

TRINITY COUNTY, TEXAS
AUDITED FINANCIAL STATEMENTS
September 30, 2011

INTRODUCTORY SECTION

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SEPTEMBER 30, 2011**

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**TRINITY COUNTY, TEXAS
PRINCIPAL PUBLIC OFFICIALS
SEPTEMBER 30, 2011**

COMMISSIONERS' COURT

Steven D. Page..... County Judge
Grover "Tiger" Worsham..... Commissioner Precinct #1
Richard Chamberlain..... Commissioner Precinct #2
Cecil Webb..... Commissioner Precinct #3
Jimmy Brown..... Commissioner Precinct #4

COUNTY ELECTED OFFICIALS

Woody Wallace..... Constable Precinct #1
Sterling Johnson..... Constable Precinct #2
James Reynolds..... Constable Precinct #3
Ronald Hunt..... Constable Precinct #4
Joe W. Bell..... County Attorney
Diane McCrory..... County Clerk
Jo Bitner-Bartee..... County 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 Blair..... Justice of the Peace, Precinct #4
Ralph Montemayor, Sr..... Sheriff
Lindy Madden Warren..... Tax Assessor/Collector

DISTRICT ELECTED OFFICIALS

Joe Ned Dean..... District Attorney, 258th Judicial District
Cheryl Cartwright..... District Clerk
Elizabeth Coker..... District Judge, 258th Judicial District
Robert Trapp..... 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

420 S 1st Street • PO Box 468 • Lufkin, TX 75902-0468 • (936) 632-8181
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, 2011, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the 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, 2011, 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 March 31, 2012, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, 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 49 through 55 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 60 through 71, are presented for purposes of additional analysis and are not a required part of the financial statements. The accompanying schedule of expenditures of federal and state awards is presented for purposes of additional analysis as required by *U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations* and the *State of Texas Uniform Grant Management Standards*, 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

March 31, 2012

**TRINITY COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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, 2011. 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 \$5,155,879 (net assets) at September 30, 2011. This increase is largely the result of an increase in capital assets, namely the Courthouse renovations.
- Overall revenues exceeded expenses (or an increase in net assets) by \$2,334,296.
- An increase in the property tax rate for the current fiscal year served to increase property tax revenues by \$368,060.
- The County's total long-term debt decreased by \$175,296 during the current fiscal year.

Fund financial statements

- At the close of the current fiscal year, the County's governmental funds reported combined ending fund balances of \$204,487, a decrease of \$96,717 in comparison with the prior year.
- The County received significant grant funding for Courthouse renovations.

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.

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, 2011**

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. 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 34 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 46 of this report.

**TRINITY COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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 \$5,155,879 of September 30, 2011.

The largest portion of the County's net assets, or \$4,945,000, reflects its investment in capital assets (\$6,965,180) less the related debt used to acquire those assets that remains outstanding (\$2,020,180). 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 \$467,890 represents resources that are subject to restriction on how they may be used.

The remaining balance is a deficit of \$257,011.

The County's Net Assets

	2011	2010
Current and other assets	\$ 985,977	\$ 2,037,132
Capital assets	6,965,180	4,689,436
Total assets	7,951,157	6,726,568
Long-term liabilities	2,020,180	2,195,475
Other liabilities	775,098	925,953
Total liabilities	2,795,278	3,121,428
Net assets:		
Invested in capital assets, net of related debt	4,945,000	2,760,368
Restricted	467,890	654,056
Unrestricted	(257,011)	190,716
Total net assets	\$ 5,155,879	\$ 3,605,140

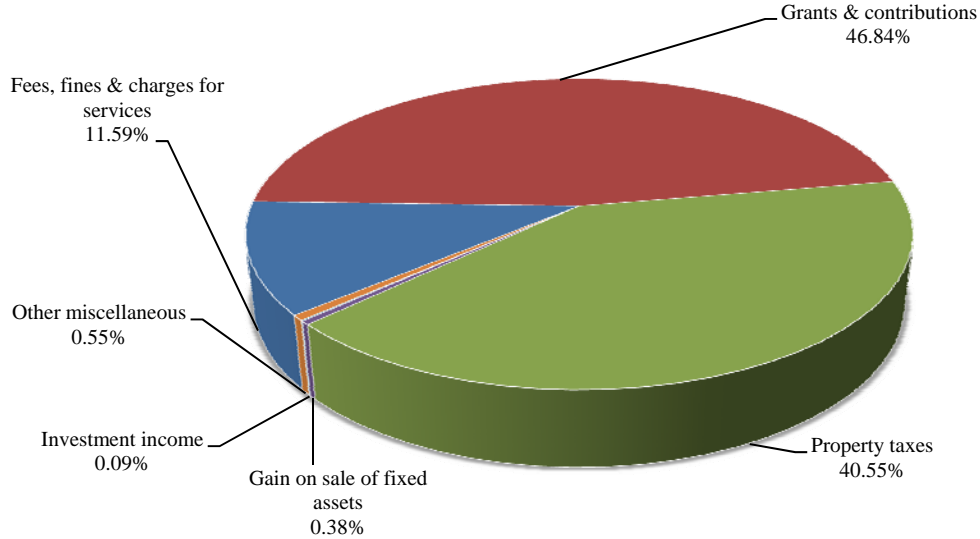
**TRINITY COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

During the year, revenues exceeded expenses (or an increase in net assets) by \$2,334,296.

	2011	2010
Change in Net Assets		
Revenues		
Program revenues		
Fees, fines, charges for services	\$ 1,115,861	\$ 1,759,614
Grants and contributions	4,509,461	2,063,877
General revenues		
Property taxes	3,880,274	3,512,214
Payment in lieu of taxes	23,384	22,198
Investment income	8,420	17,334
Gain on sale of assets	36,754	-
Other miscellaneous	53,082	13,546
Total revenues	9,627,236	7,388,783
Expenses		
General government	1,832,488	1,777,043
Road and bridge	1,726,635	1,318,049
Judicial	829,814	839,409
Public safety	1,491,950	1,464,371
Health and welfare	328,690	456,927
Public works	994,653	-
Interest on long-term debt	88,710	107,290
Total expenses	7,292,940	5,963,089
Increase (decrease in net assets)	2,334,296	1,425,694
Prior period adjustment	(783,557)	-
Net assets at beginning of year	3,605,140	2,179,446
Net assets at end of year	\$ 5,155,879	\$ 3,605,140

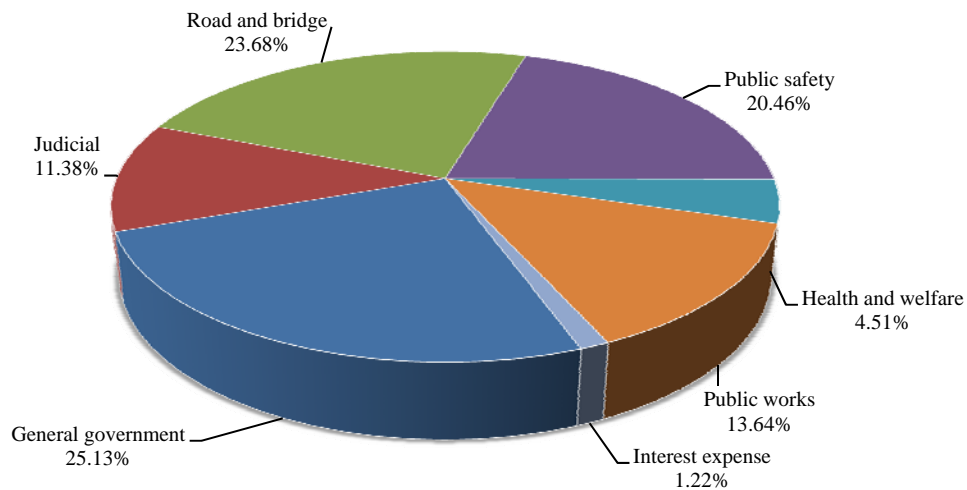
**TRINITY COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

**Revenues by Source
2011**



The County's total revenues were \$9,627,236. Property taxes and grants and contributions account for a significant portion, \$8,389,735 or 87.39%, of the County's revenues for the year.

**Expenses by Function
2011**



The total cost of all governmental programs and services was \$7,292,940. The general government, public safety, and road and bridge functions accounted for \$5,051,073, or 69.27%.

**TRINITY COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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, *unreserved fund balances* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of September 30, 2011, the County's governmental funds reported a total fund balance of \$204,487. This fund balance is comprised of \$670,404 that is either in a nonspendable form, restricted, or assigned for specific purposes. The remaining balance, a deficit of \$465,917, is unassigned. During the year, the fund balance in the County's governmental funds decreased by \$150,216. A positive prior period adjustment increased the fund balance by \$43,490 for an overall decrease of \$96,717 from the prior year.

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 49 to 53.

General fund. An overall decrease in fund balance of \$10,217 was budgeted for the general fund, offset by the increase in fund balance of \$10,217 projected in the debt service fund. Actual results yielded a \$65,843 decrease in fund balance or a \$55,626 unfavorable budget variance.

Road and bridge funds. An overall decrease in fund balance of \$128,758 was budgeted for the road and bridge funds, using prior year budget carryovers to fund the decrease. Actual results yielded a \$93,827 decrease in fund balance or a \$34,931 favorable budget variance.

Debt service fund. An overall increase in fund balance of \$10,217 was budgeted for the debt service fund. Actual results yielded a \$21,505 increase in fund balance or a \$11,288 favorable budget variance.

CAPITAL ASSETS

The County's investment in capital assets as of September 30, 2011 totaled \$6,965,180 (net of accumulated depreciation). This investment includes land, building, equipment, improvements (other than buildings), and construction in progress.

Capital Assets (Net of Depreciation)

	2011	2010
Land	\$ 7,008	\$ 7,008
Construction in progress	5,238,785	3,150,404
Buildings and improvements	877,705	877,705
Infrastructure	96,880	-
Rolling stock	2,405,752	2,317,719
Furniture and equipment	753,234	520,286
Less: accumulated depreciation	(2,414,184)	(2,181,601)
Total	\$ 6,965,180	\$ 4,691,521

**TRINITY COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

DEBT ADMINISTRATION

At the end of the current fiscal year, the County had total debt and capital lease obligations of \$2,338,995.

Debt Outstanding

	Beginning Balance	Additions	Reductions	Ending Balance
Short-term notes	\$ 485,300	\$ 430,815	\$ 597,300	\$ 318,815
Capital leases	685,476	360,378	439,674	606,180
Time warrant	55,000	-	11,000	44,000
Certificates of obligation	<u>1,455,000</u>	<u>-</u>	<u>85,000</u>	<u>1,370,000</u>
Total	<u>\$ 2,680,776</u>	<u>\$ 791,193</u>	<u>\$ 1,132,974</u>	<u>\$ 2,338,995</u>

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, 2011

	Primary Government	
	Governmental Activities	Total
ASSETS		
Cash and cash equivalents	\$ 765,332	\$ 765,332
Receivables, net of allowance for uncollectibles		
Property taxes	127,199	127,199
Fines receivable	46,809	46,809
Other - miscellaneous	43,458	43,458
Prepays	3,179	3,179
Capital assets		
Capital assets not being depreciated		
Land	7,008	7,008
Construction in progress	5,238,785	5,238,785
Capital assets being depreciated		
Buildings and improvements	877,705	877,705
Infrastructure	96,880	96,880
Rolling stock	2,405,752	2,405,752
Furniture and equipment	753,234	753,234
Accumulated depreciation	<u>(2,414,184)</u>	<u>(2,414,184)</u>
TOTAL ASSETS	<u>7,951,157</u>	<u>7,951,157</u>
LIABILITIES		
Accounts payable	188,075	188,075
Accrued expenses	249,160	249,160
Accrued interest	9,048	9,048
Notes payable - short term	318,815	318,815
Deferred revenues	10,000	10,000
Noncurrent liabilities		
Due within one year	521,652	521,652
Due in more than one year	<u>1,498,528</u>	<u>1,498,528</u>
TOTAL LIABILITIES	<u>2,795,278</u>	<u>2,795,278</u>
NET ASSETS		
Invested in capital assets, net of related debt	4,945,000	4,945,000
Restricted for		
Debt service	75,745	75,745
Grant expenditures	392,145	392,145
Unrestricted	<u>(257,011)</u>	<u>(257,011)</u>
TOTAL NET ASSETS	<u>\$ 5,155,879</u>	<u>\$ 5,155,879</u>

See accompanying notes to financial statements.

**TRINITY COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

Functions/Programs	Expenses
Primary government	
Governmental activities	
General government	\$ 1,832,488
Road and bridge	1,726,635
Judicial	829,814
Public safety	1,491,950
Health and welfare	328,690
Public works	994,653
Interest on long-term debt	88,710
Total governmental activities	7,292,940

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
\$ 90,543	\$ 15,222	\$ 2,400,971	\$ 674,248
480,888	897,527	-	(348,220)
241,397	68,197	-	(520,220)
252,632	94,286	5,000	(1,140,032)
50,401	33,605	-	(244,684)
-	994,653	-	-
-	-	-	(88,710)
<u>1,115,861</u>	<u>2,103,490</u>	<u>2,405,971</u>	<u>(1,667,618)</u>

General revenues	
Property taxes	3,880,274
Investment income	8,420
Payment in lieu of taxes	23,384
Gain on sale of assets	36,754
Miscellaneous income	53,082
Total general revenues	<u>4,001,914</u>
Change in net assets	2,334,296
Prior period adjustment	(783,557)
Net assets - beginning	<u>3,605,140</u>
Net assets - ending	<u>\$ 5,155,879</u>

See accompanying notes to financial statements.

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FUND FINANCIAL STATEMENTS

**TRINITY COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2011**

	<u>General Fund</u>	<u>Road and Bridge Funds</u>
ASSETS		
Cash and cash equivalents	\$ 24,781	\$ 95,632
Receivables, net of allowance for uncollectibles		
Property taxes	124,189	-
Fines	46,809	-
Other - miscellaneous	36,884	-
Due from other funds	1,632	5,000
Prepaid items	3,179	-
TOTAL ASSETS	<u>\$ 237,474</u>	<u>\$ 100,632</u>
LIABILITIES		
Deficit in pooled cash	\$ -	\$ -
Accounts payable	126,394	15,295
Accrued expenses	110,212	15,215
Due to other funds	4,238	5,000
Short term notes payable	318,815	-
Deferred revenues	140,553	-
Total liabilities	<u>700,212</u>	<u>35,510</u>
FUND BALANCES		
Nonspendable	3,179	-
Restricted	-	-
Assigned	-	65,122
Unassigned	(465,917)	-
Total fund balances	<u>(462,738)</u>	<u>65,122</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 237,474</u>	<u>\$ 100,632</u>

<u>Debt Service Fund</u>	<u>Courthouse Preservation Fund</u>	<u>Grant Funds</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Total Governmental Funds</u>
\$ 75,001	\$ 400,433	\$ 19,971	\$ 162,285	\$ 778,103
3,010	-	-	-	127,199
-	-	-	-	46,809
-	-	600	5,974	43,458
-	-	-	4,185	10,817
-	-	-	-	3,179
<u>\$ 78,011</u>	<u>\$ 400,433</u>	<u>\$ 20,571</u>	<u>\$ 172,444</u>	<u>\$ 1,009,565</u>
\$ -	\$ -	\$ -	\$ 12,771	\$ 12,771
-	23,871	4,988	18,892	189,440
-	-	-	4,989	130,416
-	-	-	1,579	10,817
-	-	-	-	318,815
2,266	-	-	-	142,819
<u>2,266</u>	<u>23,871</u>	<u>4,988</u>	<u>38,231</u>	<u>805,078</u>
-	-	-	-	3,179
75,745	376,562	15,583	-	467,890
-	-	-	134,213	199,335
-	-	-	-	(465,917)
<u>75,745</u>	<u>376,562</u>	<u>15,583</u>	<u>134,213</u>	<u>204,487</u>
<u>\$ 78,011</u>	<u>\$ 400,433</u>	<u>\$ 20,571</u>	<u>\$ 172,444</u>	<u>\$ 1,009,565</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, 2011

Total fund balances - governmental funds balance sheet	\$ 204,487
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.	6,965,180
Certain deferred revenues are not available to pay current period expenditures and therefore, are deferred in the governmental funds.	132,819
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.	(126,427)
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>(2,020,180)</u>
Net assets of governmental activities	<u>\$ 5,155,879</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, 2011

	General Fund	Road and Bridge Funds
REVENUES		
Property taxes	\$ 3,700,439	\$ -
Fines and forfeitures	208,270	-
Fees, license, and permits	308,675	480,888
Intergovernmental revenue and grants	136,835	742,032
Contributions and donations from private sources	16,183	-
Payment in lieu of taxes	23,384	-
Investment earnings	1,704	804
Other revenue	48,526	3,356
Total revenues	4,444,016	1,227,080
EXPENDITURES		
General government	1,715,022	-
Road and bridge	106,160	1,316,789
Judicial	702,560	-
Public safety	1,364,944	-
Health and welfare	292,012	-
Public works	-	-
Capital outlay	59,770	446,628
Debt service		
Principal	-	-
Interest	7,963	-
Total expenditures	4,248,431	1,763,417
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	195,585	(536,337)
OTHER FINANCING SOURCES (USES)		
Sale of real and personal property	-	270,600
Proceeds from capital leases	56,380	303,998
Payments on capital leases	(116,588)	(364,174)
Transfers in	38,499	285,623
Transfers out	(239,719)	(53,537)
Net other financing sources (uses)	(261,428)	442,510
NET CHANGE IN FUND BALANCE	(65,843)	(93,827)
PRIOR PERIOD ADJUSTMENT	(29,178)	-
FUND BALANCE - BEGINNING OF YEAR	(367,717)	158,949
FUND BALANCE - END OF YEAR	\$ (462,738)	\$ 65,122

<u>Debt Service Fund</u>	<u>Courthouse Preservation Fund</u>	<u>Grant Funds</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Total Governmental Funds</u>
\$ 170,584	\$ -	\$ -	\$ -	\$ 3,871,023
-	-	-	13,272	221,542
-	-	-	86,139	875,702
-	2,400,971	1,204,952	3,488	4,488,278
-	-	-	5,000	21,183
-	-	-	-	23,384
757	4,727	4	424	8,420
-	-	1,200	-	53,082
<u>171,341</u>	<u>2,405,698</u>	<u>1,206,156</u>	<u>108,323</u>	<u>9,562,614</u>
-	-	9,498	50,146	1,774,666
-	-	155,495	-	1,578,444
-	-	-	98,738	801,298
-	-	12,871	16,771	1,394,586
-	-	22,055	14,623	328,690
-	-	994,653	-	994,653
-	2,289,022	-	27,481	2,822,901
85,000	-	-	-	85,000
64,836	-	-	-	72,799
<u>149,836</u>	<u>2,289,022</u>	<u>1,194,572</u>	<u>207,759</u>	<u>9,853,037</u>
<u>21,505</u>	<u>116,676</u>	<u>11,584</u>	<u>(99,436)</u>	<u>(290,423)</u>
-	-	-	-	270,600
-	-	-	-	360,378
-	-	-	-	(480,762)
-	-	578	200	324,900
-	-	-	(31,644)	(324,900)
-	-	578	(31,444)	150,216
21,505	116,676	12,162	(130,880)	(140,207)
-	-	(4,988)	77,656	43,490
<u>54,240</u>	<u>259,886</u>	<u>8,409</u>	<u>187,437</u>	<u>301,204</u>
<u>\$ 75,745</u>	<u>\$ 376,562</u>	<u>\$ 15,583</u>	<u>\$ 134,213</u>	<u>\$ 204,487</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, 2011**

Net change in fund balance - governmental funds	\$ (140,207)
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.	2,822,901
The depreciation of capital assets used in governmental activities is not reported in the governmental funds.	(319,622)
The net effect of other miscellaneous transactions involving capital assets (i.e. sales, trade-ins, disposals) decreasing net assets.	(233,846)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.	27,868
Repayment of long-term debt is an expenditure in the governmental funds, but is not an expense in the statement of activities.	565,762
Proceeds from leases do not provide revenue in the statement of activities, but are reported as current resources in the governmental funds.	(360,378)
Amount represents the change in accrued compensated absences from the beginning of the period to the end of the period.	(12,271)
Amount represents the change in accrued interest from the beginning of the period to the end of the period.	<u>(15,911)</u>
Change in net assets of governmental activities	<u>\$ 2,334,296</u>

See accompanying notes to financial statements.

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TRINITY COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
SEPTEMBER 30, 2011

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ 615,014
TOTAL ASSETS	<u>\$ 615,014</u>
LIABILITIES	
Amounts held for others	\$ 419,823
Due to other units	<u>195,191</u>
TOTAL LIABILITIES	<u>\$ 615,014</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, 2011

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Introduction

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).

The financial statements of the County include all funds and agencies over which the County is considered financially accountable.

The accounting and reporting framework and the more significant accounting principles and practices of the County are discussed in subsequent sections of this Note. The Notes that follow are organized to provide explanations, including required disclosures, of the County’s financial activities for the fiscal year ended September 30, 2011.

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. The effect of interfund transfers has been removed from the government-wide statements, but continue to be reflected in the fund statements. *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*.

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 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.

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 similar items are recognized as revenue when grantor eligibility requirements are met.

TRINITY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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 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, Road and Bridge funds, and the Courthouse Preservation fund meet criteria as major governmental funds. However, the County has also elected to present the Debt Service fund and Grant funds as major funds.

ASSETS, LIABILITIES, AND NET ASSETS OR FUND BALANCE

Cash and cash equivalents

The County's cash and cash equivalents are considered to be cash on hand, demand deposits, and certificates of deposit or 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.

Receivables

Property tax receivables are shown net of an allowance for uncollectibles. 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 May 31 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.

TRINITY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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.

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.

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 using the straight-line method. Bonds payable are reported net of the applicable 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. The debt proceeds and any premiums received on debt issuances 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.

TRINITY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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.

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, 2011, 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 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, 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 government's highest level of decision making authority. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the same body.

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.

TRINITY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

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.

DETAILED NOTES ON ALL FUNDS

ASSETS

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.

At September 30, 2011, the County's deposits with depository banks totaled \$1,509,822, including agency funds. All deposits were fully secured by FDIC coverage and securities pledged by the depository banks.

Receivables

Receivables at September 30, 2011 for the County's individual major funds, including the related allowances for uncollectible accounts, are as follows:

Property taxes receivable	\$ 1,424,601
Allowance for property taxes receivable	(1,297,402)
Fines receivable	1,872,356
Allowance for fines receivable	(1,825,547)
Grant and miscellaneous receivables	<u>43,458</u>
Net	<u>\$ 217,466</u>

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, 2011 was \$.6500 per \$100 of assessed valuation. Of this rate, \$.0290 was allocated to debt service and \$.6210 was allocated to maintenance and operation.

Of the \$1,424,601 in property taxes receivable, \$1,102,366 represents the outstanding balances for tax assessments for years 2009 and prior.

TRINITY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

Capital assets

Capital asset activity for the County for the year ended September 30, 2011, was as follows:

	Balance <u>09/30/2010</u>	Additions	Deletions	Balance <u>09/30/2011</u>
Land	\$ 7,008	\$ -	\$ -	\$ 7,008
Construction in progress	3,150,404	2,088,381	-	5,238,785
Buildings and improvements	877,705	-	-	877,705
Infrastructure	-	96,880	-	96,880
Rolling stock	2,317,719	406,918	(318,885)	2,405,752
Furniture and equipment	<u>520,286</u>	<u>234,948</u>	<u>(2,000)</u>	<u>753,234</u>
	\$ 6,873,122	\$ 2,827,127	\$ (320,885)	\$ 9,379,364
Less accumulated depreciation	<u>(2,181,601)</u>	<u>(319,622)</u>	<u>87,039</u>	<u>(2,414,184)</u>
Net	<u>\$ 4,691,521</u>	<u>\$ 2,507,505</u>	<u>\$ (233,846)</u>	<u>\$ 6,965,180</u>

Depreciation expense was charged to governmental funds as follows:

General government	\$ 54,478
Judicial	28,516
Road and bridge	151,329
Public safety	<u>85,299</u>
Total	<u>\$ 319,622</u>

LIABILITIES

Interfund Transfers

Interfund transfers during the fiscal year consisted of the following:

<u>Transfers Out:</u>		<u>Transfers In:</u>	
General	\$ 38,499	General	\$ 239,719
Road & Bridge	285,623	Road & Bridge	53,537
Grants	<u>578</u>	DA seizure funds	<u>31,644</u>
Total	<u>\$ 324,900</u>	Total	<u>\$ 324,900</u>

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, 2010 was paid off. Following is a summary of the changes in short-term debt activity for the current fiscal year:

Balance, September 30, 2010	\$ 485,300
Increases	430,815
Decreases	<u>(597,300)</u>
Balance, September 30, 2011	<u>\$ 318,815</u>

TRINITY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

These short-term notes have maturity dates of less than one year and are due and payable in full, including interest at 5.50%, and are unsecured. Accrued interest payable at September 30, 2011 on these notes was \$7,963.

Long-term debt

On May 8, 2008, the County issued certificates of obligation for the renovation of the Trinity County Courthouse. Semi-annual payments of interest are due on February 15 and August 15 of each year and annual principal payments are due on August 15 of each year. The certificates were issued at an annual interest rate of 4.45% and are secured by the County's property tax levy. The certificates mature August 15, 2023.

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.

The County has entered into various lease purchase agreements for the purpose of purchasing equipment. The agreements accrue interest at rates from 3.29% 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.

Long-term liability activity for the year ended September 30, 2011 was as follows:

Governmental Activities	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Series 2008 Certificates of Obligation	\$ 1,455,000	\$ -	\$ 85,000	\$ 1,370,000	\$ 90,000
Time warrant	55,000	-	11,000	44,000	11,000
Capital leases	<u>685,476</u>	<u>360,378</u>	<u>439,673</u>	<u>606,180</u>	<u>420,652</u>
Long-term liabilities	<u>\$ 2,195,476</u>	<u>\$ 360,378</u>	<u>\$ 535,673</u>	<u>\$ 2,020,180</u>	<u>\$ 521,652</u>

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

Year Ending September 30,	Series 2008 Certificates of Obligation		Capital Leases/Time Warrant	
	Principal	Interest	Principal	Interest
2012	\$ 90,000	\$ 60,966	\$ 431,652	\$ 31,433
2013	95,000	56,960	71,899	25,920
2014	95,000	52,732	44,502	20,721
2015	100,000	48,506	46,412	16,121
2016	105,000	44,056	12,822	11,134
2017-2021	600,000	145,738	42,893	11,869
2022-2026	285,000	19,134	-	-
2027-2031	-	-	-	-
2032-2033	-	-	-	-
TOTAL	<u>\$ 1,370,000</u>	<u>\$ 428,092</u>	<u>\$ 650,180</u>	<u>\$ 117,198</u>

OTHER INFORMATION

Pension plan

The County provides pension benefits for all of its full-time employees through a nontraditional, joint contributory, defined benefit plan through its affiliation with Texas County and District Retirement System

TRINITY COUNTY, TEXAS
NOTES TO FINANCIAL STATEMENTS
SEPTEMBER 30, 2011

(TCDRS), an agent multiple-employer public employee retirement system. The plan provisions that have been adopted by the County are within the options available in the governing statutes of TCERS.

TCERS issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information (RSI) for TCERS. The report also provides detailed explanations of the contributions, benefits and actuarial methods and assumptions used by the System. This report may be obtained by writing to TCERS, P.O. Box 2034, Austin, Texas 78768-2034 or by calling 800-823-7782. The report is also available on TCERS' website at www.tcers.org.

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 9.49% for the months in calendar year 2010 and 9.24% for the months in calendar year 2011. The County's contributions for the fiscal year ended September 30, 2011 totaled \$182,233.

The required contribution was determined as part of the December 31, 2010 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2010 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, 2010 was 20 years.

As of December 31, 2010, the most recent actuarial valuation date, the plan was 81.48% funded. The actuarial accrued liability for benefits was \$5,150,040, and the actuarial value of assets was \$4,196,037, resulting in an unfunded actuarial accrued liability (UAAL) of \$954,003. The covered payroll (annual payroll of active employees covered by the plan) was \$1,964,003, and the ratio of the UAAL to the covered payroll was 48.57%. See schedule of funding progress included as required supplementary information.

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

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

Prior period adjustments

Prior period adjustments have been made to both the fund and government-wide financial statements to reflect a change in the estimate for uncollectible property taxes, as well as adjustments for the removal of certain unsubstantiated receivables and payables.

Subsequent events

Management has evaluated subsequent events through March 31, 2012, 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, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	\$ 3,638,122	\$ 3,638,122	\$ 3,700,439	\$ 62,317
Fines - justice	200,500	200,500	208,270	7,770
Fees, license, and permits	262,400	298,799	308,675	9,876
Intergovernmental revenue and grants	176,291	176,291	136,835	(39,456)
Contributions and donations from private sources	-	15,378	16,183	805
Payment in lieu of taxes	21,978	21,978	23,384	1,406
Investment earnings	5,000	5,000	1,704	(3,296)
Other revenue	4,000	14,872	48,526	33,654
Total revenues	<u>4,308,291</u>	<u>4,370,940</u>	<u>4,444,016</u>	<u>73,076</u>
EXPENDITURES				
General government	1,719,277	1,736,691	1,715,022	21,669
Road and bridge	108,002	108,002	106,160	1,842
Judicial	668,492	668,492	702,560	(34,068)
Public safety	1,239,481	1,284,742	1,364,944	(80,202)
Health and welfare	264,096	264,096	292,012	(27,916)
Public works	-	-	-	-
Capital outlay	6,000	6,000	59,770	(53,770)
Debt service				
Principal	-	-	-	-
Interest	-	-	7,963	(7,963)
Total expenditures	<u>4,005,348</u>	<u>4,068,023</u>	<u>4,248,431</u>	<u>(180,408)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>302,943</u>	<u>302,917</u>	<u>195,585</u>	<u>(107,332)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of real and personal property	-	26	-	(26)
Proceeds from capital leases	-	-	56,380	56,380
Payments on capital leases	(116,000)	(116,000)	(116,588)	(588)
Transfers in	31,644	31,644	38,499	6,855
Transfers out	(228,804)	(228,804)	(239,719)	(10,915)
Net other financing sources (uses)	<u>(313,160)</u>	<u>(313,134)</u>	<u>(261,428)</u>	<u>51,706</u>
NET CHANGE IN FUND BALANCE	(10,217)	(10,217)	(65,843)	(55,626)
PRIOR PERIOD ADJUSTMENT	-	-	(29,178)	(29,178)
FUND BALANCE - BEGINNING OF YEAR	-	-	(367,717)	(367,717)
FUND BALANCE - END OF YEAR	<u>\$ (10,217)</u>	<u>\$ (10,217)</u>	<u>\$ (462,738)</u>	<u>\$ (452,521)</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, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	\$ -	\$ -	\$ -	\$ -
Fines - justice	-	-	-	-
Fees, license, and permits	480,000	480,000	480,888	888
Intergovernmental revenue and grants	377,508	377,508	742,032	364,524
Contributions and donations from private sources	-	-	-	-
Payment in lieu of taxes	-	-	-	-
Investment earnings	4,000	4,000	804	(3,196)
Other revenue	-	5,000	3,356	(1,644)
Total revenues	<u>861,508</u>	<u>866,508</u>	<u>1,227,080</u>	<u>360,572</u>
EXPENDITURES				
General government	-	-	-	-
Road and bridge	979,743	1,120,266	1,316,789	(196,523)
Judicial	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	8,080	305,563	446,628	(141,065)
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	<u>987,823</u>	<u>1,425,829</u>	<u>1,763,417</u>	<u>(337,588)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(126,315)</u>	<u>(559,321)</u>	<u>(536,337)</u>	<u>22,984</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of real and personal property	-	270,250	270,600	350
Proceeds from capital leases	-	303,998	303,998	-
Payments on capital leases	(102,489)	(372,489)	(364,174)	8,315
Transfers in	228,804	228,804	285,623	56,819
Transfers out	-	-	(53,537)	(53,537)
Net other financing sources (uses)	<u>126,315</u>	<u>430,563</u>	<u>442,510</u>	<u>11,947</u>
NET CHANGE IN FUND BALANCE	-	(128,758)	(93,827)	34,931
PROJECTED BUDGET CARRYOVER	-	128,758	-	(128,758)
FUND BALANCE - BEGINNING OF YEAR	-	-	158,949	158,949
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 65,122</u>	<u>\$ 65,122</u>

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TRINITY COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
DEBT SERVICE
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Property taxes	\$ 169,835	\$ 169,835	\$ 170,584	\$ 749
Fines - justice	-	-	-	-
Fees, license, and permits	-	-	-	-
Intergovernmental revenue and grants	-	-	-	-
Contributions and donations from private sources	-	-	-	-
Payment in lieu of taxes	-	-	-	-
Investment earnings	-	-	757	757
Other revenue	-	-	-	-
Total revenues	<u>169,835</u>	<u>169,835</u>	<u>171,341</u>	<u>1,506</u>
EXPENDITURES				
General government	-	-	-	-
Road and bridge	-	-	-	-
Judicial	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	85,000	85,000	85,000	-
Interest	<u>74,618</u>	<u>74,618</u>	<u>64,836</u>	<u>9,782</u>
Total expenditures	<u>159,618</u>	<u>159,618</u>	<u>149,836</u>	<u>9,782</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>10,217</u>	<u>10,217</u>	<u>21,505</u>	<u>11,288</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from sale of real and personal property	-	-	-	-
Proceeds from capital leases	-	-	-	-
Payments on capital leases	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Net other financing sources (uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	10,217	10,217	21,505	11,288
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>-</u>	<u>54,240</u>	<u>54,240</u>
FUND BALANCE - END OF YEAR	<u>\$ 10,217</u>	<u>\$ 10,217</u>	<u>\$ 75,745</u>	<u>\$ 65,528</u>

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TRINITY COUNTY, TEXAS
SCHEDULE OF FUNDING PROGRESS OF PENSION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Actuarial Valuation Date	Actuarial Value of Plan Assets	Actuarial Accrued Liability (AAL)	Percentage Funded	Unfunded AAL (UAAL)	Annual Covered Payroll	UAAL as a Percentage of Covered Payroll
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%

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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, 2011**

	<u>Records Management</u>	<u>Law Library</u>	<u>Security Fee</u>
ASSETS			
Cash and cash equivalents	\$ 32,154	\$ 7,121	\$ 2,146
Receivables, net	4,090	735	690
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 36,244</u>	<u>\$ 7,856</u>	<u>\$ 2,836</u>
LIABILITIES			
Deficit in pooled cash	\$ -	\$ -	\$ -
Accounts payable	18,493	-	-
Accrued expenses	828	-	-
Due to other funds	<u>1,361</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>20,682</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Assigned	<u>15,562</u>	<u>7,856</u>	<u>2,836</u>
Total fund balances	<u>15,562</u>	<u>7,856</u>	<u>2,836</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 36,244</u>	<u>\$ 7,856</u>	<u>\$ 2,836</u>

<u>County Attorney</u>	<u>Sheriff Forest Service</u>	<u>Historical Commission</u>	<u>Seized Funds Constable #1</u>	<u>Seized Funds Constable #4</u>	<u>Seized Funds Co Attorney</u>
\$ -	\$ 183	\$ -	\$ 1,265	\$ 9,950	\$ -
-	-	-	-	-	-
<u>4,185</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ 4,185</u>	<u>\$ 183</u>	<u>\$ -</u>	<u>\$ 1,265</u>	<u>\$ 9,950</u>	<u>\$ -</u>
\$ 12,771	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
2,830	-	-	-	-	61
-	-	-	-	-	33
<u>15,601</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>94</u>
<u>(11,416)</u>	<u>183</u>	<u>-</u>	<u>1,265</u>	<u>9,950</u>	<u>(94)</u>
<u>(11,416)</u>	<u>183</u>	<u>-</u>	<u>1,265</u>	<u>9,950</u>	<u>(94)</u>
<u>\$ 4,185</u>	<u>\$ 183</u>	<u>\$ -</u>	<u>\$ 1,265</u>	<u>\$ 9,950</u>	<u>\$ -</u>

**TRINITY COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2011**

	<u>Seized Funds Dist Attorney</u>	<u>Seized Funds Sheriff</u>	<u>JP Security Fee</u>
ASSETS			
Cash and cash equivalents	\$ 37,129	\$ 22,608	\$ 6,883
Receivables, net	-	-	55
Due from other funds	-	-	-
	<u>37,129</u>	<u>22,608</u>	<u>6,938</u>
TOTAL ASSETS	<u>\$ 37,129</u>	<u>\$ 22,608</u>	<u>\$ 6,938</u>
LIABILITIES			
Deficit in pooled cash	\$ -	\$ -	\$ -
Accounts payable	-	102	-
Accrued expenses	-	-	-
Due to other funds	-	-	-
	<u>-</u>	<u>102</u>	<u>-</u>
Total liabilities	<u>-</u>	<u>102</u>	<u>-</u>
FUND BALANCES			
Assigned	<u>37,129</u>	<u>22,506</u>	<u>6,938</u>
Total fund balances	<u>37,129</u>	<u>22,506</u>	<u>6,938</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 37,129</u>	<u>\$ 22,608</u>	<u>\$ 6,938</u>

<u>Jury Service</u>	<u>Court Technology</u>	<u>Sheriff Special Crime</u>	<u>District Attorney Special Crime</u>	<u>District Attorney LEOSE</u>	<u>Sheriff LEOSE</u>
\$ 2,979	\$ 668	\$ 2,886	\$ 9,651	\$ 4,536	\$ 1,540
404	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 3,383</u>	<u>\$ 668</u>	<u>\$ 2,886</u>	<u>\$ 9,651</u>	<u>\$ 4,536</u>	<u>\$ 1,540</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	152	-	-	-	-
785	-	-	-	-	-
-	185	-	-	-	-
<u>785</u>	<u>337</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2,598</u>	<u>331</u>	<u>2,886</u>	<u>9,651</u>	<u>4,536</u>	<u>1,540</u>
<u>2,598</u>	<u>331</u>	<u>2,886</u>	<u>9,651</u>	<u>4,536</u>	<u>1,540</u>
<u>\$ 3,383</u>	<u>\$ 668</u>	<u>\$ 2,886</u>	<u>\$ 9,651</u>	<u>\$ 4,536</u>	<u>\$ 1,540</u>

**TRINITY COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2011**

	<u>Constable #1</u> <u>LEOSE</u>	<u>Constable #2</u> <u>LEOSE</u>	<u>Constable #3</u> <u>LEOSE</u>
ASSETS			
Cash and cash equivalents	\$ 3,476	\$ 1,154	\$ 7,316
Receivables, net	-	-	-
Due from other funds	-	-	-
TOTAL ASSETS	<u>\$ 3,476</u>	<u>\$ 1,154</u>	<u>\$ 7,316</u>
LIABILITIES			
Deficit in pooled cash	\$ -	\$ -	\$ -
Accounts payable	145	-	-
Accrued expenses	-	-	-
Due to other funds	-	-	-
Total liabilities	<u>145</u>	<u>-</u>	<u>-</u>
FUND BALANCES			
Special revenue funds	<u>3,331</u>	<u>1,154</u>	<u>7,316</u>
Total fund balances	<u>3,331</u>	<u>1,154</u>	<u>7,316</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,476</u>	<u>\$ 1,154</u>	<u>\$ 7,316</u>

<u>Constable #4 LEOSE</u>	<u>Hotel/Motel Tax</u>	<u>DARE</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 5,424	\$ 3,216	\$ -	\$ 162,285
-	-	-	5,974
-	-	-	4,185
<u>\$ 5,424</u>	<u>\$ 3,216</u>	<u>\$ -</u>	<u>\$ 172,444</u>
\$ -	\$ -	\$ -	\$ 12,771
-	-	-	18,892
-	485	-	4,989
-	-	-	1,579
<u>-</u>	<u>485</u>	<u>-</u>	<u>38,231</u>
<u>5,424</u>	<u>2,731</u>	<u>-</u>	<u>134,213</u>
<u>5,424</u>	<u>2,731</u>	<u>-</u>	<u>134,213</u>
<u>\$ 5,424</u>	<u>\$ 3,216</u>	<u>\$ -</u>	<u>\$ 172,444</u>

TRINITY COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	<u>Records Management</u>	<u>Law Library</u>	<u>Security Fee</u>
REVENUES			
Fines and forfeitures	\$ -	\$ -	\$ -
Fees, license, and permits	46,212	8,750	9,405
Intergovernmental revenue and grants	-	-	-
Contributions & donations from private sources	-	-	-
Investment earnings	60	13	6
Other revenue	-	-	-
Total revenues	<u>46,272</u>	<u>8,763</u>	<u>9,411</u>
EXPENDITURES			
General government	50,146	-	-
Judicial	-	4,487	7,938
Public safety	-	-	-
Health and welfare	-	-	-
Capital outlay	17,083	-	-
Total expenditures	<u>67,229</u>	<u>4,487</u>	<u>7,938</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(20,957)</u>	<u>4,276</u>	<u>1,473</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out (use)	-	-	-
Net other financing sources (uses)	-	-	-
NET CHANGE IN FUND BALANCE	(20,957)	4,276	1,473
PRIOR PERIOD ADJUSTMENT	-	-	-
FUND BALANCE - BEGINNING OF YEAR	<u>36,519</u>	<u>3,580</u>	<u>1,363</u>
FUND BALANCE - END OF YEAR	<u>\$ 15,562</u>	<u>\$ 7,856</u>	<u>\$ 2,836</u>

<u>County Attorney</u>	<u>Sheriff Forest Service</u>	<u>Historical Commission</u>	<u>Seized Funds Constable #1</u>	<u>Seized Funds Constable #4</u>	<u>Seized Funds Co Attorney</u>
\$ -	\$ -	\$ -	\$ 566	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	5,000	-	-	-
42	-	2	7	20	-
-	-	-	-	-	-
<u>42</u>	<u>-</u>	<u>5,002</u>	<u>573</u>	<u>20</u>	<u>-</u>
-	-	-	-	-	-
70,167	-	-	-	-	-
-	-	-	4,815	235	-
-	-	5,002	-	-	-
-	-	-	-	-	-
<u>70,167</u>	<u>-</u>	<u>5,002</u>	<u>4,815</u>	<u>235</u>	<u>-</u>
<u>(70,125)</u>	<u>-</u>	<u>-</u>	<u>(4,242)</u>	<u>(215)</u>	<u>-</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
(70,125)	-	-	(4,242)	(215)	-
-	-	-	-	-	-
<u>58,709</u>	<u>183</u>	<u>-</u>	<u>5,507</u>	<u>10,165</u>	<u>(94)</u>
<u>\$ (11,416)</u>	<u>\$ 183</u>	<u>\$ -</u>	<u>\$ 1,265</u>	<u>\$ 9,950</u>	<u>\$ (94)</u>

TRINITY COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Seized Funds <u>Dist Attorney</u>	Seized Funds <u>Sheriff</u>	JP <u>Security Fee</u>
REVENUES			
Fines and forfeitures	\$ 4,311	\$ 8,395	\$ -
Fees, license, and permits	-	-	1,155
Intergovernmental revenue and grants	-	-	-
Contributions & donations from private sources	-	-	-
Investment earnings	122	56	13
Other revenue	-	-	-
Total revenues	<u>4,433</u>	<u>8,451</u>	<u>1,168</u>
EXPENDITURES			
General government	-	-	-
Judicial	6,712	-	-
Public safety	-	8,134	-
Culture and recreation	-	-	-
Capital outlay	-	10,398	-
Total expenditures	<u>6,712</u>	<u>18,532</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(2,279)</u>	<u>(10,081)</u>	<u>1,168</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out (use)	<u>(31,644)</u>	<u>-</u>	<u>-</u>
Net other financing sources (uses)	(31,644)	-	-
NET CHANGE IN FUND BALANCE	(33,923)	(10,081)	1,168
PRIOR PERIOD ADJUSTMENT	71,052	-	-
FUND BALANCE - BEGINNING OF YEAR	<u>-</u>	<u>32,587</u>	<u>5,770</u>
FUND BALANCE - END OF YEAR	<u>\$ 37,129</u>	<u>\$ 22,506</u>	<u>\$ 6,938</u>

<u>Jury Service</u>	<u>Court Technology</u>	<u>Sheriff Special Crime</u>	<u>District Attorney Special Crime</u>	<u>District Attorney LEOSE</u>	<u>Sheriff LEOSE</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
5,624	4,910	-	-	-	1,630
-	-	-	-	-	-
-	-	-	-	-	-
4	2	6	19	9	2
-	-	-	-	-	-
<u>5,628</u>	<u>4,912</u>	<u>6</u>	<u>19</u>	<u>9</u>	<u>1,632</u>
-	-	-	-	-	-
4,454	4,980	-	-	-	-
-	-	-	-	-	90
-	-	-	-	-	-
-	-	-	-	-	-
<u>4,454</u>	<u>4,980</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>90</u>
<u>1,174</u>	<u>(68)</u>	<u>6</u>	<u>19</u>	<u>9</u>	<u>1,542</u>
-	200	-	-	-	-
-	-	-	-	-	-
-	200	-	-	-	-
1,174	132	6	19	9	1,542
-	-	-	-	-	-
<u>1,424</u>	<u>199</u>	<u>2,880</u>	<u>9,632</u>	<u>4,527</u>	<u>(2)</u>
<u>\$ 2,598</u>	<u>\$ 331</u>	<u>\$ 2,886</u>	<u>\$ 9,651</u>	<u>\$ 4,536</u>	<u>\$ 1,540</u>

TRINITY COUNTY, TEXAS
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

	Constable #1 <u>LEOSE</u>	Constable #2 <u>LEOSE</u>	Constable #3 <u>LEOSE</u>
REVENUES			
Fines and forfeitures	\$ -	\$ -	\$ -
Fees, license, and permits		-	-
Intergovernmental revenue and grants	987	654	1,184
Contributions & donations from private sources	-	-	-
Investment earnings	7	3	14
Other revenue	-	-	-
Total revenues	<u>994</u>	<u>657</u>	<u>1,198</u>
EXPENDITURES			
General government	-	-	-
Judicial	-	-	-
Public safety	1,835	1,302	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>1,835</u>	<u>1,302</u>	<u>-</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(841)</u>	<u>(645)</u>	<u>1,198</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out (use)	-	-	-
Net other financing sources (uses)	-	-	-
NET CHANGE IN FUND BALANCE	(841)	(645)	1,198
PRIOR PERIOD ADJUSTMENT	-	-	-
FUND BALANCE - BEGINNING OF YEAR	<u>4,172</u>	<u>1,799</u>	<u>6,118</u>
FUND BALANCE - END OF YEAR	<u>\$ 3,331</u>	<u>\$ 1,154</u>	<u>\$ 7,316</u>

Constable #4 LEOSE	Hotel/Motel Tax	DARE	Total Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 13,272
-	8,453	-	86,139
663	-	-	3,488
-	-	-	5,000
11	6	-	424
-	-	-	-
<u>674</u>	<u>8,459</u>	<u>-</u>	<u>108,323</u>
-	-	-	50,146
-	-	-	98,738
360	-	-	16,771
-	9,621	-	14,623
-	-	-	27,481
<u>360</u>	<u>9,621</u>	<u>-</u>	<u>207,759</u>
<u>314</u>	<u>(1,162)</u>	<u>-</u>	<u>(99,436)</u>
-	-	-	200
-	-	-	(31,644)
-	-	-	(31,444)
314	(1,162)	-	(130,880)
-	-	6,604	77,656
<u>5,110</u>	<u>3,893</u>	<u>(6,604)</u>	<u>187,437</u>
<u>\$ 5,424</u>	<u>\$ 2,731</u>	<u>\$ -</u>	<u>\$ 134,213</u>

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COMPLIANCE SECTION

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Todd, Hamaker & Johnson, LLP

CERTIFIED PUBLIC ACCOUNTANTS

420 S 1st Street • PO Box 468 • Lufkin, TX 75902-0468 • (936) 632-8181
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

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, 2011, which collectively comprise the County's basic financial statements and have issued our report thereon dated March 31, 2012. 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 March 31, 2012.

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

March 31, 2012

Todd, Hamaker & Johnson, LLP

CERTIFIED PUBLIC ACCOUNTANTS

420 S 1st Street • PO Box 468 • Lufkin, TX 75902-0468 • (936) 632-8181
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 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 AND
THE STATE OF TEXAS UNIFORM GRANT MANAGEMENT STANDARDS**

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* and the *State of Texas Uniform Grants Management Standards (UGMS)* that could have a direct and material effect on each of the County's major federal and state programs for the year ended September 30, 2011. The County's major federal and state 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 and state 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* and the *State of Texas UGMS*. 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 and/or state 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 and state programs for the year ended September 30, 2011.

INTERNAL CONTROL OVER COMPLIANCE

The 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 and state 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 and/or state program in order to determine the auditing procedures for the purpose of

**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 AND
THE STATE OF TEXAS UNIFORM GRANT MANAGEMENT STANDARDS
- CONTINUED**

expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and UGMS, 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.

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

March 31, 2012

**TRINITY COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

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 and State 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 or STSAC? _____ yes ✓ no

Identification of major programs:

CFDA Number(s)	Name of Federal or State Program or Cluster
14.228	HUD – Community Development Block Grants
N/A	THC – Courthouse Preservation Program

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

Dollar threshold used to distinguish between type A and type B state 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, 2011**

Section II – Financial Statement Findings

None

Section III – Federal and State Award Findings and Questioned Costs

None

**TRINITY COUNTY, TEXAS
STATUS OF PRIOR YEAR'S FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2011**

None

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TRINITY COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Federal or State 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>			
Schools and Roads – Grants to States	10.665	Direct	155,495
Schools and Roads – Grants to Counties	10.666	Direct	<u>688,652</u> ⁴
Total U.S. Department of Agriculture:			<u>844,147</u>
<u>U.S. Department of Housing and Urban Development</u>			
Passed through Texas General Land Office			
Community Development Block Grant	14.228	DRS010189/ 10-5136-000-5117	979,273
Passed through Texas Department of Agriculture			
Community Development Block Grant	14.228	710699	<u>15,380</u>
Total U.S. Department of Housing and Urban Development:			<u>994,653</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>9,663</u>
Total U.S. Election Assistance Commission:			<u>9,663</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through Texas Department of Aging and Disability Services and DETCOG			
Special Programs for the Aging, Title III, Part C, Nutrition Services	93.045	1001920	<u>8,000</u>
Total U.S. Department of Health and Human Services:			<u>8,000</u>
Total Federal Awards Expended:			<u>\$ 1,856,463</u>
STATE AWARDS			
<u>Texas Historical Commission</u>			
Historic Courthouse Preservation Program – Phase V	N/A	CTH-05-2008	<u>2,400,971</u>
Total Texas Historical Commission:			<u>2,400,971</u>

See accompanying notes to schedule of expenditures of federal and state awards.

TRINITY COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

Federal or State Grantor/ Pass-through Grantor/Other Grantor Program Title/Grant Title	Federal CFDA Number	Grant Number	Expenditures
<u>Office of Court Administration of Texas Judicial System</u>			
County Judge Salary Supplement	N/A	Direct	20,801
District Attorney Salary Supplement	N/A	Direct	<u>33,589</u>
Total Office of Court Administration:			<u>54,390</u>
<u>Office of Attorney General – Crime Victim Services Division</u>			
Victim Information and Notification Everyday Program	N/A	1121698	12,582
Victim Coordinator Liaison Grant	N/A		<u>31,034</u>
Total Office of Attorney General:			<u>43,616</u>
<u>Texas Commission on State Emergency Communications</u>			
Passed through Deep East Texas Council of Governments			
911 Emergency Services	N/A		<u>25,000</u>
Total Texas Commission on State Emergency Communications:			<u>25,000</u>
<u>Texas Commission on Environmental Quality</u>			
Passed through Deep East Texas Council of Governments			
Regional Solid Waste Grants Program	N/A	11-14-GO1	<u>21,000</u>
Total Texas Commission on Environmental Quality:			<u>21,000</u>
<u>Texas Task Force on Indigent Defense</u>			
Indigent Defense Formula Grant	N/A	212-11-228	<u>13,807</u>
Total Texas Task Force on Indigent Defense:			<u>13,807</u>
<u>Texas Department of State Health Services</u>			
Tobacco Settlement	N/A	Direct	<u>4,605</u>
Total Texas Department of State Health Services:			<u>4,605</u>
<u>Texas Office of the Governor – Criminal Justice Division</u>			
Law Enforcement Officer Standards and Education Funds	N/A	Direct	<u>3,488</u>
Total Texas Office of the Governor:			<u>3,488</u>
Total State Awards Expended:			<u>\$ 2,566,877</u>
Total Federal and State Awards Expended:			<u>\$ 4,423,340</u>

See accompanying notes to schedule of expenditures of federal and state awards.

TRINITY COUNTY, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2011

NOTE 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal and State Awards (Schedule) includes the federal and state grant activity of Trinity County, Texas under programs of the federal government and state of Texas for the year ended September 30, 2011. 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.

NOTE 3 – State Awards Guidelines

State awards are subject to the *State of Texas Single Audit Circular (STSAC)* requirements. Such guidelines are consistent with those required under the Single Audit Act of 1996, OMB Circular A-133 and *Government Auditing Standards*, issued by the Comptroller General of the United States.

NOTE 4 – Subrecipients

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

CFDA Number	Program Name	Amount Provided To Subrecipients
10.666	Schools and Roads – Grants to Counties	\$ 344,326

Pass-through entity identifying numbers are presented where available.