

TRINITY COUNTY, TEXAS
AUDITED FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

INTRODUCTORY SECTION

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SEPTEMBER 30, 2012**

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**TRINITY COUNTY, TEXAS
CURRENT PRINCIPAL PUBLIC OFFICIALS
SEPTEMBER 30, 2012**

COMMISSIONERS' COURT

Steven D. Page County Judge
Grover "Tiger" Worsham Commissioner Precinct #1
Richard Chamberlin Commissioner Precinct #2
Neal Smith..... Commissioner Precinct #3
Jimmy Brown Commissioner Precinct #4

COUNTY ELECTED OFFICIALS

Rusty Barrett Constable Precinct #1
Mark Cole Constable Precinct #2
Carl Casey Constable Precinct #3
Reggie Olive..... Constable Precinct #4
Joe Warner Bell.....County Attorney
Diane McCrory..... County Clerk
Jo BitnerCounty Treasurer
Randy Barrett Justice of the Peace, Precinct #1
Bernie Beard Justice of the Peace, Precinct #2
Bobby Nicholds..... Justice of the Peace, Precinct #3
Sam "Rod" Blair, III..... Justice of the Peace, Precinct #4
Woody Wallace. Sheriff
Lindy Madden Warren Tax Assessor/Collector

DISTRICT ELECTED OFFICIALS

Bennie Shiro..... District Attorney, 258th Judicial District
Cheryl Cartwright.....District Clerk
Elizabeth Coker District Judge, 258th Judicial District
Kaycee Jones District Judge, 411th Judicial District

APPOINTED OFFICIALS

Sheila Johnson..... County Auditor

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FINANCIAL SECTION

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Todd, Hamaker & Johnson, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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301 N 6th Street • PO Box 1249 • Crockett, TX 75835-1249 • (936) 544-2143

Melvin R. Todd, CPA
Daren Hamaker, CPA
Kim Johnson, CPA
Rachel Kennerly, CPA

INDEPENDENT AUDITORS' REPORT

To the Honorable County Judge
and Commissioners' Court
Trinity County, Texas

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Trinity County, Texas, as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Trinity County, Texas' management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Trinity County, Texas as of September 30, 2012, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 18, 2013, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contract, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information and schedule of funding progress on pension plan on pages 9 through 15 and 53 through 59 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing

INDEPENDENT AUDITORS' REPORT – CONTINUED

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Trinity County, Texas' financial statements as a whole. The introductory section and combining nonmajor fund statements, on pages 1 through 3 and 64 through 70, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The combining nonmajor fund financial statements and the schedule of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and accordingly, we do not express an opinion or provide any assurance on them.

Todd, Hamaker & Johnson, LLP

Todd, Hamaker & Johnson, LLP
Lufkin, Texas

April 18, 2013

**TRINITY COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(UNAUDITED)**

As management of Trinity County, Texas (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2012. We encourage readers to consider information presented here as well as the County's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

Government-wide financial statements

- The County's overall assets exceeded its total liabilities by \$5,398,386 (net assets) at September 30, 2012.
- Total assets increased by \$763,539 from the prior year; total liabilities increased by \$521,032 from the prior year.
- Overall revenues exceeded expenses (or an increase in net assets) by \$242,507.

Fund financial statements

- At the close of the current fiscal year, the County's governmental funds reported a combined deficit fund balance of \$86,818. Overall expenditures exceeded revenues by \$291,305.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-wide Financial Statements. The *government-wide financial statements*, which begin on page 21 of this report, are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how the County's net assets changed during the fiscal year. Revenues are recorded when earned and expenses are recorded when the liability is incurred, regardless of the timing of related cash flows.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The County, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**TRINITY COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(UNAUDITED)**

Governmental Funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources* available at the end of the fiscal year.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for general obligation bond principal and interest, which are reported as expenditures in the year due.

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

The governmental fund financial statements can be found on pages 26 to 33 of this report.

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

The fiduciary fund financial statement can be found on pages 35 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 39 to 50 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net assets may serve over time as a useful indicator of government's financial position. The County's assets exceeded its liabilities by \$5,398,386 at September 30, 2012.

The largest portion of the County's net assets, or \$5,386,632, reflects its investment in capital assets (\$7,986,062) less the related debt used to acquire those assets that remains outstanding (\$2,599,430). The County uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net assets totaling \$141,008 represents resources that are subject to restriction on how they may be used.

The remaining balance is a deficit of \$129,254.

**TRINITY COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(UNAUDITED)**

The County's Net Assets

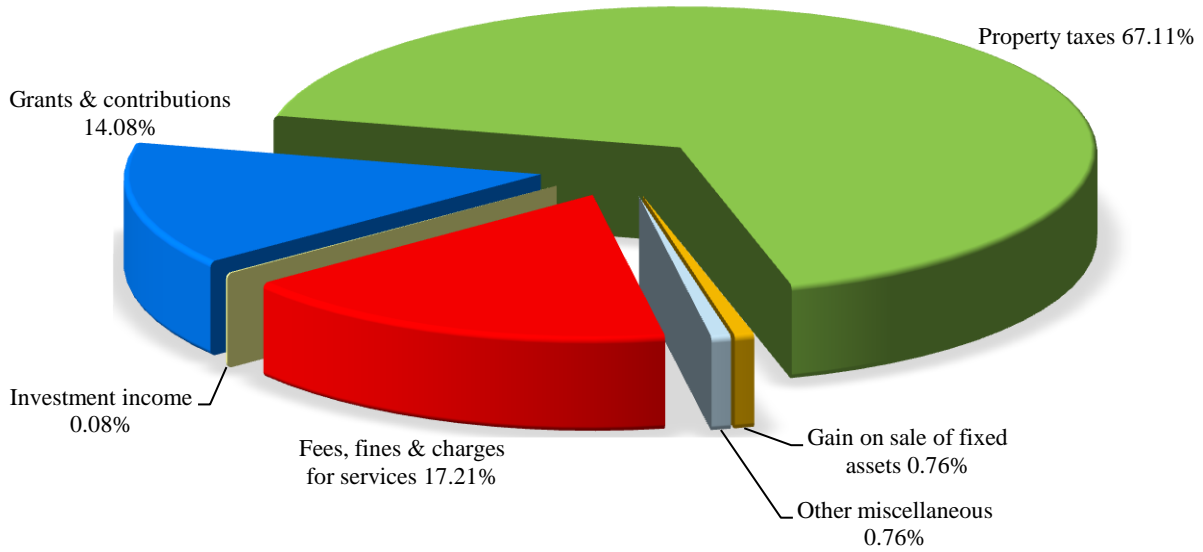
	<u>2012</u>	<u>2011</u>
Current and other assets	\$ 728,634	\$ 985,977
Capital assets	<u>7,986,062</u>	<u>6,965,180</u>
Total assets	<u>8,714,696</u>	<u>7,951,157</u>
Long-term liabilities	2,590,951	2,020,180
Other liabilities	<u>725,359</u>	<u>775,098</u>
Total liabilities	<u>3,316,310</u>	<u>2,795,278</u>
Net assets:		
Invested in capital assets, net of related debt	5,395,111	4,945,000
Restricted	141,008	467,890
Unrestricted	<u>(137,733)</u>	<u>(257,011)</u>
Total net assets	<u>\$ 5,398,386</u>	<u>\$ 5,155,879</u>

Change in Net Assets

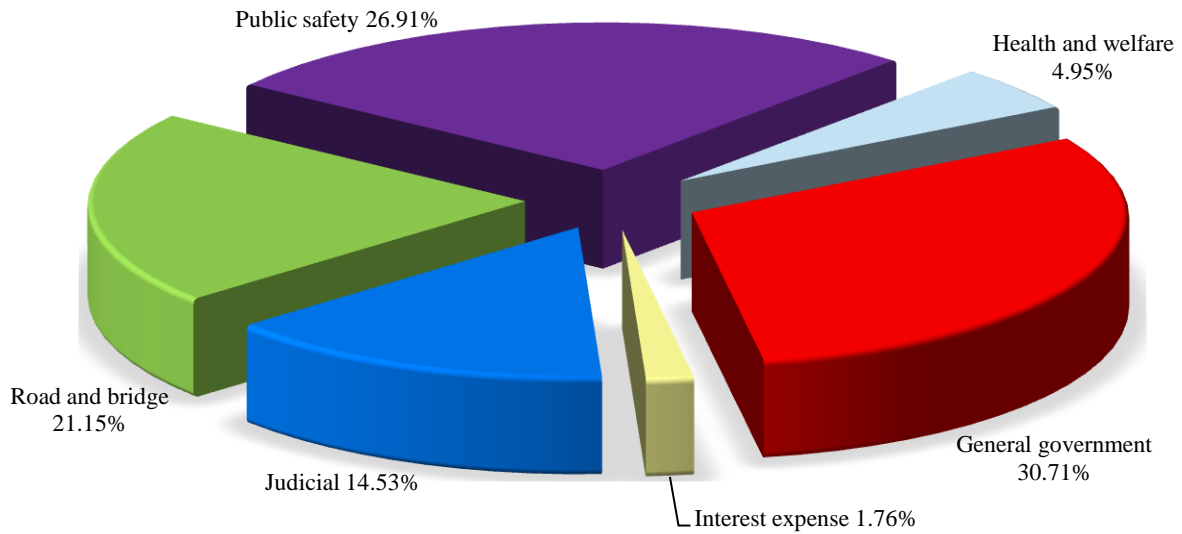
	<u>2012</u>	<u>2011</u>
Revenues		
Fees, fines, charges for services	\$ 1,057,421	\$ 1,115,861
Grants and contributions, net of pass thru expenditures	864,825	3,170,481
Property taxes	4,099,793	3,880,274
Payment in lieu of taxes	22,871	23,384
Investment income	4,971	8,420
Gain on sale of assets	46,836	36,754
Other miscellaneous	<u>46,556</u>	<u>53,082</u>
Total revenues	<u>6,143,273</u>	<u>8,288,256</u>
Expenses		
General government	1,811,860	1,832,488
Road and bridge	1,247,978	1,382,308
Judicial	857,170	829,814
Public safety	1,587,723	1,491,950
Health and welfare	292,115	328,690
Interest on long-term debt	<u>103,920</u>	<u>88,710</u>
Total expenses	<u>5,900,766</u>	<u>5,953,960</u>
Increase (decrease) in net assets	242,507	2,334,296
Prior period adjustment	-	(783,557)
Net assets at beginning of year	<u>5,155,879</u>	<u>3,605,140</u>
Net assets at end of year	<u>\$ 5,398,386</u>	<u>\$ 5,155,879</u>

**TRINITY COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(UNAUDITED)**

**Revenues by Source
For the Fiscal Year Ended September 30, 2012**



**Expenses by Function
For the Fiscal Year Ended September 30, 2012**



**TRINITY COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(UNAUDITED)**

FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS

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

The County's governmental fund financial statements are presented on pages 26 to 33.

As of September 30, 2012, the County's general fund reported a total deficit fund balance of \$424,377. The remaining governmental funds reported a combined positive fund balance of \$337,559. Overall, a deficit fund balance of \$86,818 is shown.

This fund balance is comprised of \$340,465 that is either in a nonspendable form, restricted, or assigned for specific purposes. The remaining balance, a deficit of \$427,283, is unassigned. During the year, the fund balance in the County's governmental funds decreased by \$291,305.

Budgetary comparisons. A comparison of the general fund, road and bridge funds, and debt service funds budget and actual results are presented as required supplementary information on pages 53 to 57.

General fund. An overall increase in fund balance of \$500 was budgeted for the general fund. Actual results yielded a \$38,361 increase in fund balance or a \$37,861 favorable budget variance.

Road and bridge funds. No change in fund balance (revenues equal to expenditures) was budgeted for the road and bridge funds. Actual results yielded a \$4,415 decrease in fund balance or a \$4,415 unfavorable budget variance.

Debt service fund. An overall decrease in fund balance of \$46,319 was budgeted for the debt service fund, using prior year budget carryovers to fund the decrease. Actual results yielded a \$32,965 decrease in fund balance or a \$13,354 favorable budget variance.

CAPITAL ASSETS

The County's investment in capital assets as of September 30, 2012 totaled \$7,986,062 (net of accumulated depreciation). This investment includes land, building, equipment, improvements (other than buildings), and construction in progress.

Capital assets of \$1,588,539 were purchased during the year. Significant purchases included:

- Courthouse renovations (funded by grant)
- Annex land and building (funded by new debt)
- Law enforcement communication equipment (funded by grants)
- Electrical improvements to the Rock Building
- Air conditioning units – Rock Building and jail (funded by grant)
- Various trucks, tractors and heavy equipment (funded by capital leases/notes)

**TRINITY COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(UNAUDITED)**

Capital Assets (Net of Depreciation)

	2012	2011
Land	\$ 47,008	\$ 7,008
Construction in progress	-	5,238,785
Buildings and improvements	7,079,526	887,119
Infrastructure	96,880	96,880
Rolling stock	2,506,254	2,397,316
Furniture and equipment	916,773	747,900
Less: accumulated depreciation	(2,660,379)	(2,409,828)
Total	\$ 7,986,062	\$ 6,965,180

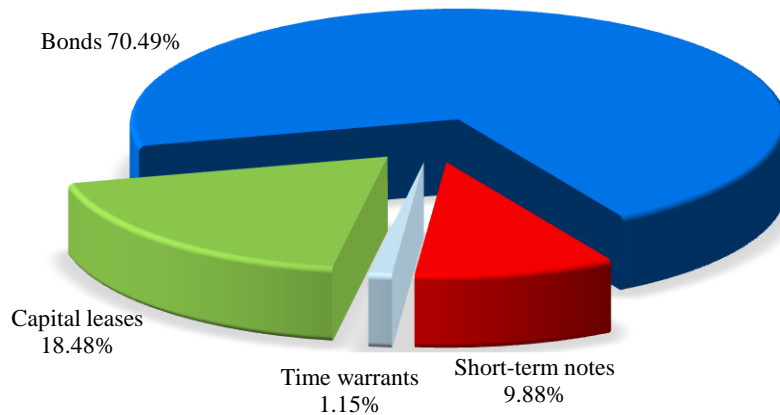
DEBT ADMINISTRATION

At the end of the current fiscal year, the County had total debt and capital lease obligations of \$2,873,960.

Debt Outstanding

	Beginning Balance	Additions	Reductions	Ending Balance
Short-term notes	\$ 318,815	\$ 383,009	\$ 418,815	\$ 283,009
Capital leases	606,180	343,379	420,087	529,472
Time warrant	44,000	-	11,000	33,000
Bond obligations	1,370,000	2,135,000	1,485,000	2,020,000
Total	\$ 2,338,995	\$ 2,861,388	\$ 2,334,902	\$ 2,865,481

**Total Debt Outstanding
September 30, 2012**



**TRINITY COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2012
(UNAUDITED)**

REQUESTS FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the County's finances. If you have questions about this report or need any additional information, contact the Trinity County Auditor at (936) 642-2233 or write to P.O. Box 457, Groveton, Texas 75845.

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BASIC FINANCIAL STATEMENTS

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GOVERNMENT-WIDE FINANCIAL STATEMENTS

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TRINITY COUNTY, TEXAS
STATEMENT OF NET ASSETS
SEPTEMBER 30, 2012

	Primary Government	
	Governmental Activities	Total
ASSETS		
Cash and cash equivalents	\$ 373,420	\$ 373,420
Receivables, net of allowance for uncollectibles		
Property taxes	165,719	165,719
Fines receivable	48,837	48,837
Other - miscellaneous	72,745	72,745
Prepays	2,906	2,906
Bond issuance costs, net	65,007	65,007
Capital assets		
Land	47,008	47,008
Capital assets being depreciated	10,599,433	10,599,433
Accumulated depreciation	<u>(2,660,379)</u>	<u>(2,660,379)</u>
TOTAL ASSETS	<u>8,714,696</u>	<u>8,714,696</u>
LIABILITIES		
Accounts payable	194,380	194,380
Accrued expenses	231,059	231,059
Accrued interest	16,911	16,911
Notes payable - short term	283,009	283,009
Noncurrent liabilities		
Due within one year	557,315	557,315
Due in more than one year	<u>2,033,636</u>	<u>2,033,636</u>
TOTAL LIABILITIES	<u>3,316,310</u>	<u>3,316,310</u>
NET ASSETS		
Invested in capital assets, net of related debt	5,395,111	5,395,111
Restricted for		
Debt service	42,780	42,780
Grant expenditures	98,228	98,228
Unrestricted	<u>(137,733)</u>	<u>(137,733)</u>
TOTAL NET ASSETS	<u>\$ 5,398,386</u>	<u>\$ 5,398,386</u>

See accompanying notes to financial statements.

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**TRINITY COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets
		Fees, Fines, Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Primary government					
Governmental activities					
General government	\$ 1,811,860	\$ 79,555	\$ 23,803	\$ 41,157	\$ (1,667,345)
Road and bridge	1,247,978	486,085	308,255	-	(453,638)
Judicial	857,170	269,911	174,420	-	(412,839)
Public safety	1,587,723	201,972	67,711	154,348	(1,163,692)
Health and welfare	292,115	19,898	95,131	-	(177,086)
Pass thru grants	742,071	-	742,071	-	-
Interest on long-term debt	103,920	-	-	-	(103,920)
Total governmental activities	<u>6,642,837</u>	<u>1,057,421</u>	<u>1,411,391</u>	<u>195,505</u>	<u>(3,978,520)</u>
		General revenues			
					4,099,793
					4,971
					22,871
					46,836
					46,556
					<u>4,221,027</u>
					242,507
					<u>5,155,879</u>
					<u>\$ 5,398,386</u>

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FUND FINANCIAL STATEMENTS

**TRINITY COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2012**

	<u>General Fund</u>	<u>Road and Bridge Funds</u>	<u>Debt Service Fund</u>
ASSETS			
Cash and cash equivalents	\$ -	\$ 91,510	\$ 41,192
Receivables, net of allowance for uncollectibles			
Property taxes	161,480	-	4,239
Fines	48,837	-	-
Other - miscellaneous	41,927	70	5
Due from other funds	2,791	40,000	-
Prepaid items	2,906	-	-
TOTAL ASSETS	<u>\$ 257,941</u>	<u>\$ 131,580</u>	<u>\$ 45,436</u>
LIABILITIES			
Deficit in pooled cash	\$ 8,961	\$ -	\$ -
Accounts payable	113,682	42,857	-
Accrued expenses	112,921	13,486	-
Due to other funds	40,000	-	-
Short term notes payable	260,000	14,530	-
Deferred revenues	146,754	-	2,656
Total liabilities	<u>682,318</u>	<u>70,873</u>	<u>2,656</u>
FUND BALANCES			
Nonspendable	2,906	-	-
Restricted	-	-	42,780
Assigned	-	60,707	-
Unassigned	(427,283)	-	-
Total fund balances	<u>(424,377)</u>	<u>60,707</u>	<u>42,780</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 257,941</u>	<u>\$ 131,580</u>	<u>\$ 45,436</u>

<u>Courthouse Preservation Fund</u>	<u>Grant Funds</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Total Governmental Funds</u>
\$ 90,939	\$ 19,846	\$ 139,260	\$ 382,747
-	-	-	165,719
-	-	-	48,837
37	25,150	5,556	72,745
-	-	33	42,824
-	-	-	2,906
<u>\$ 90,976</u>	<u>\$ 44,996</u>	<u>\$ 144,849</u>	<u>\$ 715,778</u>
\$ -	\$ -	\$ 366	\$ 9,327
5,000	30,138	2,703	194,380
-	-	5,718	132,125
-	2,606	218	42,824
-	-	-	274,530
-	-	-	149,410
<u>5,000</u>	<u>32,744</u>	<u>9,005</u>	<u>802,596</u>
-	-	-	2,906
85,976	12,252	-	141,008
-	-	135,844	196,551
-	-	-	(427,283)
<u>85,976</u>	<u>12,252</u>	<u>135,844</u>	<u>(86,818)</u>
<u>\$ 90,976</u>	<u>\$ 44,996</u>	<u>\$ 144,849</u>	<u>\$ 715,778</u>

See accompanying notes to financial statements.

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TRINITY COUNTY, TEXAS
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Total fund balances - governmental funds balance sheet	\$ (86,818)
Amounts reported for governmental activities in the statement of activities are difference because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds.	7,986,062
Other long-term assets represent amounts that are not available to pay for current period expenditures and therefore, are not reported in the governmental funds.	65,007
Certain deferred revenues are not available to pay current period expenditures and therefore, are deferred in the governmental funds.	149,410
Payables for accrued interest on long-term liabilities and accrued compensated absences are not due in the current period and therefore, are not reported in the governmental funds.	(115,845)
Payables for long-term liabilities, including certificates of obligations and capital leases, are not due in the current period and therefore, are not reported in the governmental funds.	<u>(2,599,430)</u>
Net assets of governmental activities	<u>\$ 5,398,386</u>

See accompanying notes to financial statements.

TRINITY COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	General Fund	Road and Bridge Funds	Debt Service Fund
REVENUES			
Property taxes	\$ 3,973,881	\$ -	\$ 119,047
Fines and forfeitures	163,021	-	-
Fees, license, and permits	304,594	486,084	-
Intergovernmental revenue and grants	193,268	308,255	-
Contributions and donations from private sources	-	-	-
Payment in lieu of taxes	22,871	-	-
Investment earnings	2,337	480	277
Other revenue	41,542	4,011	-
Total revenues	<u>4,701,514</u>	<u>798,830</u>	<u>119,324</u>
EXPENDITURES			
General government	1,694,832	-	-
Road and bridge	107,520	976,017	-
Judicial	748,103	-	-
Public safety	1,458,843	-	-
Health and welfare	281,866	-	-
Pass thru expenditures	-	-	-
Capital outlay	707,249	405,607	-
Debt service			
Principal	77,070	354,017	1,485,000
Interest	11,351	24,265	59,076
Bond issuance costs	65,007	-	-
Total expenditures	<u>5,151,841</u>	<u>1,759,906</u>	<u>1,544,076</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(450,327)</u>	<u>(961,076)</u>	<u>(1,424,752)</u>
OTHER FINANCING SOURCES (USES)			
Sale of real and personal property	-	276,000	-
Proceeds from bonds (refunding)	1,435,000	-	-
Proceeds from bonds (new issue)	700,000	-	-
Proceeds from notes/capital leases	8,479	351,857	-
Transfers in	-	328,804	1,391,787
Transfers out	(1,654,791)	-	-
Net other financing sources (uses)	488,688	956,661	1,391,787
NET CHANGE IN FUND BALANCE	38,361	(4,415)	(32,965)
FUND BALANCE - BEGINNING OF YEAR	<u>(462,738)</u>	<u>65,122</u>	<u>75,745</u>
FUND BALANCE - END OF YEAR	<u>\$ (424,377)</u>	<u>\$ 60,707</u>	<u>\$ 42,780</u>

Courthouse Preservation Fund	Grant Funds	Nonmajor Special Revenue Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 4,092,928
-	-	11,882	174,903
-	-	82,114	872,792
-	969,853	128,335	1,599,711
-	7,185	-	7,185
-	-	-	22,871
1,653	4	220	4,971
1,003	-	-	46,556
<u>2,656</u>	<u>977,042</u>	<u>222,551</u>	<u>6,821,917</u>
902	1,295	48,706	1,745,735
-	-	-	1,083,537
-	-	89,330	837,433
-	33,458	27,041	1,519,342
-	-	10,249	292,115
-	742,071	-	742,071
292,340	183,343	-	1,588,539
-	-	-	1,916,087
-	-	-	94,692
-	-	-	65,007
<u>293,242</u>	<u>960,167</u>	<u>175,326</u>	<u>9,884,558</u>
<u>(290,586)</u>	<u>16,875</u>	<u>47,225</u>	<u>(3,062,641)</u>
-	-	-	276,000
-	-	-	1,435,000
-	-	-	700,000
-	-	-	360,336
-	-	5,531	1,726,122
-	(20,206)	(51,125)	(1,726,122)
-	(20,206)	(45,594)	2,771,336
(290,586)	(3,331)	1,631	(291,305)
<u>376,562</u>	<u>15,583</u>	<u>134,213</u>	<u>204,487</u>
<u>\$ 85,976</u>	<u>\$ 12,252</u>	<u>\$ 135,844</u>	<u>\$ (86,818)</u>

See accompanying notes to financial statements.

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TRINITY COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Net change in fund balance - governmental funds	\$ (291,305)
Amounts reported for governmental activities in the statement of activities are different because:	
Capital outlays are not reported as expenses in the statement of activities.	1,588,539
The depreciation of capital assets used in governmental activities is not reported in the governmental funds.	(338,494)
The net effect of other miscellaneous transactions involving capital assets (i.e. sales, trade-ins, disposals) decreasing net assets.	(229,164)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	16,591
Repayment of long-term debt is an expenditure in the governmental funds, but is not an expense in the statement of activities.	1,916,087
Proceeds from the issuance of long-term debt (e.g. bonds, leases) do not provide revenue in the statement of activities, but are reported as current resources in the governmental funds.	(2,430,329)
Amount represents the change in accrued compensated absences from the beginning of the period to the end of the period.	19,810
Amount represents the change in accrued interest from the beginning of the period to the end of the period.	<u>(9,228)</u>
Change in net assets of governmental activities	<u><u>\$ 242,507</u></u>

See accompanying notes to financial statements.

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TRINITY COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2012

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ <u>610,806</u>
TOTAL ASSETS	\$ <u>610,806</u>
LIABILITIES	
Amounts held for others	\$ 415,142
Due to other units	<u>195,664</u>
TOTAL LIABILITIES	\$ <u>610,806</u>

See accompanying notes to financial statements.

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NOTES TO FINANCIAL STATEMENTS

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TRINITY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

The financial statements of Trinity County, Texas (the “County”) have been prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting and reporting policies used by the County are discussed below.

Reporting entity

Trinity County, Texas (the “County”) is an independent governmental entity under the laws of the State of Texas. The County is governed by an elected Commissioners’ Court, comprised of the County Judge and four Commissioners. The County provides the following services as authorized by the statutes of the State of Texas: general government (e.g. tax collection), judicial (courts, juries, district attorney, etc.), public safety (sheriff, jail, etc.), highways and streets, and public welfare (e.g. juvenile services and assistance to indigents).

For financial reporting purposes, based on standards established by GASB Statement No. 14, “The Financial Reporting Entity”, these financial statements should present the County (the primary government) and its component units. Component units generally are legally separate entities for which the primary government is financially accountable. The County does not have any blended or discretely presented component units.

Government-wide and fund financial statements

The government-wide financial statements include the statement of net assets and the statement of activities. These statements report information on all of the activities of the County as a whole. *Governmental activities* include programs normally supported by taxes, grants and other intergovernmental revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include: 1) charges to customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other revenue sources not properly included with program revenues are reported as *general revenues*.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

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

Measurement focus, basis of accounting, and financial statement presentation

The government-wide statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax revenues are recognized in the year for which they are levied. Grants and donations are recognized as revenue in the fiscal year in which grantor eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current

TRINITY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

liabilities. The County considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related liability is incurred, as under accrual accounting. Debt service expenditures, both principal and interest, are recorded only when payment is due.

Major revenue sources susceptible to accrual include: sales and use taxes, property taxes, and investment income. In general, all other revenue items are considered to be measurable and available only when cash is received. Expenditure driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met.

The County has the following types of governmental funds:

The *general fund* is the County's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. The principal sources of revenues include local property taxes, fines, fees, license and permits, and intergovernmental revenue and grants. Expenditures include general government, judicial, public safety and health and welfare.

The *debt service fund* is used to account for the collection of interest and sinking funds collected and expenditures for the payment of the County's certificates of obligation.

Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by the County or a grantor in a special revenue fund. The County has elected to present the Road and Bridge Funds for Precincts 1, 2, 3 and 4, as well as the Timber fund, as major funds due to their significance within the County.

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

The general fund, debt service fund, road and bridge funds, and the courthouse preservation fund are reported as major governmental funds.

When an expenditure is incurred for purposes for which both restricted and unrestricted (committed, assigned, or unassigned) amounts are available, it is the County's policy to generally consider restricted amounts to have been reduced first. When an expenditure is incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, it is the policy of the County that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts. In both instances, when a proposed expenditure is made with specific balances identified as the source of the funding, that specific fund balance will be used.

The financial statements of the County are prepared in accordance with generally accepted accounting principles (GAAP). The County's reporting entity applies all relevant Governmental Accounting Standards Board (GASB) pronouncements and applicable Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions issued on or before November 30, 1989, unless they conflict with GASB pronouncements. The County's reporting entity does not apply FASB pronouncements or APB opinions issued after November 30, 1989.

TRINITY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

Assets, liabilities, and net assets or equity

Deposits and investments

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, money market accounts, and certificates of deposit and short-term, highly liquid investments that are readily convertible to known amounts of cash and so near maturity that they present insignificant risk of changes in value because of changes in interest rates. Cash equivalents include investments with original maturities of three months or less. Cash equivalents are stated at fair value.

Time deposits consist of certificates of deposit with original maturities greater than three months. Certificates of deposit are recorded at cost, which approximates market value at September 30, 2012.

The County is authorized to invest in the following instruments, as authorized by the Public Funds Investment Act: U.S. Treasury securities which have a liquid market; direct obligations of the State of Texas, and other obligations that are guaranteed by the State of Texas or United States of America; obligations of states, agencies, counties, and other political subdivisions of any state having been rated as investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent; fully insured or collateralized certificates of deposit at commercial banks; repurchase agreements collateralized by U.S. Treasury or U.S. Government Agency securities in accordance with a master repurchase agreement; joint pools of political subdivisions in the State of Texas which invest in instruments and follow practices allowed by current law (investment in such pools shall be limited to 15% of the County's entire portfolio and the pool must be continuously rated no lower than "AAA" or "AAA-M" by at least one nationally recognized rating service).

Fair value of financial instruments

The County evaluates the fair value of its non-investment financial instruments based on the current interest rate environment and current pricing of debt instruments with comparable terms. The carrying value of all non-investment financial instruments, including debt, is considered to approximate fair value.

Receivables

Property tax receivables are shown net of an allowance for uncollectibles. The property tax receivable allowance is calculated based on historical collection rates.

Property taxes are levied by October 1 and are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure payment of all taxes, penalties, and interest ultimately imposed. The County provides an allowance for all delinquent property taxes.

Fines receivable reflect outstanding fines and citations charged by the various justice of the peace offices within the County. The receivable is shown net of an allowance for uncollectibles. The fines receivable allowance is calculated based on historical collection rates.

Restricted assets

Certain assets are classified as restricted because they are maintained in separate accounts and their use is limited by applicable bond covenants, grant agreements and other contractual agreements.

Prepaid Items

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

TRINITY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

Capital assets and depreciation

The County's property, plant, equipment, and infrastructure with useful lives of more than one year are stated at historical cost and reported in the applicable governmental type activities column in the government-wide financial statements. The County, a Phase 3 government as described by GASB Statement No. 34, has elected not to report major general infrastructure assets retroactively. Capital assets are defined by the County as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed.

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

Capital assets are depreciated using the straight-line method. When capital assets are disposed, the cost and applicable accumulated depreciation are removed from the respective accounts, and the resulting gain or loss is recorded in operations.

The estimated useful lives are as follows:

Buildings and improvements	15 to 40 years
Office furniture and equipment	5 to 7 years
Rolling stock	5 to 7 years
Infrastructure	20 to 30 years

Compensated absences

A liability for unused vacation, personal and comp-time for all full-time employees is calculated and reported in the government-wide statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

- Leave or compensation is attributable to services already rendered;
- Leave or compensation is not contingent on a specific event (such as illness).

Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in governmental activities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

The governmental fund financial statements recognize bond premiums and discounts, as well as bond issuance costs, during the current period. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

TRINITY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

Net assets and fund balances

In the government-wide financial statements, the difference between the County's total assets and total liabilities represents net assets. Net assets are displayed in three components – invested in capital assets, net of related debt; restricted; and unrestricted. At September 30, 2012, restricted net assets represent monies that are legally restricted for payment of debt service or grant expenditures. Unrestricted net assets represent the net assets available for future operations.

In the governmental fund financial statements, fund balances are classified as follows:

Non-spendable – amounts that cannot be spent either because they are in non-spendable form (such as inventories and prepaid amounts) or because they are legally or contractually required to be maintained intact.

Restricted – amounts that can be spent only for specific purposes due to constraints imposed on resources either (a) externally by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – amounts that can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Commissioners' Court – the government's highest level of decision making authority. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the Commissioners' Court.

Assigned – amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes.

Unassigned – all other spendable amounts.

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and budgetary process

The County Judge submits an annual budget to the Commissioners Court for review and approval prior to September of the upcoming fiscal year. Routinely, several budget workshops are held in which the original budget is reviewed and possibly revised. In September, the Commissioners Court and County Judge adopt the annual budget for the General Fund and selected Special Revenue funds.

Subsequent to approval, the Commissioners Court and County Judge may amend the legally adopted budget when unexpected modifications are required in estimated revenues and expenditures. The County amended its budget several times during the year, with all budget amendments being approved by an act of the Commissioners Court.

Deficit balances

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end. At September 30, 2012, the general fund had a deficit balance.

TRINITY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

DETAILED NOTES ON ALL FUNDS

Deposits

The County maintains its cash deposits at financial institutions whose deposits are insured by the FDIC. Any funds in excess of FDIC coverage are collateralized with securities held by the pledging financial institutions. All cash and cash equivalents are reported at fair value. The County had no investments at any time during the year ending September 30, 2012.

As of September 30, 2012, the County's cash deposits with depository banks totaled \$1,089,087, including agency funds. All deposits were fully secured by FDIC coverage and securities pledged by the depository banks with total collateral value of \$1,250,000.

Receivables

Receivable and uncollectible accounts

Receivables as of year end for the County's individual major funds, including the related allowances for uncollectible accounts are as follows:

Property taxes receivable	\$ 1,559,406
Allowance for property taxes receivable	(1,393,687)
Fines receivable	1,953,488
Allowance for fines receivable	(1,904,651)
Grant and miscellaneous receivables	<u>72,745</u>
Net	<u>\$ 287,301</u>

Property taxes

Property taxes attach as an enforceable lien on property as of January 1. Property taxes are due October 1 and become delinquent January 31. The combined tax rate to finance general governmental services and principal and interest on general long term debt for the year ended September 30, 2012, was \$.6500 per \$100 of assessed valuation. Of this rate, \$.0266 was allocated to debt service and \$.6234 was allocated to maintenance and operation.

Of the \$1,559,406 in property taxes receivable, \$1,218,234 represents the outstanding balances for tax assessments for years 2010 and prior.

TRINITY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

Capital assets

Capital asset activity for the year ended September 30, 2012, was as follows:

	<u>Balance</u> <u>09/30/2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>09/30/2012</u>
Capital assets –				
not being depreciated:				
Land	\$ 7,008	\$ 40,000	\$ -	\$ 47,008
Construction in progress	<u>5,238,785</u>	<u>-</u>	<u>(5,238,785)</u>	<u>-</u>
Total, not being depreciated	<u>5,245,793</u>	<u>40,000</u>	<u>(5,238,785)</u>	<u>47,008</u>
Capital assets –				
being depreciated:				
Buildings and improvements	887,119	6,192,406	-	7,079,526
Infrastructure	96,880	-	-	96,880
Rolling stock	2,397,316	412,937	(303,998)	2,506,254
Furniture and equipment	<u>747,900</u>	<u>181,982</u>	<u>(13,109)</u>	<u>916,773</u>
Total being depreciated	<u>4,129,215</u>	<u>6,787,325</u>	<u>(317,107)</u>	<u>10,599,433</u>
Less accumulated depreciation	<u>(2,409,828)</u>	<u>(338,494)</u>	<u>87,943</u>	<u>(2,660,379)</u>
Net being depreciated	<u>1,719,387</u>	<u>6,448,831</u>	<u>(229,164)</u>	<u>7,939,054</u>
Net capital assets – governmental activities	<u>\$ 6,965,180</u>	<u>\$ 6,488,831</u>	<u>\$ (5,467,949)</u>	<u>\$ 7,986,062</u>

Depreciation expense was charged to governmental funds as follows:

General government	\$ 59,280
Judicial	19,737
Road and bridge	93,887
Public safety	<u>165,590</u>
Total	<u>\$ 338,494</u>

LIABILITIES

Short-term debt

From time to time, the County will utilize short-term financing to provide for its general operating expenditures and obligations. During the current fiscal year, all short-term debt outstanding at September 30, 2011, was paid off. Following is a summary of the changes in short-term debt activity for the current fiscal year:

Balance, September 30, 2011	\$ 318,815
Increases	383,009
Decreases	<u>(418,815)</u>
Balance, September 30, 2012	<u>\$ 283,009</u>

TRINITY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

These short-term notes have maturity dates of less than one year and are due and payable in full, including interest at 5.25%, and are unsecured. Accrued interest payable at September 30, 2012, on these notes was \$1,185.

Capital leases

The County has entered into lease agreements as lessee for financing the acquisition of machinery and equipment and vehicles. The agreements accrue interest at rates from 2.95% to 5.05% and are all for durations greater than one year. These lease agreements qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

The assets acquired through capital leases are as follows:

Asset:	
Rolling stock	\$ 629,546
Less accumulated depreciation	<u>(134,787)</u>
Total	<u>\$ 494,759</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2012, were as follows:

<u>Year ending September 30,</u>	
2013	\$ 415,879
2014	55,941
2015	38,794
2016	15,460
2017	15,461
2018 - 2022	<u>32,131</u>
Total minimum lease payments	\$ 573,666
Less amount representing interest	<u>(35,715)</u>
Present value of minimum lease payments	<u>\$ 537,951</u>

Long-term debt

Long-term debt activity for the year ended September 30, 2012, was as follows:

	<u>Balance</u>			<u>Balance</u>	<u>Due Within</u>
	<u>09/30/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>09/30/12</u>	<u>One Year</u>
Bonds payable –					
Series 2008 Certificates	\$ 1,370,000	\$ -	\$(1,370,000)	\$ -	\$ -
Series 2012 G.O. Refunding	-	1,435,000	(115,000)	1,320,000	105,000
Series 2012 Certificates	-	700,000	-	700,000	45,000
Time warrants	44,000	-	(11,000)	33,000	11,000
Capital leases	<u>606,180</u>	<u>351,858</u>	<u>(420,087)</u>	<u>537,951</u>	<u>396,315</u>
Total long-term debt	<u>\$ 2,020,180</u>	<u>\$ 2,486,858</u>	<u>\$(1,916,087)</u>	<u>\$ 2,590,951</u>	<u>\$ 557,315</u>

TRINITY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

The annual debt service requirements to maturity for long-term debt are as follows:

Year Ending September 30,	General Obligations and Certificates of Obligation		Capital leases and Time Warrants	
	Principal	Interest	Principal	Interest
2013	\$ 150,000	\$ 70,667	\$ 407,315	\$ 21,544
2014	160,000	62,413	61,314	6,947
2015	165,000	24,675	46,021	4,433
2016	170,000	51,563	12,822	2,639
2017	180,000	45,888	13,436	2,024
2018-2022	980,000	135,963	30,043	2,089
2023-2027	215,000	7,175	-	-
2028-2032	-	-	-	-
Total	<u>\$ 2,020,000</u>	<u>\$ 398,344</u>	<u>\$ 570,951</u>	<u>\$ 39,676</u>

The County has \$42,780 available in the debt service fund to service long-term debt.

Bonds and other debt payable at September 30, 2012, are comprised of the following:

Certificates of Obligation, Series 2008. On May 15, 2008, the County issued \$1,600,000 of certificates of obligation. The bonds were issued as term bonds at a rate of 4.45% and mature March 1, 2026. The bonds are subject to mandatory redemption in prescribed amounts before the maturity dates from 2009 to 2023. The net proceeds were used to provide matching funds for the Texas Historical Commission's grant to renovate the courthouse. The outstanding balance of the bonds, \$1,370,000, was fully refunded during the year and removed from the books of the debt service fund as of September 30, 2012.

General Obligation Refunding Bonds, Series 2012. On June 15, 2012, the County issued \$1,435,000 of general obligation bonds carrying a rate of 3.250%. The bonds were issued to retire existing bonds and take advantage of lower interest rates. The bonds are subject to mandatory redemption in prescribed amounts before the maturity dates from 2012 to 2023. The proceeds, net of issue costs, were used to refund the outstanding balance (\$1,370,000) of the Certificates of Obligation, Series 2008.

The net amount of issuance cost, \$40,307, is reported on the government-wide statement of net assets and is being amortized to interest expense over the life of the bonds. The refunding will reduce total debt service payments by \$55,014. The effect of this reduction was calculated by the County's financial advisor to have generated an economic gain (difference between the present value of the old debt and new debt service payments) or net present value savings of \$45,525.

Certificates of Obligation, Series 2012. On June 15, 2012, the County issued \$700,000 of certificates of obligation. The bonds were issued as term bonds at a rate of 3.50%. The bonds are subject to mandatory redemption in prescribed amounts before the maturity date from 2013 to 2023. The net proceeds were used to fund the purchase of the courthouse annex buildings. The net amount of issuance cost, \$24,700, is reported on the government-wide statement of net assets and is being amortized to interest expense over the life of the bonds.

Both of the Series 2012 bonds require annual payments of principal and semi-annual payments of interest at varying amounts. The bond indenture allows the County to pay the bonds from the proceeds of an additional ad valorem tax that may be levied by the County, and the County has pledged any such proceeds to secure the payment. The bonds have been recorded in the debt service fund.

TRINITY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

Time Warrants. In June 2005, the County issued a time warrant for the purpose of purchasing equipment. Annual payments of principal and interest are due on July 1 of each year and are made from precinct three road and bridge fund. The certificates were issued at an annual interest rate of 6.00% and mature on July 1, 2015.

Capital leases. The County has entered into various lease purchase agreements for the purpose of purchasing equipment. The agreements accrue interest at rates from 2.95% to 5.05% and are all for durations greater than one year. Each lease purchase is secured by the equipment that each respective agreement serves to finance.

Bond compliance requirements

The bond ordinances require that during the period in which the bonds are outstanding, the County must create and maintain certain accounts or funds to receive the proceeds from the sale of the bonds and to account for the revenues (as defined) and/or taxes, which are pledged for payment of the bonds. The assets can be used only in accordance with the terms of the bond ordinance and for the specific purpose(s) designated therein.

The County is generally required to make a monthly transfer to debt service funds equal to one-sixth of the next interest payment and one-twelfth of the next principal payment. Certain bond ordinances have additional requirements for the establishment of rates and the accumulation of principal and interest repayment amounts from surplus operating funds. Generally, the bonds may be redeemed prior to their maturities in accordance with the bond ordinances and at various premiums equal to or less than 2%.

Interfund Transfers

Transfers between funds are indicative of funding for capital projects, lease payments or debt service, subsidies of various County operations and re-allocations of special revenues. The following schedule summarizes the County's transfer activity during the year:

Transfers Out:		Transfers In:	
General	\$ 1,654,290	County Attorney	\$ 5,531
Records Management	1,000	Road & Bridge Pct #1	80,489
Security Fees	8,000	Road & Bridge Pct #3	135,625
Road & Bridge Pct #2	27,119	Road & Bridge Pct #4	139,809
D.A. Seized Funds	42,125	Debt Service	1,391,788
Miscellaneous Grants	12,162		
FEMA Grant	7,350		
HAVA Grant	695		
Payroll Fund	501		
Total	\$ 1,753,242	Total	\$ 1,753,242

OTHER INFORMATION

Pension plan

The County provides pension benefits for all of its full-time employees through a non-traditional defined benefit plan in the statewide Texas County and District Retirement System ("TCDRS"). The Board of Trustees of TCERS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 624 non-traditional defined benefit pension plans. TCERS in the aggregate issues a comprehensive annual financial report ("CAFR") on a calendar year basis. The CAFR is available upon written request from the TCERS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

TRINITY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

The plan provisions are adopted by the governing body of the County, within the options available in the Texas state statutes governing TCDRS ("TCDRS Act"). Members can retire at ages 60 and above with 8 or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the County.

Funding Policy

Plan members are required to contribute 7% of their annual covered salary. The County is required to contribute at an actuarially determined rate, as explained below. The contribution rate was 9.24% for the months in calendar year 2011 and 9.74% for the months in calendar year 2012.

Annual Pension Cost

For 2012, the County's annual pension cost of \$186,266 for TCDRS was equal to the County's required contributions.

Three-Year Trend Information

<u>Accounting Year Ending</u>	<u>Annual Pension Cost ("APC")</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
09/30/10	\$175,505	100%	-
09/30/11	\$182,233	100%	-
09/30/12	\$186,266	100%	-

The required contribution was determined as part of the December 31, 2011, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2011, included (a) 8.0% percent investment rate of return (net of investment expenses), and (b) projected salary increases of 5.4%. Both (a) and (b) included an inflation component of 3.5%. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2011, was 20 years. This actuarial information is summarized below.

Contribution information

	<u>12/31/2009</u>	<u>12/31/2010</u>	<u>12/31/2011</u>
Actuarial Cost Method	Entry Age	Entry Age	Entry Age
Amortization Method	Level Percentage of Payroll, Closed	Level Percentage of Payroll, Closed	Level Percentage of Payroll, Closed
Amortization Period in Years	20.0 years	20.0 years	20.0 years
Asset Valuation Method:			
Subdivision Accumulation Fund	10-year Smoothed Value	10-year Smoothed Value	10-year Smoothed Value
Employee Saving Fund	Fund Value	Fund Value	Fund Value

TRINITY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2012

<i>Actuarial assumptions</i>	<u>12/31/2009</u>	<u>12/31/2010</u>	<u>12/31/2011</u>
Investment Return (1)	8.0%	8.0%	8.0%
Projected Salary Increases (1)	5.4%	5.4%	5.4%
Inflation Rate	3.5%	3.5%	3.5%
Cost-of-Living Adjustments	0.0%	0.0%	0.0%

(1) Includes inflation at the stated rate.

Funded Status and Funding Progress

As of December 31, 2011, the most recent actuarial valuation date, the plan was 80.47% funded. The actuarial accrued liability for benefits was \$5,504,320, and the actuarial value of assets was \$4,429,220, resulting in an unfunded actuarial accrued liability (UAAL) of \$1,075,100. The covered payroll (annual payroll of active employees covered by the plan) was \$2,023,634, and the ratio of the UAAL to the covered payroll was 53.13%.

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

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, injuries to employees; and natural disasters. The County provides insurance coverage for each of these risks. Management believes such coverage is sufficient to preclude any significant uninsured losses to the County. Settled claims did not exceed this coverage during the current year.

Contingent liabilities

All amounts received or receivable from grant agencies are subject to audit and adjustment by the granting agency. Any disallowed claims, including amounts already collected, may be required to be repaid to the grant agency.

During the current fiscal year, County records were examined by a CPA firm representing the Federal Emergency Management Agency (FEMA) relating to claims processed and monies received for Hurricane Ike debris clean-up. The County has received a copy of the review findings and has been advised that the firm is recommending that FEMA recoup approximately \$112,000 as a result of undocumented claims. The report further states that there are approximately \$75,000 in claims that may not have been requested by the County. At this time, the final outcome of this matter is undeterminable and a final liability, if any, cannot be reasonably estimated. Accordingly, no accruals have been made on the County's books for potential losses.

Subsequent events

Management has evaluated subsequent events through April 18, 2013, the date when the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

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TRINITY COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	\$ 3,879,986	\$ 3,879,986	\$ 3,973,881	\$ 93,895
Fines - justice	210,000	210,000	163,021	(46,979)
Fees, license, and permits	254,500	283,861	304,594	20,733
Intergovernmental revenue and grants	93,900	124,067	193,268	69,201
Contributions and donations from private sources	-	-	-	-
Payment in lieu of taxes	23,384	23,384	22,871	(513)
Investment earnings	1,000	1,000	2,337	1,337
Other revenue	40,500	46,627	41,542	(5,085)
Total revenues	<u>4,503,270</u>	<u>4,568,925</u>	<u>4,701,514</u>	<u>132,589</u>
EXPENDITURES				
General government	1,690,337	1,737,893	1,694,832	43,061
Road and bridge	108,292	108,292	107,520	772
Judicial	647,570	648,174	748,103	(99,929)
Public safety	1,245,753	1,288,857	1,458,843	(169,986)
Health and welfare	242,439	260,620	281,866	(21,246)
Capital outlay	-	-	707,249	(707,249)
Debt service				
Principal	240,075	240,075	77,070	163,005
Interest	-	-	11,351	(11,351)
Bond issuance costs	-	-	65,007	(65,007)
Total expenditures	<u>4,174,466</u>	<u>4,283,911</u>	<u>5,151,841</u>	<u>(867,930)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>328,804</u>	<u>285,014</u>	<u>(450,327)</u>	<u>(735,341)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of real and personal property	-	-	-	-
Proceeds from bonds (refunding)	-	-	1,435,000	1,435,000
Proceeds from bonds (new issue)	-	-	700,000	700,000
Proceeds from notes/capital leases	-	-	8,479	8,479
Transfers in	-	44,290	-	(44,290)
Transfers out	(328,804)	(328,804)	(1,654,791)	(1,325,987)
Net other financing sources (uses)	<u>(328,804)</u>	<u>(284,514)</u>	<u>488,688</u>	<u>773,202</u>
NET CHANGE IN FUND BALANCE	-	500	38,361	37,861
PROJECTED BUDGET CARRYOVER	-	-	-	-
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>(462,738)</u>	<u>(462,738)</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ 500</u>	<u>\$ (424,377)</u>	<u>\$ (424,877)</u>

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TRINITY COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
COMBINED ROAD AND BRIDGE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Fines - justice	-	-	-	-
Fees, license, and permits	480,000	480,000	486,084	6,084
Intergovernmental revenue and grants	224,489	323,781	308,255	(15,526)
Contributions and donations from private sources	-	-	-	-
Payment in lieu of taxes	-	-	-	-
Investment earnings	4,000	4,000	480	(3,520)
Other revenue	-	2,943	4,011	1,068
Total revenues	<u>708,489</u>	<u>810,724</u>	<u>798,830</u>	<u>(11,894)</u>
EXPENDITURES				
General government	-	-	-	-
Road and bridge	934,527	1,017,262	976,017	41,245
Judicial	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	338,619	405,607	(66,988)
Debt service				
Principal	78,188	354,188	354,017	171
Interest	24,578	24,578	24,265	313
Total expenditures	<u>1,037,293</u>	<u>1,734,647</u>	<u>1,759,906</u>	<u>(25,259)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(328,804)</u>	<u>(923,923)</u>	<u>(961,076)</u>	<u>(37,153)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of real and personal property	-	276,000	276,000	-
Proceeds from notes/capital leases	-	319,119	351,857	32,738
Transfers in	328,804	328,804	328,804	-
Transfers out	-	-	-	-
Net other financing sources (uses)	<u>328,804</u>	<u>923,923</u>	<u>956,661</u>	<u>32,738</u>
NET CHANGE IN FUND BALANCE	-	-	(4,415)	(4,415)
PROJECTED BUDGET CARRYOVER	-	-	-	-
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>65,122</u>	<u>65,122</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 60,707</u>	<u>\$ 60,707</u>

See Independent Auditors' Report.

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TRINITY COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
REVENUES				
Property taxes	\$ 104,646	\$ 104,646	\$ 119,047	\$ 14,401
Fines - justice	-	-	-	-
Fees, license, and permits	-	-	-	-
Intergovernmental revenue and grants	-	-	-	-
Contributions and donations from private sources	-	-	-	-
Payment in lieu of taxes	-	-	-	-
Investment earnings	-	-	277	277
Other revenue	-	-	-	-
Total revenues	<u>104,646</u>	<u>104,646</u>	<u>119,324</u>	<u>14,678</u>
EXPENDITURES				
General government	-	-	-	-
Road and bridge	-	-	-	-
Judicial	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	90,000	90,000	1,485,000	(1,395,000)
Interest	60,965	60,965	59,076	1,889
Total expenditures	<u>150,965</u>	<u>150,965</u>	<u>1,544,076</u>	<u>(1,393,111)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(46,319)</u>	<u>(46,319)</u>	<u>(1,424,752)</u>	<u>(1,378,433)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of real and personal property	-	-	-	-
Proceeds from capital leases	-	-	-	-
Payments on capital leases	-	-	-	-
Transfers in	-	-	1,391,787	1,391,787
Transfers out	-	-	-	-
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>1,391,787</u>	<u>1,391,787</u>
NET CHANGE IN FUND BALANCE	(46,319)	(46,319)	(32,965)	13,354
PROJECTED BUDGET CARRYOVER	46,319	46,319	-	(46,319)
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>75,745</u>	<u>75,745</u>
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,780</u>	<u>\$ 89,099</u>

See Independent Auditors' Report.

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TRINITY COUNTY, TEXAS
SCHEDULE OF FUNDING PROGRESS OF PENSION PLAN -
TEXAS COUNTY AND DISTRICT RETIREMENT SYSTEM
FOR THE YEAR ENDED SEPTEMBER 30, 2012

The following schedule presents multi-year information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial liability for benefits.

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
	(1)	(2)	(3)	(4)	(5)	(6)
			(1) / (2)	(2) - (1)		(4) / (5)
12/31/2007	\$ 3,770,783	\$ 4,351,721	86.65%	\$ 580,938	\$ 1,623,893	35.77%
12/31/2008	\$ 3,531,132	\$ 4,419,414	79.90%	\$ 888,282	\$ 1,710,453	51.93%
12/31/2009	\$ 4,046,399	\$ 4,908,153	82.44%	\$ 861,754	\$ 1,831,851	47.04%
12/31/2010	\$ 4,196,037	\$ 5,150,040	81.48%	\$ 954,003	\$ 1,964,003	48.57%
12/31/2011	\$ 4,429,220	\$ 5,504,320	80.47%	\$ 1,075,100	\$ 2,023,634	48.57%

See Independent Auditors' Report.

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SUPPLEMENTARY INFORMATION

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COMBINING FUND STATEMENTS

**TRINITY COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2012**

	<u>Records Management</u>	<u>Law Library</u>	<u>Security Fee</u>
ASSETS			
Cash and cash equivalents	\$ 11,881	\$ 9,529	\$ 10,441
Receivables, net	3,406	699	664
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 15,287</u>	<u>\$ 10,228</u>	<u>\$ 11,105</u>
LIABILITIES			
Deficit in pooled cash	\$ -	\$ -	\$ -
Accounts payable	687	-	-
Accrued expenses	922	-	-
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>1,609</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Assigned	<u>13,678</u>	<u>10,228</u>	<u>11,105</u>
Total fund balances	<u>13,678</u>	<u>10,228</u>	<u>11,105</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 15,287</u>	<u>\$ 10,228</u>	<u>\$ 11,105</u>

<u>County Attorney</u>	<u>Sheriff's Forest Service</u>	<u>Seized Funds</u>	<u>Jury Service</u>	<u>Court Technology</u>	<u>Special Crime Funds</u>
\$ 49,248	\$ 183	\$ 26,124	\$ 1,641	\$ -	\$ 8,571
221	-	3	266	295	1
33	-	-	-	-	-
<u>\$ 49,502</u>	<u>\$ 183</u>	<u>\$ 26,127</u>	<u>\$ 1,907</u>	<u>\$ 295</u>	<u>\$ 8,572</u>
\$ -	\$ -	\$ -	\$ -	\$ 366	\$ -
-	-	1,791	-	-	-
3,443	-	62	883	-	-
-	-	33	-	185	-
<u>3,443</u>	<u>-</u>	<u>1,886</u>	<u>883</u>	<u>551</u>	<u>-</u>
<u>46,059</u>	<u>183</u>	<u>24,241</u>	<u>1,024</u>	<u>(256)</u>	<u>8,572</u>
<u>46,059</u>	<u>183</u>	<u>24,241</u>	<u>1,024</u>	<u>(256)</u>	<u>8,572</u>
<u>\$ 49,502</u>	<u>\$ 183</u>	<u>\$ 26,127</u>	<u>\$ 1,907</u>	<u>\$ 295</u>	<u>\$ 8,572</u>

**TRINITY COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2012**

	<u>LEOSE Education</u>	<u>Hotel/Motel Tax</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 16,849	\$ 4,793	\$ 139,260
Receivables, net	1	-	5,556
Due from other funds	-	-	33
	<u>16,850</u>	<u>4,793</u>	<u>144,849</u>
TOTAL ASSETS	\$ 16,850	\$ 4,793	\$ 144,849
LIABILITIES			
Deficit in pooled cash	\$ -	\$ -	\$ 366
Accounts payable	225	-	2,703
Accrued expenses	-	408	5,718
Due to other funds	-	-	218
	<u>225</u>	<u>408</u>	<u>9,005</u>
Total liabilities	225	408	9,005
FUND BALANCES			
Assigned	<u>16,625</u>	<u>4,385</u>	<u>135,844</u>
Total fund balances	16,625	4,385	135,844
TOTAL LIABILITIES AND FUND BALANCES	\$ 16,850	\$ 4,793	\$ 144,849

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TRINITY COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	<u>Records Management</u>	<u>Law Library</u>	<u>Security Fee</u>
REVENUES			
Fines and forfeitures	\$ -	\$ -	\$ -
Fees, license, and permits	47,804	8,050	9,314
Intergovernmental revenue and grants	-	-	-
Contributions & donations from private sources	-	-	-
Investment earnings	18	13	17
Other revenue	-	-	-
Total revenues	<u>47,822</u>	<u>8,063</u>	<u>9,331</u>
EXPENDITURES			
General government	48,706	-	-
Judicial	-	5,691	-
Public safety	-	-	-
Health and welfare	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>48,706</u>	<u>5,691</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(884)</u>	<u>2,372</u>	<u>9,331</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out (use)	<u>(1,000)</u>	<u>-</u>	<u>(8,000)</u>
Net other financing sources (uses)	(1,000)	-	(8,000)
NET CHANGE IN FUND BALANCE	(1,884)	2,372	1,331
FUND BALANCE - BEGINNING OF YEAR	<u>15,562</u>	<u>7,856</u>	<u>9,774</u>
FUND BALANCE - END OF YEAR	<u>\$ 13,678</u>	<u>\$ 10,228</u>	<u>\$ 11,105</u>

<u>County Attorney</u>	<u>Sheriff's Forest Service</u>	<u>Seized Funds</u>	<u>Jury Service</u>	<u>Court Technology</u>	<u>Special Crime Funds</u>
\$ -	\$ -	\$ 11,882	\$ -	\$ -	\$ -
-	-	-	4,280	3,901	-
125,200	-	-	-	-	-
-	-	-	-	-	-
36	-	80	3	2	17
-	-	-	-	-	-
<u>125,236</u>	<u>-</u>	<u>11,962</u>	<u>4,283</u>	<u>3,903</u>	<u>17</u>
-	-	-	-	-	-
73,292	-	-	5,857	4,490	-
-	-	16,352	-	-	3,982
-	-	-	-	-	-
-	-	-	-	-	-
<u>73,292</u>	<u>-</u>	<u>16,352</u>	<u>5,857</u>	<u>4,490</u>	<u>3,982</u>
<u>51,944</u>	<u>-</u>	<u>(4,390)</u>	<u>(1,574)</u>	<u>(587)</u>	<u>(3,965)</u>
5,531	-	-	-	-	-
-	-	(42,125)	-	-	-
<u>5,531</u>	<u>-</u>	<u>(42,125)</u>	<u>-</u>	<u>-</u>	<u>-</u>
57,475	-	(46,515)	(1,574)	(587)	(3,965)
<u>(11,416)</u>	<u>183</u>	<u>70,756</u>	<u>2,598</u>	<u>331</u>	<u>12,537</u>
<u>\$ 46,059</u>	<u>\$ 183</u>	<u>\$ 24,241</u>	<u>\$ 1,024</u>	<u>\$ (256)</u>	<u>\$ 8,572</u>

TRINITY COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

	LEOSE Education	Hotel/Motel Tax	Total Nonmajor Governmental Funds
REVENUES			
Fines and forfeitures	\$ -	\$ -	\$ 11,882
Fees, license, and permits	-	8,765	82,114
Intergovernmental revenue and grants	-	3,135	128,335
Contributions & donations from private sources	-	-	-
Investment earnings	31	3	220
Other revenue	-	-	-
Total revenues	<u>31</u>	<u>11,903</u>	<u>222,551</u>
EXPENDITURES			
General government	-	-	48,706
Judicial	-	-	89,330
Public safety	6,707	-	27,041
Culture and recreation	-	10,249	10,249
Capital outlay	-	-	-
Total expenditures	<u>6,707</u>	<u>10,249</u>	<u>175,326</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(6,676)</u>	<u>1,654</u>	<u>47,225</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	5,531
Transfers out (use)	-	-	(51,125)
Net other financing sources (uses)	-	-	(45,594)
NET CHANGE IN FUND BALANCE	(6,676)	1,654	1,631
FUND BALANCE - BEGINNING OF YEAR	<u>23,301</u>	<u>2,731</u>	<u>134,213</u>
FUND BALANCE - END OF YEAR	<u>\$ 16,625</u>	<u>\$ 4,385</u>	<u>\$ 135,844</u>

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COMPLIANCE SECTION

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Todd, Hamaker & Johnson, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Honorable County Judge
and Commissioners' Court
Trinity County, Texas

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Trinity County, Texas, as of and for the year ended September 30, 2012, which collectively comprise the County's basic financial statements and have issued our report thereon dated April 18, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

As part of obtaining reasonable assurance about whether the County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS – CONTINUED**

results of our tests disclosed no instances of noncompliance and other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that we reported to management of the County, in a separate letter dated April 18, 2013.

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

Todd, Hamaker & Johnson, LLP

Todd, Hamaker & Johnson, LLP
Lufkin, Texas

April 18, 2013

Todd, Hamaker & Johnson, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Honorable County Judge
and Commissioners' Court
Trinity County, Texas

COMPLIANCE

We have audited Trinity County, Texas' (the County) compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the County's major federal programs for the year ended September 30, 2012. The County's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the County's management. Our responsibility is to express an opinion on the County's compliance based on our audit.

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

In our opinion, Trinity County, Texas complied, in all material respects, with the compliance requirements referred to above that could have a direct a material effect on each of its major federal programs for the year ended September 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2012-01 and 2012-02.

INTERNAL CONTROL OVER COMPLIANCE

Management of Trinity County, Texas is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the County's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance and

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH
REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT
ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133
- CONTINUED**

to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Trinity County's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2012-01 and 2012-02. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Todd, Hamaker & Johnson, LLP

Todd, Hamaker & Johnson, LLP
Lufkin, Texas

April 18, 2013

**TRINITY COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: unqualified

- Material weakness(es) identified? _____ yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes no

Noncompliance material to financial statements noted? _____ yes no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? yes _____ no

Type of auditors’ report issued on compliance for major programs: unqualified

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

Identification of major programs:

<i>CFDA Number(s)</i>	<i>Name of Federal Program or Cluster</i>
14.228	HUD – Community Development Block Grants
81.128	ARRA – Energy Efficiency and Conservation Grant
97.036	Disaster Grants – Public Assistance

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

Auditee qualified as a low-risk auditee? yes _____ no

TRINITY COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Section II – Financial Statement Findings

None

Section III – Federal Award Findings and Questioned Costs

2012-01 Significant Deficiency: Grant Management

Criterion or Specific

Requirement: Under single audit reporting requirements (OMB Circular A-133), the auditee (the County) is responsible for the preparation and accuracy of the Schedule of Expenditures of Federal and State Awards (SEFA).

Condition: The SEFA provided by the County Auditor's office was incomplete.

Questioned Costs: None.

Context: Our audit procedures revealed additional grants that were not included on the SEFA and were either not recorded in the financial statements or not properly identified as grant revenues/expenditures. In some instances, accounting for grant transactions was inconsistent and grant documents were not readily available.

Possible Asserted

Cause and Effect: The use of multiple accounting funds, as well as multiple departments within the County applying for grants, creates a difficult process in accumulating the data for the SEFA. Further, not all personnel involved in grant administration are familiar with SEFA reporting requirements.

An improperly prepared SEFA misstates reporting to granting agencies and may result in failure to identify specific requirements in accordance with the standards applicable to single audits. Further, errors in revenue recognition can occur when related expenditures are not properly reported.

Recommendation: All grant activity, from application to final audit, should be authorized and monitored through the Commissioners Court. While other County personnel may be involved in various aspects of grant administration, all grant transactions should be communicated to and controlled by the County Auditor's office.

The County Auditor should review and revise, as needed, the policies and procedures in place to ensure that all grants are properly included in the SEFA. This should include, but is not limited to, review of the funds used to account for grant activity.

The County should also consider obtaining additional training as needed, for those involved in the preparation of the SEFA and other grant reporting and compliance requirements.

TRINITY COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Management's

Response:

We agree; all grant activity must be communicated to and controlled by the County Auditor. Those departments involved in other aspects of grant administration, other than the financial aspect, should have a clear understanding of the importance of the County Auditor's involvement from the application process to close-out. This type of inter-office cooperation will enable my office to obtain the necessary knowledge and documentation to supply a more accurate SEFA.

2012-02 Significant Deficiency: Cash Management

CFDA Title:

Disaster Grants – Public Assistance (Presidentially Declared Disasters)
CFDA Number 97.036; Federal award year 2011

Federal Agency:

Department of Homeland Security – Federal Emergency Management Agency

Criterion or Specific
Requirement:

Grant management standards require entities acting in a pass-through capacity to minimize the time elapsing between the date pass-through funds are received and the date of disbursement of the funds to the subgrantee.

Condition:

The period of time that elapsed between the date of receipt of certain federal funds and the date of the related disbursements of pass-through funds to local volunteer fire departments and other first responders was not consistent with proper grant cash management practices.

Questioned Costs:

None.

Context:

Substantive audit procedures revealed time periods up to three weeks between the dates of receipt and the dates of actual disbursement by the County.

Possible Asserted

Cause and Effect:

Inadequate monitoring, oversight, and follow-up regarding grant activity as noted in the preceding finding, 2012-01, contributed to the delay in disbursing the funds. Non-compliance with cash management requirements could result in the County's non-compliance with interest earnings requirements, without being detected and/or could result in the County being denied future grant funding.

Recommendation:

The County should establish specific policies and procedures to ensure that grant funds received that are to be passed through to other entities are disbursed in such a way so as to minimize the elapsed time between receipt and disbursement of the grant funds.

Management's

Response:

We are aware and do our best to adhere to proper grant cash management practices. In this instance, which was isolated, the proper documentation to support the expenditure was not provided our office on a timely basis and delayed disbursement of funds.

**TRINITY COUNTY, TEXAS
STATUS OF PRIOR YEAR'S FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Financial Statement Findings

None

Federal Award Findings and Questioned Costs

None

TRINITY COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

Federal Grantor/ Pass-through Grantor/Other Grantor Program Title/Grant Title	Federal CFDA Number	Grant Number	Expenditures
FEDERAL AWARDS			
<u>U.S. Department of Agriculture</u>			
Passed through Texas Comptroller of Public Accounts			
Schools and Roads – Grants to States	10.665	-	\$ <u>563,846</u> ⁴
Total U.S. Department of Agriculture:			<u>563,846</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through Texas General Land Office			
Community Development Block Grant/State’s Program and Non-Entitlement Grants in Hawaii	14.228	DRS010189/ 10-5136-000-5117	271,108
Passed through Texas Department of Agriculture			
Community Development Block Grant/State’s Program and Non-Entitlement Grants in Hawaii	14.228	710699	<u>72,040</u>
Total U.S. Department of Housing and Urban Development:			<u>343,148</u> ⁴
<u>U.S. Department of Energy</u>			
Passed through Texas State Energy Conservation Office			
ARRA – Energy Efficiency and Conservation Block Grant Program	81.128	CS0591/ DE-EE0000893	<u>36,450</u>
Total U.S. Department of Energy:			<u>36,450</u>
<u>U.S. Election Assistance Commission</u>			
Passed through Texas Office of the Secretary of State			
Help America Vote Act Requirements Payments	90.401	77523	<u>880</u>
Total U.S. Election Assistance Commission:			<u>880</u>

See accompanying notes to schedule of expenditures of federal awards.

**TRINITY COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012**

Federal Grantor/ Pass-through Grantor/Other Grantor Program Title/Grant Title	Federal CFDA Number	Grant Number	Expenditures
<u>U.S. Department of Homeland Security</u>			
Federal Emergency Management Agency – Passed through Texas Department of Public Safety – Division of Emergency Management			
Disaster Grants – Public Assistance (Presidentially Declared Disasters)	97.036	DR-1999-2011/ 45-99455-00	129,056 ⁴
Passed through Texas Department of Public Safety – Division of Emergency Management			
Homeland Security Grant Program	97.067	-	<u>163,662</u>
Total U.S. Department of Homeland Security:			<u>292,718</u>
Total Federal Awards Expended:			<u>\$ 1,237,042</u>

See accompanying notes to schedule of expenditures of federal awards.

TRINITY COUNTY, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2012

NOTE 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of Trinity County, Texas under programs of the federal government for the year ended September 30, 2012. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Because the Schedule presents only a selected portion of the operations of Trinity County, Texas, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Trinity County, Texas.

NOTE 2 – Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the accrual basis of accounting and, accordingly, all significant receivables, payables and other liabilities are included. Such expenditures are recognized following the cost principles contained in OMB Circular A-87, *Cost Principles for State, Local and Indian Tribal Governments*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

NOTE 3 – Presentation of Expenditures

Expenditures included in the Schedule are reported exclusive of non-federal matching funds.

NOTE 4 – Subrecipients

Of the federal expenditures presented in the Schedule, Trinity County, Texas provided federal awards to subrecipients as follows:

<u>CFDA Number</u>	<u>Program Name</u>	<u>Amount Provided To Subrecipients</u>
10.665	Schools and Roads – Grants to States	\$ 281,923
14.228	Community Development Block Grants	343,148
97.036	Disaster Grants – Public Assistance	<u>117,000</u>
Total federal awards provided to subrecipients:		<u>\$ 742,071</u>

NOTE 5 – Other

Pass-through entity identifying numbers are presented where available.

