheduled maturity. Based on the higher interest rates being charged on some of the outstanding warrants, the County should consider refinancing some of the warrants.

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Honorable Judge and Members
of Commissioners' Court of Polk County, Texas
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Warrants outstanding for series 1991 and prior had an average balance outstanding of approximately \$1,099,317 during the year at a weighted averaged interest rate of approximately 8.25%. If the County had refinanced these warrants at the beginning of the year at an interest rate of 5% the County could have saved approximately \$35,000 in interest expense for the year.

Recommendations

The County should consider refinancing time warrants where a lower interest rate can be obtained. The County should review the depository contract and each of the time warrant agreements to determine if there is any language that may limit the County's ability to refinance this debt. The County should review the time warrants outstanding and prepare a listing of time warrants bearing interest rates that are higher than the current market rate and estimate the interest that can be saved by refinancing the warrants. The County should request bids to refinance the group of time warrants to possibly obtain an even lower interest rate by putting all the warrants in a package.

In the future the County should request proposals from leasing companies to finance the purchase of equipment so that the County can evaluate the interest savings that can be achieved by financing equipment through a capital lease as opposed to time warrants. The Treasurer should compile a listing of leasing vendors to send requests for proposals and develop a standard request for proposal documents that can be easily modified for each finance arrangement.

Benefits

By refinancing outstanding time warrants and leasing equipment it appears that the County can significantly reduce interest expense. We estimate that the County can save from \$20,000 to \$50,000 annually by simply refinancing existing debt and financing new equipment with capital leases. Of course the reduction in interest expense is based on the average principle outstanding and the spread in interest rates that can be achieved.

12 PAYROLL

A PENALTIES AND INTEREST

Finding

The IRS filed a notice dated April 30, 1995 of an intent to levy Polk County for federal taxes including penalties and interest totaling \$5,879 for 941 payroll tax returns. In this letter the IRS indicated payments due for four periods, one quarter in 1988 and three quarters in 1994. It appears that some of the payroll tax returns were prepared incorrectly and payroll deposits were not made on time. The County Treasurer contends the IRS notices were responded to as they were received. However, apparently these matters were not resolved in a satisfactory manner with the IRS as indicated by their notice of intent to levy. The Treasurer also contends that the problems experienced appear to have been compounded by the County processing the payroll for the Hospital and the 28th District.

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See recommendations and benefits below

B PROCESSING PAYROLL FOR OTHER ENTITY

Finding

The payroll for employees of the 28th Judicial Adult Probation and Juvenile Probation Departments are paid as if they are County employees, despite being a separate legal entity. Paychecks are drawn on the County's payroll account and included on the County's payroll tax returns. Consequently, by handling the payroll in this fashion there is not a clear distinction between the employees of the 28th District and Polk County for liability purposes. It appears that processing the payroll in this manner exposes the County to additional risk that should otherwise be born by the entire District including Trinity and San Jacinto counties.

Recommendations

Greater care should be taken when preparing payroll tax returns and making payroll tax deposits. This function should be carefully administered, employees properly supervised and all their work reviewed. Notices from the IRS should be addressed immediately. Copies of notices received from the IRS should be provided to the County Auditor and County Judge. The County Auditor should follow up on all notices received to ensure that they have been properly addressed and the matter resolved. All correspondence with the IRS should be sent certified mail, return receipt requested to provide evidence of the County's actions to resolve the issue.

We recommend that the County meet with the 28th District Community Supervision and Corrections Department and discuss with them discontinuing processing of the District's payroll. There are other factors that will need to be considered such as the cost of providing benefits that will need to be evaluated. If the County decides to continue its current practice of processing payroll, it should consider entering into a contract with the District for providing these services and remedies of loss incurred by the County for processing the payroll for the District.

Benefit

Properly supervising employees, reviewing payroll tax returns and verifying deposits made should minimize the likelihood of penalties assessed by the IRS. Obtaining written representations from the IRS in regards to the resolution of matters should provide County officials evidence that problems have been properly addressed.

By evaluating the County's processing of payroll for other entities, the County may be better able to manage risk.

NOTE: This report is intended for the information and use of the County Judge, Member of Commissioners' Court, County officials and management of Polk County, Texas and should not be used for any other purpose.

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13 HOSPITAL OPERATING ACCOUNT

Background

As indicated in the notes in the County's financial report, the County entered into numerous agreements with Memorial Health Systems of East Texas (MHSET) for the operation of the County's hospital as of June 30, 1994. As part of the closing agreement, certain expenses payable at year end as well as receipts from the collection of accounts receivable at closing would be recorded in the Polk County Hospital Operating Account. In addition, payments to the escrow accounts are to be disbursed from this account.

MHSET is custodian of the Polk County Hospital General Fund's operating bank account. We were unable to determine, because of conflicting information provided to us, if this account and activity for the period would be subject to any one's audit, special review, or other compliance procedures.

It appears that neither the County nor the Hospital is assuming responsibility for these funds. Although it is not clear which entity is ultimately responsible for these funds, one if not both of the entities has a fiduciary duty to account for these funds. This fiduciary duty would probably best be fulfilled if at least some audit procedures were applied to these accounts.

Recommendation

The County should determine if the Hospital has any legal obligation to have these funds included within the scope of their audit or have their audit firm conduct special procedures on this account. At a minimum, the County should request that the County Auditor perform a special audit of this account and issue a report to Commissioners Court if the MHSET does not have an independent audit performed.

CONCLUDING COMMENT

As you can surmise from our findings, the accounting and reporting system of the County needs significant improvements. The decentralized nature of a county government has been a contributing factor to the current state of the County's accounting and reporting system, combined apparently with a previous financial staff that lacked the ability to remedy the inherent problems associated with a decentralized system. The County has made some progress during the past twelve months in correcting deficiencies that previously existed. The County staff and County Auditor should be commended for their efforts and for the progress made. However, the overall condition of the County's financial and accounting system is still significantly below expectations. Fundamental changes will need to be made within the County Auditor's office and throughout the County to improve the status of the County's financial and accounting system.

Honorable Judge and Members
of Commissioners' Court of Polk County, Texas
May 1995
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We wish to thank the County's management for the cooperation and assistance afforded us in the performance of our examination. We appreciate the opportunity to be of service to the County. Please feel free to contact us at your convenience to discuss this report or any other concerns you may have. We would be pleased to discuss these comments in further detail with you and, if desired, to assist you in implementing any of the recommendations.

This report is intended solely for the information and use of the County Judge, Commissioners Court and management of the Polk County, Texas and should not be used for any other purpose.

Very truly yours,

J Randall Reimer, C P A
Partner

NOTE: This report is intended for the information and use of the County Judge, Members of Commissioners Court, County officials and management of Polk County, Texas and should not be used for any other purpose.



LAIRSON • STEPHENS • REIMER, PC

Trusted Business Advisors Since 1970

Honorable Judge and Members
of Commissioners Court
Polk County, Texas

We have completed our special procedures regarding the opening 1994 balances of the District Clerk's trust fund reported in the audited financial statements of Polk County (the County) for the year ended December 31, 1993. We have performed the specific procedures enumerated below regarding the trust funds held by the District Clerk. It is understood that this report is intended for your information, the District Clerk and members of management of Polk County, Texas. The procedures performed are limited in nature and do not constitute an audit as defined by generally accepted accounting principles.

Procedures

We obtained a schedule of trust fund activity for the year ended December 31, 1993 from the District Clerk's office. The beginning balance of the trust fund was traced to the County's financial statements for the year ended December 31, 1992, audited by Hopkins, Vettors, Palmerton & Co., P.C. The mathematical accuracy of the District Clerk's schedule was verified by re-entering the data in a spreadsheet program and comparing those results to the schedule. We judgementally selected certain transactions reported on the schedule and traced those items to supporting documents. The ending balances on the schedule were verified by confirming all corresponding bank accounts, savings accounts and certificates of deposits with the local financial institutions. The ending balances of the 1993 schedule were traced to the beginning balances on the 1994 schedule, which we have already audited in connection with our audit of the 1994 financial statements.

Findings

The schedule of trust funds prepared by the District Clerk's office for the year ended December 31, 1993 appeared to be materially corrected. With respect to the items tested, the results of those procedures disclosed no exceptions. Immaterial clerical errors were noted, but the frequencies of these types of errors were consistent with a manual recorded keeping system.

The balance of the District Clerk's funds presented in the County's revised financial statement for the year ended December 31, 1993, audited by Blomstrom, Stephenson & Co was \$33,475. The previous audit that was subsequently withdrawn indicated a balance of \$893,031.

Certified Public Accountants

5 Post Oak Park Suite 250
Houston Texas 77027 3413
Tel (713)629-6000 Fax (713)679-6004

Honorable Judge and Members
of Commissioners Court
Page Two

Based on our procedures the correct balance of the District Clerk's trust fund at December 31, 1993 was actually \$389,434 which agrees to the beginning balance of the District Clerk funds reported to our Firm in our audit of the 1994 financial statements

The differences in balances that initiated these special procedures are the result of the misstated amounts in the 1993 audited financial statements. The records we reviewed for the District Clerk for 1993 were in satisfactory condition, to enable us to determine and confirm the actual balance of funds maintained. It is unclear why the 1993 financial statements contained incorrect numbers.

Because the procedures noted above do not constitute an audit made in accordance with generally accepted auditing standards, we do not express an opinion on any of the accounts or items referred to above. Had we performed additional procedures, matters might have come to our attention that would have been reported to you. This report relates only to the accounts and items specified above.

Larson, Stephens + Remier, P C

Houston, Texas

May 19, 1995



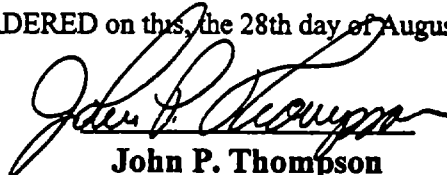
ORDER


OF THE POLK COUNTY COMMISSIONERS COURT
designating the County Fiscal Year

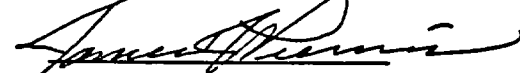
WE, the undersigned, being the membership of the Commissioners Court of Polk County, do hereby order that the County fiscal year shall be a twelve month period beginning October 1 of each year and shall take effect on October 1, 1995

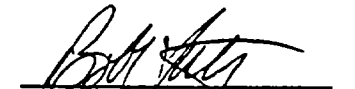
THE COMMISSIONERS COURT also finds that, in order to complete the transition from a calendar fiscal year to the aforementioned fiscal year, the current fiscal (1995 budget) year shall be designated as an interim fiscal year which shall be for a period of nine (9) months, beginning January 1, 1995 and ending September 30, 1995

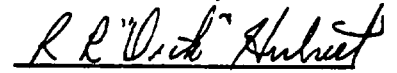
ORDERED on this, the 28th day of August, 1995


John P. Thompson
County Judge, Polk County, Texas


B E "Slim" Speights
Commissioner, Precinct 1


James J. "Buddy" Purvis
Commissioner, Precinct 3


Bobby Smith
Commissioner, Precinct 2


R.R. "Dick" Hubert
Commissioner, Precinct 4

Attest,

Barbara Middleton, County Clerk



LAIRSON • STEPHENS • REIMER, P C

Trusted Business Advisors Since 1970

June 2, 1995

Honorable Judge John P Thompson
Polk County Courthouse
Livingston, Texas 77351

Dear Judge Thompson

We are pleased to confirm our understanding of the services we are to provide for Polk County for the nine months ended September 30, 1995 and the years ended September 30, 1996 and 1997. We will audit the financial statements of Polk County as of and for the nine months ended September 30, 1995 and years ended September 30, 1996 and 1997. In addition, we will assist the County in preparing the comprehensive annual financial report in accordance with the Government Finance Officers Association's report guidelines for the years ended September 30, 1996 and 1997.

Our audits will be conducted in accordance with generally accepted auditing standards and will include such tests of the accounting records of Polk County and other procedures we consider necessary to enable us to express an opinion on the financial statements if they are fairly presented, in all material respects, in conformity with generally accepted accounting principles. The County does not have a general fixed asset account group which will result in a qualification of our audit opinion for all years for which this account group is omitted from the financial statements.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, and may include tests of the physical existence of fixed assets and direct confirmation of receivables and certain other assets and liabilities by correspondence with selected individuals, creditors, and financial institutions. We will request written representations from your attorneys as part of the engagement, and they may bill you for responding to this inquiry. At the conclusion of our audit, we will also request certain written representations from you about the financial statements and related matters.

Certified Public Accountants

5 Post Oak Park, Suite 250
Houston, Texas 77027-3413
Tel (713) 629-6000 Fax (713) 629-6004

Honorable Judge John P Thompson
Polk County Courthouse
Page 2

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested. Also, we will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. However, because of the concept of reasonable assurance and because we will not perform a detailed examination of all transactions, there is a risk that material errors, irregularities, or illegal acts, including fraud or defalcations, may exist and may not be detected by us. We will advise you however, of any matters of that nature that come to our attention. Our responsibility as auditors is limited to the period covered by our audit and does not extend to matters that might arise during any later periods for which we are not engaged as auditors.

We understand that you will provide us with the basic information required for our audit and that you are responsible for the accuracy and completeness of that information. We will advise you about appropriate accounting principles and their application and will assist in the preparation of your financial statements, but the responsibility for the financial statements remains with you.

This responsibility includes the maintenance of adequate records and related internal control structure policies and procedures, the selection and application of accounting principles, and the safeguarding of assets.

We understand that your employees will provide us with trial balances, general ledgers, all cash or other confirmations we request, and will locate any invoices selected by us for testing as well as provide all closing schedules.

Our audit is not specifically designed and cannot be relied on to disclose reportable conditions, that is, significant deficiencies in the design or operation of the internal control structure. However, during the audit, if we become aware of such reportable conditions or ways that we believe management practices can be improved, we will communicate them to you in a separate letter.

Our fees for these services will be based on the actual time spent at our standard hourly rates, plus travel and other out-of-pocket costs such as report production, typing, postage, etc. Our standard hourly rates vary according to the degree of responsibility involved and the experience level of the personnel assigned to your audit. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation. Our fee of \$21,500 per year will remain firm unless factors considered by us in estimating the fee change significantly as indicated in our original proposal. This fee is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you before we incur the additional costs.

We appreciate the opportunity to be of service to Polk County and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement letter, please sign one of the enclosed copies and return it to us in the business reply envelope we have provided for your convenience. The other copy is for your files.

Very truly yours,



J Randall Reimer, C P A.
Partner

This letter correctly sets forth the understanding of Polk County



John P Thompson, County Judge



ORDER

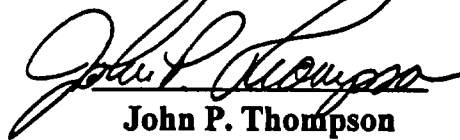
OF THE POLK COUNTY COMMISSIONERS COURT
for the creation of the Deep East Texas Rural Rail Transportation District

WE, the undersigned, being the membership of the Commissioners Court of Polk County, do hereby order the creation of the Deep East Texas Rural Rail Transportation District for said County, effective August 28, 1995

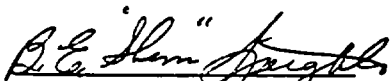
SAID DISTRICT is created on this day, jointly with the following Counties Angelina, Houston, Jasper, Nacogdoches, Newton, Sabine, San Augustine, San Jacinto Shelby, Trinity and Tyler

THE COMMISSIONERS COURT of each of the aforementioned counties have found that it is in the best interest of all citizens of the State of Texas that the existing rail systems in said counties be maintained and protected by the rail district and/or its representatives, for the most efficient, economic transportation of agricultural and manufactured products from the areas of production to the local, national and international markets

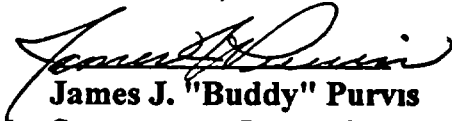
ORDERED on this, the 28th day of August, 1995



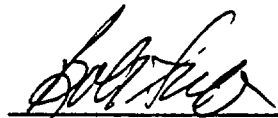
John P. Thompson
County Judge, Polk County, Texas



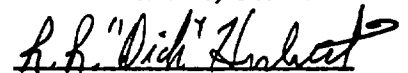
B. E. "Slim" Speights
Commissioner, Precinct 1



James J. "Buddy" Purvis
Commissioner, Precinct 3

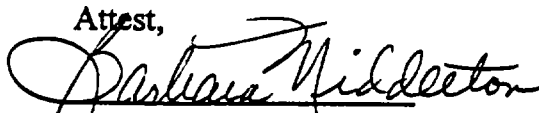


Bobby Smith
Commissioner, Precinct 2



R.R. "Dick" Hubert
Commissioner, Precinct 4

Attest,



Barbara Middleton, County Clerk

SCHEDULE OF BILLS BY FUND

FUND	DESCR PTION	DISBURSED '95
010	GENERAL FUND	583 01
018	ROAD & BRIDGE PCT 82	153 04
020	ROAD & BRIDGE PCT 83	210 30
022	ROAD & BRIDGE PCT 84	90 65
032	ENVIRONMENTAL SERVICES	270 17
051	AGING DEPT	117 76
TOTAL OF ALL FUNDS		5 424 93

THE PRECEDING LIST OF BILLS PA ABLE WAS REVIEWED AND APPROVED FOR PRESENT

APPROVED BY

James Lee Bennett
County Auditor

DATE *8-14-95*

SCHEDULE OF BILLS BY FUND

FUND	DESCRIPTION	DISBURSEMENTS
018	ROAD & BRIDGE PCT 82	4 853 00
028	POLK COUNTY HISTORICAL COM	199 60
087	AGF - PROJECT GRANT	36 010 48
TOTAL OF ALL FUNDS		41 063 08

THE PRECEDING LIST OF BILLS PAYABLE WAS REVIEWED AND APPROVED FOR PAYMENT

DATE

8-15-95

APPROVED BY

Steven Thompson
County Auditor

SCHEDULE OF BILLS BY FUND

FUND DESCRIPTION	DISBURSEMENTS
049 DISTRICT ATTY HOT CHECK FUND	980 00
TOTAL OF ALL FUNDS	980 00

THE PRECEDING LIST OF BILLS PAYABLE WAS REVIEWED AND APPROVED FOR PAYMENT

DATE 8-16-95

APPROVED BY

Sam Hornum
County Auditor

SCHEDULE OF BILLS 5 FUND

FUND	DESCRIPTION	DISBURSEMENTS
010	GENERAL FUND	328 592 76
011	HOTEL - A	325 31
015	ROAD & BRIDGE ADM	10 243 71
016	ROAD & BRIDGE PCT #1	55 002 13
017	ROAD & BRIDGE PCT #2	12 823 19
018	ROAD & BRIDGE PCT #3	35 623 44
020	ROAD & BRIDGE PCT #4	13 008 81
022	ENVIRONMENTAL SERVICES	21 403 75
028	DISTRICT ATTORNEY SPECIAL FUND	229 30
051	AGING DEPT	14 711 40
061	DEBT SERVICE FUND	67 598 56
070	ENV SERVICE - 74 CO ISSUE	7 406 44
072	PRISON CONSTRUCTION ACCOUNT	220 193 75
073	1994 C/O JAIL BLDG RENOV ISSUE	2 534 18
090	DRUG FORFEITURE FUND	2 690 00
093	CO CLERK RECORDS NIGHT FUND	3 138 38
101	ADULT SUPERVISION	21 062 08
104	DTP - CSR	1 187 90
106	CCP - SOTF	177 30
107	CCP CORRIGAN OFFICE	1 300 19
108	CCP - SURVEILLANCE	3 131 45
184	JUVENILE PROBATION	2 980 19
185	CCAP - JUVENILE PROBATION	3 454 01
TOTAL OF ALL FUNDS		728 718 10

THE PRECEDING LIST OF BILLS PAYABLE WAS REVIEWED AND APPROVED FOR PAYMENT

DATE 8-25-95

APPROVED BY

Sharon Sommet
County Auditor

Amended Schedule

*(changed)
replaced sched #222
8/21/95 in bound
copy.*

STATE OF SOUTH DAKOTA

COMMISSIONER OF REVENUE

BY ORDER OF THE BOARD OF EQUALIZATION

29 21

TOTAL OF ALL FUNDS

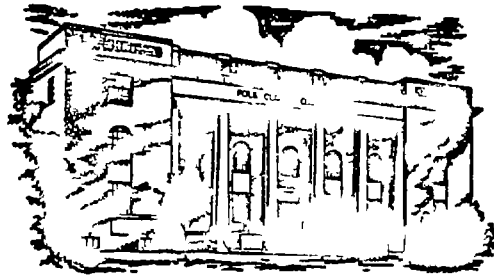
29 23

THE RECORDS OF THE STATE OF SOUTH DAKOTA ARE KEPT AT THE OFFICE OF THE COMMISSIONER OF REVENUE

Baron Bennett
County Auditor

DATE 8-25-98

APPROVED



KAREN REMMERT
County Auditor

POLK COUNTY
LIVINGSTON TEXAS

August 28, 1995

Addendum to Schedule of Bills for Commissioners Court

Pinto Construction	\$ 6,120 25
H & H Bus Stop	369 48
	<hr/>
TOTAL	\$ 6,489 73

THE STATE OF TEXAS <
COUNTY OF ANGELINA <

COPY
PROFESSIONAL SERVICES CONTRACT

Pursuant to the authority granted under the Texas Health and Safety Code, Title 7, Chapter 534 Burke Center enters into this Contract with Polk County Commissioners Court, (hereafter, "SERVICE PROVIDER")

Recitals

WHEREAS, SERVICE PROVIDER, is a Law Enforcement Agency with Licensed Peace Officers for the State of Texas, whose present address is County Courthouse, Livingston, Texas 77351, and whose Social Security or Federal Employer Identification number is 74 6001621

WHEREAS, SERVICE PROVIDER, has the following qualifications:

County Sheriff's Department

AND WHEREAS, Burke Center desires to be provided by SERVICE PROVIDER and SERVICE PROVIDER wishes to provide to Burke Center, certain support services in the area of patient transportation

Contract Term

1 The parties agree that this Contract shall be for one year, beginning on September 1, 1995 and ending on August 31, 1996, or upon the completion of all services requested by Burke Center, whichever is earlier, unless otherwise terminated as provided herein

Renewal

2 The Contract may be renewed with the written approval of both parties The term of any renewal shall be for one year immediately following the expiration of the term of this Contract or any renewal thereof, as the case may be Unless otherwise agreed, any renewal shall be agreed to in writing prior to thirty (30) days before the expiration of the term of this Contract or any renewal thereof, as the case may be Burke Center and SERVICE PROVIDER agree to negotiate any contract renewal at arms length and in good faith

Services

3 SERVICE PROVIDER agrees to provide Burke Center with the following services;

- a To provide Mental Health Deputy Transportation to clientele identified by Burke Center via the local Mental Healthcare Center or Burke Center Crisis Line who is in need of transportation to an inpatient psychiatric facility
- b To transport Mental Health clientele identified by Burke Center to the inpatient facility designated by Burke Center (Substance Abuse clientele are excluded from this Contract)
- c To transport identified Mental Health clientele on a timely basis in which transportation occurs within four (4) hours of notification by Burke Center

4 SERVICE PROVIDER will provide services in accordance with the following specifications:

- a To provide Burke Center with a monthly statement of services rendered indicating the patient's name, date of service, type of service and destination, total Deputy time per trip, and the cost of the service, and
- b The SERVICE PROVIDER agrees to complete the necessary paperwork required by Burke Center and submit it no later than the fifteenth (15th) of the following month in order for Burke Center to provide client data and budgetary information on a timely basis

5 SERVICE PROVIDER will be allowed the use of the following property, equipment, space or staff to be provided by Burke Center:

The SERVICE PROVIDER will not require the use of property, equipment, space or staff of Burke Center

6 SERVICE PROVIDER will, in the performance of services pursuant to this Contract, interact with staff, other service agents, service providers and consultants of Burke Center in a cooperative manner and will consult with such persons regarding services provided under this Contract as necessary

Delivery of Service

7 SERVICE PROVIDER will coordinate with Burke Center the SERVICE PROVIDER'S schedule for providing services under this Contract SERVICE PROVIDER'S schedule must be mutually agreed upon by SERVICE PROVIDER and Burke Center, but may be altered at the request of either party whenever possible

8 SERVICE PROVIDER agrees to provide the aforementioned services in such facilities, and at such locations as requested by Burke Center

Billing and Method of Payment

9 The parties agree that SERVICE PROVIDER shall bill Polk County Mental Healthcare Center an organizational unit of Burke Center, and Burke Center shall pay for services provided herein according to the rate established in the following schedule

Patient Transportation Rate Schedule

	<u>Destination</u>	<u>One Way Mileage</u>	<u>Rate Per Trip</u>
A	Pineywoods Hospital Lufkin, Texas	48	\$12 00
B	Rusk State Hospital	90	\$22 50
C	Austin State Hospital	200	\$50 00
D	Daybreak Beaumont, Texas	81	\$20 25
E	Waco Center for Youth; VA Hospital Waco, Texas	177	\$44 25
F	Lufkin/Rusk State Hospital	92	\$23 00

In addition to the above payment schedule, the SERVICE PROVIDER shall be reimbursed at the rate of FIVE AND NO/100 (\$5 00) DOLLARS per hour for transportation which is one half of the actual costs Calculation of transportation costs begin when the patient and Deputy leave the county in route to the location identified by Burke Center and ends when Deputy returns to county Transportation of mental health clients within the SERVICE PROVIDER'S county shall not be covered under this contract

The parties agree that the total amount which may be expended under this Contract shall not exceed the sum of \$1,300 00 In the event such amount is reached, SERVICE PROVIDER shall provide transportation services as outlined in the Texas Mental Health Code, Section 14 Should the SERVICE PROVIDER be detained at any of the locations listed in the rate schedule, in the performance of his duties, he shall be reimbursed at the rate of FIVE AND NO/100 (\$5 00) DOLLARS per hour

10 Burke Center agrees to make payment to SERVICE PROVIDER by check payable to SERVICE PROVIDER and mailed to SERVICE PROVIDER'S address shown herein or to such other address which SERVICE PROVIDER may provide to Burke Center in writing

Independent Contractor

11 It is the intent of Burke Center and SERVICE PROVIDER that SERVICE PROVIDER is an independent contractor and not an employee of Burke for any purpose SERVICE PROVIDER and Burke Center understand and agree that (a) Burke Center will not withhold or pay on behalf of SERVICE PROVIDER any sums for income tax, unemployment insurance, Social Security or any other withholding pursuant to any law or requirement of any governmental body, or make available to SERVICE PROVIDER any of the benefits, including workers compensation insurance coverage, afforded to employees of Burke Center, (b) all such withholdings, payments and benefits, if any are the sole responsibility of SERVICE PROVIDER SERVICE PROVIDER indemnifies Burke Center from any and all causes of action, claims, damages or liability, including attorneys fees and legal expenses, incurred by Burke Center with respect to such payments, withholdings, and benefits SERVICE PROVIDER will be free from Burke Center control in the manner and method of providing services as long as such services are provided in accordance with accepted procedures of SERVICE PROVIDER'S profession, the Rules of the Texas Department of Mental Health and Mental Retardation (hereafter "TDMHMR"), and applicable standards of accrediting or certifying agencies

Laws, Rules, and Regulations

12 The parties agree that SERVICE PROVIDER shall abide by the following laws, rules and regulations and orders

a All applicable federal laws, rules, regulations, Executive Orders, and standards, including, but not limited to, the Civil Rights Act of 1964, as amended; Section 504 of the Rehabilitation Act of 1973, as amended; the Age Discrimination in Employment Act the Americans With Disabilities Act of 1990 as amended; and

b All applicable state and local laws, rules, regulations, including, but not limited to T R C S , Article 5561(h) and T R C S , Article 5547 300, et seq , TDPRS Abuse/Neglect Rules; and TDMHMR Commissioner's Rule, Chapter 403, Subchapter K relating to the confidentiality of records and other identifying information of clients served by Burke Center

c All applicable standards, rules, regulations, resolutions, directives, settlements, or plans of TDMHMR, including but not limited to the following:

1) TDMHMR Mental Health and Mental Retardation Community Service Standards,

2) TDMHMR Commissioner's Rule, Chapter 403, Subchapter T, Client Abuse and Neglect in Community Mental Health and Mental Retardation Centers, and

3) TDMHMR Commissioner's Rule, Chapter 401, Subchapter E, Contracts Management

d All applicable TCADA, Medicare/Medicaid, ICF/MR and JCAHO rules, regulations, and standards

e This agreement incorporates the policies and procedures, rules and regulations and purposes of TDMHMR, TCADA, and Burke Center, as if recited herein verbatim and the SERVICE PROVIDER agrees to become familiar with and abide by all such applicable policies, procedures, rules and regulations

13 If SERVICE PROVIDER is required to comply with any additional requirement pursuant to rules, standards regulations, resolutions, settlements, or plans, and compliance results in a material change in SERVICE PROVIDER'S rights or obligations under this Contract or places a significant financial burden on SERVICE PROVIDER, SERVICE PROVIDER may, upon giving sixty (60) days' notice of such intention, be entitled to renegotiate this Contract SERVICE PROVIDER shall have the burden of bringing forth proof of the financial burden placed on SERVICE PROVIDER caused by the compliance with Burke Center standards Burke Center agrees to negotiate amendments to this Contract in good faith as needed

14 SERVICE PROVIDER agrees that in receiving, storing, processing or otherwise dealing with any information regarding drug and alcohol abuse clients, SERVICE PROVIDER will abide by the provisions of 42 U S C Sec 290 dd 3 regarding the confidentiality of client information, will institute appropriate procedures for safeguarding such information and will undertake to resist in judicial proceedings all efforts to obtain access to such information, except as provided by 42 U S C Sec 290 dd 3

15 SERVICE PROVIDER will institute appropriate procedures for safeguarding the confidentiality of information received during the performance of this Contract, including information which identifies any person being served by Burke Center

Eligibility to Contract and Status of Service Agent

16 The parties agree that SERVICE PROVIDER shall notify Burke Center immediately if, during the term of the Contract, SERVICE PROVIDER is held in abeyance or barred from the award of a federal or state contract Such abeyance or bar shall constitute grounds for termination of this Contract without notice SERVICE PROVIDER hereby certifies that it is not currently held in abeyance or barred from the award of any federal or state contract

17 SERVICE PROVIDER shall maintain all certifications, registrations or licenses required by law to remain in good standing in its professional during the term of this Contract In addition, SERVICE PROVIDER will inform Burke Center immediately of any changes to said certifications, registrations or licenses during the term of this Contract

18 SERVICE PROVIDER certifies that it is current in its payment of Texas franchise tax or that it is exempt from the payment of Texas franchise tax A false statement regarding franchise tax status will be treated as a material breach of this Contract and will constitute grounds for termination of this Contract at the option of Burke Center If SERVICE PROVIDER becomes delinquent in the payment of its Texas franchise tax during the term of this Contract, payment by Burke Center may be withheld until such delinquency is remedied

Conviction Disclosure

19 SERVICE PROVIDER certifies that neither SERVICE PROVIDER nor any of its employees, officers or other persons directly or indirectly involved in negotiating or providing services under this Contract have been convicted of a criminal offense related to any state or federally funded program SERVICE PROVIDER shall immediately disclose the identify of any person convicted of any such crime If SERVICE PROVIDER is so convicted, this Contract may be terminated without prior notice

20 SERVICE PROVIDER certifies that neither SERVICE PROVIDER nor any of its employees, officers, or other persons directly or indirectly involved in negotiating or providing services under this Contract have been convicted of any crime listed in Exhibit "B" of the Departmental Rule regarding Contracts Management (Texas Administrative Code, Title 25, Chapter 401, Subchapter E) SERVICE PROVIDER shall immediately disclose to Burke Center the identify of any person convicted of any such crime and immediately remove that individual from direct contact with all persons served If SERVICE PROVIDER is so convicted, this Contract may be terminated without prior notice

Non Discrimination

21 SERVICE PROVIDER will ensure that no person working or acting under its right of control will on the basis of race, color, national origin, religion sex age handicap, or political affiliation be excluded from participation in, be denied the benefits of, or be subject to discrimination under any of the policies of Burke Center or under any applicable law

Access To, and Retention Of, Information

22 The SERVICE PROVIDER agrees that it will provide Burke Center, TCADA and the TDMHMR unrestricted access to all facilities, service providers, individuals served records, data, and other information under its control as necessary to enable Burke Center, TCADA, and TDMHMR to audit, monitor, and review all financial and programmatic activities and services associated with this Contract, including the creation of reports and other records which may not be contained in the files of the SERVICE PROVIDER

23 SERVICE PROVIDER agrees to furnish Burke Center with any and all information records, reports, documents, test results, and professional opinions which SERVICE PROVIDER acquires develops, or generates in the course of providing services under this Contract All files and patient records of the SERVICE PROVIDER shall be available for review and copying at any time during or after the conclusion of this Contract

24 SERVICE PROVIDER shall retain all financial records, all supporting documents, statistical records and any other records pertinent to the services of which request for payment is submitted to Burke Center, for a period of five (5) years following the expiration or termination of this Contract If any audit findings have not been resolved at the end of five (5) years the records shall be retained until resolution of the audit findings provided Burke Center gives SERVICES PROVIDER notice of such unresolved findings before the end of such five (5) year period

25 SERVICE PROVIDER agrees to comply with applicable provisions of the Social Security Act requiring SERVICE PROVIDER to make available to the Secretary of the United States Department of Health and Human Services, the Comptroller General, or any of the duly authorized agents any and all books, documents, or records necessary to certify the nature and extent of costs claimed from Medicare/Medicaid relating to the services provided by SERVICE PROVIDER under this Contract or relating to the services provided by any of SERVICE PROVIDER'S subcontractors who furnish services under this Contract, for a period of four (4) years after such services are provided

Report of Misconduct

26 SERVICE PROVIDER will report to Burke Center, in writing, any allegation of abuse and neglect of persons served by Burke Center in accordance with federal and state law and TDMHMR rules, including but not limited to TDMHMR Commissioner's Rule, Chapter 404 Subchapter A B, C and D Burke Center will immediately submit a copy of such report to the appropriate state agency

27 SERVICE PROVIDER will report to Burke Center, in writing, any allegation that a professional, licensed or certified by the State of Texas and employed by SERVICE PROVIDER has committed any action that constitutes grounds for the denial or revocation of certification or licensure Burke Center will immediately submit a copy of such report to the appropriate state agency

Conflict of Interest

28 SERVICE PROVIDER certifies that none of its current employees who have procured or directly or indirectly aided in the procurement of this Contract, were within the last year former employees or officers of TDMHMR, the Texas Department of Human Services (TDHS), or Burke Center. For purposes of this paragraph, "employee" means a person who on the last date of employment with TDMHMR, TDHS, or Burke Center was compensated at or above the amount designated for a salary group 17 step 1 of the state position classification salary schedule including a state employee who is exempt from the state position classification plan. This paragraph does not apply to a former officer or employee if the person was employed by a state agency other than TDMHMR, TDHS, or a community center other than Burke Center.

Investigation and Reports

29 If SERVICE PROVIDER provides any direct client care under this Contract, SERVICE PROVIDER understands and agrees that, as required or allowed by law, Burke Center may request information from federal/state/local agencies, departments or other appropriate sources regarding any criminal history background of the SERVICE PROVIDER and its agents employees and subcontractors.

30 SERVICE PROVIDER further understands and agrees that Burke Center shall make appropriate reports to federal/state agencies, departments, commissions and/or boards in the event of a case of suspected client abuse in which SERVICE PROVIDER is involved, or when a report of other information relating to SERVICE PROVIDER is otherwise required by law.

Assignment

31 SERVICE PROVIDER shall not assign this Contract or any of the duties or obligations required herein, nor any person who is not an employee of SERVICE PROVIDER to perform such duties or obligations, without first obtaining the prior written approval of Burke Center. If Burke Center permits any assignments of this Contract or the duties or obligations required herein, SERVICE PROVIDER shall require each person or entity approved by Burke Center to comply with all duties and obligations required herein of SERVICE PROVIDER, and notwithstanding such assignment SERVICE PROVIDER shall continue to be liable for the default of any person or entity who provides services under this Contract.

Other Contracts

32 Nothing herein shall prevent SERVICE PROVIDER from furnishing similar services to other persons or entities provided such other contractors do not interfere with the delivery of services required herein. Nothing herein shall prevent Burke Center from contracting to obtain services required herein from other providers.

Development of Agreement

33 Both the SERVICE PROVIDER and Burke Center have contributed to the development of this Contract and mutually agree to evaluate its effectiveness and plan for any changes or improvements.

Insurance

34 The SERVICE PROVIDER shall be an independent contractor and not an employee, agent, or representative of Burke Center under this Contract and shall maintain a policy of errors and omissions professional liability insurance in the amount necessary to cover any claims arising out of the performance of its services under this agreement and shall further indemnify save harmless, and defend Burke Center from any such claims arising from any act or omission of the SERVICE PROVIDER. The SERVICE PROVIDER shall be required to provide a copy of its certificate of insurance upon the return of this signed Contract. The SERVICE PROVIDER shall require that Burke Center be shown as an added named insured party on such policy owned by SERVICE PROVIDER. The SERVICE PROVIDER shall also be required to submit a copy of the renewal certificate within fifteen (15) days in advance of termination.

The SERVICE PROVIDER shall also provide automobile liability insurance in amounts necessary to cover the limits of liability established by statute for units of local government such as Burke Center.

The insurance coverage provided by the SERVICE PROVIDER shall be the primary coverage in the event of any claim. SERVICE PROVIDER shall be responsible for all deductible amounts, excess policy limits claim and non covered claims and amounts.

Indemnification

35 SERVICE PROVIDER agrees to indemnify and hold harmless Burke Center, its Board of Trustees, employees and agents from all suits, actions, claims, costs or liability of any character, type or description, including attorneys fees and legal expenses, brought, made for or on account of any death, injury or damage received or sustained by any person or property arising out of or occasioned by the acts or omissions, including the negligence, of SERVICE PROVIDER or SERVICE PROVIDER'S agents or employees in the executive or performance of this Contract

Termination

36 A default shall occur under the terms of this Contract in the event of the following:

a If either party has failed to cure its failure, actual or anticipatory, to perform any of the obligations required herein or in any of the instruments and/or exhibits attached hereto, within ten (10) days after receiving notice of such failure from the other party, and/or

b If SERVICE PROVIDER submits falsified information, documents or fraudulent billings to Burke Center, if SERVICE PROVIDER has made false statements as part of this Contract or if SERVICE PROVIDER has failed to disclose information required by this Contract

37 In the event of a default under the terms of this Contract, the non defaulting party may (a) proceed by court action to enforce performance of any obligations required under this Contract and/or to recover all damages and expenses incurred by that party by reason of such breach or other failure of performance, (b) exercise any other right of remedy available at law or equity, and/or (c) terminate this Contract. In the event of any termination of this Contract, the non defaulting party shall not be liable for any further payments or for any payment for undelivered work or unprovided services required under the Contract and shall be entitled to repayment of payments for undelivered work or unprovided services required herein. These remedies are cumulative of all other rights or remedies specified in this Contract or now or hereafter existing at law or in equity or by statute or otherwise, and may be enforced concurrently therewith or from time to time

38 Burke Center may terminate this Contract, without prior notice, if it reasonably believes that the health or safety of any person served by Burke Center is in immediate jeopardy due to the acts or omissions of SERVICE PROVIDER or any agent employee or associate of SERVICE PROVIDER

39 In addition either party may terminate the Contract at will by providing the other party with notice of termination at least thirty (30) days prior to the proposed termination date

40 The parties agree that upon any termination, Burke Center may, if necessary, conduct a fiscal audit of SERVICE PROVIDER to determine existence of any overpayment. If Burke Center conducts an audit and verifies that SERVICE PROVIDER has been overpaid because of improper billing or accounting practices or failure to comply with terms of the Contract, Burke Center shall notify the SERVICE PROVIDER in writing of the overpayment, the method of computing the reasonable dollar amount to be refunded, and any other actions Burke Center may take over the Contract, and SERVICE PROVIDER shall immediately repay Burke Center the amount of the overpayment

41 The parties agree that upon termination of the Contract, SERVICE PROVIDER is responsible for the prompt settlement of any termination claims, including claims from its employees, subcontractors or vendors

42 Upon termination of the Contract, SERVICE PROVIDER and Burke Center will be discharged from any further obligation created under the terms of this Contract, excepting the indemnification and insurance against liability obligations which obligations shall continue in full force and effect, without reduction or abatement, for the full term of the period of limitations applicable to the claim, and except for the equitable settlement of their respective accrued interest or obligations incurred prior to the termination. Termination does not, however, constitute a waiver of any remedies for breach of this Contract. In addition, the obligations of SERVICE PROVIDER to retain records and maintain the confidentiality of information shall survive this Contract

Waiver

43 In no event shall any payment to SERVICE PROVIDER hereunder or any other act or failure of Burke Center to insist in any one or more instances upon the terms and conditions of this Contract constitute or be construed in any way to be a waiver by Burke Center of any breach of covenant or default which may then or subsequently be committed by SERVICE PROVIDER. Neither shall such payment act or omission in any manner impair or prejudice any right, power, privilege or remedy available to Burke Center to enforce its rights hereunder, which rights, powers, privileges, remedies are always specifically preserved. No representative or agent of Burke Center may waive the effect of this provision

Amendment

44 The parties agree that this Contract may not be altered, changed or otherwise modified, except where done in writing, and duly signed by an authorized representative of SERVICE PROVIDER and the Burke Center Chief Executive Officer

Notice

45 Except as expressly provided herein, any notice required or permitted to be given under this Contract must be in writing and delivered in person or by certified or registered mail, return receipt requested, postage prepaid, to the individual at the address shown below:

SERVICE PROVIDER
Polk County Sheriff's Department
C/O County Auditor Karen Remmert
Polk County Courthouse
Livingston, Texas 77351

BURKE CENTER
4101 South Medford Drive
Lufkin, Texas 75901
Attn: Chief Financial Officer

Notice shall be effective on the date of delivery

Legal Construction

46 The parties agree that this Contract shall be construed under the laws of the State of Texas, and is performable in Lufkin, Angelina County, Texas

47 If any one or more of the provisions in this Contract shall be for any reason held invalid, illegal or unenforceable in any respect, such matter shall not affect any other provision herein, and this Contract shall be construed as if such objectionable provision(s) had not been a part of the Contract

48 The parties agree that this Contract shall inure to the benefit of and be enforceable against the parties hereto and their respective successors

Entire Contract

49 This instrument and any attached Exhibit(s) incorporated herein contain the entire agreement and supersede all previous agreements, whether oral or written, between the parties hereto relating to the subject matter herein, and there are no other verbal or written understandings, promises, representations, or other terms relating to the subject matter of this agreement which are not included herein

Executed in multiple originals on the day and year first above written

SERVICE PROVIDER:

By: 

Tax ID No 74 6001621

BURKE CENTER

By: _____

Susan Rushing
Chief Executive Officer

1995 BUDGET AMENDMENTS - APPROVED AUGUST 28, 1995

DATE	ACCOUNT NUMBER	DATE	TIME	AMENDMENT NUMBER	REPORT OF GENERAL LEDGER AMENDMENTS	AMOUNT	DESCRIPTION	CLERK
08/24/95								
	95 016-621-100	08/24/95	08 30	00	30 789 28-	30 789 28-	CARRY OVER FROM 1994	AUD
	E PENSE SUMMARY			TOTAL AMENDMENTS	1	TOTAL CHANGES		
	95 019-622-100	08/24/95	08 31	00	52 546 85	52 546 85	CARRY OVER FROM 1994	AUD
	E PENSE SUMMARY			TOTAL AMENDMENTS	1	TOTAL CHANGES		
	95 020-623-100	08/24/95	08 31	00	134 802 29-	134 802 29-	CARRY OVER FROM 1994	AUD
	E PENSE SUMMARY			TOTAL AMENDMENTS	1	TOTAL CHANGES		
	95 022-624-100	08/24/95	08 31	00	13 583 62	13 583 62	CARRY OVER FROM 1994	AUD
	E PENSE SUMMARY			TOTAL AMENDMENTS	1	TOTAL CHANGES		
	95 016-700-051	08/24/95	10 42	17 955 44	35 620 44	17 665 00	INSURANCE CHECK ON TRUCK WRECKED TO AP	AUD
	TRANSFERS SUMMARY			TOTAL AMENDMENTS	1	TOTAL CHANGES		
	95 018-622-100	08/24/95	10 43	52 546 85	72 452 24	19 905 39	ASSET SALE CULVERT RETIRE PCT1144 LOAN	AUD
	95 018-622-105	08/24/95	10 44	6 780 80	8 500 00	1 719 20	TO COVER REMAINING YEAR S SALARY	AUD
	95 018-622-205	08/24/95	10 45	1 534 44	1 534 44	1 534 44	TO COVER UNIFORM EXPENSES	AUD
	95 018-622-337	08/24/95	10 46	7 000 00	25 000 00	18 000 00	MATERIALS ADJUSTMENT	AUD
	95 018-622-338	08/24/95	10 46	5 500 00	7 000 00	1 500 00	CULVERT E PENSE ADJUSTMENT	AUD
	95 018-622-339	08/24/95	10 47	83 694 21	150 000 00	66 305 79	CONSTRUCTION MATERIALS ADJ	AUD
	95 018-622-456	08/24/95	10 47	40 000 00	50 000 00	10 000 00	PARTS & REPAIR ADJUSTMENTS	AUD
	95 018-622-461	08/24/95	10 48	00	9 350 00	9 350 00	EQUIPMENT RENTAL ADJUSTMENTS	AUD
	95 018-622-490	08/24/95	10 48	00	247 18	247 18	HISC ADJUSTMENTS	AUD
	95 018-622-106	08/24/95	10 49	123 078 87	86 874 52	36 204 37-	TO COVER OTHER LINE ITEM ADJUSTMENTS	AUD
	95 018-622-100	08/24/95	10 55	72 452 24	00	72 452 24-	TO MOVE CARRYOVER TO COVER LINE ITEMS	AUD
	E PENSE SUMMARY			TOTAL AMENDMENTS	11	TOTAL CHANGES	19 905 39	

