

**TRINITY COUNTY, TEXAS**  
Financial and Compliance Report

Year Ended September 30, 2009

# Trinity County, Texas

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Year Ended September 30, 2009

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# Trinity County, Texas

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**Trinity County, Texas**  
Principal County Officials  
Year Ended September 30, 2008

**GOVERNING BODY**

Honorable Mark Evans, County Judge

Grover Worsham, Commissioner, Precinct 1

Jannette Hortman, Commissioner, Precinct 2

Cecil Webb, Commissioner, Precinct 3

James Alford, Commissioner, Precinct 4  
Jimmy Brown, Commissioner, Precinct 4

**OTHER PRINCIPAL OFFICIALS**

Honorable Elizabeth Coker, District Judge

Honorable Robert H. Trapp, District Judge

Jo Barteo, County Treasurer

Joe Warner Bell, II, County Attorney

Cheryl Cartwright, District Clerk

Joe N. Dean, District Attorney

Sheila K. Johnson, County Auditor

Kathy McCarty, Tax Assessor-Collector  
Lindy Warren, Tax Assessor-Collector

Diane McCrory, County Clerk

Brent Lee, Sheriff  
Ralph Montemeyer, Sheriff

Randy Barrett, Justice of the Peace, Precinct 1

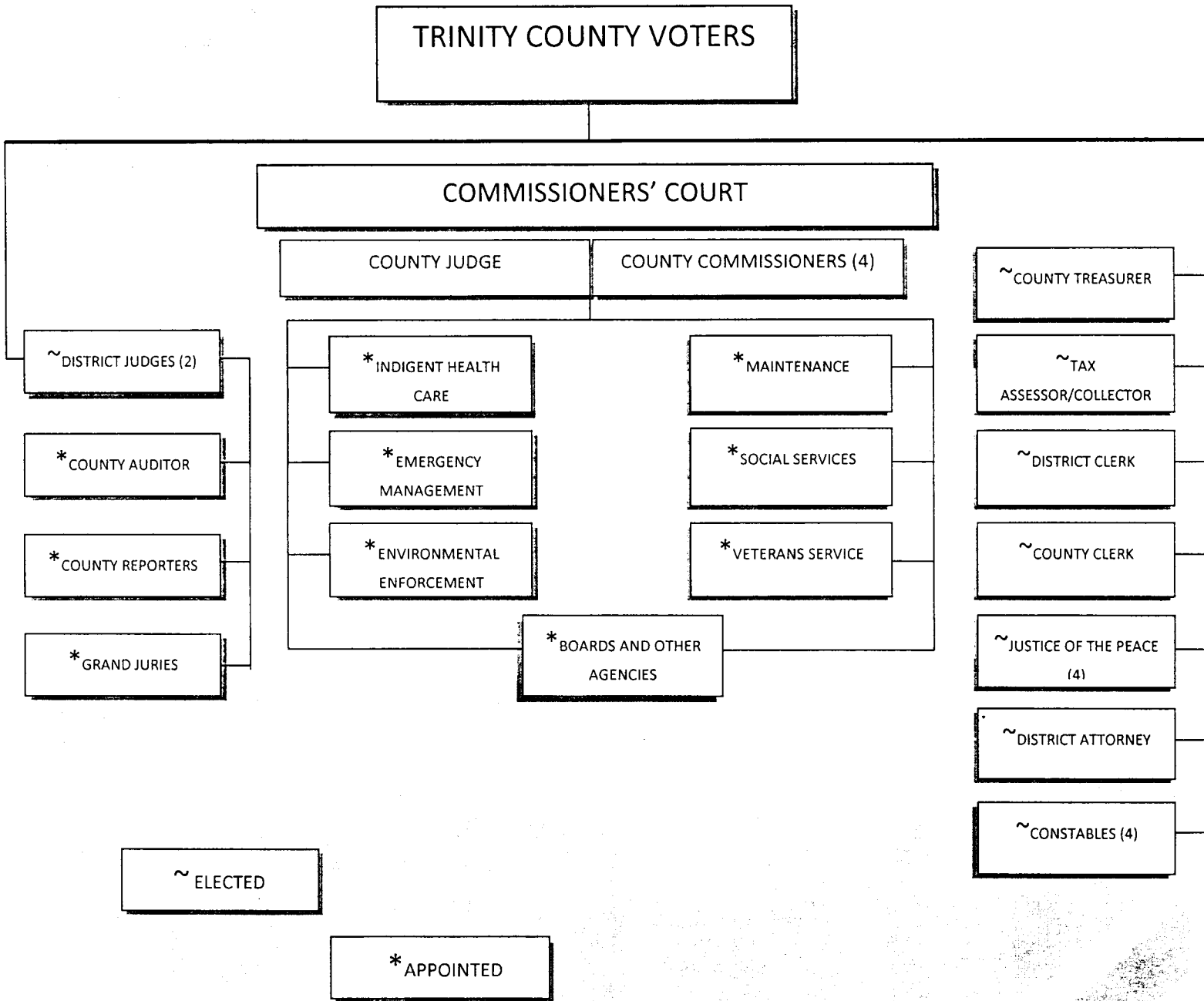
Robert Stubblefield, Justice of the Peace, Precinct 2  
Bernie Beard, Justice of the Peace, Precinct 2

Bobby Nicholds, Justice of the Peace, Precinct 3

Sam Blair, Justice of the Peace, Precinct 4

# Trinity County Texas

## ORGANIZATIONAL CHART



## **Management's Discussion And Analysis**

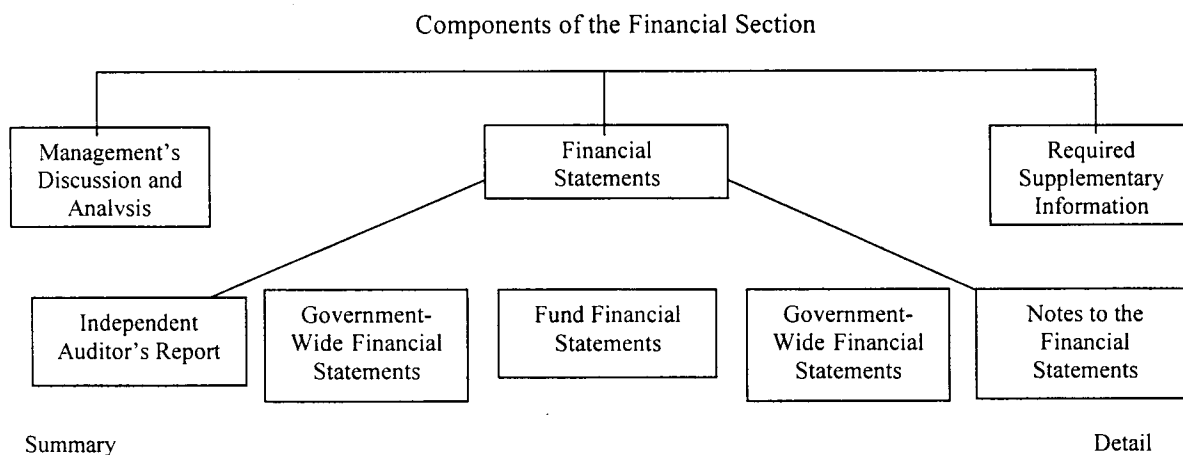
**TRINITY COUNTY, TEXAS**  
**Management's Discussion and Analysis**  
**Year Ended September 30, 2009**

As management of Trinity County, Texas, 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, 2009. We encourage readers to consider the information presented here in conjunction with the Independent Auditor's Report.

**Financial Highlights**

- The County's total net assets were \$2,179,446 at year end.
- \$3,213,274 of Property Taxes were collected which exceeded the budgeted collection amount by \$9,092.
- The government's long-term debt increased by \$97,285 in the 12 months ending September 30, 2009.

THE STRUCTURE OF OUR ANNUAL REPORT



**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 comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

# TRINITY COUNTY, TEXAS

## Management's Discussion and Analysis - Continued

### GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

The Statement of Net Assets presents information on all 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. Other non-financial factors, such as the County's property tax base and the condition of the County's infrastructure, need to be considered to assess the overall health of the County.

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

Both of the government-wide financial statements distinguish functions of the County that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the County include general government, public safety (including the jail), health and welfare, airport and museum. The business-type activities of the County include the delinquent tax collections and property foreclosures.

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

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

The government-wide financial statements can be found on pages 14 & 15 of this report.

### 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. All of the



# **TRINITY COUNTY, TEXAS**

## **Management's Discussion and Analysis - Continued**

funds of the County can be divided into two categories: governmental funds and fiduciary funds.

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

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

The County maintains 16 individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for these government funds.

The County adopts an annual appropriated budget for its general and special revenue funds. Budgetary comparison statements or schedules have been provided herein to demonstrate compliance with those budgets.

The basic governmental fund financial statements can be found on pages 16 – 22 of this report.

### **NOTES TO THE FINANCIAL STATEMENTS**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found on page 23-34 of this report.

### **FINANCIAL ANALYSIS OF THE COUNTY AS A WHOLE**

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

**TRINITY COUNTY, TEXAS**  
**Management's Discussion and Analysis - Continued**

**Statement of Net Assets:**

The following table reflects the condensed Statement of Net Assets:

	<b>2009</b>	<b>2008</b>
	<b>Governmental Activities</b>	<b>Governmental Activities</b>
Current and other assets	\$ 2,914,556	\$ 2,526,991
Capital assets, net	\$ 2,011,123	\$ 1,197,975
<b>Total Assets</b>	<b>\$ 4,925,679</b>	<b>\$ 3,724,966</b>
Long term liabilities	\$ 1,722,541	\$ 1,625,256
Other liabilities	\$ 1,023,692	\$ 773,858
<b>Total Liabilities</b>	<b>\$ 2,746,233</b>	<b>\$ 2,399,114</b>
Net assets:		
Invested in capital assets, net of related debt	\$ 692,808	\$ 672,858
Restricted	\$ 2,001,009	\$ 1,572,064
Unrestricted	\$ (514,371)	\$ (919,070)
<b>Total Net Assets</b>	<b>\$ 2,179,446</b>	<b>\$ 1,325,852</b>

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of Trinity County, net assets were \$2,179,446 at the close of the most recent fiscal year which shows an increase of \$ 853,594 from the previous year. This is primarily due to the purchase of heavy equipment and machinery.

One of the largest portions of the County's assets reflects its investment in capital assets (e.g., land, buildings, machinery and equipment). The County uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. The County does have debt related to these assets, and 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. For financial year 2008, the County increased property tax rates and will continue to use this funding to reduce its short-term notes payables and non-current liabilities.

**TRINITY COUNTY, TEXAS**  
**Management's Discussion and Analysis – Continued**

**Statement of Activities:**

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

	<u>2009</u>	<u>2008</u>
	<u>Governmental</u>	<u>Governmental</u>
	<u>Activities</u>	<u>Activities</u>
<b>Revenues</b>		
Program revenues:		
Charges for services	1,619,056	1,531,464
Operating and Capital grants and contributions	2,603,590	957,092
General revenues:		
Property taxes	3,286,330	2,697,688
Other taxes	9,197	10,826
Interest	35,853	32,379
<b>Total Revenues</b>	<u>7,554,026</u>	<u>5,229,449</u>
<b>Expenses</b>		
General government	1,766,168	1,842,515
Roads and bridges	1,396,450	1,010,484
Health and welfare	629,532	157,831
Judicial	760,378	740,509
Public safety	1,287,942	1,151,105
School Districts	755,350	346,743
Interest and fiscal agent fees on long-term debt	104,612	53,889
<b>Total Expenses</b>	<u>6,700,432</u>	<u>5,303,076</u>
<b>Change in Net Assets</b>	853,594	(73,627)
<b>Beginning Net Assets</b>	1,325,852	1,399,479
<b>Ending Net Assets</b>	<u>2,179,446</u>	<u>1,325,852</u>

**FINANCIAL ANALYSIS OF THE COUNTY'S FUNDS**

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

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

# **TRINITY COUNTY, TEXAS**

## **Management's Discussion and Analysis – Continued**

### **Financial Analysis of the County's Funds**

The County's governmental funds reflect a combined fund balance of \$1,714,543. Of this, \$360,266 is unreserved and available for day-to day operations of the County, \$1,354,277 is reserved for construction commitment.

The general fund reported an increase of \$226,818 in fund balance due to the increase in property values and additional sales tax received during the year.

The road and bridge fund reported an increase of \$394,154 due to the sale of capital assets while also expending additional resources to maintain and improve roads within the County.

### **GENERAL FUND BUDGETARY HIGHLIGHTS**

General fund revenues were above final budgeted revenues. General fund expenditures were above the final budgeted expenditures. The overall impact to the general fund's fund balance was a decrease of \$35,588.

### **Capital Assets**

In fiscal year 2009, because of a fire that resulted in the total loss of the Pct. 4 J.P. office, the County purchased a new office building to serve as the Pct. 4 Justice of the Peace office.

Also in fiscal year 2009, the County purchased six vehicles for the Sheriff's Department and two vehicles for the Constables Department to be used in the everyday operations of the county for law enforcement. In addition, heavy equipment was purchased for use in the Road and Bridge departments to repair and maintain county roads.

### **Interfund Receivables, Payable Balances and Transfers**

A small portion of the County's assets are any monies due from other funds. In fiscal year 2009, the Commissioners Court voted to allow Road and Bridge Pct. 2 to pay \$15,000 of the \$32,469 that was due to the general fund, the remaining \$17,469 was forgiven.

### **Long Term Debt Administration**

At the end of the year, the County's total general long-term debt consisted of \$1,722,541 in lease agreements which are primarily secured by equipment and due within five years, and a time warrant for \$66,000 to purchase equipment in the Road and Bridge department, which was issued in fiscal year 2005 as new debt and has a term of ten years.

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

# **TRINITY COUNTY, TEXAS**

## **Management's Discussion and Analysis – Continued**

### **Economic Factors and Next Year's Budgets**

The County continues to grow as seen in the increase in assessed property valuations. The County has increased services to the public as reflected in the 2010 budget.

### **Additional Information**

This financial report is designed to provide the County's citizens, elected officials, vendors, and other interested parties with an overview of the County's financial operations and financial condition. Should the reader have questions regarding the information included in this report or wish to request additional information, please contact the County Auditor at the Trinity County Courthouse in Groveton, Texas.

**Financial Statements**

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**THOMAS R. RAMEY, CPA**

*Certified Public Accountant*

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INDEPENDENT AUDITOR'S REPORT

To the Commissioners Court  
Trinity County, Texas  
Groveton, Texas

I 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, 2009, which collectively comprise the County's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Trinity County, Texas's management. My responsibility is to express opinions on these financial statements based on my audit.

I conducted my 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 I 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 the significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinions.

In my 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, 2009, 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*, I have also issued my report dated January 25, 2010, on my consideration of Trinity County, Texas's internal control over financial reporting and on my tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of my 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 my audit.

The management's discussion and analysis, the budgetary comparison information and the schedule of funding progress for the retirement plan for the employees of Trinity County on pages 4 through 10 and 36 through 52, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. I have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, I did not audit the information and express no opinion on it.

My audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Trinity County, Texas's basic financial statements. The introductory section and combining fund financial statements are presented for purposes of additional analysis and are not a required part of the basic 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 basic financial statements of Trinity County, Texas. The combining fund financial statements and the schedule of expenditures of federal awards have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in my opinion, are fairly stated in all material respects in relation to the basic financial statements taken 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, I express no opinion on it.

Trinity, Texas  
January 25, 2010



**TRINITY COUNTY, TEXAS**

## Statement of Net Assets

September 30, 2009

**ASSETS**

Cash	\$399,977
Receivables (net of allowance for uncollectibles)	960,993
Prepaid expense	5,540
Restricted cash	1,541,038
Land	7,008
Capital assets (net of accumulated depreciation)	
Buildings	413,808
Machinery and heavy equipment	936,413
Office equipment and computers	77,460
Construction in progress	583,442
Total capital assets	<u>2,011,123</u>
Total assets	<u><u>\$4,925,679</u></u>

**LIABILITIES**

Cash overdraft	74,981
Accounts payable	\$115,021
Accrued liabilities	95,729
Notes payable - short-term	157,437
Accrued interest payable	26,184
Noncurrent liabilities	
Due within one year	554,340
Due in more than one year	1,722,541
Total liabilities	<u><u>\$2,746,233</u></u>

**NET ASSETS**

Invested in capital assets, net of related debt	\$692,808
Restricted for	
Courthouse renovation	1,354,277
Debt service	18,751
Roads and Bridges	470,015
Other purposes	157,966
Unrestricted	(514,371)
Total net assets	<u><u>\$2,179,446</u></u>

The notes to the basic financial statements are an integral part of this statement.

**TRINITY COUNTY, TEXAS**

Statement of Activities

For the Year Ended September 30, 2009

Functions /Programs Primary Government	<u>Expenses</u>	<u>Charges for Services</u>	<u>Capital Grants</u>	<u>Operating Grants</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>
Government Activities					
General government	\$1,766,168	\$207,874	\$304,210	\$161,359	(\$1,092,725)
Judicial	760,378	371,836			(388,542)
Public safety	1,287,942	303,546			(984,396)
Public welfare	629,532	34,775	395,586		(199,171)
Road and bridges	1,396,450	701,025		987,085	291,660
School District	755,350			755,350	0
Interest on long-term debt	104,612				(104,612)
<b>Total Primary Government</b>	<u><u>\$6,700,432</u></u>	<u><u>\$1,619,056</u></u>	<u><u>\$699,796</u></u>	<u><u>\$1,903,794</u></u>	<u><u>(2,477,786)</u></u>
General revenues					
Property taxes					3,286,330
Alcoholic beverage taxes					9,197
Interest from investments					35,853
Total General Revenues					<u>3,331,380</u>
Change in net assets					853,594
Net assets - beginning					1,325,852
Net assets - ending					<u><u>\$ 2,179,446</u></u>

The notes to the basic financial statements are an integral part of this statement.

**TRINITY COUNTY, TEXAS**

Balance Sheet - Assets

Government Funds

September 30, 2009

	<u>General</u>	<u>Road and Bridge Funds</u>	<u>Debt Service Fund</u>	<u>Grant Funds</u>	<u>Non major Govern- mental Funds</u>	<u>Total Govern- mental Funds</u>
<b>ASSETS</b>						
Cash and equivalents		\$399,977				\$399,977
Property tax receivables before deferral	\$1,194,721					1,194,721
Fines receivable after allowance of \$436,604 and before deferral	1,018,752					1,018,752
Fees, license, and permits receivable	111,559	1,373			\$9,470	122,402
Prepaid expense	5,540					5,540
Due from other funds	11,573		\$18,752	\$1,360,045	4,152	34,477
Cash - restricted					180,993	1,541,038
Total assets	<u>\$2,342,145</u>	<u>\$401,350</u>	<u>\$18,752</u>	<u>\$1,360,045</u>	<u>\$194,615</u>	<u>\$4,316,907</u>

The notes to the basic financial statements are an integral part of this statement.

**TRINITY COUNTY, TEXAS**

Balance Sheet - Liabilities and Fund Balances

Government Funds

September 30, 2009

	General	Road and Bridge Funds	Debt Service Fund	Grant Funds	Non major Govern- mental Funds	Total Govern- mental Funds
<b>LIABILITIES</b>						
Cash overdraft	\$74,981					\$74,981
Accounts payable	38,212	\$42,614		\$6,738	27,459	115,023
Accrued expenses	75,809	16,809			3,111	95,729
Due to other funds	22,904			5,494	6,079	34,477
Deferred revenues	2,124,717					2,124,717
Notes payable - short-term	157,437					157,437
Total liabilities	2,494,060	59,423	\$0	\$12,232	36,649	2,602,364
<b>FUND BALANCES</b>						
Reserved for:						
Construction commitment				1,354,277		1,354,277
Unreserved reported in:						
General fund	(151,915)					(151,915)
Special revenue		341,927	18,752	(6,464)	157,966	512,181
Total fund balances	(151,915)	341,927	18,752	1,347,813	157,966	1,714,543
Total liabilities and fund balances	\$2,342,145	\$401,350	\$18,752	\$1,360,045	\$194,615	\$4,316,907

The notes to the basic financial statements are an integral part of this statement.

**TRINITY COUNTY, TEXAS**  
 Reconciliation of Government Funds to  
 the Statement of Net Assets  
 September 30, 2009

\$1,714,543

Total Government Funds Balance

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds basis statements.	2,018,131
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds statements.	749,835
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds statements.	<u>(2,303,063)</u>

\$2,179,446

Net assets of governmental activities

The notes to the basic financial statements are an integral part of this statement.

**TRINITY COUNTY, TEXAS**

Statement of Revenues, Expenditures, and Changes in Fund Balances  
Government Funds

Year Ended September 30, 2009

	General	Road and Bridge Funds	Debt Service Fund	Grant Funds	Non major Govern- mental Funds	Total Govern- mental Funds
<b>REVENUES</b>						
Property taxes	\$3,045,466		\$167,808			\$3,213,274
Fines	217,590					217,590
Fees, license, and permits	259,145	\$490,364			\$245,715	995,224
Funds from other governments	161,137	48,065				209,202
Grants	139,970	231,736		\$2,222,686	7,183	2,601,575
Miscellaneous and interest	30,489	101,939		27,994	629	161,051
Total Revenues	3,853,797	872,104	167,808	2,250,680	253,527	7,397,916
<b>EXPENDITURES</b>						
General government	1,447,027			28,498	240,676	1,716,201
Judicial	720,308					720,308
Public safety	1,221,760					1,221,760
Public welfare	236,376					236,376
Capital outlay	292,234			857,596		1,149,830
Road and bridge		1,758,274				1,758,274
Debt Service						
Debt principal	65,850	304,596	65,000			435,446
Debt interest	7,407	77,613	84,056			169,076
Payments to other governments				755,350		755,350
Total Expenditures	3,990,962	2,140,483	149,056	1,641,444	240,676	8,162,621

(Continued)

The notes to the basic financial statements are an integral part of this statement.

**TRINITY COUNTY, TEXAS**

Statement of Revenues, Expenditures, and Changes in Fund Balances

Government Funds

Year Ended September 30, 2009

(Continued)

	General	Road and Bridge Funds	Debt Service Fund	Grant Funds	Non major Governmental Funds	Total Governmental Funds
Excess (deficiency) of revenue over (under) expenditures	(137,165)	(1,268,379)	18,752	609,236	12,851	(764,705)
<b>OTHER FINANCING SOURCES (USES)</b>						
Transfer of ad valorem taxes	(157,622)	157,622				0
Transfer of federal forest funds		755,350		(755,350)		0
Sale of fixed assets	42,179	248,027				290,206
Long-term debt proceeds	217,250	484,065				701,315
Other transfers between funds	(32,219)	17,469			14,750	0
Total other financing sources(uses)	69,588	1,662,533	0	(755,350)	14,750	991,521
Net change in fund balances	(67,577)	394,154	18,752	(146,114)	27,601	226,816
Fund balances - beginning	(84,338)	(52,227)	0	1,493,927	130,365	1,487,727
Fund balances - ending	(\$151,915)	\$341,927	\$18,752	\$1,347,813	\$157,966	\$1,714,543

The notes to the basic financial statements are an integral part of this statement.

**TRINITY COUNTY, TEXAS**

Reconciliation of the Statement of Revenues, Expenditures, and  
Changes in Fund Balances of Government Funds to Statement of Activities  
Year Ended September 30, 2009

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

Net change in fund balances - total governmental funds \$226,816

Governmental funds report all capital outlays as expenditures.  
However, in the statement of activities the cost of most of  
the assets is allocated over their estimated useful lives and  
reported as depreciation expense. This is the amount by  
which capital outlay for County owned assets exceeded  
depreciation in the current period.

1,322,050  
(299,731)

Value of capital assets remaining at time of sale.

(209,169)

Revenues in the statement of activities that do not provide  
current financial resources are not reported in the funds statements.

75,073

Some revenues (i.e. long-term loan proceeds) on  
fund statements are not revenues on statement of activities.

(701,316)

Some expenditures (i.e. principal debt payments) on  
fund statements are not expenditures on statement of  
activities.

439,871

Change in net assets of governmental activities.

\$853,594

The notes to the basic financial statements are an integral part of this statement.



**TRINITY COUNTY, TEXAS**

Statement of Assets and Liabilities - Agency Funds

September 30, 2009

**ASSETS**

Cash

\$736,919

**LIABILITIES**

Accounts payable

\$736,919

The notes to the basic financial statements are an integral part of this statement.

## TRINITY COUNTY, TEXAS

Notes to the Basic Financial Statements

September 30, 2009

### I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting and reporting policies of the County reflected in the accompanying financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Accounting principles generally accepted in the United States of America for local governments are those promulgated by the Governmental Accounting Standards Board (GASB) in Governmental Accounting and Financial Reporting Standards. The financial report was prepared in accordance with GASB Statement No. 34 issued in June 1999. Under GASB Statement No. 34, "*Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*" non-infrastructure capital assets are depreciated. The most significant accounting and reporting policies of the County are described in the following notes to the financial statements.

#### A. Reporting Entity

Trinity County (the County) is a political subdivision of the State of Texas. The Commissioners Court, which is made up of four Commissioners and the County Judge, is the general governing body of the County in accordance with Article 5, Paragraph 18 of the Texas Constitution. 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 accompanying basic financial statements present the government of Trinity County according to criteria in GASB Statement No. 14, "*The Financial Reporting Entity.*" There are no component units which the County exercises significant influence over.

#### B. Government-wide and fund financial statements

The government-wide financial statements include the statement of net assets and the statement of activities. Government-wide statements report, except for County fiduciary activity, information on all of the activities of the County. The effect of interfund transfers has been removed from the government-wide statements but continues to be reflected on the fund statements. Governmental activities are supported mainly by taxes and intergovernmental revenues.

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

Separate **fund financial statements** are provided for governmental and fiduciary funds even though the latter are excluded from the government-wide financial statements. The General Fund, Road and Bridge Funds, the Federal Forest Fund and the Courthouse Preservation Fund meet criteria as **major governmental funds**. Each major fund is reported in a separate column in

## TRINITY COUNTY, TEXAS

### Notes to the Basic Financial Statements

September 30, 2009

the fund financial statements. Non-major funds include other Special Revenue Funds. The combined amounts for these funds are reflected in a single column in the fund Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balances.

#### **C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The **government-wide financial statements** are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Major revenue types, which have been accrued, are district clerk and county clerk fees, justice of the peace fees, intergovernmental revenue and charges for services. Grants are recognized as revenue when all applicable eligibility requirements imposed by the provider are met.

**Governmental fund level financial statements** are reported using current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. Measurable and available revenues include revenues expected to be received within 60 days after the fiscal year ends. Receivables which are measurable but not collectible within 60 days after the end of the fiscal period are reported as deferred revenue.

Expenditures generally are recorded when a fund liability is incurred; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when the liability has matured and payment is due.

The government reports the following major governmental funds:

**The General Fund** is the general operating fund of the County and is always classified as a major fund. The General Fund is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include property taxes, charges for services, intergovernmental revenues and investment of idle funds. Primary expenditures are for general administration, public safety, judicial, public welfare, health services and capital acquisition.

**The Debt Service Fund** is a governmental fund of the County utilized to account for the collection of interest and sinking funds collected and expenditures to pay for the County's certificates of obligation and is classified as a major fund.

**Road and Bridge Funds** are Special Revenue Funds and are used to account for monies received from auto registration, road and bridge fees, interlocal agreements, funds transferred from Federal Forest funds, and property tax revenues.

The **Grant Funds** are Special Revenue Funds and are used to account for monies received from the U. S. Government and Texas State Government related to various grant projects and activities of the County.

## TRINITY COUNTY, TEXAS

Notes to the Basic Financial Statements

September 30, 2009

**Non-major funds** include various Special Revenue funds (other than road and bridge funds and Federal Grant Funds).

**Fiduciary fund level financial statements** include agency funds which are used to account for assets held by the County as an agent for individuals, private organizations, other governments and other funds. Agency funds do not involve a formal trust agreement. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business type activities subject to this same limitation. The County has elected not to follow subsequent private sector guidance.

### **D. Assets, liabilities, and net assets or equity**

#### **1. Deposits and Investments**

The County's cash is considered to be cash on hand, demand deposits and short-term investments and is stated at fair market value in accordance with provisions of GASB Statement No. 31, *"Accounting and Financial Reporting for Certain Investments and for External Investment Pools."* All investment income is recognized as revenue in the appropriate fund's statement of activity or statement of revenues, expenditures and changes in fund balance.

#### **2. Receivables**

Property taxes are levied based on taxable value on October 1 each year. They become delinquent if not collected by the following January 31. The lien date for property taxes is May 31. Accordingly, receivables and revenues for property taxes are reflected on the government-wide statement based on the full accrual method of accounting. Property tax receivables for prior year's levy are shown net of an allowance for uncollectible.

Fees, licenses, and permits receivables reflect funds collected by various offices of the government on or before September 30, 2009 which have not been forwarded to the Treasurer as of September 30, 2009.

Reimbursements for services performed are recorded as receivables and revenues when they are earned in the government-wide statements. Included are fines and costs assessed by court action and billable services for certain contracts. Revenues to be received in the future beyond the 60 day recognition period are recorded as deferred revenues.

Lending or borrowing between funds is reflected as "due to or due from." Interfund balances are eliminated in the government-wide statements.

#### **3. Capital Assets**

Capital assets, which include land, buildings and improvements, and equipment are reported in the government-wide financial statements. Capital assets such as equipment are defined as assets

**TRINITY COUNTY, TEXAS**  
Notes to the Basic Financial Statements  
September 30, 2009

with a cost of \$1,000 or more and a useful life of more than one year. Capital assets are recorded at historical costs if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

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 except for infrastructure are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	40
Furniture & fixtures	7
General equipment	5
Rolling stock	5
Computer hardware	5

**4. Infrastructure Assets**

Infrastructure assets are a subset of capital assets and primarily consist of roads and bridges. GASB No. 34 encourages but does not require counties with revenues of less than \$10 million to retroactively report infrastructure assets. New roads and bridges acquired after October 1, 2003 are required to be reported. The County is considering retroactive reporting of these assets but has not elected to do so at this time.

**5. Compensated Absences**

A liability for unused vacation, sick 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).

Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e. are due for payment). Compensated absences are accrued in the government-wide statements.

**6. Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities under governmental activities.

In the fund financial statements, governmental fund types recognize long-term debt issuance as other financing sources and payment of principal of long-term debt as operating expenditures.

**7. Fund Equity**

In the fund financial statements, governmental funds report reservations of fund balance for funds that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Fund reservations include grant restrictions, federal and state restrictions and capital projects.

**II. DEPOSITS, INVESTMENTS AND INVESTMENT POLICIES**

The County's investment policies are in accordance with the laws of the State of Texas. The policies identify authorized investments and investment terms, collateral requirements and safekeeping requirements for collateral.

The County's demand deposits are fully covered by collateral held in the County's name by the County's agent, Citizens State Bank. The County's collateral agreements require the market value of securities held by its agent to exceed the total amount of cash and investments held by their depository bank.

The County's investments are comprised of savings accounts at Citizens State Bank and are included in the collateral agreement.

**Deposits**

At September 30, 2009, the carrying amount of the County's demand and savings deposits was \$1,941,015. This balance was covered by federal depository insurance or collateralized with securities held by Citizens State Bank in the name of the County. The deposits consist of cash and cash equivalents of all funds. Cash and cash equivalents include amounts in demand deposits as well as savings accounts. Book amounts differ from bank balances due to outstanding reconciling items.

**III. PROPERTY TAXES AND OTHER RECEIVABLES**

Property taxes are levied October 1 each year. They become delinquent if not collected by the following January 31. The lien date for property taxes is May 31. The County bills and collects its own property taxes through the Tax Assessor - Collector's office.

At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

Property taxes receivable - general fund	<u>\$1,194,721</u>
Fines and fees receivable - general fund	1,455,359
Less allowance for uncollectible fines	<u>(436,607)</u>
Total fines receivable	<u>\$1,018,752</u>
Collected fees due from elected officials	<u>\$122,402</u>
Deferred property taxes	\$1,148,075
Deferred fines	<u>976,642</u>
Total deferred revenues	<u>\$2,124,717</u>

Receivables as of year end for the governmental activities, individual major governmental funds, and non-major governmental funds are reflected in the Statement of Net Assets. At the end of the current fiscal year, the various components of unearned revenue reported in the Statement of Net Assets were as follows:

**TRINITY COUNTY, TEXAS**  
Notes to the Basic Financial Statements  
September 30, 2009

Property taxes receivable - general fund	\$1,194,721
Less allowance for uncollectible taxes	(398,240)
Fines and fees receivable - general fund	1,455,359
Less allowance for uncollectible fines	(1,413,249)
Due from elected officials	<u>122,402</u>
Total net receivables	<u>\$960,993</u>

**IV. CAPITAL ASSETS**

The County maintains an inventory record of all assets and their costs. A summary of changes in capital assets follows:

<u>Classification</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Capital assets not depreciated</b>				
Land	\$7,008			\$7,008
Construction in progress	119,002	\$304,210		423,212
Total assets not depreciated	<u>126,010</u>	<u>304,210</u>		<u>430,220</u>
<b>Depreciated capital assets</b>				
Buildings	706,278	24,990		731,268
Rolling stock	1,904,987	786,652	(\$369,817)	2,321,822
Equipment	258,207	15,874	(5,015)	269,066
Furniture and fixtures	23,562	3,598	(1,000)	26,160
Office and computers	150,780	26,496	(3,107)	174,169
Total depreciated assets	<u>3,043,814</u>	<u>857,610</u>	<u>(378,939)</u>	<u>3,522,485</u>
Less accumulated depreciation				
Buildings	(294,990)	(22,469)		(317,459)
Rolling stock	(1,428,001)	(214,553)	162,833	(1,479,721)
Equipment	(147,026)	(30,868)	3,140	(174,754)
Furniture and fixtures	(14,066)	(2,250)	1,000	(15,316)
Office and computers	(80,756)	(29,592)	2,796	(107,552)
Total accumulated depreciation	<u>(1,964,839)</u>	<u>(299,732)</u>	<u>169,769</u>	<u>(2,094,802)</u>
Depreciated assets, net	<u>1,078,975</u>	<u>557,878</u>	<u>(209,170)</u>	<u>1,427,683</u>
Capital assets, net	<u>\$1,204,985</u>	<u>\$862,088</u>	<u>\$(209,170)</u>	<u>\$1,857,903</u>

Depreciation expense for the year ended September 30, 2009 was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$34,877
Judicial	40,070
Public safety	67,266
Road and bridge	<u>157,519</u>
Total depreciation expense	<u>\$299,732</u>

**V. SHORT-TERM AND LONG-TERM DEBT**

**Short-term Debt**

Short-term revenue anticipation notes provide financing for government activities. During the fiscal year the County paid off all short-term notes outstanding at the beginning of the year except a short-term note secured by a building which the County paid \$10,000 on the principal and refinanced the balance of \$10,450 with a new short-term note. The following is a summary of the changes in short-term debt for the year ended September 30, 2009:

Balance, October 1, 2008	\$175,200
Increases	134,737
Decreases	<u>(152,500)</u>
Balance, September 30, 2008	<u>\$157,437</u>

The following notes payable have maturity dates of less than one year and can be summarized as follows:

Short-term Notes Payable:

General Fund - secured by building	8.25%	\$10,450
General Fund – unsecured	5.00%	125,000
General Fund – unsecured	5.00%	12,250
General Fund – secured by vehicle	3.45%	<u>9,737</u>
Total short-term notes payable		<u>\$157,437</u>

**Long-term Debt**

A summary of Long-term liability activity for the year ended September 30, 2009 follows. Additional detailed information is available on the following pages.

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Lease purchases	\$336,163	\$701,316	\$(361,598)	\$675,881	\$463,340
Time warrant	77,000		(11,000)	66,000	11,000
Certificate of Obligation	1,600,000		(65,000)	1,535,000	80,000
Totals	<u>\$2,013,163</u>	<u>\$701,316</u>	<u>\$(437,598)</u>	<u>\$2,276,881</u>	<u>\$554,340</u>

The following lease purchase agreements were for periods of greater than one year and are all secured by equipment:



**TRINITY COUNTY, TEXAS**

## Notes to the Basic Financial Statements

September 30, 2009

General Fund – annual payments of \$3,395, including principal and interest, issued June 9, 2006, matures July 15, 2011	3.69%	\$6,390
General Fund – annual payments of \$30,937, including principal and interest, issued December 28, 2008, matures December 25, 2010	3.45%	58,766
General Fund – annual payments of \$2,850, including principal and interest, issued December 25, 2008, matures December 25, 2010	3.65%	5,399
General Fund – annual payments of \$17,846, including principal and interest, issued February 25, 2009, matures February 25, 2011	3.45%	33,900
General Fund – annual payments of \$9,046, including principal and interest, issued February 2, 2009, matures February 2, 2012	3.82%	24,990
General Fund – annual payments of \$19,283, including principal and interest, issued March 15, 2009, matures March 15, 2012	3.45%	54,018
Road and Bridge – Pct.1 – issued March 25, 2009 with single payment of \$94,971, including principal and interest, due May 25, 2010	3.39%	91,293
Road and Bridge - Pct.1 – annual payment of \$15,460, including principal and interest, issued November 3, 2008, 2007, matures February 15, 2019	5.05%	119,026
Road and Bridge - Pct. 3 – issued March 25, 2009 with single payment of \$94,971, including principal and interest, due May 25, 2010	3.39%	91,293
Road and Bridge - Pct.4 – annual payment of \$8,728, including principal and interest, issued November 15, 2007, matures March 15, 2010	4.40%	8,353
Road and Bridge - Pct. 4 – issued March 25, 2009 with single payment of \$94,971, including principal and interest, due May 25, 2010	3.39%	91,293
Road and Bridge - Pct. 4 – issued March 25, 2009 with single payment of \$94,832, including principal and interest, due May 25, 2010	3.39%	<u>91,160</u>
Total lease purchase agreements		<u>\$675,881</u>

**TRINITY COUNTY, TEXAS**  
Notes to the Basic Financial Statements  
September 30, 2009

The following time warrant is secured by equipment and has a maturity date of greater than one year.

Road and Bridge – Pct. 3, annual payment of principal of \$11,000 plus interest, issued June 20, 2005 matures June 20, 2015	6.00%	<u>\$66,000</u>
---	-------	-----------------

In May of 2008, the County issued Certificates of Obligation - 2008 for the renovation of the Trinity County courthouse.

General Fund – semi-annual payment of interest due on February 15 and August 15 of each year, and annual payments on August 15 of each year of principal in variable amounts ranging from \$147,733 to \$152,663 annually. The Certificates are secured by the property tax levy of the County and were issued May 8, 2008 and mature August 15, 2023	4.45%	<u>\$1,535,000</u>
---	-------	--------------------

Summary of Long-term debt:

Lease purchase agreements	\$675,881
Time warrants	66,000
Certificates of obligation	<u>1,535,000</u>
Total long-term debt	<u>2,276,881</u>
Current portion due within one year	<u>554,340</u>
Long-term debt due in more than one year	<u>\$1,722,541</u>

Annual payment requirements of the long-term portion of these debts are as follows:

<u>Year ending</u>	<u>Principal due</u>	<u>Interest due</u>	<u>Total due</u>
September 30, 2010	549,257	101,325	650,582
September 30, 2011	185,536	77,330	262,866
September 30, 2012	138,942	69,454	208,396
September 30, 2013	117,143	63,257	180,400
September 30, 2014	117,677	57,835	175,512
September 30, 2015	123,236	52,391	175,627
September 30, 2016	117,822	46,695	164,517
September 30, 2017	123,436	41,406	164,842
September 30, 2018	129,079	35,869	164,948
September 30, 2019	134,753	30,077	164,830
September 30, 2020	125,000	24,030	149,030
September 30, 2021	130,000	18,468	148,468
September 30, 2022	140,000	12,682	152,682
September 30, 2023	145,000	6,452	151,452

## VI. INTERFUND RECEIVABLES, PAYABLE BALANCES AND TRANSFERS

The composition of interfund balances as of September 30, 2009, is as follows

General fund, due from other funds:	
FEMA fund	\$5,494
DARE fund	6,079
Total due to general fund	<u>\$11,573</u>
General fund, due to other funds:	
County attorney supplement	\$4,152
DARE fund	18,752
Total due to other funds	<u>\$22,904</u>

## VII. RETIREMENT PLAN

### Plan Description

The County provides retirement, disability, and death benefits for all of its full-time employees through a nontraditional defined benefit plan in the statewide Texas County and District Retirement System (TCDRS). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system consisting of 586 nontraditional defined benefit pension plans. TCDRS in the aggregate issues a comprehensive annual financial report (CAFR) on a calendar year basis. The CAFR is available upon written request from the TCDRS Board of Trustees at P.O. Box 2034, Austin, Texas 78768-2034.

The plan provisions are adopted by the governing body of the employer, 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 8 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 their employer.

The County is required to contribute at an actuarially determined rate; the current rate is 8.85 percent of annual covered payroll. The contribution requirements of plan members and County are established and may be amended by the TCDRS Board of Trustees. Benefit amounts are determined by the sum of the employee's contributions to the plan, with interest, and the employer financed monetary credits. The level of these monetary credits is adopted by the governing body of the employer within the actuarial constraints imposed by the TCDRS Act so that the resulting benefits can be expected to be adequately financed by the employer's commitment to contribute. At retirement, death, or disability, the benefit is calculated by converting the sum of the employee's accumulated contributions and the employer-financed monetary credits to a monthly annuity using annuity purchase rates prescribed by the TCDRS Act.

**TRINITY COUNTY, TEXAS**  
Notes to the Basic Financial Statements  
September 30, 2009

**Annual Pension Cost**

For 2009, the County's annual pension cost of \$246,532 was equal to the County's required and actual computations. The required contribution was determined as part of the December 31, 2008 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2008 included (a) 8.0 percent investment rate return (net of administrative expenses), and (b) projected salary increases of 5.3 percent. Both (a) and (b) included an inflation component of 3.5 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a ten-year period. The unfunded actuarial accrued liability is being amortized as a level percentage of projected payroll on a closed basis. The remaining amortization period at December 31, 2008 was 15 years.

**Funding Status and Funding Progress**

As of December 31, 2008 the most recent actuarial valuation date, the plan was 79.90 percent funded. The actuarial accrued liability for benefits was \$4,419,414, and the actuarial value of assets was \$3,531,132, resulting in an unfunded accrued liability (UAAL) of \$888,282. The covered payroll (annual payroll of active employees covered by the plan) was \$ 1,710,453, and the ratio of the UAAL to the covered payroll was 51.93 percent.

Five Year Trend Information

Accounting year ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
09/30/05	\$223,178	57.54%	\$128,407
09/30/06	\$234,898	57.33%	\$134,669
09/30/07	\$261,057	57.25%	\$149,467
09/30/08	\$276,015	57.71%	\$159,302
09/30/09	\$246,532	56.25%	\$138,675

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

**VIII. BUDGET**

The County Judge submits an annual budget to the Commissioners Court for review and approval prior to September of the preceding 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 budgets 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 appropriations. Such modifications take the form of moving line item revenue and expense appropriations from one line item to another.

In the year ended September 30, 2009, the County amended its budget eleven times with all budget amendments being approved by an act of the Commissioners Court.

## **IX. CONSTRUCTION COMMITMENT**

In May 2008, the County began a major renovation to its courthouse plant and issued certificates of obligation as noted in the Long-term debt section above. The remaining commitment of local funds for this construction project at September 30, 2009 was \$1,354,277.

## **X. 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 for which the County provides risk management through participation in the Texas Association of Counties (TAC) risk pool insurance.

TAC is an insurance pool whose members are Texas counties. TAC manages and funds first property losses, third party liability claims, workers compensation claims, and public officials liability claims of its member counties. The County's payments to TAC are recorded in the financial statements as expenditures / expenses in the appropriate funds.

There have been no significant changes from the prior year and settlements have not exceeded coverage in any of the prior three years.

Initial contributions are determined in advance of each membership year based upon estimates performed by the TAC pool management. TAC may require that supplemental contribution be made by counties to ensure adequate funds are available to meet the obligations applicable to the membership year. Members have a contractual obligation to fund any deficit of TAC attributable to a membership year during which they are a member. The County is not aware of any additional amounts owed to TAC at January 25, 2010, for the current or prior claim years.

## **XI. DEFICIT FUND BALANCES**

In the year ended September 30, 2009, the County's net change in general fund balance reflected revenues less than expenses and other financing uses of \$67,577 which increased the general fund deficit to \$151,915.

The County utilized short term loans secured by equipment purchased and short term unsecured loans as the primary sources of funds to finance these deficits.

## **XII. CONTINGENCIES**

The County has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursement to the grantor agency for expenditures disallowed under terms of the grant. A contingent liability was not established because potential reimbursements are considered immaterial.

## Required Supplementary Information

**TRINITY COUNTY, TEXAS**

Required Supplementary Information

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual - (NonGAAP Budget Basis)

Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$3,204,182	\$3,204,182	\$3,213,274	\$9,092
Fines	228,500	228,500	217,590	(10,910)
Fees - elected officials	236,000	244,231	259,145	14,914
Grant receipts	38,360	136,783	139,970	3,187
Insurance proceeds	0	0	0	0
State fees	87,600	137,600	131,734	(5,866)
9-1-1 funding	24,500	24,500	25,000	500
Ct. administration reimbursements	0	0	4,404	4,404
Interest and other	22,500	33,409	30,488	(2,921)
Total Revenues	<u>3,841,642</u>	<u>4,009,205</u>	<u>4,021,605</u>	<u>12,400</u>
<b>EXPENDITURES</b>				
GENERAL GOVERNMENT				
Salaries and benefits	527,801	515,472	524,040	(8,568)
Operating	1,077,456	1,149,316	1,271,767	(122,451)
Fixed asset purchase	15,850	16,345	110,751	(94,406)
Total General Government	<u>1,621,107</u>	<u>1,681,133</u>	<u>1,906,558</u>	<u>(225,425)</u>
JUDICIAL				
Salaries and benefits	490,568	494,291	479,786	14,505
Operating	214,439	209,114	240,522	(31,408)
Fixed asset purchase	0	0	0	0
Total Judicial	<u>705,007</u>	<u>703,405</u>	<u>720,308</u>	<u>(16,903)</u>
PUBLIC SAFETY				
Salaries and benefits	497,579	509,887	520,589	(10,702)
Operating	609,988	642,520	701,171	(58,651)
Fixed asset purchase	0	39,704	177,516	(137,812)
Total Public Safety	<u>1,107,567</u>	<u>1,192,111</u>	<u>1,399,276</u>	<u>(207,165)</u>
PUBLIC WELFARE				
Salaries and benefits	41,295	101,142	63,145	37,997
Operating	148,775	161,684	173,231	(11,547)
Fixed asset purchase	0	0	0	0
Total Public Welfare	<u>190,070</u>	<u>262,826</u>	<u>236,376</u>	<u>26,450</u>
Total Expenditures	<u>3,623,751</u>	<u>3,839,475</u>	<u>4,262,518</u>	<u>(423,043)</u>

See accompanying independent auditor's report.

**TRINITY COUNTY, TEXAS**

Required Supplementary Information

General Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual - (NonGAAP Budget Basis) (Continued)

Year Ended September 30, 2009

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance With Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
(Continued)				
Excess (deficiency) of revenue over (under) expenditures	217,891	169,730	(240,913)	(410,643)
<b>OTHER FINANCING SOURCES (USES)</b>				
Sale of assets	0	39,433	42,179	2,746
Loan proceeds	0	0	351,987	351,987
Transfer of ad valorem taxes	(210,163)	(210,163)	(157,622)	52,541
Transfers out			(32,219)	(32,219)
Total other financing sources and (uses)	(210,163)	(170,730)	204,325	375,055
Net change in fund balances	7,728	(1,000)	(36,588)	(35,588)
Fund balances - beginning	(84,338)	(84,338)	(84,338)	0
Fund balances - ending	(\$76,610)	(\$85,338)	(\$120,926)	(\$35,588)

See accompanying independent auditor's report.



TRINITY COUNTY, TEXAS  
 Required Supplementary Information  
 General Fund - General Government  
 Schedule of Expenditures  
 Budget and Actual - (NonGAAP Budget Basis)  
 Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
COUNTY JUDGE				
Salaries and benefits	\$102,177	\$85,361	\$99,481	(\$14,120)
Operating	15,700	16,607	18,960	(2,353)
Fixed asset purchase	500	500	81	419
Total	118,377	102,468	118,522	(16,054)
COMMISSIONER'S COURT				
Salaries and benefits	107,770	107,770	106,849	921
Operating	0	0	0	0
Property tax transfer to RB	210,163	210,163	157,622	52,541
Fixed asset purchase	0	0	0	0
Total	317,933	317,933	264,471	53,462
COUNTY AUDITOR				
Salaries and benefits	89,559	92,826	88,057	4,769
Operating	2,800	2,830	3,245	(415)
Fixed asset purchase	0	0	0	0
Total	92,359	95,656	91,302	4,354
COUNTY TREASURER				
Salaries and benefits	59,246	59,246	58,392	854
Operating	3,500	3,500	4,133	(633)
Fixed asset purchase	0	0	0	0
Total	62,746	62,746	62,525	221
COUNTY TAX ASSESSOR COLLECTOR				
Salaries and benefits	125,977	126,537	126,655	(118)
Operating	29,700	29,700	26,688	3,012
Fixed asset purchase	0	0	0	0
Total	155,677	156,237	153,343	2,894
COURTHOUSE MAINTENANCE				
Salaries and benefits	43,072	43,732	44,580	(848)
Operating	154,300	162,306	201,803	(39,497)
Fixed asset purchase	0	0	0	0
Total	197,372	206,038	246,383	(40,345)

(Continued)

See accompanying independent auditor's report.

**TRINITY COUNTY, TEXAS**

Required Supplementary Information

General Fund - General Government

Schedule of Expenditures

Budget and Actual - (NonGAAP Budget Basis) (Continued)

Year Ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>EXPENDITURES</b>				
DATA PROCESSING				
Salaries and benefits	0	0	26	(26)
Operating	6,000	6,000	8,446	(2,446)
Fixed asset purchase	12,350	12,350	23,096	(10,746)
	<u>18,350</u>	<u>18,350</u>	<u>31,568</u>	<u>(13,218)</u>
NON DEPARTMENTAL				
Operating				
County insurance	67,000	67,000	48,303	18,697
Group health insurance	255,000	255,000	245,553	9,447
Tax appraisal district	175,000	175,000	189,137	(14,137)
Work Comp/Unemployment	24,000	24,000	33,060	(9,060)
Contingency	10,000	10,000	55,296	(45,296)
Copier	10,000	10,000	11,726	(1,726)
Audit fees	19,000	19,000	21,000	(2,000)
Elections	20,000	20,000	21,259	(1,259)
Loan principal and interest	125,000	128,297	195,757	(67,460)
Certificates of obligation	149,056	149,056	149,056	0
Capital asset purchases	3,000	3,495	87,574	(84,079)
Other	11,400	71,020	38,345	32,675
Total	<u>868,456</u>	<u>931,868</u>	<u>1,096,066</u>	<u>(164,198)</u>
COMBINED TOTAL - GENERAL GOV'T				
Salaries and benefits	527,801	515,472	524,040	(8,568)
Operating	1,077,456	1,149,316	1,271,767	(122,451)
Property tax transfer to RB	210,163	210,163	157,622	52,541
Fixed asset purchase	15,850	16,345	110,751	(94,406)
Total	<u>\$1,831,270</u>	<u>\$1,891,296</u>	<u>\$2,064,180</u>	<u>(\$172,884)</u>

See accompanying independent auditor's report.

TRINITY COUNTY, TEXAS

Required Supplementary Information

General Fund - Judicial

Schedule of Expenditures

Budget and Actual - (NonGAAP Budget Basis)

Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
DISTRICT COURT				
Salaries and benefits	\$8,169	\$8,169	\$2,130	\$6,039
Operating	137,123	133,523	166,083	(32,560)
Fixed asset purchase	0	0	0	0
Total	145,292	141,692	168,213	(26,521)
258TH COURT ADMINISTRATION				
Salaries and benefits	0	0	0	0
Operating	0	0	0	0
Fixed asset purchase	0	0	0	0
Total	0	0	0	0
COUNTY COURT				
Salaries and benefits	2,500	2,500	3,466	(966)
Operating	9,500	9,500	9,581	(81)
Fixed asset purchase	0	0	0	0
Total	12,000	12,000	13,047	(1,047)
DISTRICT ATTORNEY				
Salaries and benefits	84,990	87,331	84,497	2,834
Operating	7,956	5,615	3,609	2,006
Fixed asset purchase	0	0	0	0
Total	92,946	92,946	88,106	4,840
COUNTY ATTORNEY				
Salaries and benefits	64,506	65,006	67,861	(2,855)
Operating	1,700	1,200	1,376	(176)
Fixed asset purchase	0	0	0	0
Total	66,206	66,206	69,237	(3,031)
JUSTICE OF THE PEACE 1				
Salaries and benefits	46,912	46,912	44,695	2,217
Operating	3,320	3,320	3,817	(497)
Fixed asset purchase	0	0	0	0
Total	50,232	50,232	48,512	1,720

(Continued)

See accompanying independent auditor's report.

**TRINITY COUNTY, TEXAS**

Required Supplementary Information

General Fund - Judicial

Schedule of Expenditures

Budget and Actual - (NonGAAP Budget Basis) (Continued)

Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
JUSTICE OF THE PEACE 2				
Salaries and benefits	46,142	46,142	37,880	8,262
Operating	4,230	4,230	4,870	(640)
Fixed asset purchase	0	0	0	0
Total	<u>50,372</u>	<u>50,372</u>	<u>42,750</u>	<u>7,622</u>
JUSTICE OF THE PEACE 3				
Salaries and benefits	47,502	47,437	46,770	667
Operating	3,080	3,145	3,613	(468)
Fixed asset purchase	0	0	0	0
Total	<u>50,582</u>	<u>50,582</u>	<u>50,383</u>	<u>199</u>
JUSTICE OF THE PEACE 4				
Salaries and benefits	47,782	48,529	51,134	(2,605)
Operating	3,080	3,331	3,402	(71)
Fixed asset purchase	0	0	0	0
Total	<u>50,862</u>	<u>51,860</u>	<u>54,536</u>	<u>(2,676)</u>
DISTRICT CLERK				
Salaries and benefits	60,256	60,256	60,268	(12)
Operating	8,700	8,700	7,632	1,068
Fixed asset purchase	0	0	0	0
Total	<u>68,956</u>	<u>68,956</u>	<u>67,900</u>	<u>1,056</u>
COUNTY CLERK				
Salaries and benefits	81,809	82,009	81,085	924
Operating	35,750	36,550	36,539	11
Fixed asset purchase	0	0	0	0
Total	<u>117,559</u>	<u>118,559</u>	<u>117,624</u>	<u>935</u>
COMBINED TOTAL - JUDICIAL				
Salaries and benefits	490,568	494,291	479,786	14,505
Operating	214,439	209,114	240,522	(31,408)
Fixed asset purchase	0	0	0	0
Total	<u>\$705,007</u>	<u>\$703,405</u>	<u>\$720,308</u>	<u>(\$16,903)</u>

See accompanying independent auditor's report.

**TRINITY COUNTY, TEXAS**

Required Supplementary Information

General Fund - Public Safety

Schedule of Expenditures

Budget and Actual - (NonGAAP Budget Basis)

Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
<b>SHERIFF</b>				
Salaries and benefits	\$306,781	\$316,394	\$312,709	\$3,685
Operating	120,215	127,356	120,342	7,014
Loan principal and interest	0	0	0	0
Fixed asset purchase	0	39,704	177,516	(137,812)
Total	426,996	483,454	610,567	(127,113)
<b>JAIL</b>				
Salaries and benefits	150,920	153,615	162,866	(9,251)
Operating	358,000	365,029	415,265	(50,236)
Fixed asset purchase	0	0	0	0
Total	508,920	518,644	578,131	(59,487)
<b>CONSTABLE 1</b>				
Salaries and benefits	8,402	8,402	9,078	(676)
Operating	7,000	7,000	11,026	(4,026)
Fixed asset purchase	0	0	0	0
Total	15,402	15,402	20,104	(4,702)
<b>CONSTABLE 2</b>				
Salaries and benefits	9,872	9,872	9,546	326
Operating	7,000	7,600	5,426	2,174
Fixed asset purchase	0	0	0	0
Total	16,872	17,472	14,972	2,500
<b>CONSTABLE 3</b>				
Salaries and benefits	10,503	10,503	11,438	(935)
Operating	7,000	7,000	6,149	851
Fixed asset purchase	0	0	0	0
Total	17,503	17,503	17,587	(84)
<b>CONSTABLE 4</b>				
Salaries and benefits	6,301	6,301	7,315	(1,014)
Operating	7,000	7,000	11,343	(4,343)
Fixed asset purchase	0	0	0	0
Total	13,301	13,301	18,658	(5,357)

(Continued)

See accompanying independent auditor's report.

**TRINITY COUNTY, TEXAS**

Required Supplementary Information

General Fund - Public Safety

Schedule of Expenditures

Budget and Actual - (NonGAAP Budget Basis) (Continued)

Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
<b>PUBLIC SAFETY</b>				
Salaries and benefits	0	0	2,837	(2,837)
Operating	75,873	93,635	103,270	(9,635)
Fixed asset purchase	0	0	0	0
Total	<u>75,873</u>	<u>93,635</u>	<u>106,107</u>	<u>(12,472)</u>
<b>HIGHWAY PATROL</b>				
Salaries and benefits	4,800	4,800	4,800	0
Operating	1,300	1,300	601	699
Fixed asset purchase	0	0	0	0
Total	<u>6,100</u>	<u>6,100</u>	<u>5,401</u>	<u>699</u>
<b>NON DEPARTMENTAL</b>				
Juvenile / adult probation	<u>26,600</u>	<u>26,600</u>	<u>27,749</u>	<u>(1,149)</u>
<b>COMBINED TOTAL - PUBLIC SAFETY</b>				
Salaries and benefits	497,579	509,887	520,589	(10,702)
Operating	609,988	642,520	701,171	(58,651)
Fixed asset purchase	0	39,704	177,516	(137,812)
Total	<u>\$1,107,567</u>	<u>\$1,192,111</u>	<u>\$1,399,276</u>	<u>(\$207,165)</u>

See accompanying independent auditor's report.

**TRINITY COUNTY, TEXAS**

Required Supplementary Information

General Fund - Public Welfare

Schedule of Expenditures

Budget and Actual - (NonGAAP Budget Basis)

Year Ended September 30, 2009

	Budgeted Amounts		Actual Amounts	Variance With Final Budget - Positive (Negative)
	Original	Final		
<b>EXPENDITURES</b>				
<b>VETERAN'S SERVICE OFFICE</b>				
Salaries and benefits	\$12,294	\$12,294	\$12,340	(\$46)
Operating	2,760	2,760	2,510	250
Fixed asset purchase	0	0	0	0
Total	<u>15,054</u>	<u>15,054</u>	<u>14,850</u>	<u>204</u>
<b>COUNTY AGENT</b>				
Salaries and benefits	29,001	29,001	27,588	1,413
Operating	8,600	8,600	8,452	148
Fixed asset purchase	0	0	0	0
Total	<u>37,601</u>	<u>37,601</u>	<u>36,040</u>	<u>1,561</u>
<b>CIVIC IMPROVEMENT</b>				
Salaries and benefits	0	0	0	0
Operating	20,500	20,500	16,928	3,572
Fixed asset purchase	0	0	0	0
Total	<u>20,500</u>	<u>20,500</u>	<u>16,928</u>	<u>3,572</u>
<b>HEALTH AND WELFARE</b>				
Salaries and benefits	0	22,755	23,217	(462)
Operating	116,915	116,916	145,341	(28,425)
Fixed asset purchase	0	0	0	0
Total	<u>116,915</u>	<u>139,671</u>	<u>168,558</u>	<u>(28,887)</u>
<b>MENTAL HEALTH</b>				
Salaries and benefits	0	37,092	0	37,092
Operating	0	12,908	0	12,908
Fixed asset purchase	0	0	0	0
Total	<u>0</u>	<u>50,000</u>	<u>0</u>	<u>50,000</u>
<b>COMBINED TOTAL - PUBLIC WELFARE</b>				
Salaries and benefits	41,295	101,142	63,145	37,997
Operating	148,775	161,684	173,231	(11,547)
Fixed asset purchase	0	0	0	0
Total	<u>\$190,070</u>	<u>\$262,826</u>	<u>\$236,376</u>	<u>\$26,450</u>

See accompanying independent auditor's report.

**TRINITY COUNTY, TEXAS**

Required Supplementary Information

Combined Road and Bridge Funds - Special Revenue Funds

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual - (NonGAAP Budget Basis)

Year Ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Auto registration	\$330,000	\$330,000	\$323,825	(\$6,175)
Lateral road fee	23,000	23,000	22,361	(639)
Road and bridge fees	130,000	130,000	144,178	14,178
Federal forest funds	332,437	522,011	755,350	233,339
FEMA funds	0	248,013	231,736	(16,277)
Miscellaneous and interest	58,700	89,912	101,939	12,027
Interlocal service agreement	51,600	51,600	48,065	(3,535)
Total Revenues	<u>925,737</u>	<u>1,394,536</u>	<u>1,627,454</u>	<u>232,918</u>
<b>EXPENDITURES</b>				
Salaries and benefits	500,700	549,776	514,327	35,449
Vehicle and equipment purchases	22,882	154,953	581,822	(426,869)
Insurance	34,680	35,197	43,952	(8,755)
Oil and gas	174,477	208,094	160,907	47,187
Equipment repairs and tires	54,300	144,080	154,087	(10,007)
Road materials and interlocal fees	211,794	345,192	261,668	83,524
Culverts	17,560	21,901	17,152	4,749
Utilities	6,400	6,400	6,785	(385)
Loan interest	13,100	13,100	17,574	(4,474)
Loan principal	47,641	47,641	334,596	(286,955)
Other	52,366	78,365	77,613	752
Total Expenditures	<u>1,135,900</u>	<u>1,604,699</u>	<u>2,170,483</u>	<u>(565,784)</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(210,163)</u>	<u>(210,163)</u>	<u>(543,029)</u>	<u>(332,866)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Fixed asset sale	0	0	248,027	248,027
Loan proceeds	0	0	484,065	484,065
General fund transfer	0	0	17,469	17,469
Transfer of ad valorem taxes	210,163	210,163	157,622	(52,541)
Total other financing sources and (uses)	<u>210,163</u>	<u>210,163</u>	<u>907,183</u>	<u>697,020</u>
Net change in fund balances	0	0	364,154	364,154
Fund balances - beginning	<u>(52,227)</u>	<u>(52,227)</u>	<u>(52,227)</u>	<u>0</u>
Fund balances - ending	<u><u>(\$52,227)</u></u>	<u><u>(\$52,227)</u></u>	<u><u>\$311,927</u></u>	<u><u>\$364,154</u></u>

See accompanying independent auditor's report.



**TRINITY COUNTY, TEXAS**

Required Supplementary Information

Road and Bridge Pct. 1 - Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual - (NonGAAP Budget Basis)

Year Ended September 30, 2009

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance With Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Auto registration	\$85,800	\$85,800	\$84,194	(\$1,606)
Lateral road fee	5,980	5,980	5,814	(166)
Road and bridge fees	33,800	33,800	37,486	3,686
Federal forest funds	86,434	142,301	196,391	54,090
FEMA funds	0	50,355	44,928	(5,427)
Miscellaneous and interest	1,000	29,617	34,590	4,973
Interlocal service agreement	34,800	34,800	34,800	0
Total Revenues	<u>247,814</u>	<u>382,653</u>	<u>438,203</u>	<u>55,550</u>
<b>EXPENDITURES</b>				
Salaries and benefits	139,726	140,924	139,294	1,630
Vehicle and equipment purchases	0	18,992	214,419	(195,427)
Insurance	10,500	10,500	14,679	(4,179)
Oil and gas	45,000	78,617	41,292	37,325
Equipment repairs and tires	14,000	33,194	76,553	(43,359)
Road materials and signs	35,000	65,838	48,731	17,107
Culverts	4,000	4,000	3,560	440
Utilities	3,000	3,000	2,759	241
Loan interest	4,868	4,868	4,496	372
Loan principal	10,646	10,646	109,185	(98,539)
Other	35,716	66,716	67,559	(843)
Total Expenditures	<u>302,456</u>	<u>437,295</u>	<u>722,527</u>	<u>(285,232)</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(54,642)</u>	<u>(54,642)</u>	<u>(284,324)</u>	<u>(229,682)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Loan proceeds	0	0	210,319	210,319
Fixed asset sale	0	0	82,000	82,000
Transfer of ad valorem taxes	54,642	54,642	40,982	(13,660)
Total other financing sources and (uses)	<u>54,642</u>	<u>54,642</u>	<u>333,301</u>	<u>278,659</u>
Net change in fund balances	0	(0)	48,977	48,977
Fund balances - beginning	8,317	8,317	8,317	0
Fund balances - ending	<u>\$8,317</u>	<u>\$8,317</u>	<u>\$57,294</u>	<u>\$48,977</u>

See accompanying independent auditor's report.

**TRINITY COUNTY, TEXAS**

Required Supplementary Information

Road and Bridge Pct. 2 - Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual - (NonGAAP Budget Basis)

Year Ended September 30, 2009

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance With Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Auto registration	\$33,000	\$33,000	\$32,383	(\$617)
Lateral road fee	2,300	2,300	2,236	(64)
Road and bridge fees	13,000	13,000	14,418	1,418
Federal forest funds	33,244	40,934	75,535	34,601
Fema funds	0	11,690	11,690	0
Miscellaneous and interest	1,200	1,200	326	(874)
<b>Total Revenues</b>	<b>82,744</b>	<b>102,124</b>	<b>136,588</b>	<b>34,464</b>
<b>EXPENDITURES</b>				
Salaries and benefits	20,613	20,613	19,384	1,229
Vehicle and equipment purchases	0	0	0	0
Insurance	1,430	1,430	1,475	(45)
Oil and gas	0	0	1,028	(1,028)
Equipment repairs and tires	600	3,949	3,564	385
Road materials and interlocal fees	78,517	90,207	57,735	32,472
Culverts	1,000	5,341	5,913	(572)
Utilities	200	200	242	(42)
Loan interest	0	0	0	0
Loan principal	0	0	0	0
Other	1,400	1,400	374	1,026
<b>Total Expenditures</b>	<b>103,760</b>	<b>123,140</b>	<b>89,715</b>	<b>33,425</b>
Excess (deficiency) of revenue over (under) expenditures	(21,016)	(21,016)	46,873	67,889
<b>OTHER FINANCING SOURCES (USES)</b>				
Fixed asset sale	0	0	0	0
Loan proceeds	0	0	0	0
Transfer from general fund	0	0	17,469	17,469
Transfer of ad valorem taxes	21,016	21,016	15,762	(5,254)
<b>Total other financing sources and (uses)</b>	<b>21,016</b>	<b>21,016</b>	<b>33,231</b>	<b>12,215</b>
Net change in fund balances	0	(0)	80,104	80,104
Fund balances - beginning	(13,554)	(13,554)	(13,554)	0
Fund balances - ending	<b>(\$13,554)</b>	<b>(\$13,554)</b>	<b>\$66,550</b>	<b>\$80,104</b>

See accompanying independent auditor's report.

**TRINITY COUNTY, TEXAS**

Required Supplementary Information

Road and Bridge Pct. 3 - Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual - (NonGAAP Budget Basis)

Year Ended September 30, 2009

	<b>Budgeted Amounts</b>		<b>Actual Amounts</b>	<b>Variance With Final Budget - Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Auto registration	\$75,900	\$75,900	\$74,480	(\$1,420)
Lateral road fee	5,290	5,290	5,143	(147)
Road and bridge fees	29,900	29,900	33,161	3,261
Federal forest funds	76,461	121,748	173,730	51,982
FEMA funds	0	85,070	79,644	(5,426)
Miscellaneous and interest	55,000	55,000	58,016	3,016
Interlocal agreement	16,800	16,800	13,265	(3,535)
Total Revenues	<u>259,351</u>	<u>389,708</u>	<u>437,439</u>	<u>47,731</u>
<b>EXPENDITURES</b>				
Salaries and benefits	133,738	141,625	135,277	6,348
Vehicle and equipment purchases	10,000	78,380	154,461	(76,081)
Insurance	7,750	8,267	10,712	(2,445)
Oil and gas	55,000	55,000	44,761	10,239
Equipment repairs and tires	21,500	29,204	25,961	3,243
Road materials and signs	36,000	86,870	83,547	3,323
Culverts	6,000	6,000	5,011	989
Utilities	900	900	1,568	(668)
Loan interest	3,800	3,800	7,746	(3,946)
Loan principal	23,000	23,000	99,176	(76,176)
Other	10,000	5,000	3,554	1,446
Total Expenditures	<u>307,688</u>	<u>438,046</u>	<u>571,774</u>	<u>(133,728)</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(48,337)</u>	<u>(48,338)</u>	<u>(134,335)</u>	<u>(85,997)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Fixed asset sale	0	0	83,027	83,027
Loan proceeds	0	0	91,293	91,293
Transfer of ad valorem taxes	48,337	48,337	36,253	(12,084)
Total other financing sources and (uses)	<u>48,337</u>	<u>48,337</u>	<u>210,573</u>	<u>162,236</u>
Net change in fund balances	0	0	76,238	76,238
Fund balances - beginning	<u>(4,322)</u>	<u>(4,322)</u>	<u>(4,322)</u>	<u>0</u>
Fund balances - ending	<u><u>(\$4,322)</u></u>	<u><u>(\$4,322)</u></u>	<u><u>\$71,916</u></u>	<u><u>\$76,238</u></u>

See accompanying independent auditor's report.

**TRINITY COUNTY, TEXAS**

Required Supplementary Information

Road and Bridge Pct. 4 - Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual - (NonGAAP Budget Basis)

Year Ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Auto registration	\$135,300	\$135,300	\$132,768	(\$2,532)
Lateral road fee	9,430	9,430	9,168	(262)
Road and bridge fees	53,300	53,300	59,113	5,813
Federal forest funds	136,299	217,028	309,693	92,665
FEMA funds	0	100,898	95,474	(5,424)
Miscellaneous and interest	1,500	4,096	9,008	4,912
Total Revenues	<u>335,829</u>	<u>520,052</u>	<u>615,224</u>	<u>95,172</u>
<b>EXPENDITURES</b>				
Salaries and benefits	206,623	246,614	220,372	26,242
Vehicle and equipment purchases	12,882	57,581	212,942	(155,361)
Insurance	15,000	15,000	17,086	(2,086)
Oil and gas	74,477	74,477	73,826	651
Equipment repairs and tires	18,200	77,733	48,009	29,724
Road materials and signs	62,277	102,277	71,655	30,622
Culverts	6,560	6,560	2,668	3,892
Utilities	2,300	2,300	2,216	84
Loan interest	4,432	4,432	5,332	(900)
Loan principal	13,995	13,995	126,235	(112,240)
Other	5,250	5,250	6,126	(876)
Total Expenditures	<u>421,996</u>	<u>606,219</u>	<u>786,467</u>	<u>(180,248)</u>
Excess (deficiency) of revenue over (under) expenditures	<u>(86,167)</u>	<u>(86,167)</u>	<u>(171,243)</u>	<u>(85,076)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Fixed asset sale	0	0	83,000	83,000
Loan proceeds	0	0	182,453	182,453
Transfer of ad valorem taxes	86,167	86,167	64,625	(21,542)
Total other financing sources and (uses)	<u>86,167</u>	<u>86,167</u>	<u>330,078</u>	<u>243,911</u>
Net change in fund balances	0	0	158,835	158,835
Fund balances - beginning	<u>(78,930)</u>	<u>(78,930)</u>	<u>(42,668)</u>	<u>36,262</u>
Fund balances - ending	<u><u>(\$78,930)</u></u>	<u><u>(\$78,930)</u></u>	<u><u>\$116,167</u></u>	<u><u>\$195,097</u></u>

See accompanying independent auditor's report.

**TRINITY COUNTY, TEXAS**

Required Supplementary Information

Records Management - Special Revenue Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances -

Budget and Actual - (NonGAAP Budget Basis)

Year Ended September 30, 2009

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget - Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Fees	\$0	\$46,000	\$50,962	\$4,962
Interest and other	0.00	0.00	142.00	142.00
Total Revenues	<u>0.00</u>	<u>46,000.00</u>	<u>51,104.00</u>	<u>5,104.00</u>
<b>EXPENDITURES</b>				
Salaries and benefits	0.00	20,917.00	20,986.00	69.00
Expenses	0.00	94,127.00	44,103.00	-50,024.00
Capital outlay	0.00	0.00	0.00	0.00
Total Expenditures	<u>0.00</u>	<u>115,044.00</u>	<u>65,089.00</u>	<u>-49,955.00</u>
Excess (deficiency) of revenue over (under) expenditures	<u>0.00</u>	<u>-69,044.00</u>	<u>-13,985.00</u>	<u>-44,851.00</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Total other financing sources and (uses)	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>
Net change in fund balances	0.00	-69,044.00	-13,985.00	-44,851.00
Fund balances - beginning	<u>0.00</u>	<u>70,044.00</u>	<u>52,259.00</u>	<u>-17,785.00</u>
Fund balances - ending	<u><u>\$0</u></u>	<u><u>\$1,000</u></u>	<u><u>\$38,274</u></u>	<u><u>(\$62,636)</u></u>

See accompanying independent auditor's report.

# TRINITY COUNTY, TEXAS

Notes to Schedules of Revenues, Expenditures and Changes in Fund Balances

Budget and Actual

September 30, 2009

## Budgetary Information

The County Judge submits an annual budget to the Commissioners' Court for review and approval prior to September of the preceding 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 budgets for the General Fund and some 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 appropriations. Such modifications take the form of moving line item revenue and expense appropriations from one line item to another.

In the year ended September 30, 2009, the County amended its budget eleven times with all budget amendments being approved by an act of the Commissioners' Court.

The budget is prepared utilizing the modified accrual method of accounting but is modified to reflect short term borrowing as current revenues and repayments of the short term loans as expenditures which is a modification of generally accepted accounting principles (GAAP). The budget amounts in the general fund include actual amounts reclassified from the debt service fund due to the related revenues and expenses being budgeted in the general fund. The following schedule reconciles budget basis to GAAP basis.

<u>Net Change in Fund Balance</u>	<u>General Fund</u>	<u>Road &amp; Bridge</u>	<u>Records Mgmt</u>
Budget Basis	\$(36,588)	\$364,154	\$(13,985)
Debt Service fund	(18,752)		
Short-term borrowing	(134,737)		
Short-term payments	122,500	30,000	
GAAP Basis	<u>\$(67,577)</u>	<u>\$394,154</u>	<u>\$(13,985)</u>

## Excess of Expenditures Over Appropriations

The following funds incurred expenditures in excess of budgeted amounts in the following amounts for the year ended September 30, 2009:

### General Fund

General government	\$172,884
Judicial	16,903
Public safety	207,165
Public welfare	23,550
Road and Bridge Funds	
Road and Bridge 1	285,232
Road and Bridge 3	85,997
Road and Bridge 4	85,076
Records Management	49,955

The excess expenditures were covered by additional short-term borrowing and by greater than anticipated revenues.

See accompanying independent auditor's report.

**TRINITY COUNTY, TEXAS**

Required Supplementary Information  
Schedule of Funding Progress for the Retirement Plan for  
the Employees of Trinity County, Texas  
Texas County and District Retirement Plan  
Year Ended September 30, 2009

Actuarial Valuation Date	<u>12/31/2006</u>	<u>12/31/2007</u>	<u>12/31/2008</u>
Actuarial Value of Assets (a)	\$3,465,912	\$3,770,783	\$3,531,132
Actuarial Accrued Liability (AAL)(b)	\$4,094,470	\$4,351,721	\$4,419,414
Unfunded AAL (UAAL) (b-a)	\$628,558	\$580,938	\$888,282
Funded Ratio (a/b)	84.65%	86.65%	79.90%
Annual Covered Payroll (c)	\$1,443,643	\$1,623,893	\$1,710,453
UAAL as a Percentage of Covered Payroll ((b-a)/c)	43.54%	35.77%	51.93%

See accompanying independent auditor's report.

## Combining Statements



**TRINITY COUNTY, TEXAS**

Nonrequired Supplementary Information

Combining Balance Sheet

Road and Bridge Funds

September 30, 2009

	<u>Precinct 1</u>	<u>Precinct 2</u>	<u>Precinct 3</u>	<u>Precinct 4</u>	<u>Total Combined Funds</u>
<b>ASSETS</b>					
Cash	\$64,973	\$68,203	\$108,420	\$158,381	\$399,977
Prepaid expenses	414	0	483	476	1,373
Total assets	<u>\$65,387</u>	<u>\$68,203</u>	<u>\$108,903</u>	<u>\$158,857</u>	<u>\$401,350</u>
<b>LIABILITIES</b>					
Accounts payable	\$3,370	\$1,653	\$33,673	\$3,918	\$42,614
Accrued expenses	4,723	0	3,314	8,772	16,809
Total Liabilities	<u>8,093</u>	<u>1,653</u>	<u>36,987</u>	<u>12,690</u>	<u>59,423</u>
<b>FUND BALANCES</b>					
Unreserved reported in:					
Special revenue	<u>57,294</u>	<u>66,550</u>	<u>71,916</u>	<u>146,167</u>	<u>341,927</u>
Total fund balances	<u>57,294</u>	<u>66,550</u>	<u>71,916</u>	<u>146,167</u>	<u>341,927</u>
Total liabilities and fund balances	<u>\$65,387</u>	<u>\$68,203</u>	<u>\$108,903</u>	<u>\$158,857</u>	<u>\$401,350</u>

See accompanying independent auditor's report.

**TRINITY COUNTY, TEXAS**

Nonrequired Supplementary Information

Combining Statement of Revenues, Expenditures, and

Changes in Fund Balances

Road and Bridge Funds

Year Ended September 30, 2009

	<u>Precinct 1</u>	<u>Precinct 2</u>	<u>Precinct 3</u>	<u>Precinct 4</u>	<u>Total Combined Funds</u>
<b>REVENUES</b>					
Auto registration	\$84,194	\$32,383	\$74,480	\$132,768	\$323,825
Lateral road fee	5,814	2,236	5,143	9,168	22,361
Road and bridge fees	37,486	14,418	33,161	59,113	144,178
FEMA funds	44,928	11,690	79,644	95,474	231,736
Miscellaneous and interest	34,590	326	58,016	9,007	101,939
Interlocal agreement	34,800	0	13,265	0	48,065
Total Revenues	<u>241,812</u>	<u>61,053</u>	<u>263,709</u>	<u>305,530</u>	<u>872,104</u>
<b>EXPENDITURES</b>					
Salaries and benefits	139,294	19,384	135,277	220,372	514,327
Vehicle and equipment purchases	214,419	0	154,461	212,942	581,822
Insurance	14,679	1,475	10,712	17,086	43,952
Oil and gas	41,292	1,028	44,761	73,826	160,907
Equipment repairs and tires	76,553	3,564	25,961	48,009	154,087
Road materials and signs	48,731	57,735	83,547	71,655	261,668
Culverts	3,560	5,913	5,011	2,668	17,152
Utilities	2,759	242	1,568	2,216	6,785
Loan interest	4,496	0	7,746	5,332	17,574
Loan principal	109,185	0	99,176	96,235	304,596
Other	67,559	374	3,554	6,126	77,613
Total Expenditures	<u>722,527</u>	<u>89,715</u>	<u>571,774</u>	<u>756,467</u>	<u>2,140,483</u>
Excess (deficiency) of revenue over (under) expenditures	(480,715)	(28,662)	(308,065)	(450,937)	(1,268,379)
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfer of ad valorem taxes	40,982	15,762	36,253	64,625	157,622
Transfer of federal forest funds	196,391	75,535	173,730	309,694	755,350
Fixed asset sale	82,000	0	83,027	83,000	248,027
Long-term debt issued	210,319	0	91,293	182,453	484,065
Transfer from general fund		17,469			17,469
Total other financing sources (uses)	<u>529,692</u>	<u>108,766</u>	<u>384,303</u>	<u>639,772</u>	<u>1,662,533</u>
Net change in fund balances	48,977	80,104	76,238	188,835	394,154
Fund balances - beginning	8,317	(13,554)	(4,322)	(42,668)	(52,227)
Fund balances - ending	<u>\$57,294</u>	<u>\$66,550</u>	<u>\$71,916</u>	<u>\$146,167</u>	<u>\$341,927</u>

See accompanying independent auditor's report.

**TRINITY COUNTY, TEXAS**  
 Nonrequired Supplemental Information  
 Combining Balance Sheet  
 Grant Funds  
 September 30, 2009

	US Forest and Mineral Funds	Courthouse Preservation	Title II Kickipoo Park	TCDP Office of Rural Com Affairs	Other Grants	Total Grant Funds
<b>ASSETS</b>						
Cash - restricted	\$0	\$1,354,277	\$0	\$0	\$5,768	\$1,360,045
Total assets	\$0	\$1,354,277	\$0	\$0	\$5,768	\$1,360,045
<b>LIABILITIES</b>						
Accounts payable	\$0	\$0	\$0	\$0	\$6,738	\$6,738
Due to general fund	0	0	0	0	5,494	5,494
Total liabilities	0	0	0	0	12,232	12,232
<b>FUND BALANCES</b>						
Reserved for:						
Construction commitment	0	1,354,277	0	0	0	1,354,277
Unreserved reported in:						
Special revenue	0	0	0	0	(6,464)	(6,464)
Total fund balances	0	1,354,277	0	0	(6,464)	1,347,813
Total liabilities and fund balances	\$0	\$1,354,277	\$0	\$0	\$5,768	\$1,360,045

The notes to the basic financial statements are an integral part of this statement.

**TRINITY COUNTY, TEXAS**

Nonrequired Supplementary Information

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Grant Funds

Year Ended September 30, 2009

	US Forest and Mineral Funds	Courthouse Preservation	Title II Kickipoo Park	TCDP Office of Rural Com Affairs	Other Grants	Total Grant Funds
<b>REVENUES</b>						
Grant funds	\$1,510,700	\$304,210	\$174,732	\$220,854	\$12,190	\$2,222,686
Miscellaneous and interest	0	27,994	0	\$ -	0	27,994
Total Revenues	1,510,700	332,204	174,732	220,854	12,190	2,250,680
<b>EXPENDITURES</b>						
Construction costs	0	387,440	174,732	13,204	0	575,376
Architect and engineer fees	0	77,000	0	205,220	0	282,220
Payment to school districts	755,350	0	0	0	0	755,350
Other	0	6,196	0	2,573	19,729	28,498
Total Expenditures	755,350	470,636	174,732	220,997	19,729	1,641,444
Excess (deficiency) of revenue over (under) expenditures	755,350	(138,432)	0	(143)	(7,539)	609,236
<b>OTHER FINANCING (USES)</b>						
Transfer of federal forest funds	(755,350)	0	0	0	0	(755,350)
Total other financing (uses)	(755,350)	0	0	0	0	(755,350)
Net change in fund balances	0	(138,432)	0	(143)	(7,539)	(146,114)
Fund balances - beginning	0	1,492,709	0	143	1,075	1,493,927
Fund balances - ending	\$0	\$1,354,277	\$0	\$0	(\$6,464)	\$1,347,813

The notes to the basic financial statements are an integral part of this statement.

**Single Audit Schedules  
And Letters**

**TRINITY COUNTY, TEXAS**

Schedule of Expenditures of Federal Awards  
For the Year Ended September 30, 2009

<u>FEDERAL GRANTOR / PASS-THROUGH GRANTOR PROGRAM OR CLUSTER TITLE</u>	<u>FEDERAL CFDA NUMBER</u>	<u>PASS THROUGH IDENTIFYING NUMBER</u>	<u>FEDERAL EXPENDITURES</u>
<b>Federal Funds</b>			
U.S. Department of Agriculture			
Federal Forest Funds / County Share			
Texas State Comptroller's Office - County Share	10.666		\$755,350
Transfer to Independent School Districts			755,350
U.S. Department of Agriculture			
Title II - Conservation Program			
Kickapoo Park	10.662		174,732
U.S. Elections Assistance Commission			
Help America Vote Act			
Texas Secretary of State	90.401	77523	7,183
U.S. Department of Housing and Urban Development			
Pass thru Texas Office of Community Affairs			
Community Development Block Grant	14.228	DRS060088	220,854
U.S. Department of Homeland Security			
National Disaster Relief			
Hurricane Ike	97.036		325,509
<b>Total Federal Funds</b>			<b>\$2,238,978</b>

**Notes To Schedule of Expenditures of Federal Awards**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of Trinity County, Texas and is presented on the cash receipts and disbursements method of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of Local Governments, State Governments and Nonprofit Organizations.

See accompanying independent auditor's report.

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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 Commissioners Court  
Trinity County, Texas  
Groveton, Texas

I 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, 2009, which collectively comprise Trinity County, Texas's basic financial statements and have issued my report thereon dated January 25, 2009. I conducted my 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

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects Trinity County, Texas's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of Trinity County, Texas's financial statements that is more than inconsequential will not be prevented or detected by Trinity County, Texas's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by Trinity County, Texas's internal control.

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Trinity County, Texas's financial statements are free of material misstatement, I 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 my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2009-1.

I noted certain matters that I reported to management of Trinity County, Texas, in a separate letter dated January 25, 2009.

Trinity County, Texas's response to the finding identified in my audit is described in the accompanying schedule of findings and questioned costs. I did not audit Trinity County, Texas's response and, accordingly, I express no opinion on it.

This report is intended solely for the information and use of management, the Commissioners Court, 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 these specified parties.

Trinity, Texas

January 25, 2010



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**THOMAS R. RAMEY, CPA**

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REPORT ON COMPLIANCE WITH REQUIREMENTS  
APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

To the Commissioners Court  
Trinity County, Texas  
Groveton, Texas

Compliance

I have audited the compliance of Trinity County, Texas, with the types of compliance requirements described in the U. S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended September 30, 2009. Trinity County, Texas's major federal programs are identified in the summary of auditor's 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 Trinity County, Texas's management. My responsibility is to express an opinion on Trinity County, Texas's compliance based on my audit.

I conducted my 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 I 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 Trinity County, Texas's compliance with those requirements and performing such other procedures as I considered necessary in the circumstances. I believe that my audit provides a reasonable basis for my opinion. My audit does not provide a legal determination of Trinity County, Texas's compliance with those requirements.

In my opinion, Trinity County, Texas, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended September 30, 2009.

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 programs. In planning and performing my audit, I considered Trinity County, Texas's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine my auditing procedures for the purpose of expressing my opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, I do not express an opinion on the effectiveness of Trinity County, Texas's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A *material weakness* is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

My consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. I did not identify any deficiencies in internal control over compliance that I consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Commissioners Court, 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 these specified parties.

Trinity, Texas  
January 25, 2010

**TRINITY COUNTY, TEXAS**  
Schedule of Findings and Questioned Costs  
For the Year Ended September 30, 2009

**SUMMARY OF AUDIT RESULTS**

1. The auditor's report expresses an unqualified opinion on the financial statements of Trinity County, Texas.
2. One significant deficiency was disclosed during the audit of the financial statements is reported in 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. The condition is not reported as a material weakness.
3. The auditor's report on compliance for the major federal award programs of Trinity County, Texas expresses an unqualified opinion on all major federal programs.
4. The auditor's report on internal control in major federal award programs of Trinity County, Texas expresses an unqualified opinion.
5. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
6. The program tested as a major program was U.S. Department of Agriculture Federal Forest Funds passed through the Texas Comptroller's Office CFDA 10.666.
7. The threshold for distinguishing Types A and B programs was \$300,000.
8. Trinity County, Texas was determined to be a low-risk auditee.
9. FINDINGS - FINANCIAL STATEMENTS AUDIT

2009-1. Interest and Sinking Fund

*Condition:* Trinity County, Texas failed to establish the interest and sinking fund as required and all interest and sinking fund tax collections, and all payments of principle and interest were paid from the County's general fund.

*Criteria:* Trinity County, Texas issued Certificates of Obligation as part of its courthouse renovation project in the prior fiscal year. The approved certificate order required the establishment of an interest and sinking fund with a separate bank account. All tax collections from the debt service portion of the tax levy are required to be deposited in the fund and payments of interest and principle payments are to be paid from this fund.

*Cause:* Trinity County, Texas failed to properly review and act upon order creating the Certificates of Obligation.