

TRINITY COUNTY, TEXAS
AUDITED FINANCIAL STATEMENTS
AND COMPLIANCE REPORT

September 30, 2018

C O N T E N T S

INTRODUCTORY SECTION

Principal Public Officials..... 5

FINANCIAL SECTION

Independent Auditors' Report..... 7

Management's Discussion and Analysis - Unaudited 9

Basic Financial Statements:

Government-Wide Financial Statements:

Statement of Net Position 17

Statement of Activities 18

Fund Financial Statements:

Balance Sheet - Governmental Funds 21

Reconciliation of the Balance Sheet - Governmental Funds
to the Statement of Net Position 22

Statement of Revenues, Expenditures, and Changes in
Fund Balance - Governmental Funds..... 23

Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balance - Governmental Funds to the
Statement of Activities 24

Statement of Fiduciary Net Position - Fiduciary Funds 25

Notes to the Financial Statements 26

Required Supplementary Information - Unaudited:

Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual - General Fund 42

Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual - Road and Bridge Precinct No. 1..... 44

Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual - Road and Bridge Precinct No. 2..... 45

Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual - Road and Bridge Precinct No. 3..... 46

Schedule of Revenues, Expenditures, and Changes in
Fund Balance - Budget and Actual - Road and Bridge Precinct No. 4..... 47

Schedule of Changes in the Net Pension Liability (Asset) and
Related Ratios - Last Ten Years 48

Schedule of Pension Contributions - Last Ten Fiscal Years 49

Notes to the Schedule of Pension Contributions 50

Supplementary Information Section:

Combining Fund Statements:

Combining Schedule of Net Assets - Nonmajor Governmental Funds..... 53

Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Governmental Funds 54

Combining Balance Sheet - Nonmajor Special Revenue Funds 55

Combining Statement of Revenues, Expenditures, and Changes
in Fund Balances - Nonmajor Special Revenue Funds 59

Combining Schedule of Fiduciary Net Assets..... 63

C O N T E N T S - C O N T I N U E D

Compliance Section:

Independent Auditors' 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* 66

Schedule of Audit Findings 68

Schedule of Prior Audit Findings 70

INTRODUCTORY SECTION

TRINITY COUNTY, TEXAS
PRINCIPAL PUBLIC OFFICIALS
September 30, 2018

COMMISSIONERS' COURT

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

COUNTY ELECTED OFFICIALS

Tommy Park..... Constable, Precinct 1
Mark W. Cole..... Constable, Precinct 2
Carl Casey..... Constable, Precinct 3
Reggie Olive..... Constable, Precinct 4
Joe Warner Bell.....County Attorney
Shasta Bergman..... County Clerk
Bob DockensCounty Treasurer
Danny Martin..... Justice of the Peace, Precinct 1
Lyle Stubbs Justice of the Peace, Precinct 2
Hayne Huffman Justice of the Peace, Precinct 3
Sam O. "Rod" Blair, III..... Justice of the Peace, Precinct 4
Woody Wallace Sheriff
Lindy Madden Warren Tax Assessor/Collector

DISTRICT ELECTED OFFICIALS

Bennie ShiroDistrict Attorney, 258th Judicial District
Kristen Raiford District Clerk
Ernie McClendon..... District Judge, 258th Judicial District
Kaycee Jones..... District Judge, 411th Judicial District

APPOINTED OFFICIALS

Bonnie Kennedy County Auditor

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Trinity County, Texas, ("the County,") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise the County's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Trinity County, Texas, as of September 30, 2018, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, schedule of changes in net pension liability, and the schedule of pension contributions and related notes, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Trinity County, Texas' basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 18, 2019, on our consideration of Trinity County, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering Trinity County's internal control over financial reporting and compliance.


CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
June 18, 2019

**TRINITY COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS**

As management of Trinity County, Texas (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2018. We encourage readers to consider information presented here as well as the County's financial statements, which follow this section.

Financial Highlights

Government-wide Financial Statements

- The County's overall assets and deferred outflows exceeded its liabilities and deferred inflows by \$8,514,171 (*net position*) at September 30, 2018.
- Total assets and deferred outflows increased by \$94,700 over the prior year; total liabilities and deferred inflows decreased by \$609,927 over the prior year.
- Overall revenues exceeded expenses by \$704,627.

Fund Financial Statements

- At the close of the current fiscal year, the County's governmental funds reported a combined fund balance of \$2,280,171. Overall revenues exceeded expenditures by \$543,881.

Overview of the Financial Statements

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

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

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

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

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

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

TRINITY COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED

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

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental 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*.

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

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. The County's assets exceeded its liabilities by \$8,514,171 at September 30, 2018.

The largest portion of the County's net position, or \$6,090,582, reflects its investment in capital assets (\$7,741,615) less the related debt used to acquire those assets that remains outstanding (\$1,651,033). The County uses these capital assets to provide service to citizens; consequently, these assets are not available for future spending. Although the County's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the County's net position (a total of \$1,071,329) represents resources that are subject to restriction on how they may be used.

The remaining balance of \$1,352,260 is unrestricted in nature.

**TRINITY COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

Net Position

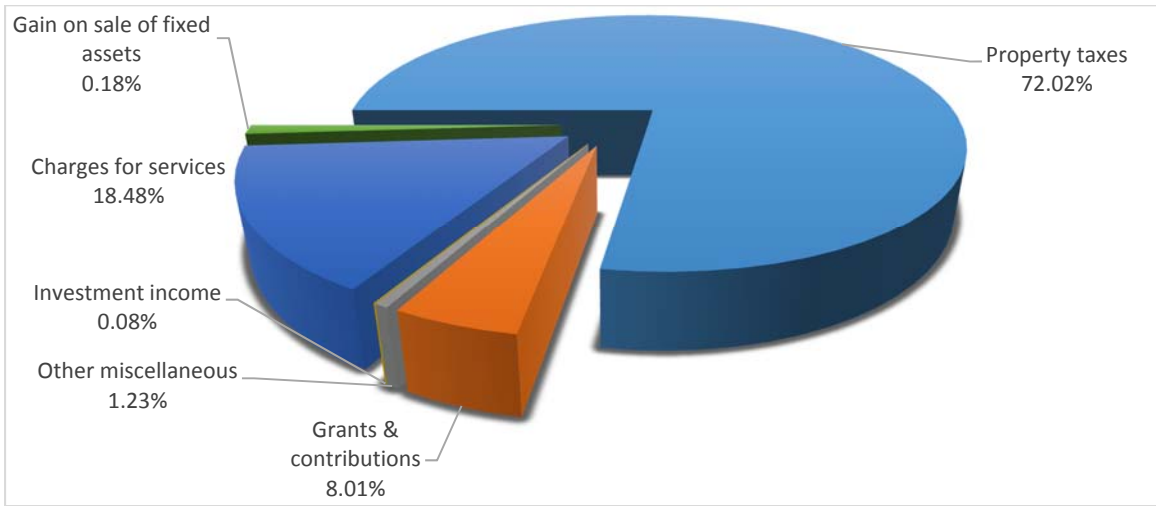
	2018	2017
Current and other assets	\$ 3 083 365	\$ 2 259 814
Capital assets, net	7 741 615	8 123 279
TOTAL ASSETS	10 824 980	10 383 093
Deferred outflows	271 529	618 716
Long-term liabilities	875 549	2 761 835
Other liabilities	1 260 914	342 226
TOTAL LIABILITIES	2 136 463	3 104 061
Deferred inflows	445 875	88 204
Net Position:		
Invested in capital assets, net of related debt	6 090 582	6 148 671
Restricted	1 071 329	455 559
Unrestricted	1 352 260	1 205 314
TOTAL NET POSITION	\$ 8 514 171	\$ 7 809 544

Changes in Net Position

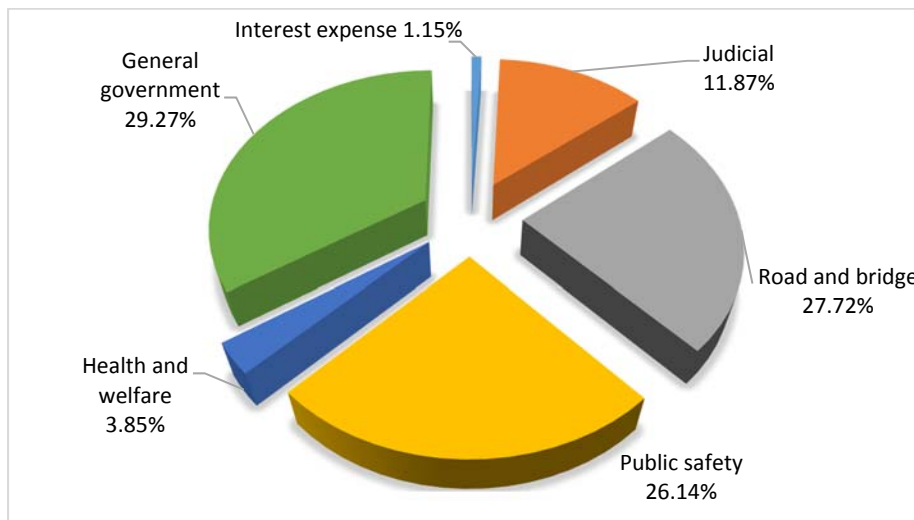
	2018	2017
Revenues:		
Charges for service	\$ 1 365 941	\$ 1 075 917
Grants and contributions, net of pass-through expenditures	591 947	323 783
Property taxes	5 322 600	5 219 615
Investment income	6 281	2 930
Gain on sale of assets	12 378	73 649
Other miscellaneous	90 529	60 621
TOTAL REVENUES	7 389 676	6 756 515
Expenses:		
General government	1 957 105	2 261 450
Judicial	793 730	868 147
Public safety	1 747 500	1 609 796
Road and bridge	1 852 764	1 579 245
Health and welfare	257 136	201 920
Interest on long-term debt	76 814	56 362
TOTAL EXPENSES	6 685 049	6 576 920
INCREASE (DECREASE) IN NET POSITION	704 627	179 595
Net position, at beginning of year	7 809 544	7 629 949
NET POSITION, AT END OF YEAR	\$ 8 514 171	\$ 7 809 544

**TRINITY COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

Revenues by Source
For the Fiscal Year Ended September 30, 2018



Expenses by Function
For the Fiscal Year Ended September 30, 2018



**TRINITY COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

Financial Analysis of the County's Funds

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

As of September 30, 2018, the County's governmental funds reported a combined positive fund balance of \$2,280,171.

The fund balance is comprised of \$1,131,539 that is either in a nonspendable form, restricted, or assigned for specific purposes. The remaining balance, \$1,148,632, is unassigned. During the year, the fund balance in the County's governmental fund increased by \$543,881.

Budgetary Comparisons. A comparison of the County's major fund's budget and actual results are presented as required supplementary information.

General Fund. Fund balance was budgeted to decrease \$176,270 for the fund. Actual results yielded a \$140,615 increase in fund balance, with a favorable budget variance of \$316,885.

Road and Bridge Fund, Precinct No. 1. No change (revenues equal to expenditures) in fund balance was budgeted for the fund. Actual results yielded a \$29,150 increase in fund balance, with a favorable budget variance of \$29,150.

Road and Bridge Fund, Precinct No. 2. No change (revenues equal to expenditures) in fund balance was budgeted for the fund. Actual results yielded a \$(35,749) decrease in fund balance, with an unfavorable budget variance of \$(35,749).

Road and Bridge Fund, Precinct No. 3. No change (revenues equal to expenditures) in fund balance was budgeted for the fund. Actual results yielded a \$90,724 increase in fund balance, with a favorable budget variance of \$90,724.

Road and Bridge Fund, Precinct No. 4. No change (revenues equal to expenditures) in fund balance was budgeted for the fund. Actual results yielded a \$158,123 increase in fund balance, with a favorable budget variance of \$158,123.

Capital Assets

The County's investment in capital assets as of September 30, 2018 totaled \$7,741,615 (net of accumulated depreciation). This investment includes land, buildings, equipment, and improvements (other than buildings).

Capital assets of \$452,970 were purchased during the year. Significant purchases included:

- Various equipment and building improvements
- Various trucks and heavy equipment (partially funded by capital leases/notes)

Capital Assets (Net of Depreciation)

	2018	2017
Land	\$ 44 999	\$ 44 999
Buildings and improvements	7 330 853	7 294 617
Infrastructure	880 954	899 108
Rolling stock	3 187 770	3 143 905
Furniture and equipment	893 435	913 501
Less accumulated depreciation	(4 596 396)	(4 172 851)
TOTAL	\$ 7 741 615	\$ 8 123 279

**TRINITY COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS - CONTINUED**

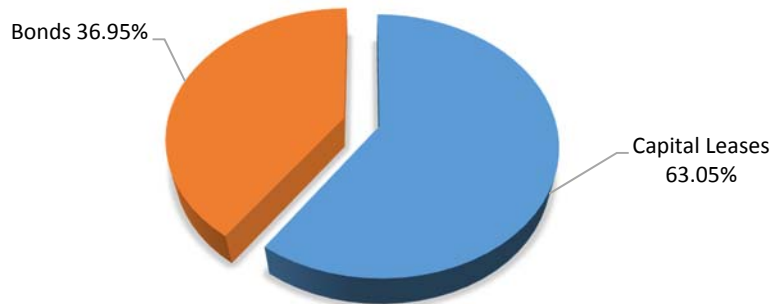
Debt Administration

At the end of the current fiscal year, the County had total debt and capital lease obligations of \$1,651,033.

Debt Outstanding

	BEGINNING BALANCE	ADDITIONS	REDUCTIONS	ENDING BALANCE
Capital leases	\$ 1 179 608	\$ 335 745	\$ (474 320)	\$ 1 041 033
Bond obligations	795 000	-	(185 000)	610 000
TOTAL	\$ 1 974 608	\$ 335 745	\$ (659 320)	\$ 1 651 033

Total Debt Outstanding
September 30, 2018



Requests for Information

This financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the County's finances. If you have questions about this report or need any additional information, contact the Trinity County Auditor at 936.642.2233 or write to P. O. Box 457, Groveton, Texas 75845.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

TRINITY COUNTY, TEXAS
STATEMENT OF NET POSITION
September 30, 2018

	GOVERNMENTAL ACTIVITIES
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 1 917 849
Restricted cash	775 740
Receivables Net of Allowance for Uncollectibles:	
Property taxes, net of allowance for uncollectibles	341 566
Due from other funds	6 275
Other	25 086
Prepaid expense	16 849
TOTAL CURRENT ASSETS	3 083 365
Noncurrent Assets:	
Capital Assets:	
Land	44 999
Streets and infrastructure	608 177
Buildings and improvements	5 828 938
Vehicles	1 177 023
Machinery and equipment	82 478
TOTAL CAPITAL ASSETS	7 741 615
TOTAL ASSETS	10 824 980
DEFERRED OUTFLOW	
Contribution subsequent to measurement data	225 427
Pension deferred outflows	46 102
TOTAL DEFERRED OUTFLOWS	271 529
TOTAL ASSETS AND DEFERRED OUTFLOWS	11 096 509
LIABILITIES	
Current Liabilities:	
Accounts payable	301 496
Accrued interest	9 466
Accrued liabilities	21 818
Due within one year	928 134
TOTAL CURRENT LIABILITIES	1 260 914
Noncurrent Liabilities:	
Pension liability	99 183
Due in more than one year	722 899
Accrued comp absences	53 467
TOTAL NONCURRENT LIABILITIES	875 549
TOTAL LIABILITIES	2 136 463
DEFERRED INFLOWS	
Unavailable revenue	138 314
Deferred pension inflows	307 561
TOTAL DEFERRED INFLOWS	445 875
NET POSITION	
Net investment in capital assets	6 090 582
Restricted	1 071 329
Unrestricted	1 352 260
TOTAL NET POSITION	\$ 8 514 171

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

TRINITY COUNTY, TEXAS
STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2018

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		FEES, FINES, CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
Primary Government:				
Governmental Activities:				
General government	\$ 1 957 105	\$ 901 019	\$ 153 056	\$ -
Judicial	793 730	205 828	23 598	-
Public safety	1 747 500	68 088	38 905	-
Road and bridge	1 852 764	180 656	376 388	-
Health and welfare	257 136	10 350	-	-
Debt service expense	76 814	-	-	-
Pass-through to other entities	185 533	-	185 533	-
TOTAL GOVERNMENTAL ACTIVITIES	<u>\$ 6 870 582</u>	<u>\$ 1 365 941</u>	<u>\$ 777 480</u>	<u>\$ -</u>

General Revenues:

Taxes
Property taxes - General
Property taxes - Debt service
Other tax revenue
Unrestricted investment earnings
Other unrestricted revenue
Gain on sale of an asset
TOTAL GENERAL REVENUES
CHANGE IN NET POSITION
Net position - Beginning
NET POSITION - ENDING

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

NET (EXPENSES) REVENUES AND
CHANGES IN NET POSITION

GOVERNMENTAL
ACTIVITIES

\$ (903 030)
(564 304)
(1 640 507)
(1 295 720)
(246 786)
(76 814)

-

(4 727 161)

5 074 804
247 796
15 122
6 281
75 407

12 378

5 431 788
704 627

7 809 544

\$ 8 514 171

FUND FINANCIAL STATEMENTS

TRINITY COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
September 30, 2018

	GENERAL FUND	ROAD AND BRIDGE PCT #1	ROAD AND BRIDGE PCT #2	ROAD AND BRIDGE PCT #3	ROAD AND BRIDGE PCT #4	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
ASSETS							
Cash and cash equivalents	\$ 1 376 545	\$ 50 015	\$ 53 975	\$ 154 098	\$ 283 216	\$ -	\$ 1 917 849
Restricted cash	-	-	-	-	-	775 740	775 740
Taxes receivable, net	331 319	-	-	-	-	10 247	341 566
Other receivables, net	25 086	-	-	-	-	-	25 086
Prepaid expense	11 770	1 044	141	1 496	2 398	-	16 849
Due from other funds	6 273	-	-	-	-	2	6 275
TOTAL ASSETS	\$ 1 750 993	\$ 51 059	\$ 54 116	\$ 155 594	\$ 285 614	\$ 785 989	\$ 3 083 365
LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES							
Liabilities:							
Accounts payable	\$ 227 524	\$ 8 755	\$ 623	\$ 7 005	\$ 57 424	\$ 165	\$ 301 496
Due to others	-	-	-	-	-	18 228	18 228
Accrued liabilities	1 662	-	-	-	-	1 928	3 590
TOTAL LIABILITIES	229 186	8 755	623	7 005	57 424	20 321	323 314
Deferred Inflows:							
Unearned revenues	361 405	-	29 061	-	-	89 414	479 880
TOTAL DEFERRED INFLOWS	361 405	-	29 061	-	-	89 414	479 880
Fund Balances:							
Nonspendable	11 770	1 044	141	1 496	2 398	-	16 849
Restricted	-	41 260	24 291	147 093	225 792	627 814	1 066 250
Assigned	-	-	-	-	-	48 440	48 440
Unrestricted, unassigned	1 148 632	-	-	-	-	-	1 148 632
TOTAL FUND BALANCES	1 160 402	42 304	24 432	148 589	228 190	676 254	2 280 171
TOTAL LIABILITIES, DEFERRED INFLOWS, AND FUND BALANCES	\$ 1 750 993	\$ 51 059	\$ 54 116	\$ 155 594	\$ 285 614	\$ 785 989	\$ 3 083 365

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

TRINITY COUNTY, TEXAS
RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
For the Year Ended September 30, 2018

Total fund balances - Governmental funds balance sheet	\$ 2 280 171
Amounts Reported for Governmental Activities in the Statement of Activities are Different because:	
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds	7 741 615
Deferred pension plan amounts relate to subsequent pension plan measurement periods and/or do not consume current financial resources and therefore, these amounts are not reported in the governmental funds	(36 032)
Certain revenues are not available to pay current period expenditures and therefore, are reported as deferred inflows in the governmental funds	341 566
Payables for accrued interest on long-term liabilities and accrued compensated absences are not due in the current period and therefore, are not reported in the governmental funds	(62 933)
Payables for long-term liabilities, including certificates of obligations, capital leases, and net pension liabilities are not due in the current period and therefore, are not reported in the governmental funds	<u>(1 750 216)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ <u>8 514 171</u>

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

TRINITY COUNTY, TEXAS
STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended September 30, 2018

	GENERAL FUND	ROAD AND BRIDGE FUND PCT #1	ROAD AND BRIDGE FUND PCT #2	ROAD AND BRIDGE FUND PCT #3	ROAD AND BRIDGE FUND PCT #4	NON-MAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
Revenues:							
Property taxes	\$ 5 003 136	\$ -	\$ -	\$ -	\$ -	\$ 247 796	\$ 5 250 932
Other taxes	-	-	-	-	-	15 122	15 122
Fines and forfeitures	176 884	-	-	-	-	142 569	319 453
Fees, licenses, and permits	257 296	129 579	49 837	114 627	204 335	102 015	857 689
Grants and contributions	115 417	134 845	14 080	108 498	118 965	285 675	777 480
Payment in lieu of taxes	161 013	-	-	-	-	-	161 013
Interest	4 579	186	139	260	347	770	6 281
Other revenue	82 279	-	-	12 547	58	20 687	115 571
TOTAL REVENUES	5 800 604	264 610	64 056	235 932	323 705	814 634	7 503 541
Expenditures:							
General government	1 999 518	-	-	-	-	44 415	2 043 933
Judicial	767 623	-	-	-	-	35 792	803 415
Public safety	1 564 774	-	-	-	-	74 451	1 639 225
Road and bridge	-	420 950	140 979	402 079	516 140	18 000	1 512 163
Health and welfare	241 909	-	-	-	-	15 227	257 136
Debt service	68 691	152 247	-	157 880	123 776	211 692	714 286
Capital outlay	-	42 533	-	-	-	76 814	119 347
Pass through to other entities	-	-	-	-	-	185 533	185 533
TOTAL EXPENDITURES	4 642 515	629 745	140 979	559 959	639 916	661 924	7 275 038
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	1 158 089	(365 135)	(76 923)	(324 027)	(316 211)	152 710	228 503
Other Financing Sources (Uses):							
Sale of assets	12 378	101 000	-	101 000	101 000	-	315 378
Transfers in (out)	(1 029 852)	293 285	41 174	313 751	373 335	8 307	-
TOTAL OTHER FINANCING SOURCES (USES)	(1 017 474)	394 285	41 174	414 751	474 335	8 307	315 378
NET CHANGE IN FUND BALANCE	140 615	29 150	(35 749)	90 724	158 124	161 017	543 881
Fund balance - Beginning of year	1 019 787	13 154	60 181	57 865	70 066	515 237	1 736 290
FUND BALANCE - END OF YEAR	\$ 1 160 402	\$ 42 304	\$ 24 432	\$ 148 589	\$ 228 190	\$ 676 254	\$ 2 280 171

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

TRINITY COUNTY, TEXAS
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended September 30, 2018

Net change in fund balances - Governmental funds	\$	543 881
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Capital outlays are not reported as expenses in the statement of activities.		305 126
The depreciation of capital assets used in governmental activities is not reported in the governmental funds.		(686 790)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		110 960
Proceeds from the issuance of long-term debt (e.g. bonds, leases) and the repayment of long- term debt do not provide revenue in the statement of activities, but are reported as current resources in the governmental funds.		335 617
Amount represents the change in accrued compensated absences from the beginning of the period to the end of the period.		(19 646)
This amount represents the change in net pension assets and liabilities from the beginning of the period to the end of the period.		121 500
Amount represents the change in accrued interest from the beginning of the period to the end of the period.		<u>(6 021)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>704 627</u>

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

TRINITY COUNTY, TEXAS
STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUNDS
September 30, 2018

	AGENCY FUNDS
ASSETS	
Restricted cash	\$ 449 560
TOTAL ASSETS	\$ 449 560
LIABILITIES	
Accounts payable	\$ 905
Due to other funds	6 275
Amounts held for others	414 119
Due to County	28 261
TOTAL LIABILITIES	\$ 449 560

The accompanying notes are an integral part of this financial statement.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

Trinity County (the "County") is a public corporation and political subdivision of the State of Texas. The County is governed by an elected Commissioners' Court, comprised of the County Judge and four Commissioners. The County provides the following services as authorized by the laws of the State of Texas: general government (e.g. tax collection), judicial (courts, juries, district attorney etc.), public safety (sheriff, jail etc.), highways and streets, and public welfare (e.g. juvenile services and assistance to indigents).

For financial reporting purposes, based on standards established by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, these financial statements should present the County (the primary government) and its component units. Component units generally are legally separate entities for which the primary government is financially accountable or for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The County does not have any blended or discretely presented component units.

B. Government-wide and Fund Financial Statements

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

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

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

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

C. New Accounting Pronouncements

GASB Statement No. 83, *Certain Asset Retirement Obligations* ("GASB 83"), addresses accounting and financial reporting for certain asset retirements which include a legally enforceable liability associated with the retirement of such tangible capital asset. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2018. Implementation of GASB 83 did not have an impact on the County's financial disclosures.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

GASB Statement No. 84, *Fiduciary Activities* ("GASB 84"), improves guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2018. The effects of implementing GASB 84 on the County's financial disclosures have not been evaluated by management.

GASB Statement No 87, *Leases* ("GASB 87"), is intended to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2019. The effects of implementing GASB 87 on the County's financial disclosures have not been evaluated by management.

D. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to pay current liabilities. The County considers revenues to be available if they are collected within 60 days of the end of the fiscal year. Expenditures are recorded when the related liability is incurred, as under accrual accounting. Debt service expenditures, both principal and interest, are recorded only when payment is due.

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

The County's funds are classified as either governmental or fiduciary and are described below. *Governmental Funds*. Governmental funds are used to account for all or most of a government's general activity.

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

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

Special revenue funds are used to account for resources restricted to, or designated for, specific purposes by the County or a grantor in a special revenue fund.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED

Fiduciary funds account for assets held by a government in a trustee or agency capacity on behalf of others.

Agency funds are used to account for assets received and held for the benefit of other funds, individuals, or organizations. Agency funds held by the county function as clearing accounts and are not reflected in the government-wide financial statements because the resources of those funds are not available to support the County's own programs.

The general fund is considered a major governmental fund. Additionally, the County has elected to present the road and bridge funds for precincts 1, 2, 3, and 4 as major funds due to their significance within the County.

The County has no proprietary funds.

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

NOTE 2 - ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR FUND BALANCE

A. Deposits and Investments

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

The County is required by the Public Funds Collateral Act (Governmental Code, chapter 2257) to maintain security for all deposits of funds that exceed coverage provided by the Federal Deposit Insurance Corporation ("FDIC"). As of the balance sheet date, the County's cash deposits were fully collateralized by securities pledged by the depository banks. Based on audit procedures conducted in conjunction with the audit of the basic financial statements, the County appears to have complied with the requirements of the Public Funds Collateral Act.

The County is required by the Public Funds Investment Act (Government Code, chapter 2256) (the "Act") to adopt, implement, and publicize a written investment policy which primarily emphasizes safety of principal and liquidity, and addresses investment diversification, yield, and maturity. Additionally, the policy must address the quality and capability of investment management and include the types of investments in which the entity may invest its funds, as well as the maximum allowable stated maturity of any individual investment, the maximum dollar-weighted average maturity allowed based on the stated maturity date for the portfolio of pooled fund groups, and bid requirements for certificates of deposit.

NOTE 2 - ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR FUND BALANCE - CONTINUED

The County is authorized to invest in financial instruments, as authorized by the Act, including:

- U. S. Treasury securities which have a liquid market; direct obligations of the State of Texas, and other obligations that are guaranteed by the State of Texas or United States of America;
- Obligations of states, agencies, counties, and other political subdivisions of any state having been rated as investment quality by a nationally recognized investment rating firm and having received a rating of not less than "A" or its equivalent;
- Fully insured or collateralized certificates of deposit at commercial banks;
- Repurchase agreements collateralized by U.S. Treasury or U.S. Government Agency securities in accordance with a master repurchase agreement;
- Joint pools of political subdivisions in the State of Texas which invest in instruments and follow practices allowed by current law (the pool must be continuously rated no lower than "AAA" or "AAA-m" by at least one nationally recognized rating service).

The Act also requires an annual audit of investment practices. Based on audit procedures conducted in conjunction with the audit of the basic financial statements, the County appears to have complied with the requirements of the Public Fund Investment Act.

B. Fair Value of Financial Instruments

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

C. Receivables

Property tax receivables reflect outstanding and delinquent property tax levies and are shown net of an allowance for uncollectibles. The allowance is calculated based on historical collection rates.

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

D. Restricted Assets

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

E. Prepaid Items

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

NOTE 2 - ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR FUND BALANCE - CONTINUED

F. Capital Assets, Depreciation, and Amortization

The County's property, plant, equipment, and infrastructure are reported in the government-wide financial statements. Capital assets are defined by the County as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Contributed capital assets are recorded at estimated fair market value at the date received.

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

Infrastructure assets are a subset of capital assets and primarily consist of roads and bridges. No capital expenditures for roads or bridges were made during the year.

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

The estimated useful lives of the County's capital assets are as follows:

ASSETS	YEARS
Buildings and improvements	5 - 40
Office furniture and equipment	3 - 7
Rolling stock	2 - 7
Infrastructure	20 - 30

G. Deferred Inflows/Outflows of Resources

Deferred Outflows of Resources. In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until that time. The County has several of these types of items which arise only under a full accrual basis of accounting and are therefore reported only on the government-wide statement of net position, that qualify for reporting in this category: unamortized differences - pension plan projected and actual investment earnings; and unamortized differences - changes in actuarial assumptions, are recognized as a component of pension expense at an actuarially determined rate. Pension contributions subsequent to the plan measurement date is recognized as a component of pension expense in the following fiscal year.

Deferred Inflows of Resources: In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The County has several of these items that qualify for reporting in this category: two items, which arise only under a modified accrual basis of accounting, unavailable revenue - property taxes and unavailable revenue - fines, are reported only on the governmental funds balance sheet; and one item, which arises only under a full accrual basis of accounting, unamortized differences - pension plan expected and actual economic experience, is recognized as a component of pension expense at an actuarially determined rate and is reported on the government-wide statement of net position.

NOTE 2 - ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR FUND BALANCE - CONTINUED

H. Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method that approximates the effective interest method. Bonds payable are reported net of the bond premiums or discounts. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

In fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the period such activity occurs. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt services expenditures.

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

I. Pensions

For purposes of measuring the net pension liability/net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas County & District Retirement System ("TCDRS") and additions to/deductions from TCERS's Fiduciary Net Position have been determined on the same basis as they are reported by TCERS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

J. Net Position and Fund Balances

In the government-wide financial statements, the difference between the County's total assets, deferred outflows, total liabilities and deferred inflows represents net position. Net position is displayed in three components - invested in capital assets, net of related debt; restricted; and unrestricted. At September 30, 2018, restricted net position represents monies that are legally restricted for payment of debt service, law enforcement costs, and other purposes restricted by law. Unrestricted net position represents the net assets available for future operations.

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

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

NOTE 2 - ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR FUND BALANCE - CONTINUED

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

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

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

Unassigned - all other spendable amounts.

K. Estimates

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

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgets and Budgetary Process

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

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

Accounting standards require budgets to be presented for all of the County's major funds. A comparison of the actual versus budgeted results for each major fund is included in required supplementary information.

TRINITY COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 September 30, 2018

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Assets

Deposits and Investments

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the County's deposits may not be returned. The County maintains its cash deposits at financial institutions whose deposits are insured by the FDIC. Any funds in excess of FDIC coverage are collateralized with securities held by the pledging financial institutions. All cash and cash equivalents are reported at fair value. The County did not have any investments at year end.

As of September 30, 2018, the County's cash deposits with depository banks totaled \$3,143,149, including agency funds totaling \$449,560. All deposits were fully secured by FDIC coverage and securities pledged by the depository banks.

B. Receivables

Receivable and Uncollectible Accounts. Receivables at year end for the County's individual major funds, including the related allowances for uncollectible accounts are as follows:

	PROPERTY TAXES	FINES	TOTALS
Receivables by Activity:			
General fund	\$ 2 208 795	\$ 836 191	\$ 3 044 986
Debt service fund	68 313	-	68 313
TOTAL RECEIVABLES	2 277 108	836 191	3 113 299
Allowance for Uncollectibles:			
General fund	1 877 476	811 105	2 688 581
Debt service fund	58 066	-	58 066
TOTAL ALLOWANCES	1 935 542	811 105	2 746 647
TOTAL RECEIVABLES, NET	\$ 341 566	\$ 25 086	\$ 366 652

Property Taxes. Property taxes attach as an enforceable lien on property as of January 1. Property taxes are due October 1 and become delinquent January 31. The combined tax rate to finance general governmental services and principal and interest on general long term debt for the year ended September 30, 2018 (tax year 2017), was \$ 0.65 per \$100 of assessed valuation. Of this rate, \$0.0308 was allocated to debt service and \$0.6192 was allocated to maintenance and operation.

TRINITY COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 September 30, 2018

NOTE 4 - DETAILED NOTES ON ALL FUNDS - CONTINUED

C. Capital Assets

A summary of changes in capital assets for the year ended September 30, 2018 is as follows:

	BALANCE 09/30/2017	INCREASES	DECREASES	BALANCE 09/30/2018
Capital Assets Not Being Depreciated:				
Land	\$ 44 999	\$ -	\$ -	\$ 44 999
Construction in progress	-	-	-	-
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>44 999</u>	<u>-</u>	<u>-</u>	<u>44 999</u>
Capital Assets Being Depreciated:				
Buildings and improvements	7 294 617	38 956	(2 720)	7 330 853
Infrastructure	899 108	-	(18 154)	880 954
Rolling stock	3 143 905	414 014	(370 149)	3 187 770
Furniture and equipment	913 501	-	(20 066)	893 435
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>12 251 131</u>	<u>452 970</u>	<u>(411 089)</u>	<u>12 293 012</u>
Less Accumulated Depreciation For:				
Buildings and improvements	(1 312 153)	(192 482)	2 720	(1 501 915)
Infrastructure	(188 925)	(84 666)	814	(272 777)
Rolling stock	(1 908 056)	(343 024)	240 333	(2 010 747)
Furniture and equipment	(763 717)	(66 618)	19 378	(810 957)
TOTAL ACCUMULATED DEPRECIATION	<u>(4 172 851)</u>	<u>(686 790)</u>	<u>263 245</u>	<u>(4 596 396)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET	<u>8 078 280</u>	<u>(233 820)</u>	<u>(147 844)</u>	<u>7 696 616</u>
TOTAL CAPITAL ASSETS, NET	<u>\$ 8 123 279</u>	<u>\$ (233 820)</u>	<u>\$ (147 844)</u>	<u>7 741 615</u>
Less associated debt				(1 651 033)
NET INVESTMENT IN CAPITAL ASSETS				<u>\$ 6 090 582</u>

Depreciation expense was charged to the following functions/programs of governmental activities as follows:

General government	\$ 211 836
Judicial	7 084
Road and bridge	322 675
Public safety	145 195
TOTAL	<u>\$ 686 790</u>

NOTE 5 - LIABILITIES

A. Capital Leases

The County has entered into lease agreements as lessee for financing the acquisition of machinery and equipment and vehicles. The agreements accrue interest at rates from 2.09% to 2.55% and are all for durations greater than one year. These lease agreements qualify as capital leases for accounting purposes, and therefore, have been recorded at the present value of their future minimum lease payments as of the inception date.

TRINITY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
September 30, 2018

NOTE 5 - LIABILITIES - CONTINUED

The assets acquired through capital leases are as follows:

	GENERAL FUND	ROAD AND BRIDGE FUND	TOTALS
Asset:			
Rolling stock	\$ 139 928	\$ 1 204 863	\$ 1 344 791
Less accumulated depreciation	(54 631)	(394 811)	(449 442)
TOTAL	\$ 85 297	\$ 810 052	\$ 895 349

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2018 were as follows:

YEAR ENDING SEPTEMBER 30	GENERAL FUND	ROAD AND BRIDGE FUND	TOTALS
2019	\$ 22 113	\$ 733 995	\$ 756 108
2020	-	310 423	310 423
Total minimum lease payments	22 113	1 044 418	1 066 531
Less amount representing interest	(495)	(25 003)	(25 498)
Present value of minimum lease payments	\$ 21 618	\$ 1 019 415	\$ 1 041 033

B. Long-term Liabilities

Long-term liability activity for the year ended September 30, 2018, was as follows:

	BALANCE 09/30/2017	ADDITIONS	REDUCTIONS	BALANCE 09/30/2018	DUE WITHIN ONE YEAR
Bonds Payable:					
2012 Refunding	\$ 380 000	-	\$ 120 000	\$ 260 000	\$ 125 000
2012 Certificates	415 000	-	65 000	350 000	65 000
Capital leases	1 179 608	335 745	474 320	1 041 033	738 134
TOTAL LONG-TERM DEBT	\$ 1 974 608	\$ 335 745	\$ 659 320	\$ 1 651 033	\$ 928 134

Interest expenses for the year totaled \$62,487.

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

YEAR ENDING SEPTEMBER 30	GENERAL OBLIGATIONS AND CERTIFICATES OF OBLIGATION		CAPITAL LEASES		TOTALS	
	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST	PRINCIPAL	INTEREST
2019	\$ 190 000	\$ 20 700	\$ 738 134	\$ 17 974	\$ 928 134	\$ 38 674
2020	195 000	14 364	302 899	7 524	497 899	21 888
2021	80 000	7 851	-	-	80 000	7 851
2022	70 000	5 076	-	-	70 000	5 076
2023	75 000	2 626	-	-	75 000	2 626
TOTALS	\$ 610 000	\$ 50 617	\$ 1 041 033	\$ 25 498	\$ 1 651 033	\$ 76 115

At year end, the County had cash totaling \$214,178 available in the debt service fund to service long-term debt.

TRINITY COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 September 30, 2018

NOTE 5 - LIABILITIES - CONTINUED

Bonds and other debt payable at September 30, 2018, are comprised of the following:

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

Certificates of Obligation, Series 2012. On June 15, 2012, the County issued \$700,000 of certificates of obligation. The bonds were issued as term bonds at a rate of 3.50%. The bonds are subject to mandatory redemption in prescribed amounts before the maturity date from 2013 to 2023. The net proceeds were used to fund the purchase of the courthouse annex buildings.

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

C. Bond Compliance Requirements

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

D. Interfund Transaction

Internal Balances. Interfund receivable and payable balances are the result of cash needed by a special revenue fund until the fund is able to generate sufficient revenues to cover expenditures. These receivables and payables are netted and eliminated on the government-wide statement of net position. The County did not have any interfund receivable and payable balances at September 30, 2018.

Interfund Transfers. Transfers between funds are indicative of funding for capital projects; lease payments or debt service; subsidies of various County operations; and re-allocations of special revenues. The following schedule summarizes the County's transfers at September 30, 2018:

FUND	TRANSFERS IN	TRANSFERS OUT
General	\$ 7 501	\$ 1 037 353
Road and bridge precinct no. 1	293 285	-
Road and bridge precinct no. 2	118 463	77 289
Road and bridge precinct no. 3	313 751	-
Road and bridge precinct no. 4	373 335	-
Nonmajor special revenue funds	144 439	136 132
TOTALS	\$ 1 250 774	\$ 1 250 774

NOTE 5 - LIABILITIES - CONTINUED

E. Defined Benefit Pension Plan

Plan Description. Trinity County participates as one of 677 plans in the non-traditional 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. TCDRS in the aggregate issues a comprehensive annual financial report ("CAFR") on a calendar year basis. The CAFR is available online at www.tcdrs.org.

Benefits Provided. The County provides retirement benefits for all of its full-time employees. TCDRS is a savings-based plan. For the County's plan, 7% of each employee's pay is deposited into his or her TCDRS account. By law, employee accounts earn 7% interest on beginning of year balances annually. At retirement, the account is matched at an employer set percentage (current match is 150%) and is then converted to an annuity. There are no automatic cost of living adjustments. The plan provisions are adopted by the governing body of the County, within the options available in the Texas state statutes governing TCDRS.

Members can retire at ages 60 and above with 8 or more years of service, with 20 years of service regardless of age, or when the sum of their age and years of service equals 75 or more. Members are vested after eight years of service but must leave their accumulated contributions in the plan to receive any employer-financed benefit. Members who withdraw their personal contributions in a lump sum are not entitled to any amounts contributed by the County.

Employees Covered by Benefit Terms. At December 31, 2017 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	65
Inactive employees entitled to but not yet receiving benefits	114
Active employees	93
	272
	272

Contributions and Actuarial Information. The plan is funded by monthly contributions from both employee members and the County based on the covered payroll of employee members. The contribution rates for employees in TCDRS are either 4%, 5%, 6%, or 7% of employee gross earnings. The employee contribution rate may be changed by the County, within the options available in the TCDRS Act. Under the TCDRS Act, the contribution rate of the County is actuarially determined annually, and the employer is required to contribute at that rate. The employer may increase its contribution rate and/or make additional contributions in excess of its annual required contribution.

The County has not elected the annually determined contribution rate ("ADCR") plan provisions of the TCDRS Act. The County contributed using the actuarially determined rate of 9.29% for calendar year 2017 and 9.29% for calendar year 2018. The contribution rate payable by the employee members for fiscal year 2018 is the rate of 7.0% as adopted by the County. For fiscal year 2018, the County's required contributions equaled actual contributions which totaled \$223,182.

The County's Net Pension Liability/Asset ("NPL") was measured as of December 31, 2017 and the Total Pension Liability ("TPL") used to calculate the NPL was determined by an actuarial valuation as of that date.

TRINITY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
September 30, 2018

NOTE 5 - LIABILITIES - CONTINUED

Actuarial Assumptions. The required contribution was determined as part of the December 31, 2017 actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2017, included (a) 8.0% investment rate of return (net of administrative expenses), and (b) projected salary increases of 4.9%. Both (a) and (b) included an inflation component of 3.0%. 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 five-year period. The total pension liability is being amortized as a level percentage of payroll on a closed basis. The remaining amortization period at December 31, 2017 was 10.5 years.

Salary increases were based on a service-related table. Mortality rates for active members were based on the gender-distinct RP2000 Active Employee Mortality Table, with males calculated with a two-year set-forward, and with females calculated with a four-year setback, both projected to 2014 with scale AA and then projected with 110% of the MP-2014 Ultimate scale after that. Mortality rates for retirees, beneficiaries, and non-depositing members were based on the gender-distinct RP2000 Combined Mortality Table projected to 2014 with scale AA, and then projected with 110% of the MP-2014 Ultimate scale after that, with males calculated with a one-year set-forward and with females calculated with no age adjustment. For disabled annuitants, the gender-distinct RP2000 Disabled Mortality Table is used, projected to 2014 with scale AA, and then projected with 110% of the MP-2014 Ultimate scale after that, with no age adjustment for males and with a two-year set-forward for females.

Updated mortality assumptions were adopted in 2015. All other actuarial assumptions that determined the total pension liability as of December 31, 2017 valuation were based on the results of actuarial experience studies. The experience study in TCDRS was for the period January 1, 2009 through December 31, 2012, except where required to be different by GASB 68. Assumptions are reviewed annually.

The long-term expected rate of return on pension plan investments is 8.10%. The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2017 information for a 7 to 10 year time horizon.

The valuation assumption for a long-term expected return is re-assessed at a minimum of every four years, and is set based on a 30-year time horizon; the most recent analysis was performed in 2013 for the period January 1, 2013 - December 31, 2016. The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>ASSET CLASS</u>	<u>TARGET ALLOCATION</u>	<u>LONG-TERM EXPECTED REAL RATE OF RETURN (GEOMETRIC)</u>
U. S. equities	11.5%	4.55%
Private equity	16.0%	7.55%
Global equities	1.5%	4.85%
International equities - Developed	11.0%	4.55%
International equities - Emerging	8.0%	5.55%
Investment-grade bonds	3.0%	0.75%
Strategic credit	8.0%	4.12%
Direct lending	10.0%	8.06%
Distressed debt	2.0%	6.30%
REIT equities	2.0%	4.05%
Master limited partnerships	3.0%	6.00%
Private real estate partnerships	6.0%	6.25%
Hedge funds	18.0%	4.10%
TOTAL	100.0%	

TRINITY COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 September 30, 2018

NOTE 5 - LIABILITIES - CONTINUED

Discount Rate. The discount rate used to measure the Total Pension Liability was 8.10%, which is net of investment expenses and increased by 0.10% to be gross of administrative expenses. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

Changes in the Net Pension Liability/Asset. A schedule of changes in net pension liability/asset is as follows:

	INCREASE (DECREASE)		
	TOTAL PENSION LIABILITY	PLAN FIDUCIARY NET POSITION	NET POSITION LIABILITY (ASSET)
	(A)	(B)	(A) - (B)
Balance at 12/31/2016	\$ 9 435 633	\$ 8 648 404	\$ 787 229
Changes for the Year:			
Service cost	285 124	-	(285 124)
Interest on total pension liability	764 599	-	(764 599)
Effect of plan changes	-	-	-
Changes of assumptions	69 152	-	(69 152)
Effect of economic/demographic (gains) or losses	(166 220)	-	166 220
Refund of contributions	(30 167)	(30 167)	-
Benefit payments	(543 536)	(543 536)	-
Administrative expenses	-	(6 461)	(6 461)
Employer contributions	-	223 182	223 182
Member contributions	-	168 167	168 167
Net investment income	-	1 259 415	1 259 415
Other	-	(3 602)	(3 602)
NET CHANGES	<u>378 952</u>	<u>1 066 998</u>	<u>(688 046)</u>
Balance at 12/31/2017	<u>\$ 9 814 585</u>	<u>\$ 9 715 402</u>	<u>\$ 99 183</u>

Sensitivity of the Net Pension Liability/Asset to Changes in the Discount Rate. The following presents the net pension liability/asset of the County, calculated using the discount rate of 8.1%, as well as what the County's net pension liability/asset would be if it were calculated using a discount rate that is 1-percentage-point lower (7.1%) or 1-percentage-point higher (9.1%) than the current rate:

	1% DECREASE IN DISCOUNT RATE (7.1%)	DISCOUNT RATE (8.1%)	1% INCREASE IN DISCOUNT RATE (9.1%)
Total pension liability	\$ 10 856 946	\$ 9 814 585	\$ 8 919 682
Fiduciary net position	9 715 402	9 715 402	9 715 402
NET PENSION LIABILITY (ASSET)	<u>\$ 1 141 544</u>	<u>\$ 99 183</u>	<u>\$ (795 720)</u>

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions.

For the year ended September 30, 2018, the County recognized net pension (benefit) expense of \$121,500. Net pension (benefit) expense was charged to functions/programs as follows:

FUNCTION/PROGRAM	GOVERNMENTAL ACTIVITIES
General government	\$ 40 176
Judicial	14 435
Road and bridge	31 781
Public safety	35 108
TOTAL	<u>\$ 121 500</u>

TRINITY COUNTY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS - CONTINUED
 September 30, 2018

NOTE 5 - LIABILITIES - CONTINUED

At September 30, 2018, the County reported deferred amounts related to pension from the following sources:

	DEFERRED INFLOWS OF RESOURCES	DEFERRED OUTFLOWS OF RESOURCES
Difference between expected and actual economic experience	\$ 129 823	\$ -
Difference between projected and actual investment earnings	177 738	-
Changes in actuarial assumptions	-	46 102
Contributions subsequent to the measurement date	-	225 427
TOTALS, GOVERNMENT ACTIVITIES	\$ 307 561	\$ 271 529

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date totaling \$225,427 , will be recognized as a reduction of the net pension liability/asset for the fiscal year ending September 30, 2018. Amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

PLAN YEAR ENDING DECEMBER 31,	
2019	\$ (22 486)
2020	(22 036)
2021	(103 631)
2022	(113 306)
TOTAL	\$ (261 459)

NOTE 6 - OTHER INFORMATION

A. Risk Management

The County is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions, injuries to employees; and natural disasters. The County provides insurance coverage for each of these risks. Management believes such coverage is sufficient to preclude any significant uninsured losses to the County. Settled claims did not exceed this coverage during the current year.

B. Contingent Liabilities

All amounts received or receivable from grant agencies are subject to audit and adjustment by the granting agency. Any disallowed claims, including amounts already collected, may be required to be repaid to the granting agency. The amount, if any, of expenditures that may be disallowed by the grantor cannot be determined at this time, although the County expects such amounts, if any, to be immaterial.

C. Subsequent Events

Management has evaluated subsequent events through June 18, 2019, the date when the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION
(UNAUDITED)

TRINITY COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended September 30, 2018

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Revenues:				
Property taxes	\$ 5 166 206	\$ 5 166 206	\$ 5 003 136	\$ (163 070)
Fines and forfeitures	184 000	184 000	176 884	(7 116)
Fees, licenses, and permits	244 465	243 945	257 296	13 351
Grants and donations	65 300	96 555	115 417	18 862
Payments in lieu of taxes	25 000	25 000	161 013	136 013
Interest	1 500	1 500	4 579	3 079
Other revenue	42 800	78 875	82 279	3 404
TOTAL REVENUES	5 729 271	5 796 081	5 800 604	4 523
Expenditures:				
General Government:				
County Judge	162 979	162 979	162 975	4
County Clerk	121 087	120 087	80 595	39 492
Elections Administrator	79 128	82 023	72 696	9 327
County Auditor	111 461	111 461	110 344	1 117
County Treasurer	82 085	82 085	79 050	3 035
Data processing	67 050	67 050	59 448	7 602
Tax Assessor-Collector	185 380	185 380	180 680	4 700
Veterans office	15 819	15 819	14 544	1 275
Courthouse maintenance	196 147	233 259	233 259	-
County agent	44 081	44 081	42 446	1 635
County insurance	745 000	745 000	554 641	190 359
Non-departmental	366 543	344 667	325 723	18 944
Fringe benefits	39 800	39 800	30 240	9 560
Courthouse miscellaneous	74 550	70 233	52 877	17 356
TOTAL GENERAL GOVERNMENT	2 291 110	2 303 924	1 999 518	304 406
Judicial:				
County Court	28 036	28 036	32 714	(4 678)
District Court	188 415	188 415	208 857	(20 442)
District Clerk	98 539	98 539	94 156	4 383
County Attorney	109 502	114 603	102 042	12 561
District Attorney	99 657	99 657	95 518	4 139
Justice of the Peace, Pct 1	58 318	58 318	57 530	788
Justice of the Peace, Pct 2	59 668	59 668	58 662	1 006
Justice of the Peace, Pct 3	59 018	59 018	58 634	384
Justice of the Peace, Pct 4	60 143	60 218	59 510	708
TOTAL JUDICIAL	761 296	766 472	767 623	(1 151)
Public Safety:				
911/emergency management	34 565	34 565	31 290	3 275
Public safety	89 832	89 832	91 136	(1 304)
Sheriff department	627 275	673 613	673 611	2
Jail	594 183	649 626	650 005	(379)
Constable, Pct No. 1	35 035	35 035	30 631	4 404
Constable, Pct No. 2	33 935	33 935	29 974	3 961
Constable, Pct No. 3	34 335	34 335	28 686	5 649
Constable, Pct No. 4	35 160	35 160	29 441	5 719
TOTAL PUBLIC SAFETY	1 484 320	1 586 101	1 564 774	21 327
Health and Welfare:				
Civic improvements	36 000	94 410	82 910	11 500
Health and welfare	201 000	201 000	158 999	42 001
TOTAL HEALTH AND WELFARE	237 000	295 410	241 909	53 501
Debt Service:				
Debt service	-	70 000	68 691	1 309
TOTAL DEBT SERVICE	-	70 000	68 691	1 309
TOTAL EXPENDITURES	4 773 726	5 021 907	4 642 515	379 392
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	955 545	774 174	1 158 089	383 915

TRINITY COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND - CONTINUED
For the Year Ended September 30, 2018

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Other Financing Sources (Uses):				
Sale of assets	1 000	1 000	12 378	11 378
Transfers in	-	5 101	7 501	2 400
Transfers out	(956 545)	(956 545)	(1 037 353)	(80 808)
NET OTHER FINANCING SOURCES (USES)	<u>(955 545)</u>	<u>(950 444)</u>	<u>(1 017 474)</u>	<u>(67 030)</u>
NET CHANGE IN FUND BALANCE	-	(176 270)	140 615	316 885
Fund balance - Beginning of year	<u>1 019 787</u>	<u>1 019 787</u>	<u>1 019 787</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1 019 787</u>	<u>\$ 843 517</u>	<u>\$ 1 160 402</u>	<u>\$ 316 885</u>

See independent auditors' report.

TRINITY COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ROAD AND BRIDGE PRECINCT NO. 1
For the Year Ended September 30, 2018

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Revenues:				
Fines, licenses and permits	\$ 131 858	\$ 130 858	\$ 129 579	\$ (1 279)
Grants and donations	5 200	107 464	134 845	27 381
Interest	25	25	186	161
TOTAL REVENUES	<u>137 083</u>	<u>238 347</u>	<u>264 610</u>	<u>26 263</u>
Expenditures:				
Road and bridge	360 445	420 950	434 965	(14 015)
Capital outlay	-	42 533	42 533	-
Debt Service:				
Principal	140 350	140 517	140 516	1
Interest	12 673	11 732	11 731	1
TOTAL EXPENDITURES	<u>513 468</u>	<u>615 732</u>	<u>629 745</u>	<u>(14 013)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(376 385)</u>	<u>(377 385)</u>	<u>(365 135)</u>	<u>12 250</u>
Other Financing Sources (Uses):				
Sale of real and personal property	101 000	101 000	101 000	-
Transfers in	276 385	276 385	293 285	16 900
TOTAL OTHER FINANCING SOURCES (USES)	<u>377 385</u>	<u>377 385</u>	<u>394 285</u>	<u>16 900</u>
NET CHANGE IN FUND BALANCES	1 000	-	29 150	29 150
Fund balances - Beginning of year	13 154	13 154	13 154	-
FUND BALANCES - END OF YEAR	<u>\$ 14 154</u>	<u>\$ 13 154</u>	<u>\$ 42 304</u>	<u>\$ 29 150</u>

See independent auditors' report.

TRINITY COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ROAD AND BRIDGE PRECINCT NO. 2
For the Year Ended September 30, 2018

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Revenues:				
Fines, licenses and permits	\$ 50 330	\$ 50 330	\$ 49 837	\$ (493)
Grants and donations	2 000	12 185	14 080	1 895
Interest	100	100	139	39
Other revenue	-	31 695	-	(31 695)
TOTAL REVENUES	<u>52 430</u>	<u>94 310</u>	<u>64 056</u>	<u>(30 254)</u>
Expenditures:				
Road and bridge	97 183	139 073	140 979	(1 906)
TOTAL EXPENDITURES	<u>97 183</u>	<u>139 073</u>	<u>140 979</u>	<u>(1 906)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(44 753)</u>	<u>(44 763)</u>	<u>(76 923)</u>	<u>(32 160)</u>
Other Financing Sources (Uses):				
Transfers in	112 063	111 963	118 463	6 500
Transfers out	(67 200)	(67 200)	(77 289)	(10 089)
TOTAL OTHER FINANCING SOURCES (USES)	<u>44 863</u>	<u>44 763</u>	<u>41 174</u>	<u>(3 589)</u>
NET CHANGE IN FUND BALANCE	110	-	(35 749)	(35 749)
Fund balance - Beginning of year	<u>60 181</u>	<u>60 181</u>	<u>60 181</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 60 291</u>	<u>\$ 60 181</u>	<u>\$ 24 432</u>	<u>\$ (35 749)</u>

See independent auditors' report.

TRINITY COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ROAD AND BRIDGE PRECINCT NO. 3
For the Year Ended September 30, 2018

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Revenues:				
Fines, licenses and permits	\$ 115 759	\$ 115 759	\$ 114 627	\$ (1 132)
Grants and donations	4 600	20 310	108 498	88 188
Interest	200	200	260	60
Other revenue	-	5 808	12 547	6 739
TOTAL REVENUES	<u>120 559</u>	<u>142 077</u>	<u>235 932</u>	<u>93 855</u>
Expenditures:				
Road and bridge	394 712	378 909	402 079	(23 170)
Debt Service:				
Principal	149 560	149 789	149 790	(1)
Interest	8 713	8 091	8 090	1
TOTAL EXPENDITURES	<u>552 985</u>	<u>536 789</u>	<u>559 959</u>	<u>(23 170)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(432 426)</u>	<u>(394 712)</u>	<u>(324 027)</u>	<u>70 685</u>
Other Financing Sources (Uses):				
Sale of assets	106 000	106 000	101 000	(5 000)
Transfers in	288 712	288 712	313 751	25 039
TOTAL OTHER FINANCING SOURCES (USES)	<u>394 712</u>	<u>394 712</u>	<u>414 751</u>	<u>20 039</u>
NET CHANGE IN FUND BALANCE	(37 714)	-	90 724	90 724
Fund balance - Beginning of year	57 865	57 865	57 865	-
FUND BALANCE - END OF YEAR	<u>\$ 20 151</u>	<u>\$ 57 865</u>	<u>\$ 148 589</u>	<u>\$ 90 724</u>

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TRINITY COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ROAD AND BRIDGE PRECINCT NO. 4
For the Year Ended September 30, 2018

	BUDGETED AMOUNTS		ACTUAL AMOUNTS	VARIANCE WITH FINAL BUDGET - POSITIVE (NEGATIVE)
	ORIGINAL	FINAL		
Revenues:				
Fines, licenses and permits	\$ 206 353	\$ 206 353	\$ 204 335	\$ (2 018)
Grants and donations	8 200	8 200	118 965	110 765
Interest	100	100	347	247
Other revenue	-	7 944	58	(7 886)
TOTAL REVENUES	<u>214 653</u>	<u>222 597</u>	<u>323 705</u>	<u>101 108</u>
Expenditures:				
Road and bridge	543 170	551 114	516 140	34 974
Debt Service:				
Principal	118 626	118 626	118 247	379
Interest	5 542	5 542	5 529	13
TOTAL EXPENDITURES	<u>667 338</u>	<u>675 282</u>	<u>639 916</u>	<u>35 366</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(452 685)</u>	<u>(452 685)</u>	<u>(316 211)</u>	<u>136 474</u>
Other Financing Sources (Uses):				
Sale of assets	106 000	106 000	101 000	(5 000)
Transfers in	346 685	346 685	373 335	26 650
TOTAL OTHER FINANCING SOURCES (USES)	<u>452 685</u>	<u>452 685</u>	<u>474 335</u>	<u>21 650</u>
NET CHANGE IN FUND BALANCE	-	-	158 124	158 124
Fund balance - Beginning of year	70 066	70 066	70 066	-
FUND BALANCE - END OF YEAR	<u>\$ 70 066</u>	<u>\$ 70 066</u>	<u>\$ 228 190</u>	<u>\$ 158 124</u>

See independent auditor's report

TRINITY COUNTY, TEXAS
SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)
AND RELATED RATIOS - LAST TEN YEARS*
For the Year Ended September 30, 2018

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability:				
Service cost	\$ 285 124	\$ 268 757	\$ 242 989	\$ 234 680
Interest on the total pension liability	764 599	723 589	700 690	649 068
Effect of plan changes	-	-	(18 062)	-
Effect of assumption changes or inputs	69 152	-	96 428	-
Effect of economic/demographic (gains) or losses	(166 220)	(57 029)	(150 552)	213 927
Benefit payments/refunds of contributions	<u>(573 703)</u>	<u>(590 747)</u>	<u>(536 307)</u>	<u>(470 681)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	378 952	344 570	335 186	626 994
Total pension liability - Beginning	<u>9 435 633</u>	<u>9 091 063</u>	<u>8 755 877</u>	<u>8 128 883</u>
TOTAL PENSION LIABILITY - ENDING	<u>9 814 585</u>	<u>9 435 633</u>	<u>9 091 063</u>	<u>8 755 877</u>
Fiduciary Net Position:				
Employer contributions	223 182	239 138	217 163	204 818
Member contributions	168 167	163 314	152 167	140 838
Investment income net of investment expenses	1 259 415	613 758	111 782	553 575
Benefit payments/refunds of contributions	(573 703)	(590 747)	(536 307)	(470 681)
Administrative expenses	(6 461)	(6 672)	(6 031)	(6 294)
Other	<u>(3 602)</u>	<u>(79 487)</u>	<u>(106 036)</u>	<u>171 667</u>
NET CHANGE IN FIDUCIARY NET POSITION	1 066 998	339 304	(167 262)	593 923
Fiduciary net position - Beginning	<u>8 648 404</u>	<u>8 309 100</u>	<u>8 476 362</u>	<u>7 882 439</u>
FIDUCIARY NET POSITION - ENDING	<u>9 715 402</u>	<u>8 648 404</u>	<u>8 309 100</u>	<u>8 476 362</u>
NET PENSION LIABILITY/(ASSET), ENDING	<u>\$ 99 183</u>	<u>\$ 787 227</u>	<u>\$ 781 963</u>	<u>\$ 279 515</u>
Fiduciary net position as a percentage of total pension liability	98.99%	91.66%	91.40%	96.81%
Pensionable covered payroll	\$ 2 402 389	\$ 2 333 055	\$ 2 173 808	\$ 2 011 972
Net pension liability as a percentage of covered payroll	4.13%	33.74%	35.97%	13.89%

*10 years data will be presented as it becomes available.

See independent auditors' report.

TRINITY COUNTY, TEXAS
 SCHEDULE OF PENSION CONTRIBUTIONS
 LAST TEN FISCAL YEARS*
 For the Year Ended September 30, 2018

YEAR ENDING SEPTEMBER 30,	ACTUARIALLY DETERMINE CONTRIBUTION	ACTUAL EMPLOYER CONTRIBUTION	CONTRIBUTION DEFICIENCY (EXCESS)	PENSIONABLE COVERED PAYROLL	ACTUAL CONTRIBUTION AS A % OF COVERED PAYROLL
2015	\$ 217 163	\$ 217 163	\$ -	\$ 2 173 808	10.0%
2016	\$ 239 138	\$ 239 138	\$ -	\$ 2 333 055	10.2%
2017	\$ 223 182	\$ 223 182	\$ -	\$ 2 402 389	9.3%

*10 years data will be presented as it becomes available

See independent auditors' report.

TRINITY COUNTY, TEXAS
NOTES TO THE SCHEDULE OF PENSION CONTRIBUTIONS
September 30, 2018

Valuation Date Actuarially determined contribution rates are calculated as of December 31, two years prior to the end of the fiscal year in which the contributions are reported.

Methods and Assumptions Used to Determine Contribution Rates

<i>Actuarial Cost Method</i>	Entry Age
<i>Amortization Method</i>	Level percentage of payroll, Closed
<i>Amortization Period</i>	10.5 years
<i>Asset Valuation Method</i>	5-year smoothed market
<i>Inflation</i>	3.0%
<i>Salary Increases</i>	4.9% average over career including inflation, varies by age and service
<i>Investment Rate of Return</i>	8.0%, net of investment expenses, including inflation
<i>Cost-of-Living Adjustments</i>	0.0%
<i>Retirement Age</i>	Members who are eligible for service retirement are assumed to commence receiving benefit payments based on age. The average age at service retirement for recent retirees is 61.
<i>Mortality</i>	In the 2015 actuarial valuation, assumed life expectancies were adjusted as a result of adopting a new projection scale (110% of the MP-2014 Ultimate Scale) for 2014 and later. Previously, Scale AA had been used. The base table is the RP-2000 table projected with Scale AA to 2014.

Other Information

No changes in plan provisions are reflected in the Schedule of Pension Contributions.

Presentation of Schedule

In accordance with GASB standards, the District reports contribution activity included in the Schedule of Pension Contributions based on the District's fiscal year end of September 30.

SUPPLEMENTARY INFORMATION

COMBINING FUND STATEMENTS

TRINITY COUNTY, TEXAS
 COMBINING SCHEDULE OF NET ASSETS
 NONMAJOR GOVERNMENTAL FUNDS
 September 30, 2018

	DEBT SERVICE FUND	NONMAJOR SPECIAL REVENUE FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
ASSETS			
Cash and cash equivalents	\$ 214 178	\$ 561 562	\$ 775 740
Receivables:			
Property taxes (net of allowance)	10 247	-	10 247
Due from other funds	-	2	2
TOTAL ASSETS	\$ 224 425	\$ 561 564	\$ 785 989
 LIABILITIES			
Accounts payable	\$ -	\$ 165	\$ 165
Accrued expenses	-	1 928	1 928
Due to others	-	18 228	18 228
TOTAL LIABILITIES	-	20 321	20 321
 DEFERRED INFLOWS			
Unavailable revenues	10 247	79 167	89 414
TOTAL DEFERRED INFLOWS	10 247	79 167	89 414
 FUND BALANCES			
Restricted	214 178	413 636	627 814
Assigned	-	48 440	48 440
TOTAL FUND BALANCES	214 178	462 076	676 254
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 224 425	\$ 561 564	\$ 785 989

See independent auditors' report.

TRINITY COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 For the Year Ended September 30, 2018

	DEBT SERVICE FUND	NONMAJOR SPECIAL REVENUE FUNDS	TOTAL NONMAJOR GOVERNMENTAL FUNDS
Revenues:			
Property taxes	\$ 247 796	\$ -	\$ 247 796
Other taxes	-	15 122	15 122
Fines and forfeitures	-	142 569	142 569
Fees, licenses and permits	-	102 015	102 015
Grants and contributions	-	285 675	285 675
Interest	309	461	770
Other revenue	-	20 687	20 687
TOTAL REVENUES	248 105	566 529	814 634
Expenditures:			
General government	-	44 415	44 415
Judicial	-	35 792	35 792
Public safety	-	74 451	74 451
Road and bridge	-	18 000	18 000
Health and welfare	-	15 227	15 227
Pass-through expenditures	-	185 533	185 533
Capital outlay	-	76 814	76 814
Debt service	211 692	-	211 692
TOTAL EXPENDITURES	211 692	450 232	661 924
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	36 413	116 297	152 710
Other Financing Sources (Uses):			
Transfers out	-	(136 132)	(136 132)
Transfers in	-	144 439	144 439
TOTAL OTHER FINANCING SOURCES (USES)	-	8 307	8 307
NET CHANGE IN FUND BALANCES	36 413	124 604	161 017
Fund balance - Beginning of year	177 765	337 472	515 237
FUND BALANCE - END OF YEAR	\$ 214 178	\$ 462 076	\$ 676 254

See independent auditors' report.

TRINITY COUNTY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 September 30, 2018

	RECORDS MANAGEMENT	LAW LIBRARY	SECURITY FEE	FAMILY PRESERVATION
ASSETS				
Cash and cash equivalents	\$ 166 805	\$ 21 911	\$ 37 849	\$ -
Due from other funds	<u>2</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 166 807</u>	<u>\$ 21 911</u>	<u>\$ 37 849</u>	<u>\$ -</u>
 LIABILITIES				
Accounts payable	\$ 25	\$ 81	\$ -	\$ -
Accrued expenses	-	-	-	-
Due to other funds	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>25</u>	<u>81</u>	<u>-</u>	<u>-</u>
 DEFERRED INFLOWS				
Unavailable revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL DEFERRED INFLOWS	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
 FUND BALANCES				
Restricted	166 782	21 830	37 849	-
Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL FUND BALANCES	<u>166 782</u>	<u>21 830</u>	<u>37 849</u>	<u>-</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	 <u>\$ 166 807</u>	 <u>\$ 21 911</u>	 <u>\$ 37 849</u>	 <u>\$ -</u>

See independent auditors' report.

<u>SEIZED FUNDS</u>	<u>JURY SERVICE</u>	<u>COURT TECHNOLOGY</u>	<u>SPECIAL CRIME FUNDS</u>	<u>LEOSE EDUCATION</u>	<u>HOTEL/MOTEL TAX</u>
\$ 193 543	\$ 5 611	\$ 5 243	\$ 7 717	\$ 27 042	\$ 11 813
-	-	-	-	-	-
<u>\$ 193 543</u>	<u>\$ 5 611</u>	<u>\$ 5 243</u>	<u>\$ 7 717</u>	<u>\$ 27 042</u>	<u>\$ 11 813</u>
\$ 59	\$ -	\$ -	\$ -	\$ -	\$ -
8	1 886	-	-	-	-
18 228	-	-	-	-	-
<u>18 295</u>	<u>1 886</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
70 000	-	-	-	-	-
<u>70 000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
105 248	-	5 243	-	27 042	11 813
-	3 725	-	7 717	-	-
<u>105 248</u>	<u>3 725</u>	<u>5 243</u>	<u>7 717</u>	<u>27 042</u>	<u>11 813</u>
<u>\$ 193 543</u>	<u>\$ 5 611</u>	<u>\$ 5 243</u>	<u>\$ 7 717</u>	<u>\$ 27 042</u>	<u>\$ 11 813</u>

TRINITY COUNTY, TEXAS
 COMBINING BALANCE SHEET - CONTINUED
 NONMAJOR SPECIAL REVENUE FUNDS
 September 30, 2018

	AIRPORT	COURTHOUSE PRESERVATION	GRANT FUNDS
ASSETS			
Cash and cash equivalent	\$ 2 849	\$ 36 998	\$ 44 181
Due from other funds	-	-	-
TOTAL ASSETS	\$ 2 849	\$ 36 998	\$ 44 181
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Accrued expenses	-	-	34
Due to other funds	-	-	-
TOTAL LIABILITIES	-	-	34
DEFERRED INFLOWS			
Unavailable revenues	-	-	9 167
TOTAL DEFERRED INFLOWS	-	-	9 167
FUND BALANCES			
Restricted	2 849	-	34 980
Assigned	-	36 998	-
TOTAL FUND BALANCES	2 849	36 998	34 980
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES	\$ 2 849	\$ 36 998	\$ 44 181

See independent auditors' report.

SCHOOL FUND	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
\$ -	\$ 561 562
<u>-</u>	<u>2</u>
<u>\$ -</u>	<u>\$ 561 564</u>
\$ -	\$ 165
-	1 928
<u>-</u>	<u>18 228</u>
<u>-</u>	<u>20 321</u>
<u>-</u>	<u>79 167</u>
<u>-</u>	<u>79 167</u>
-	413 636
<u>-</u>	<u>48 440</u>
<u>-</u>	<u>462 076</u>
<u>\$ -</u>	<u>\$ 561 564</u>

TRINITY COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES
 NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended September 30, 2018

	RECORDS MANAGEMENT	LAW LIBRARY	SECURITY FEE	FAMILY PRESERVATION
Revenues:				
Fines and forfeitures	\$ -	\$ -	\$ -	\$ -
Fees, licenses, and permits	79 577	9 058	8 860	-
Other taxes	-	-	-	-
Grants and contributions	-	-	-	-
Interest	134	22	39	-
Other revenue	-	18	-	-
	-	18	-	-
TOTAL REVENUES	79 711	9 098	8 899	-
Expenditures:				
General government	41 468	-	-	-
Judicial	-	7 423	4 400	-
Public safety	-	-	-	-
Road and bridge	-	-	-	-
Health and welfare	-	-	-	-
Pass-through expenditures	-	-	-	-
Capital outlay	-	-	-	-
	-	-	-	-
TOTAL EXPENDITURES	41 468	7 423	4 400	-
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	38 243	1 675	4 499	-
Other Financing Sources (Uses):				
Transfers out	(122 270)	-	-	-
Transfers in	123 270	-	-	-
	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	1 000	-	-	-
NET CHANGE IN FUND BALANCES	39 243	1 675	4 499	-
Fund balance - Beginning of year	127 539	20 155	33 350	-
FUND BALANCE - END OF YEAR	\$ 166 782	\$ 21 830	\$ 37 849	\$ -

See independent auditors' report.

<u>SEIZED FUNDS</u>	<u>JURY SERVICE</u>	<u>COURT TECHNOLOGY</u>	<u>SPECIAL CRIME FUNDS</u>	<u>LEOSE EDUCATION</u>	<u>HOTEL/MOTEL TAX</u>
\$ 142 569	\$ -	\$ -	\$ -	\$ -	\$ -
-	1 167	3 353	-	-	-
-	-	-	-	-	15 122
-	-	-	-	2 825	-
143	4	3	7	25	9
<u>12 639</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>155 351</u>	<u>1 171</u>	<u>3 356</u>	<u>7</u>	<u>2 850</u>	<u>15 131</u>
-	-	-	-	-	-
-	-	371	-	-	-
37 785	-	-	-	586	-
-	-	-	-	-	-
-	-	-	-	-	15 227
-	-	-	-	-	-
<u>76 814</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>114 599</u>	<u>-</u>	<u>371</u>	<u>-</u>	<u>586</u>	<u>15 227</u>
-	-	-	-	-	-
40 752	1 171	2 985	7	2 264	(96)
(6 361)	-	-	-	-	-
<u>18 394</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
<u>12 033</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	-	-	-	-	-
52 785	1 171	2 985	7	2 264	(96)
<u>52 463</u>	<u>2 554</u>	<u>2 258</u>	<u>7 710</u>	<u>24 778</u>	<u>11 909</u>
<u>\$ 105 248</u>	<u>\$ 3 725</u>	<u>\$ 5 243</u>	<u>\$ 7 717</u>	<u>\$ 27 042</u>	<u>\$ 11 813</u>

TRINITY COUNTY, TEXAS
 COMBINING STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES - CONTINUED
 NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended September 30, 2018

	AIRPORT	COURTHOUSE PRESERVATION	GRANT FUNDS
Revenues:			
Fines and forfeitures	\$ -	\$ -	\$ -
Fees, licenses, and permits	-	-	-
Other taxes	-	-	-
Grants and contributions	100	-	97 217
Interest	2	69	4
Other revenue	-	-	8 030
	102	69	105 251
Expenditures:			
General government	-	-	2 947
Judicial	-	-	23 598
Public safety	-	-	36 080
Road and bridge	-	-	18 000
Health and welfare	-	-	-
Pass-through expenditures	-	-	-
Capital outlay	-	-	-
	-	-	80 625
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	102	69	24 626
Other Financing Sources (Uses):			
Transfers out	-	-	(7 501)
Transfers in	-	-	2 775
	-	-	(4 726)
NET CHANGE IN FUND BALANCES	102	69	19 900
Fund balance - Beginning of year	2 747	36 929	15 080
FUND BALANCE - END OF YEAR	\$ 2 849	\$ 36 998	\$ 34 980

See independent auditors' report.

SCHOOL FUNDS	TOTAL NONMAJOR SPECIAL REVENUE FUNDS
\$ -	\$ 142 569
-	102 015
-	15 122
185 533	285 675
-	461
-	20 687
<u>185 533</u>	<u>566 529</u>
-	44 415
-	35 792
-	74 451
-	18 000
-	15 227
185 533	185 533
-	76 814
<u>185 533</u>	<u>450 232</u>
-	116 297
-	(136 132)
-	144 439
-	8 307
-	124 604
-	337 472
<u>\$ -</u>	<u>\$ 462 076</u>

TRINITY COUNTY, TEXAS
 COMBINING SCHEDULE OF FIDUCIARY NET ASSETS
 September 30, 2018

	GENERAL ESCROW FUND	COUNTY TAX ASSESSOR COLLECTOR FUND	COUNTY AGENCY FUND
ASSETS			
Restricted cash	\$ 137,216	\$ 72,397	\$ 25,887
TOTAL ASSETS	\$ 137,216	\$ 72,397	\$ 25,887
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	-	-
Due to County	-	-	25,887
Amounts held for others	137,216	72,397	-
TOTAL LIABILITIES	\$ 137,216	\$ 72,397	\$ 25,887

See independent auditors' report.

DISTRICT CLERK TRUST FUND	UNCLAIMED MONEY FUND	DISTRICT ATTORNEY HOT CHECK FUND	RESTITUTION FUND	COMBINED FIDUCIARY FUNDS
\$ 203 729	\$ 3 799	\$ 777	\$ 5 755	\$ 449 560
<u>\$ 203 729</u>	<u>\$ 3 799</u>	<u>\$ 777</u>	<u>\$ 5 755</u>	<u>\$ 449 560</u>
\$ -	\$ 905	\$ -	\$ -	\$ 905
-	2 894	-	3 381	6 275
-	-	-	2 374	28 261
203 729	-	777	-	414 119
<u>\$ 203 729</u>	<u>\$ 3 799</u>	<u>\$ 777</u>	<u>\$ 5 755</u>	<u>\$ 449 560</u>

COMPLIANCE SECTION

INDEPENDENT AUDITORS' 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

Honorable County Judge and
Members of the Commissioners' Court
Trinity County, Texas

We have audited, in accordance with the 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, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Trinity County, Texas (the "County") as of and for the year ended September 30, 2018, and the related notes to the financial statements, which collectively comprise Trinity County, Texas' basic financial statements and have issued our report thereon dated June 18, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the County's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the County's internal control. Accordingly, we do not express an opinion on the effectiveness of the County's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings (findings 001 to 005) that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Trinity County, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Trinity County, Texas' Response to Findings

Trinity County, Texas' response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Trinity County's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the County's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the County's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


CERTIFIED PUBLIC ACCOUNTANTS

Lufkin, Texas
June 18, 2019

TRINITY COUNTY, TEXAS
SCHEDULE OF AUDIT FINDINGS
For the Year Ended September 30, 2018

2018-001

Condition. The County maintains several petty cash balances that are held within various offices and not recorded in the general ledger of the County.

Criteria. All assets of the County should be recorded and monitored within the financial accounting system.

Effect. The County has no record of the amounts, and not controls, or review of the petty cash accounts. This results in possible fraud, theft, or abuse, and inaccurate financial reporting.

Recommendation. We recommend that the County record all petty cash in the general ledger of the County, and establish procedures for period inspection and review of the balance.

View of Responsible Officials and Corrective Action Plan. Management agrees with the recommendation. The County will create a general ledger account for petty cash funds and procedures will be established for period inspection and review of balances of all petty cash funds held by various offices.

2018-002

Condition. In the examination of bank activity, we noted that not all bank accounts are reconcile, not all activity is recorded in the correct period, and the reconciliations are not done in a timely manner.

Cause. By not performing a bank reconciliation and adjusting the general ledger to the bank balance, the County may have understated the balance of cash, and left the possibility of outstanding checks or bank errors to effect the County's cash position. By not recording the activity until the subsequent period, the County may have misstated cash. By not performing the bank reconciliations in a timely manner, the County may be subject to loss with the bank only required to make corrections if notified within 45 days.

Effect. The cash balance of the County may be misstated.

Recommendation. We recommend that all banks be reconciled within a 30 day period, and that activity be recorded in the period incurred to assure the cash balances are properly stated.

View of Responsible Officials and Corrective Action Plan. Management agrees with the recommendation. All bank accounts will be reconciled in a more timely manner and activity recorded in the period incurred to assure the cash balances are properly stated.

2018-003

Condition. In our examination of the accounts payable in the general ledger of the County, we noted that a significant amount of prior year activity was not reversed against the expense in the current year.

Cause. The County primarily records accounts payable at year end, and operates on a quasi-cash basis during the interim. By not reconciling and reversing prior year accounts payable, the County may have exceeded budget with expenditures incurring during an incorrect period.

Effect. The County budget is not operating effectively if the accounts payable are not recorded in the correct period.

Recommendation. The County should reconcile the accounts payable at the end of each year, and reverse the payables after the year end to assure the recording of expenditures in the proper period.

View of Responsible Officials and Corrective Action Plan. Management agrees with the recommendation. The County Auditor will reconcile the accounts payable at the end of each year, and reverse the payables after the year end to assure the recording of expenditures in the proper period.

TRINITY COUNTY, TEXAS
SCHEDULE OF AUDIT FINDINGS - CONTINUED
For the Year Ended September 30, 2018

2018-004

Condition. We noted several offices, that the access to specific functions within the software and physical access are not appropriately limited, and the duties are not segregated by functional need.

Cause. By not having adequate segregation of duties, the controls established within the offices cannot be relied upon to assure the operations.

Effect. Fraud of material misstatement may occur and not be detected by the controls in a timely manner.

Recommendation. The supervisors need to review the physical and software access controls within their offices to assure that the key functions are separated.

View of Responsible Officials and Corrective Action Plan. Management agrees with the recommendation. Due to the limited number of staff, it is sometimes difficult to segregate all duties within the department. Action will be taken by supervisors to review duties and software access controls within their offices and determine what controls need to be established and assure the key functions are separated.

2018-005

Condition. In our testing of the County payroll system, we noted that not all employee I-9's could be located in the personnel files.

Cause. Department of Labor regulations require an I-9 to be maintained for each individual employed by the County and has issued a new form I-9 effective during the 2019 year.

Effect. The County is subject to compliance finding and fines related to non-compliance with the required documentation for each employee.

Recommendation. We recommend that to comply with the Department of Labor requirements for I-9's the County obtain current I-9's on all County employees.

View of Responsible Officials and Corrective Action Plan. Management agrees with the recommendation. The County will establish payroll procedures and controls to update and maintain I-9's for all County employees to comply with Department of Labor requirements.

TRINITY COUNTY, TEXAS
SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended September 30, 2018

2017-001

Significant Deficiency: Fines Receivable

From prior year finding, 2016-001, with updated status

Condition. The JP offices were unable to produce reports detailing the amount of fines outstanding at year end. It is speculated that the reports were unavailable because they should have been generated at each month end and could not be reproduced after the fact.

Criteria or Specific Requirements. These reports track fines assessed, collected and/or adjusted, as well as the outstanding balances for each JP's office. Collections are reviewed each month by the County Auditor. However, these reports are needed at year end to adjust the receivable balances.

Effect. Possible fraud, theft, or misappropriation of funds; inaccurate reporting; decreased collections.

Recommendation. We recommend that the County Auditor establish a procedure to ensure that all activity relating to fines receivable be tracked each month and that reports supporting the amounts are available.

Status. Continuing to address the process.

2017-002

Significant Deficiency: Fixed Asset Inventory Reporting

Condition. The County adopted a fixed asset inventory reporting policy in March, 2016. The policy defines the County's capitalization criteria and establishes a procedure for periodic inventory of these assets. However, the policy does not address fixed asset acquisitions or disposals.

Criteria or Specific Requirements. Proper accounting for capital assets, as well as requirements relating to any fixed assets acquired from grants and/or other federal funds, involves the development of an appropriate control system to safeguard and maintain the equipment and to provide for final disposal once the equipment is no longer needed.

Effect. Possible fraud, theft, inaccurate reporting and/or non-compliance with grants, laws, or other regulations.

Recommendation. We recommend that the County review and revise, as needed, its fixed asset policy to address items noted above.

Status. Resolved