

**TRINITY COUNTY, TEXAS**  
**AUDITED FINANCIAL STATEMENTS**  
**AND COMPLIANCE REPORT**  
**SEPTEMBER 30, 2017**



## **INTRODUCTORY SECTION**

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**TRINITY COUNTY, TEXAS  
PRINCIPAL PUBLIC OFFICIALS  
SEPTEMBER 30, 2017**

**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 Dockens .....County 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 Shiro..... District 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

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**FINANCIAL SECTION**

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# Todd, Hamaker & Johnson, LLP

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CERTIFIED PUBLIC ACCOUNTANTS

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

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

## INDEPENDENT AUDITORS' REPORT

To the Honorable County Judge and  
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, 2017, 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.

### *Auditors' 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 auditors' 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 entity'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 entity'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.

## INDEPENDENT AUDITORS' REPORT – CONTINUED

### *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, 2017, 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 on pages 11 - 17 and 59 - 73, respectively, 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 the County's 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 on pages 79 - 88 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 February 26, 2018, on pages 91 - 92, on our consideration of the County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts,

**INDEPENDENT AUDITORS' REPORT – CONTINUED**

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 *Government Auditing Standards* in considering the County's internal control over financial reporting and compliance.

*Todd, Hamaker & Johnson, LLP*

Todd, Hamaker & Johnson, LLP  
Lufkin, Texas

February 26, 2018

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**TRINITY COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017  
(UNAUDITED)**

As management of Trinity County, Texas (the "County"), we offer readers of the County's financial statements this narrative overview and analysis of the financial activities of the County for the fiscal year ended September 30, 2017. 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 total liabilities and deferred inflows by \$7,809,544 (net position) at September 30, 2017.
- Total assets and deferred outflows decreased by \$283,778 over the prior year; total liabilities and deferred inflows decreased by \$463,373 over the prior year.
- Overall revenues exceeded expenses by \$179,595.

**Fund financial statements**

- At the close of the current fiscal year, the County's governmental funds reported a combined fund balance of \$1,737,074. Overall revenues exceeded expenditures by \$363,141.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-wide Financial Statements.** The *government-wide financial statements*, which begin on page 23 of this report, are designed to provide readers with a broad overview of the County's finances, in a manner similar to a private-sector business.

The 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 and liabilities, with the difference between the two 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  
FOR THE YEAR ENDED SEPTEMBER 30, 2017  
(UNAUDITED)**

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

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

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

The governmental fund financial statements can be found on pages 28 to 35 of this report.

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

The fiduciary fund financial statement can be found on page 37 of this report.

**Notes to the Financial Statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 41 to 56 of this report.

## **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of government's financial position. The County's assets exceeded its liabilities by \$7,809,544 at September 30, 2017.

The largest portion of the County's net position, or \$6,148,671, reflects its investment in capital assets (\$8,123,279) less the related debt used to acquire those assets that remains outstanding (\$1,974,608). 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 \$455,559) represents resources that are subject to restriction on how they may be used.

The remaining balance of \$1,205,314 is unrestricted in nature.

**TRINITY COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017  
(UNAUDITED)**

**The County's Net Position**

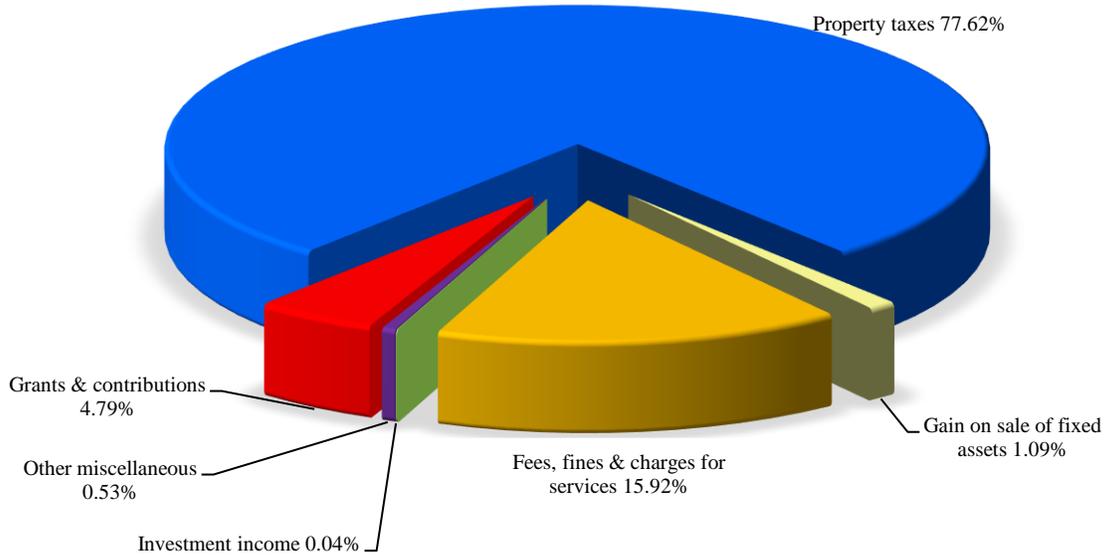
	<u>2017</u>	<u>2016</u>
<b>ASSETS</b>		
Current and other assets	\$ 2,259,814	\$ 2,166,473
Capital assets, net	<u>8,123,279</u>	<u>8,361,279</u>
Total assets	<u>10,383,093</u>	<u>10,527,752</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	<u>618,716</u>	<u>757,835</u>
<b>LIABILITIES</b>		
Long-term liabilities	2,761,835	2,804,366
Other liabilities	<u>342,226</u>	<u>750,903</u>
Total liabilities	<u>3,104,061</u>	<u>3,555,269</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	<u>88,204</u>	<u>100,369</u>
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	6,148,671	6,338,876
Restricted	455,559	375,766
Unrestricted	<u>1,205,314</u>	<u>915,307</u>
Total net position	<u>\$ 7,809,544</u>	<u>\$ 7,629,949</u>

**Change in Net Position**

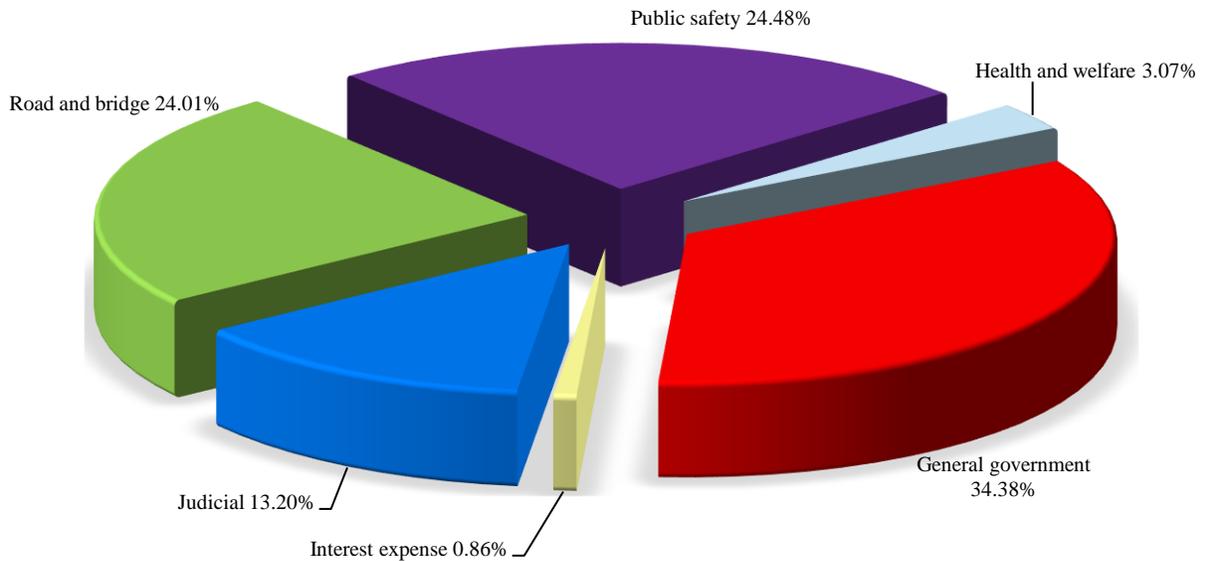
	<u>2017</u>	<u>2016</u>
<b>Revenues</b>		
Fees, fines, charges for services	\$ 1,075,917	\$ 1,184,423
Grants and contributions, net of pass-through expenditures	323,783	1,178,391
Property taxes	5,219,615	4,889,759
Payment in lieu of taxes	24,865	26,411
Investment income	2,930	2,620
Gain on sale of assets	73,649	10,989
Other miscellaneous	<u>35,756</u>	<u>369,852</u>
Total revenues	<u>6,756,515</u>	<u>7,662,445</u>
<b>Expenses</b>		
General government	2,261,450	3,030,480
Judicial	868,147	912,443
Public safety	1,609,796	1,566,450
Road and bridge	1,579,245	1,621,204
Health and welfare	201,920	289,284
Interest on long-term debt	<u>56,362</u>	<u>53,303</u>
Total expenses	<u>6,576,920</u>	<u>7,473,164</u>
Increase (decrease) in net position	179,595	189,281
Net position at beginning of year	<u>7,629,949</u>	<u>7,440,668</u>
Net position at end of year	<u>\$ 7,809,544</u>	<u>\$ 7,629,949</u>

**TRINITY COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017  
(UNAUDITED)**

**Revenues by Source  
For the Fiscal Year Ended September 30, 2017**



**Expenses by Function  
For the Fiscal Year Ended September 30, 2017**



**TRINITY COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017  
(UNAUDITED)**

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

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

The County's governmental fund financial statements are presented on pages 28 to 35.

As of September 30, 2017, the County's governmental funds reported a combined positive fund balance of \$1,737,074.

This fund balance is comprised of \$608,418 that is either in a nonspendable form, restricted, or assigned for specific purposes. The remaining balance, \$1,128,656, is unassigned. During the year, the fund balance in the County's governmental funds increased by \$363,141.

**Budgetary Comparisons.** A comparison of the County's major fund's budget and actual results are presented as required supplementary information on pages 59 to 67.

*General Fund.* No change (revenues equal to expenditures) in fund balance was budgeted for the fund. Actual results yielded a \$301,774 increase in fund balance, with a favorable budget variance of \$301,774.

*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 \$10,466 increase in fund balance, with a favorable budget variance of \$10,466.

*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 \$7,805 decrease in fund balance, with an unfavorable budget variance of \$7,805.

*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 \$19,436 decrease in fund balance, with an unfavorable budget variance of \$19,436.

*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 \$13,654 decrease in fund balance, with an unfavorable budget variance of \$13,654.

**TRINITY COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017  
(UNAUDITED)**

**CAPITAL ASSETS**

The County's investment in capital assets as of September 30, 2017 totaled \$8,123,279 (net of accumulated depreciation). This investment includes land, building, equipment, improvements (other than buildings).

Capital assets of \$758,360 were purchased during the year. Significant purchases included:

- Software for the justices of the peace
- Various equipment and building improvements
- Various trucks and heavy equipment (partially funded by capital leases/notes)

**Capital Assets (Net of Depreciation)**

	2017	2016
Land	\$ 44,999	\$ 44,999
Construction in progress	-	18,228
Buildings and improvements	7,294,617	7,244,159
Infrastructure	899,108	899,108
Rolling stock	3,143,905	3,268,031
Furniture and equipment	913,501	866,647
Less: accumulated depreciation	(4,172,851)	(3,979,893)
Total	\$ 8,123,279	\$ 8,361,279

**DEBT ADMINISTRATION**

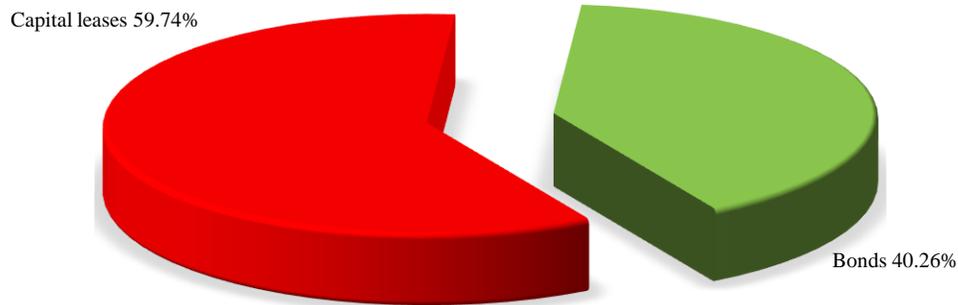
At the end of the current fiscal year, the County had total debt and capital lease obligations of \$1,974,608.

**Debt Outstanding**

	Beginning Balance	Additions	Reductions	Ending Balance
Short-term notes	\$ 20,030	\$ -	\$ (20,030)	\$ -
Capital leases	1,047,403	548,633	(416,428)	1,179,608
Bond obligations	975,000	-	(180,000)	795,000
Total	\$ 2,042,433	\$ 548,633	\$ (616,458)	\$ 1,974,608

**TRINITY COUNTY, TEXAS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017  
(UNAUDITED)**

**Total Debt Outstanding  
September 30, 2017**



**REQUESTS FOR INFORMATION**

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

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**BASIC FINANCIAL STATEMENTS**

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**GOVERNMENT-WIDE FINANCIAL STATEMENTS**

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**TRINITY COUNTY, TEXAS**  
**STATEMENT OF NET POSITION**  
**SEPTEMBER 30, 2017**

	Primary Government	
	Governmental Activities	Total
<b>ASSETS</b>		
Cash and cash equivalents	\$ 1,400,189	\$ 1,400,189
Receivables		
Property taxes, net of allowance for uncollectibles	311,926	311,926
Fines, net of allowance for uncollectibles	35,171	35,171
Prepays	29,842	29,842
Restricted assets		
Cash and cash equivalents	482,686	482,686
Capital assets, net of accumulated depreciation	8,123,279	8,123,279
<b>TOTAL ASSETS</b>	<b>10,383,093</b>	<b>10,383,093</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension plan	618,716	618,716
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>618,716</b>	<b>618,716</b>
<b>LIABILITIES</b>		
Accounts payable	113,533	113,533
Accrued expenses	125,876	125,876
Accrued interest	15,487	15,487
Accrued compensated absences	73,113	73,113
Unearned revenue - 2017 salary supplements	14,217	14,217
Noncurrent liabilities		
Net pension liability	787,227	787,227
Due within one year	659,881	659,881
Due in more than one year	1,314,727	1,314,727
<b>TOTAL LIABILITIES</b>	<b>3,104,061</b>	<b>3,104,061</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension plan	88,204	88,204
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>88,204</b>	<b>88,204</b>
<b>NET POSITION</b>		
Invested in capital assets, net of related debt	6,148,671	6,148,671
Restricted for:		
General government	2,747	2,747
Debt service	177,765	177,765
Judicial/courts	25,008	25,008
Records management	127,539	127,539
Hotel/motel tax	11,909	11,909
Law enforcement	110,591	110,591
Unrestricted	1,205,314	1,205,314
<b>TOTAL NET POSITION</b>	<b>\$ 7,809,544</b>	<b>\$ 7,809,544</b>

See accompanying notes to the financial statements.

**TRINITY COUNTY, TEXAS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Functions/Programs	Expenses
Primary government	
Governmental activities	
General government	\$ 2,261,450
Judicial	868,147
Public safety	1,609,796
Road and bridge	1,579,245
Health and welfare	201,920
Pass-through expenditures	29,354
Interest on long-term debt	56,362
Total governmental activities	6,606,274

Program Revenues			Net (Expenses) Revenues and Changes in Net Position
Fees, Fines, Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
\$ 126,051	\$ 58,102	\$ -	\$ (2,077,297)
243,163	117,439	-	(507,545)
213,549	36,493	12,499	(1,347,255)
474,457	50,571	-	(1,054,217)
18,697	48,679	-	(134,544)
-	29,354	-	-
-	-	-	(56,362)
<u>1,075,917</u>	<u>340,638</u>	<u>12,499</u>	<u>(5,177,220)</u>

General revenues	
Property taxes	5,219,615
Investment income	2,930
Payments in lieu of taxes	24,865
Gain on sale of assets	73,649
Miscellaneous income	<u>35,756</u>
Total general revenues	<u>5,356,815</u>
Change in net position	179,595
Net position - beginning	<u>7,629,949</u>
Net position - ending	<u>\$ 7,809,544</u>

See accompanying notes to the financial statements.

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**FUND FINANCIAL STATEMENTS**

**TRINITY COUNTY, TEXAS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2017**

	<u>General Fund</u>	<u>Road and Bridge Fund Pct No. 1</u>	<u>Road and Bridge Fund Pct No. 2</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,091,114	\$ 23,213	\$ 62,254
Receivables			
Property taxes, net of allowance for uncollectibles	299,962	-	-
Fines, net of allowance for uncollectibles	35,171	-	-
Grants	-	-	-
Other	-	-	-
Due from other funds	-	-	-
Prepaid items	<u>21,161</u>	<u>2,354</u>	<u>221</u>
<b>TOTAL ASSETS</b>	<b><u>\$ 1,447,408</u></b>	<b><u>\$ 25,567</u></b>	<b><u>\$ 62,475</u></b>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 42,173	\$ 7,652	\$ 1,361
Accrued expenses	111,893	4,761	933
Accrued interest	-	-	-
Unearned revenue - 2017 salary supplements	14,217	-	-
Due to other funds	-	-	-
Short term notes payable	-	-	-
Total liabilities	<u>168,283</u>	<u>12,413</u>	<u>2,294</u>
Deferred inflows of resources:			
Unavailable revenue - property taxes	259,338	-	-
Unavailable revenue - fines	<u>-</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>259,338</u>	<u>-</u>	<u>-</u>
Fund balances:			
Nonspendable	21,161	2,354	221
Restricted	2,595	-	-
Assigned	-	-	59,960
Unassigned	<u>996,031</u>	<u>10,800</u>	<u>-</u>
Total fund balances	<u>1,019,787</u>	<u>13,154</u>	<u>60,181</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<b><u>\$ 1,447,408</u></b>	<b><u>\$ 25,567</u></b>	<b><u>\$ 62,475</u></b>

Road and Bridge Fund Pct No. 3	Road and Bridge Fund Pct No. 4	Nonmajor Governmental Funds	Total Governmental Funds
\$ 107,563	\$ 81,851	\$ 516,880	\$ 1,882,875
-	-	11,964	311,926
-	-	-	35,171
-	-	-	-
-	-	-	-
-	-	-	-
<u>2,612</u>	<u>3,494</u>	<u>-</u>	<u>29,842</u>
<u>\$ 110,175</u>	<u>\$ 85,345</u>	<u>\$ 528,844</u>	<u>\$ 2,259,814</u>
\$ 49,602	\$ 11,757	\$ 988	\$ 113,533
2,708	3,522	2,059	125,876
-	-	-	-
-	-	-	14,217
-	-	-	-
-	-	-	-
<u>52,310</u>	<u>15,279</u>	<u>3,047</u>	<u>253,626</u>
-	-	9,776	269,114
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>9,776</u>	<u>269,114</u>
2,612	3,494	-	29,842
-	-	452,964	455,559
-	-	63,057	123,017
<u>55,253</u>	<u>66,572</u>	<u>-</u>	<u>1,128,656</u>
<u>57,865</u>	<u>70,066</u>	<u>516,021</u>	<u>1,737,074</u>
<u>\$ 110,175</u>	<u>\$ 85,345</u>	<u>\$ 528,844</u>	<u>\$ 2,259,814</u>

See accompanying notes to the financial statements.

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**TRINITY COUNTY, TEXAS**  
**RECONCILIATION OF THE BALANCE SHEET - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Total fund balances - governmental funds balance sheet	\$ 1,737,074
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.	8,123,279
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.	530,512
Certain revenues are not available to pay current period expenditures and therefore, are reported as deferred inflows in the governmental funds.	269,114
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.	(88,600)
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>(2,761,835)</u>
Net position of governmental activities	<u>\$ 7,809,544</u>

See accompanying notes to the financial statements.

**TRINITY COUNTY, TEXAS**  
**STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	General Fund	Road and Bridge Fund Pct No. 1	Road and Bridge Fund Pct No. 2
<b>REVENUES</b>			
Property taxes	\$ 4,775,589	\$ -	\$ -
Fines and forfeitures	194,286	-	-
Fees, licenses, and permits	289,107	123,233	47,397
Intergovernmental revenue and grants	232,657	5,592	31,212
Contributions and donations from private sources	14,814	-	-
Payment in lieu of taxes	24,865	-	-
Investment earnings	1,814	43	130
Other revenue	38,772	-	208
Total revenues	5,571,904	128,868	78,947
<b>EXPENDITURES</b>			
General government	1,944,416	-	-
Judicial	820,698	-	-
Public safety	1,422,385	-	-
Road and bridge	2,000	320,417	109,379
Health and welfare	184,431	-	-
Pass-through expenditures	-	-	-
Capital outlay	195,579	285,874	-
Debt service			
Principal	45,857	13,565	-
Interest	1,982	5,816	-
Total expenditures	4,617,348	625,672	109,379
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>954,556</b>	<b>(496,804)</b>	<b>(30,432)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of real and personal property	2,937	47,369	-
Proceeds from notes/capital leases	42,753	280,291	-
Transfers in	-	179,610	93,760
Transfers out	(698,472)	-	(71,133)
Net other financing sources (uses)	(652,782)	507,270	22,627
<b>NET CHANGE IN FUND BALANCE</b>	<b>301,774</b>	<b>10,466</b>	<b>(7,805)</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<b>718,013</b>	<b>2,688</b>	<b>67,986</b>
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 1,019,787</b>	<b>\$ 13,154</b>	<b>\$ 60,181</b>

Road and Bridge Fund Pct No. 3	Road and Bridge Fund Pct No. 4	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ 261,792	\$ 5,037,381
-	-	14,988	209,274
109,013	194,328	121,898	884,976
4,947	8,819	46,498	329,725
-	-	-	14,814
-	-	-	24,865
219	130	594	2,930
<u>11,094</u>	<u>587</u>	<u>6,561</u>	<u>57,222</u>
<u>125,273</u>	<u>203,864</u>	<u>452,331</u>	<u>6,561,187</u>
-	-	64,165	2,008,581
-	-	10,234	830,932
-	-	15,435	1,437,820
357,172	459,918	-	1,248,886
-	-	15,939	200,370
-	-	29,354	29,354
123,569	139,255	14,084	758,361
24,683	5,323	180,000	269,428
2,474	3,077	32,824	46,173
<u>507,898</u>	<u>607,573</u>	<u>362,035</u>	<u>6,829,905</u>
<u>(382,625)</u>	<u>(403,709)</u>	<u>90,296</u>	<u>(268,718)</u>
15,750	17,169	-	83,225
112,795	112,795	-	548,634
234,644	260,091	1,500	769,605
-	-	-	(769,605)
<u>363,189</u>	<u>390,055</u>	<u>1,500</u>	<u>631,859</u>
(19,436)	(13,654)	91,796	363,141
<u>77,301</u>	<u>83,720</u>	<u>424,225</u>	<u>1,373,933</u>
<u>\$ 57,865</u>	<u>\$ 70,066</u>	<u>\$ 516,021</u>	<u>\$ 1,737,074</u>

See accompanying notes to the financial statements.

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**TRINITY COUNTY, TEXAS**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES**  
**AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Net change in fund balance - governmental funds	\$	363,141
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.		758,361
The depreciation of capital assets used in governmental activities is not reported in the governmental funds.		(659,783)
The net effect of other miscellaneous transactions involving capital assets (i.e. sales, non-cash donations, trade-ins, disposals) decreases net position.		(9,576)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		151,033
Repayment of long-term debt is an expenditure in the governmental funds, but is not an expense in the statement of activities.		269,428
Proceeds from the issuance of long-term debt (e.g. bonds, leases) do not provide revenue in the statement of activities, but are reported as current resources in the governmental funds.		(548,633)
Amount represents the change in accrued compensated absences from the beginning of the period to the end of the period.		(1,969)
This amount represents the change in net pension assets and liabilities from the beginning of the period to the end of the period.		(132,219)
Amount represents the change in accrued interest from the beginning of the period to the end of the period.		<u>(10,188)</u>
Change in net position of governmental activities	\$	<u><u>179,595</u></u>

See accompanying notes to the financial statements.

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**TRINITY COUNTY, TEXAS**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**SEPTEMBER 30, 2017**

	<u>Agency Funds</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ <u>441,925</u>
<b>TOTAL ASSETS</b>	<b>\$ <u>441,925</u></b>
<b>LIABILITIES</b>	
Amounts held for others	\$ 326,935
Due to other units	<u>114,990</u>
<b>TOTAL LIABILITIES</b>	<b>\$ <u>441,925</u></b>

See accompanying notes to the financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS**

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**TRINITY COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Introduction**

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

**Reporting Entity**

Trinity County, Texas (the “County”) is 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.

**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.

**New Accounting Pronouncements**

GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14* (“GASB 80”), addresses financial statement presentation requirements for certain component units. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2016. Implementation of GASB 80 did not have an impact on the County’s financial disclosures.

**TRINITY COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68, and No. 73* (“GASB 82”), addresses issues regarding the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee contribution requirements. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2016. Implementation of GASB 80 did not have an impact on the County’s financial disclosures.

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. The effects of implementing GASB 83 on the County’s financial disclosures have not been evaluated by management.

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. 85, *Omnibus 2017* (“GASB 85”), addresses practice issues that have been identified during implementation of certain GASB Statements, including those related to blending component units, goodwill, fair value measurement, and postemployment benefits. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2017. The effects of implementing GASB 85 on the County’s financial disclosures have not been evaluated by management.

GASB Statement No. 86, *Certain Debt Extinguishment Issues* (“GASB 86”), is intended to improve consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources—resources other than the proceeds of refunding debt—are placed in an irrevocable trust for the sole purpose of extinguishing debt. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2017. The effects of implementing GASB 86 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.

**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.

**TRINITY COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

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.

*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.

**TRINITY COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Fund Balance**

**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.

Certificates of deposit consist of deposits with original maturities greater than three months.

The County is required by the Public Funds Collateral Act (Government 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.

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 Funds Investment Act.

**TRINITY COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**Fair Value of Financial Instruments**

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

**Receivables**

Property tax receivables 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.

**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.

**Prepaid Items**

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

**Capital Assets, 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 costs 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. GASB No. 34 encourages but does not require Phase 3 governments (counties with revenues of less than \$10 million) to retroactively report major general infrastructure assets. New roads and bridges acquired after October 1, 2003 are required to be reported. 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:

Buildings and improvements	5 to 40 years
Office furniture and equipment	3 to 7 years
Rolling stock	2 to 7 years
Infrastructure	20 to 30 years

**TRINITY COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**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 three 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 three 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.

**Compensated Absences**

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

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

**Long-term Obligations**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in governmental activities. Bond premiums and discounts 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 service expenditures.

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

**TRINITY COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

**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 TMRS’s Fiduciary Net Position have been determined on the same basis as they are reported by TCDRS. 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.

**Net Position and Fund Balances**

In the government-wide financial statements, the difference between the County’s total assets and total liabilities represents net position. Net position is displayed in three components – invested in capital assets, net of related debt; restricted; and unrestricted. At September 30, 2017, 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.

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

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

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

Unassigned – all other spendable amounts.

**Estimates**

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

**STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgets and Budgetary Process**

The County Judge submits an annual budget to the Commissioners Court for review and approval prior to September of the upcoming fiscal year. Routinely, several budget workshops are held in which the original

**TRINITY COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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 on pages 59 to 67.

**DETAILED NOTES ON ALL FUNDS**

**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, 2017, the County's cash deposits with depository banks totaled \$2,512,430, including agency funds totaling \$668,588. All deposits were fully secured by FDIC coverage and securities pledged by the depository banks with total collateral value of \$5,297,334.

**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:

	<u>Property Taxes</u>	<u>Fines</u>	<u>Totals</u>
Receivables by activity			
General fund	\$ 2,048,413	\$ 1,172,371	\$ 3,220,784
Debt service fund	<u>81,700</u>	<u>-</u>	<u>81,700</u>
Total receivables	<u>2,130,113</u>	<u>1,172,371</u>	<u>3,302,484</u>
Allowance for uncollectibles			
General fund	(1,748,451)	(1,137,200)	(2,885,651)
Debt service fund	<u>(69,736)</u>	<u>-</u>	<u>(69,736)</u>
Total allowance	<u>(1,818,187)</u>	<u>(1,137,200)</u>	<u>(2,955,387)</u>
Total receivables, net	<u>\$ 311,926</u>	<u>\$ 35,171</u>	<u>\$ 347,097</u>

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*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, 2017 (tax year 2016), was \$.6500 per \$100 of assessed valuation. Of this rate, \$.0339 was allocated to debt service and \$.6161 was allocated to maintenance and operation.

Of the \$2,130,113 in property taxes receivable, \$1,733,917 represents the outstanding balances of assessments for tax years 2015 and prior.

**Capital Assets**

A summary of changes in capital assets for the year ended September 30, 2017, is as follows:

	<u>Balance</u> <u>09/30/2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>09/30/2017</u>
<b>Capital assets, not being depreciated</b>				
Land	\$ 44,999	\$ -	\$ -	\$ 44,999
Construction in progress	<u>18,228</u>	<u>-</u>	<u>(18,228)</u>	<u>-</u>
Total not being depreciated	<u>63,227</u>	<u>-</u>	<u>(18,228)</u>	<u>44,999</u>
<b>Capital assets, being depreciated</b>				
Buildings and improvements	7,244,159	50,458	-	7,294,617
Infrastructure	899,108	-	-	899,108
Rolling stock	3,268,031	545,265	(669,391)	3,143,905
Furniture and equipment	<u>866,647</u>	<u>58,845</u>	<u>(11,991)</u>	<u>913,501</u>
Total being depreciated	<u>12,277,945</u>	<u>654,568</u>	<u>(681,382)</u>	<u>12,251,131</u>
<b>Less accumulated depreciation:</b>				
Buildings and improvements	(1,121,738)	(190,415)	-	(1,312,153)
Infrastructure	(104,259)	(84,666)	-	(188,925)
Rolling stock	(2,052,927)	(310,090)	454,961	(1,908,056)
Furniture and equipment	<u>(700,969)</u>	<u>(74,612)</u>	<u>11,864</u>	<u>(763,717)</u>
Total accumulated depreciation	<u>(3,979,893)</u>	<u>(659,783)</u>	<u>466,825</u>	<u>(4,172,851)</u>
Total being depreciated, net	<u>8,298,052</u>	<u>(5,215)</u>	<u>(214,557)</u>	<u>8,078,280</u>
Total capital assets, net	<u>\$ 8,361,279</u>	<u>\$ (5,215)</u>	<u>\$ (232,785)</u>	<u>\$ 8,123,279</u>
				<u>(1,974,608)</u>
				<u>\$ 6,148,671</u>

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

General government	\$ 218,381
Judicial	10,152
Road and bridge	300,633
Public safety	<u>130,617</u>
Total	<u>\$ 659,783</u>

**TRINITY COUNTY, TEXAS**  
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**LIABILITIES**

**Short-term Debt**

From time to time, the County will utilize short-term financing to provide for certain operating expenditures. During the current fiscal year, all short-term debt outstanding from the prior year was paid-off. The following presents a summary of the changes in short-term debt activity for the current fiscal year.

	<u>General Fund</u>	<u>Road and Bridge Funds</u>	<u>Totals</u>
Balance, September 30, 2016	\$ -	\$ 20,030	\$ 20,030
Additional borrowings	-	-	-
Principal payments	-	(20,030)	(20,030)
Balance, September 30, 2017	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**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.

The assets acquired through capital leases are as follows:

	<u>General Fund</u>	<u>Road and Bridge Funds</u>	<u>Totals</u>
Asset:			
Rolling stock	\$ 139,928	\$ 1,078,397	\$ 1,218,325
Less accumulated depreciation	(28,051)	(301,734)	(329,785)
Total	<u>\$ 111,877</u>	<u>\$ 776,663</u>	<u>\$ 888,540</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2017, were as follows:

<u>Year ending September 30,</u>	<u>General Fund</u>	<u>Road and Bridge Funds</u>	<u>Totals</u>
2018	\$ 68,961	\$ 433,903	\$ 502,864
2019	22,114	395,282	417,396
2020	-	310,080	310,080
2021	-	-	-
2022	-	-	-
2023	-	-	-
Total minimum lease payments	\$ 91,075	\$ 1,139,266	\$ 1,230,341
Less amount representing interest	(2,465)	(48,268)	(50,733)
Present value of minimum lease payments	<u>\$ 88,610</u>	<u>\$ 1,090,998</u>	<u>\$ 1,179,608</u>

**TRINITY COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**Long-term Liabilities**

Long-term liability activity for the year ended September 30, 2017, was as follows:

	<u>Balance</u> <u>09/30/16</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>09/30/17</u>	<u>Due Within</u> <u>One Year</u>
Bonds payable –					
2012 Refunding	\$ 495,000	\$ -	\$ (115,000)	\$ 380,000	\$ 120,000
2012 Certificates	480,000	-	(65,000)	415,000	65,000
Capital leases	<u>1,047,403</u>	<u>548,633</u>	<u>(416,428)</u>	<u>1,179,608</u>	<u>474,881</u>
Total long-term debt	<u>\$ 2,022,403</u>	<u>\$ 548,633</u>	<u>\$ (596,428)</u>	<u>\$ 1,974,608</u>	<u>\$ 659,881</u>

Interest expense for the year totaled \$56,362. Interest payments made during the year totaled \$46,174.

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

Year Ending	<u>General Obligations and</u> <u>Certificates of Obligation</u>		<u>Capital Leases</u>		<u>Totals</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
September 30,						
2018	\$ 185,000	\$ 26,875	\$ 474,881	\$ 27,983	\$ 659,881	\$ 54,858
2019	190,000	20,700	402,362	15,034	592,362	35,734
2020	195,000	14,363	302,365	7,716	497,365	22,079
2021	80,000	7,850	-	-	80,000	7,850
2022	70,000	5,075	-	-	70,000	5,075
2023-2027	<u>75,000</u>	<u>2,625</u>	<u>-</u>	<u>-</u>	<u>75,000</u>	<u>2,625</u>
Totals	<u>\$ 795,000</u>	<u>\$ 77,488</u>	<u>\$ 1,179,608</u>	<u>\$ 50,733</u>	<u>\$ 1,974,608</u>	<u>\$ 128,221</u>

At year end, the County had cash totaling \$175,577 available in the debt service fund to service long-term debt.

Bonds and other debt payable at September 30, 2017, 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.

**TRINITY COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**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.

**Interfund Transactions**

*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, 2017.

*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, 2017:

Fund	Transfers In	Transfers Out
General	\$ -	\$ (698,472)
Road and bridge precinct no. 1	179,610	-
Road and bridge precinct no. 2	93,760	(71,133)
Road and bridge precinct no. 3	234,644	-
Road and bridge precinct no. 4	260,091	-
Nonmajor special revenue funds		
DA seized funds	1,500	-
Totals	\$ 769,605	\$ (769,605)

**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](http://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.

**TRINITY COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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**Employees Covered by Benefit Terms.** At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	66
Inactive employees entitled to but not yet receiving benefits	112
Active employees	92
	270

**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 10.25% for calendar year 2016 and 9.29% for calendar year 2017. The contribution rate payable by the employee members for fiscal year 2017 is the rate of 7.00% as adopted by the County. For fiscal year 2017, the County’s required contributions equaled actual contributions which totaled \$225,969.

The County’s Net Pension Liability/Asset (“NPL”) was measured as of December 31, 2016, and the Total Pension Liability (“TPL”) used to calculate the NPL was determined by an actuarial valuation as of that date.

**Actuarial Assumptions.** The required contribution was determined as part of the December 31, 2016, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2016, included (a) 8.0% investment rate of return (net of administrative expenses), and (b) projected salary increases of 4.9 percent. Both (a) and (b) included an inflation component of 3.0 percent. The actuarial value of assets was determined using techniques that spread the effects of short-term volatility in the market value of investments over a 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, 2016, was 12.4 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, 2016 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.

**TRINITY COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
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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 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, 2009 - December 31, 2012. 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>
US equities	13.5%	4.70%
Private equity	16.0%	7.70%
Global equities	1.5%	5.00%
International equities - developed	10.0%	4.70%
International equities - emerging	7.0%	5.70%
Investment-grade bonds	3.0%	0.60%
High-yield bonds	3.0%	3.70%
Opportunistic credit	2.0%	3.83%
Direct lending	10.0%	8.15%
Distressed debt	3.0%	6.70%
REIT equities	2.0%	3.85%
Master limited partnerships	3.0%	5.60%
Private real estate partnerships	6.0%	7.20%
Hedge funds	<u>20.0%</u>	3.85%
Total	100.0%	

**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 and employer 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.

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**TRINITY COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

*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 Pension Liability (Asset)
	(a)	(b)	(a) - (b)
Balance at 12/31/2015	\$ 9,091,063	\$ 8,309,100	\$ 781,963
Changes for the year:			
Service cost	268,757	-	268,757
Interest on total pension liability	723,589	-	723,589
Effect of plan changes	-	-	-
Change of assumptions	-	-	-
Effect of economic/demographic (gains) or losses	(57,029)	-	(57,029)
Refund of contributions	(54,044)	(54,044)	-
Benefit payments	(536,703)	(536,703)	-
Administrative expenses	-	(6,672)	6,672
Employer contributions	-	239,138	(239,138)
Member contributions	-	163,314	(163,314)
Net investment income	-	613,758	(613,758)
Other	-	(79,485)	79,485
Net changes	<u>344,570</u>	<u>339,306</u>	<u>5,264</u>
Balance at 12/31/2016	<u>\$ 9,435,633</u>	<u>\$ 8,648,406</u>	<u>\$ 787,227</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 <u>(7.1%)</u>	Discount Rate <u>(8.1%)</u>	1% Increase in Discount Rate <u>(9.1%)</u>
Total pension liability	\$ 10,422,806	\$ 9,435,631	\$ 8,599,046
Fiduciary net position	<u>8,648,404</u>	<u>8,648,404</u>	<u>8,648,404</u>
Net pension liability (asset)	<u>\$ 1,774,402</u>	<u>\$ 787,227</u>	<u>\$ (49,358)</u>

*Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions.* For the year ended September 30, 2017, the County recognized net pension (benefit) expense of \$358,187. Net pension (benefit) expense was charged to functions/programs as follows:

<u>Function/program</u>	<u>Governmental Activities</u>
General government	\$ 90,314
Judicial	73,475
Road and bridge	83,767
Public safety	106,433
Health and welfare	4,198
Total	<u>\$ 358,187</u>

**TRINITY COUNTY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**SEPTEMBER 30, 2017**

At September 30, 2017, the County reported deferred amounts related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ (88,204)
Difference between projected and actual investment earnings	417,674	-
Changes in actuarial assumptions	32,142	-
Contributions subsequent to the measurement date	<u>168,900</u>	<u>-</u>
Totals, governmental activities	<u>\$ 618,716</u>	<u>\$ (88,204)</u>

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date totaling \$168,900, 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:

<u>Plan Year ended December 31,</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Net</u>
2016	\$ 343,229	\$ (69,194)	\$ 274,035
2017	142,185	(19,010)	123,175
2018	123,626	-	123,626
2019	<u>9,676</u>	<u>-</u>	<u>9,676</u>
Total	<u>\$ 618,716</u>	<u>\$ (88,204)</u>	<u>\$ 530,512</u>

**OTHER INFORMATION**

**Risk Management**

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

**Contingent Liabilities**

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.

**Subsequent Events**

Management has evaluated subsequent events through February 26, 2018, the date when the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

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**TRINITY COUNTY, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Original	Final	Actual Amounts		Variances	
	Adopted	Appropriated	Fund	Budgetary	Fav (Unfav)	
	Budget	Budget	Basis	Basis	Final to Actual	
			Adjustments			
<b>REVENUES</b>						
Property taxes	\$ 4,849,683	\$ 4,849,683	\$ 4,775,589	\$ -	\$ 4,775,589	\$ (74,094)
Fines and forfeitures	150,000	150,000	194,286	-	194,286	44,286
Fees, licenses, and permits	306,192	306,192	289,107	-	289,107	(17,085)
Intergovernmental revenue and grants	171,700	270,388	232,657	-	232,657	(37,731)
Contributions and donations	-	2,000	14,814	-	14,814	12,814
Payment in lieu of taxes	25,000	25,000	24,865	-	24,865	(135)
Investment earnings	6,500	6,500	1,814	-	1,814	(4,686)
Other revenue	8,058	8,058	38,772	-	38,772	30,714
Total revenues	<u>5,517,133</u>	<u>5,617,821</u>	<u>5,571,904</u>	<u>-</u>	<u>5,571,904</u>	<u>(45,917)</u>
<b>EXPENDITURES</b>						
<b>General government</b>						
County judge	148,928	148,928	147,957	-	147,957	971
County clerk	118,177	118,177	114,461	-	114,461	3,716
Elections administrator	49,563	64,516	62,261	-	62,261	2,255
County auditor	111,460	111,460	102,184	-	102,184	9,276
County treasurer	73,701	83,451	78,163	-	78,163	5,288
Data processing	85,200	85,200	36,219	49,760 a	85,979	(779)
Tax assessor-collector	182,984	182,984	186,774	-	186,774	(3,790)
Veterans office	16,422	16,422	14,810	-	14,810	1,612
Courthouse maintenance	213,639	173,639	184,737	-	184,737	(11,098)
County agent	42,700	42,700	42,105	-	42,105	595
County insurance	577,000	577,000	535,577	-	535,577	41,423
Non-departmental	411,988	366,374	313,884	-	313,884	52,490
Fringe benefits	57,000	57,000	57,214	-	57,214	(214)
Courthouse miscellaneous	110,000	100,250	62,881	-	62,881	37,369
Community center	-	-	1,945	-	1,945	(1,945)
TCSO Pig Bash	-	-	3,244	-	3,244	(3,244)
Total general government	<u>2,198,762</u>	<u>2,128,101</u>	<u>1,944,416</u>	<u>49,760</u>	<u>1,994,176</u>	<u>133,925</u>
<b>Judicial</b>						
County court	26,450	26,450	29,988	-	29,988	(3,538)
District court	214,401	214,401	179,541	-	179,541	34,860
District clerk	81,730	91,530	86,528	-	86,528	5,002
County attorney - county portion	94,786	104,535	100,174	-	100,174	4,361
County attorney - state portion	87,033	87,033	81,240	-	81,240	5,793
District attorney - county portion	91,534	91,534	87,747	-	87,747	3,787
District attorney - state portion	27,500	27,500	22,517	-	22,517	4,983
Justice of the peace, Pct No. 1	58,765	58,765	58,780	-	58,780	(15)
Justice of the peace, Pct No. 2	60,115	60,115	58,109	-	58,109	2,006
Justice of the peace, Pct No. 3	59,465	59,465	57,911	-	57,911	1,554
Justice of the peace, Pct No. 4	60,321	60,321	58,163	-	58,163	2,158
Total judicial	<u>862,100</u>	<u>881,649</u>	<u>820,698</u>	<u>-</u>	<u>820,698</u>	<u>60,951</u>
<b>Public safety</b>						
County judge	-	-	16	-	16	(16)
911 / emergency management	36,599	36,599	27,647	-	27,647	8,952
Public safety	92,832	92,832	90,703	6,525 a	97,228	(4,396)
Sheriff department	611,562	664,522	652,664	-	652,664	11,858
Jail	586,369	538,409	541,552	-	541,552	(3,143)
Constable, Pct No. 1	20,784	41,384	24,799	-	24,799	16,585
Constable, Pct No. 2	32,522	29,522	27,416	-	27,416	2,106

**TRINITY COUNTY, TEXAS**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**  
**(CONTINUED)**

	Original	Final	Actual Amounts		Variances	
	Adopted Budget	Appropriated Budget	Fund Basis	Adjustments	Budgetary Basis	Fav (Unfav) Final to Actual
Public safety - continued						
Constable, Pct No. 3	34,022	34,022	28,705	-	28,705	5,317
Constable, Pct No. 4	33,009	33,009	28,883	-	28,883	4,126
Total public safety	1,447,699	1,470,299	1,422,385	6,525	1,428,910	41,389
Road and bridge						
Commissioners	-	-	2,000	-	2,000	(2,000)
Total road and bridge	-	-	2,000	-	2,000	(2,000)
Health and welfare						
County judge	13,600	13,600	13,148	-	13,148	452
Civic improvements	56,000	26,000	28,988	-	28,988	(2,988)
DSHS health project	-	83,735	41,550	-	41,550	42,185
Health and welfare	216,000	216,000	100,745	-	100,745	115,255
Total health and welfare	285,600	339,335	184,431	-	184,431	154,904
Capital outlay						
Sheriff department	-	25,014	98,412	(43,153) a	55,259	(30,245)
Data processing	-	-	49,760	(49,760) a	-	-
District Attorney	-	-	7,500	-	7,500	(7,500)
Environmental enforcement	-	-	6,525	(6,525) a	-	-
Civic improvements	-	30,000	15,000	-	15,000	15,000
Courthouse maintenance	-	40,000	18,382	-	18,382	21,618
Total capital outlay	-	95,014	195,579	(99,438)	96,141	(1,127)
Debt service						
Principal	100,000	100,000	45,857	43,153 a	89,010	10,990
Interest	-	-	1,982	-	1,982	(1,982)
Total expenditures	4,894,161	5,014,398	4,617,348	-	4,617,348	397,050
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	622,972	603,423	954,556	-	954,556	351,133
OTHER FINANCING SOURCES (USES)						
Sale of real and personal property	-	-	2,937	-	2,937	2,937
Proceeds from notes/capital leases	-	-	42,753	-	42,753	42,753
Transfers in	9,000	28,549	-	-	-	(28,549)
Transfers out	(631,972)	(631,972)	(698,472)	-	(698,472)	(66,500)
Net other financing sources (uses)	(622,972)	(603,423)	(652,782)	-	(652,782)	(49,359)
NET CHANGE IN FUND BALANCE	-	-	301,774	-	301,774	301,774
FUND BALANCE - BEGINNING OF YEAR	718,013	718,013	718,013	-	718,013	-
FUND BALANCE - END OF YEAR	\$ 718,013	\$ 718,013	\$ 1,019,787	\$ -	\$ 1,019,787	\$ 301,774

Notes: Adjustments from fund basis to budgetary basis consist of the following:  
a - Expense reclassification (capital purchase coded as other expenditure)

**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, 2017**

	Original	Final	Actual Amounts		Variances	
	Adopted Budget	Appropriated Budget	Fund Basis	Adjustments	Budgetary Basis	Fav (Unfav) Final to Actual
<b>REVENUES</b>						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-	-	-
Fees, licenses, and permits	155,196	155,196	123,233	-	123,233	(31,963)
Intergovernmental revenue and grants	43,914	43,914	5,592	-	5,592	(38,322)
Contributions and donations	-	-	-	-	-	-
Payment in lieu of taxes	-	-	-	-	-	-
Investment earnings	950	950	43	-	43	(907)
Other revenue	-	-	-	-	-	-
<b>Total revenues</b>	<b>200,060</b>	<b>200,060</b>	<b>128,868</b>	<b>-</b>	<b>128,868</b>	<b>(71,192)</b>
<b>EXPENDITURES</b>						
General government	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Road and bridge	433,387	262,220	320,417	(2,500) a	317,917	(55,697)
Health and welfare	-	-	-	-	-	-
Capital outlay	-	16,167	285,874	2,500 a	288,374	(272,207)
Debt service						
Principal	46,627	206,627	13,565	-	13,565	193,062
Interest	10,515	10,515	5,816	-	5,816	4,699
<b>Total expenditures</b>	<b>490,529</b>	<b>495,529</b>	<b>625,672</b>	<b>-</b>	<b>625,672</b>	<b>(130,143)</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>						
	<b>(290,469)</b>	<b>(295,469)</b>	<b>(496,804)</b>	<b>-</b>	<b>(496,804)</b>	<b>(201,335)</b>
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of real and personal property	127,760	127,760	47,369	-	47,369	(80,391)
Proceeds from notes/capital leases	-	-	280,291	-	280,291	280,291
Transfers in	162,709	167,709	179,610	-	179,610	11,901
Transfers out	-	-	-	-	-	-
<b>Net other financing sources (uses)</b>	<b>290,469</b>	<b>295,469</b>	<b>507,270</b>	<b>-</b>	<b>507,270</b>	<b>211,801</b>
<b>NET CHANGE IN FUND BALANCE</b>						
	<b>-</b>	<b>-</b>	<b>10,466</b>	<b>-</b>	<b>10,466</b>	<b>10,466</b>
<b>FUND BALANCE - BEGINNING OF YEAR</b>						
	<b>2,688</b>	<b>2,688</b>	<b>2,688</b>	<b>-</b>	<b>2,688</b>	<b>-</b>
<b>FUND BALANCE - END OF YEAR</b>						
	<b>\$ 2,688</b>	<b>\$ 2,688</b>	<b>\$ 13,154</b>	<b>\$ -</b>	<b>\$ 13,154</b>	<b>\$ 10,466</b>

Notes: Adjustments from fund basis to budgetary basis consist of the following:  
a - Expense reclassification (capital purchase coded as other expenditure)

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**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, 2017**

	Original	Final	Actual Amounts		Variances	
	Adopted Budget	Appropriated Budget	Fund Basis	Adjustments	Budgetary Basis	Fav (Unfav) Final to Actual
<b>REVENUES</b>						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-	-	-
Fees, licenses, and permits	59,690	59,690	47,397	-	47,397	(12,293)
Intergovernmental revenue and grants	51,752	51,752	31,212	-	31,212	(20,540)
Contributions and donations	-	-	-	-	-	-
Payment in lieu of taxes	-	-	-	-	-	-
Investment earnings	100	100	130	-	130	30
Other revenue	-	-	208	-	208	208
Total revenues	<u>111,542</u>	<u>111,542</u>	<u>78,947</u>	<u>-</u>	<u>78,947</u>	<u>(32,595)</u>
<b>EXPENDITURES</b>						
General government	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Road and bridge	91,740	126,602	109,379	-	109,379	17,223
Health and welfare	-	-	-	-	-	-
Capital outlay	5,000	5,000	-	-	-	5,000
Debt service						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	<u>96,740</u>	<u>131,602</u>	<u>109,379</u>	<u>-</u>	<u>109,379</u>	<u>22,223</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>						
	<u>14,802</u>	<u>(20,060)</u>	<u>(30,432)</u>	<u>-</u>	<u>(30,432)</u>	<u>(10,372)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of real and personal property	-	-	-	-	-	-
Proceeds from notes/capital leases	-	-	-	-	-	-
Transfers in	87,260	87,260	93,760	-	93,760	6,500
Transfers out	<u>(67,200)</u>	<u>(67,200)</u>	<u>(71,133)</u>	<u>-</u>	<u>(71,133)</u>	<u>(3,933)</u>
Net other financing sources (uses)	<u>20,060</u>	<u>20,060</u>	<u>22,627</u>	<u>-</u>	<u>22,627</u>	<u>2,567</u>
<b>NET CHANGE IN FUND BALANCE</b>	34,862	-	(7,805)	-	(7,805)	(7,805)
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>67,986</u>	<u>67,986</u>	<u>67,986</u>	<u>-</u>	<u>67,986</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 102,848</u>	<u>\$ 67,986</u>	<u>\$ 60,181</u>	<u>\$ -</u>	<u>\$ 60,181</u>	<u>\$ (7,805)</u>

See Independent Auditors' Report and Notes to the Financial Statements.

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**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, 2017**

	Original	Final	Actual Amounts		Variances	
	Adopted Budget	Appropriated Budget	Fund Basis	Adjustments	Budgetary Basis	Fav (Unfav) Final to Actual
<b>REVENUES</b>						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-	-	-
Fees, licenses, and permits	137,289	137,289	109,013	-	109,013	(28,276)
Intergovernmental revenue and grants	38,847	38,847	4,947	-	4,947	(33,900)
Contributions and donations	-	-	-	-	-	-
Payment in lieu of taxes	-	-	-	-	-	-
Investment earnings	1,000	1,000	219	-	219	(781)
Other revenue	-	-	11,094	-	11,094	11,094
Total revenues	<u>177,136</u>	<u>177,136</u>	<u>125,273</u>	<u>-</u>	<u>125,273</u>	<u>(51,863)</u>
<b>EXPENDITURES</b>						
General government	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Road and bridge	438,740	269,772	357,172	-	357,172	(87,400)
Health and welfare	-	-	-	-	-	-
Capital outlay	15,000	33,850	123,569	-	123,569	(89,719)
Debt service						
Principal	39,516	208,484	24,683	-	24,683	183,801
Interest	5,641	5,641	2,474	-	2,474	3,167
Total expenditures	<u>498,897</u>	<u>517,747</u>	<u>507,898</u>	<u>-</u>	<u>507,898</u>	<u>9,849</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>						
	<u>(321,761)</u>	<u>(340,611)</u>	<u>(382,625)</u>	<u>-</u>	<u>(382,625)</u>	<u>(42,014)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of real and personal property	106,000	106,000	15,750	-	15,750	(90,250)
Proceeds from notes/capital leases	-	-	112,795	-	112,795	112,795
Transfers in	215,761	234,611	234,644	-	234,644	33
Transfers out	-	-	-	-	-	-
Net other financing sources (uses)	<u>321,761</u>	<u>340,611</u>	<u>363,189</u>	<u>-</u>	<u>363,189</u>	<u>22,578</u>
<b>NET CHANGE IN FUND BALANCE</b>						
	-	-	(19,436)	-	(19,436)	(19,436)
<b>FUND BALANCE - BEGINNING OF YEAR</b>						
	<u>77,301</u>	<u>77,301</u>	<u>77,301</u>	<u>-</u>	<u>77,301</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>						
	<u>\$ 77,301</u>	<u>\$ 77,301</u>	<u>\$ 57,865</u>	<u>\$ -</u>	<u>\$ 57,865</u>	<u>\$ (19,436)</u>

See Independent Auditors' Report and Notes to the Financial Statements.

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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, 2017**

	Original	Final	Actual Amounts		Variance	
	Adopted Budget	Appropriated Budget	Fund Basis	Adjustments	Budgetary Basis	Fav (Unfav) Final to Actual
<b>REVENUES</b>						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-	-	-
Fees, licenses, and permits	244,731	244,731	194,328	-	194,328	(50,403)
Intergovernmental revenue and grants	69,249	69,249	8,819	-	8,819	(60,430)
Contributions and donations	-	-	-	-	-	-
Payment in lieu of taxes	-	-	-	-	-	-
Investment earnings	1,000	1,000	130	-	130	(870)
Other revenue	-	-	587	-	587	587
Total revenues	<u>314,980</u>	<u>314,980</u>	<u>203,864</u>	<u>-</u>	<u>203,864</u>	<u>(111,116)</u>
<b>EXPENDITURES</b>						
General government	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Road and bridge	628,021	424,677	459,918	-	459,918	(35,241)
Health and welfare	-	-	-	-	-	-
Capital outlay	-	52,920	139,255	-	139,255	(86,335)
Debt service						
Principal	18,328	221,672	5,323	-	5,323	216,349
Interest	8,072	8,072	3,077	-	3,077	4,995
Total expenditures	<u>654,421</u>	<u>707,341</u>	<u>607,573</u>	<u>-</u>	<u>607,573</u>	<u>99,768</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>						
	<u>(339,441)</u>	<u>(392,361)</u>	<u>(403,709)</u>	<u>-</u>	<u>(403,709)</u>	<u>(11,348)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Sale of real and personal property	106,000	106,000	17,169	-	17,169	(88,831)
Proceeds from notes/capital leases	-	-	112,795	-	112,795	112,795
Transfers in	233,441	286,361	260,091	-	260,091	(26,270)
Transfers out	-	-	-	-	-	-
Net other financing sources (uses)	<u>339,441</u>	<u>392,361</u>	<u>390,055</u>	<u>-</u>	<u>390,055</u>	<u>(2,306)</u>
<b>NET CHANGE IN FUND BALANCE</b>						
	-	-	(13,654)	-	(13,654)	(13,654)
<b>FUND BALANCE - BEGINNING OF YEAR</b>						
	<u>83,720</u>	<u>83,720</u>	<u>83,720</u>	<u>-</u>	<u>83,720</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>						
	<u>\$ 83,720</u>	<u>\$ 83,720</u>	<u>\$ 70,066</u>	<u>\$ -</u>	<u>\$ 70,066</u>	<u>\$ (13,654)</u>

See Independent Auditors' Report and Notes to the Financial Statements.

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**TRINITY COUNTY, TEXAS**  
**SCHEDULE OF CHANGES IN NET PENSION LIABILITY (ASSET)**  
**AND RELATED RATIOS - LAST TEN YEARS \***  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Year Ending December 31, **		
	2016	2015	2014
<b>TOTAL PENSION LIABILITY</b>			
Service cost	\$ 268,757	\$ 242,989	\$ 234,680
Interest on total pension liability	723,589	700,690	649,068
Effect of plan changes	-	(18,062)	-
Effect of assumption changes or inputs	-	96,428	-
Effect of economic/demographic (gains) or losses	(57,029)	(150,552)	213,927
Benefit payments/refunds of contributions	(590,747)	(536,307)	(470,681)
<b>NET CHANGE IN TOTAL PENSION LIABILITY</b>	344,570	335,186	626,994
<b>TOTAL PENSION LIABILITY - BEGINNING</b>	9,091,063	8,755,877	8,128,883
<b>TOTAL PENSION LIABILITY - ENDING</b> (a)	\$ 9,435,633	\$ 9,091,063	\$ 8,755,877
<b>PLAN FIDUCIARY NET POSITION</b>			
Employer contributions	\$ 239,138	\$ 217,163	\$ 204,818
Member contributions	163,314	152,167	140,838
Investment income, net of investment expenses	613,758	111,782	553,575
Benefit payments/refunds of contributions	(590,747)	(536,307)	(470,681)
Administrative expenses	(6,672)	(6,031)	(6,294)
Other	(79,485)	(106,036)	171,667
<b>NET CHANGE IN PLAN FIDUCIARY NET POSITION</b>	339,306	(167,262)	593,923
<b>PLAN FIDUCIARY NET POSITION - BEGINNING</b>	8,309,100	8,476,362	7,882,439
<b>PLAN FIDUCIARY NET POSITION - ENDING</b> (b)	\$ 8,648,406	\$ 8,309,100	\$ 8,476,362
<b>NET PENSION LIABILITY (ASSET) - ENDING</b> (a - b)	\$ 787,227	\$ 781,963	\$ 279,515
<b>RELATED RATIOS</b>			
Plan Fiduciary Net Position as a percentage of Total Pension Liability	91.66%	91.40%	96.81%
Pensionable Covered Payroll	\$ 2,333,055	\$ 2,173,808	\$ 2,011,972
Net Pension Liability (Asset) as a percentage of Covered Payroll	33.74%	35.97%	13.89%

\* - GASB 68 requires ten years of data to be presented. Data for only three years are available.

\*\* - In accordance with GASB standards, the County has elected to present data calculated at the actuarial valuation/  
measurement date, which occurs on December 31 of the year preceding each fiscal year.

See Independent Auditors' Report.

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**TRINITY COUNTY, TEXAS**  
**SCHEDULE OF PENSION CONTRIBUTIONS**  
**LAST TEN FISCAL YEARS\***  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

Fiscal Year Ending September 30	Actuarially Determined Contribution	Actual Employer Contribution	Contribution Deficiency (Excess)	Pensionable Covered Payroll	Actual Contribution as a % of Covered Payroll
2015	\$ 213,685	\$ 213,685	-	\$ 2,128,267	10.0%
2016	235,191	235,191	-	2,308,030	10.2%
2017	225,969	225,969	-	2,374,849	9.5%

\* - GASB 68 requires ten years of data to be presented. Data for only three years are available.

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**TRINITY COUNTY, TEXAS**  
**NOTES TO THE SCHEDULE OF PENSION CONTRIBUTIONS**  
**SEPTEMBER 30, 2017**

**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>	12.4 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.

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**SUPPLEMENTARY INFORMATION**

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**COMBINING FUND STATEMENTS**

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**TRINITY COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2017**

	<u>Debt Service Fund</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Total Nonmajor Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 175,577	\$ 341,303	\$ 516,880
Receivables			
Property taxes, net of allowance for uncollectibles	11,964	-	11,964
Grants	-	-	-
Other	-	-	-
Due from other funds	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 187,541</u>	<u>\$ 341,303</u>	<u>\$ 528,844</u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ -	\$ 988	\$ 988
Accrued expenses	-	2,059	2,059
Due to other funds	-	-	-
Total liabilities	<u>-</u>	<u>3,047</u>	<u>3,047</u>
Deferred inflows of resources:			
Unavailable revenue - property taxes	<u>9,776</u>	<u>-</u>	<u>9,776</u>
Total deferred inflows of resources	<u>9,776</u>	<u>-</u>	<u>9,776</u>
Fund balances:			
Restricted	177,765	275,199	452,964
Assigned	<u>-</u>	<u>63,057</u>	<u>63,057</u>
Total fund balances	<u>177,765</u>	<u>338,256</u>	<u>516,021</u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES</b>	<u>\$ 187,541</u>	<u>\$ 341,303</u>	<u>\$ 528,844</u>

See Independent Auditors' Report.

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**TRINITY COUNTY, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	Debt Service Fund	Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>
<b>REVENUES</b>			
Property taxes	\$ 261,792	\$ -	\$ 261,792
Fines and forfeitures	-	14,988	14,988
Fees, licenses, and permits	-	121,898	121,898
Intergovernmental revenue and grants	-	46,498	46,498
Contributions and donations from private sources	-	-	-
Investment earnings	256	338	594
Other revenue	-	6,561	6,561
Total revenues	<u>262,048</u>	<u>190,283</u>	<u>452,331</u>
<b>EXPENDITURES</b>			
General government	-	64,165	64,165
Judicial	-	10,234	10,234
Public safety	-	15,435	15,435
Road and bridge	-	-	-
Health and welfare	-	15,939	15,939
Pass-through expenditures	-	29,354	29,354
Capital outlay	-	14,084	14,084
Debt service			
Principal	180,000	-	180,000
Interest	32,824	-	32,824
Total expenditures	<u>212,824</u>	<u>149,211</u>	<u>362,035</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<u>49,224</u>	<u>41,072</u>	<u>90,296</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Sale of real and personal property	-	-	-
Transfers in	-	1,500	1,500
Transfers out (use)	-	-	-
Net other financing sources (uses)	<u>-</u>	<u>1,500</u>	<u>1,500</u>
<b>NET CHANGE IN FUND BALANCE</b>	49,224	42,572	91,796
<b>FUND BALANCE - BEGINNING OF YEAR</b>	<u>128,541</u>	<u>295,684</u>	<u>424,225</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 177,765</u>	<u>\$ 338,256</u>	<u>\$ 516,021</u>

See Independent Auditors' Report.

**TRINITY COUNTY, TEXAS  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
SEPTEMBER 30, 2017**

	<u>Records Management</u>	<u>Law Library</u>	<u>Security Fee</u>	<u>Family Preservation</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 128,846	\$ 20,155	\$ 33,350	\$ 784
Receivables				
Grants	-	-	-	-
Other	-	-	-	-
Due from other funds	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 128,846</u>	<u>\$ 20,155</u>	<u>\$ 33,350</u>	<u>\$ 784</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 589	\$ -	\$ -	\$ -
Accrued expenses	718	-	-	-
Due to other funds	-	-	-	-
Total liabilities	<u>1,307</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Restricted	127,539	20,155	33,350	-
Assigned	-	-	-	784
Total fund balances	<u>127,539</u>	<u>20,155</u>	<u>33,350</u>	<u>784</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 128,846</u>	<u>\$ 20,155</u>	<u>\$ 33,350</u>	<u>\$ 784</u>

<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>
\$ 52,623	\$ 3,493	\$ 2,633	\$ 7,710	\$ 24,778	\$ 12,175
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 52,623</u>	<u>\$ 3,493</u>	<u>\$ 2,633</u>	<u>\$ 7,710</u>	<u>\$ 24,778</u>	<u>\$ 12,175</u>
\$ 24	\$ -	\$ 375	\$ -	\$ -	\$ -
136	939	-	-	-	266
-	-	-	-	-	-
<u>160</u>	<u>939</u>	<u>375</u>	<u>-</u>	<u>-</u>	<u>266</u>
52,463	-	2,258	-	24,778	11,909
-	2,554	-	7,710	-	-
<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>\$ 52,623</u>	<u>\$ 3,493</u>	<u>\$ 2,633</u>	<u>\$ 7,710</u>	<u>\$ 24,778</u>	<u>\$ 12,175</u>

*continued*

**TRINITY COUNTY, TEXAS**  
**COMBINING BALANCE SHEET**  
**NONMAJOR SPECIAL REVENUE FUNDS**  
**SEPTEMBER 30, 2017**  
**(CONTINUED)**

	<u>Airport</u>	<u>Courthouse Preservation</u>	<u>Grant Funds</u>	<u>Total Nonmajor Special Revenue Funds</u>
<b>ASSETS</b>				
Cash and cash equivalents	\$ 2,747	\$ 36,929	\$ 15,080	\$ 341,303
Receivables				
Grants	-	-	-	-
Other	-	-	-	-
Due from other funds	-	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 2,747</b>	<b>\$ 36,929</b>	<b>\$ 15,080</b>	<b>\$ 341,303</b>
 <b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ -	\$ -	\$ -	\$ 988
Accrued expenses	-	-	-	2,059
Due to other funds	-	-	-	-
Total liabilities	-	-	-	3,047
Fund balances:				
Restricted	2,747	-	-	275,199
Assigned	-	36,929	15,080	63,057
Total fund balances	2,747	36,929	15,080	338,256
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 2,747</b>	<b>\$ 36,929</b>	<b>\$ 15,080</b>	<b>\$ 341,303</b>

See Independent Auditors' Report.

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**TRINITY COUNTY, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

	<u>Records Management</u>	<u>Law Library</u>	<u>Security Fee</u>	<u>Family Preservation</u>
<b>REVENUES</b>				
Fines and forfeitures	\$ -	\$ -	\$ -	\$ -
Fees, licenses, and permits	80,810	8,475	9,870	750
Intergovernmental revenue and grants	-	-	-	-
Investment earnings	107	20	30	4
Other revenue	-	-	-	-
Total revenues	<u>80,917</u>	<u>8,495</u>	<u>9,900</u>	<u>754</u>
<b>EXPENDITURES</b>				
General government	64,165	-	-	-
Judicial	-	6,145	-	-
Public safety	-	-	-	-
Road and bridge	-	-	-	-
Health and welfare	-	-	-	-
Pass-through expenditures	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>64,165</u>	<u>6,145</u>	<u>-</u>	<u>-</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>16,752</u>	<u>2,350</u>	<u>9,900</u>	<u>754</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out (use)	-	-	-	-
Net other financing sources (uses)	-	-	-	-
<b>NET CHANGE IN FUND BALANCE</b>	16,752	2,350	9,900	754
<b>FUND BALANCE - BEG. OF YEAR</b>	<u>110,787</u>	<u>17,805</u>	<u>23,450</u>	<u>30</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 127,539</u>	<u>\$ 20,155</u>	<u>\$ 33,350</u>	<u>\$ 784</u>

<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>
\$ 14,988	\$ -	\$ -	\$ -	\$ -	\$ -
-	1,076	4,927	-	-	15,990
-	-	-	-	4,086	-
48	2	2	7	24	10
<u>6,561</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>21,597</u>	<u>1,078</u>	<u>4,929</u>	<u>7</u>	<u>4,110</u>	<u>16,000</u>
-	-	-	-	-	-
-	-	4,089	-	-	-
13,445	-	-	-	1,990	-
-	-	-	-	-	-
-	-	-	-	-	15,939
-	-	-	-	-	-
<u>1,585</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>15,030</u>	<u>-</u>	<u>4,089</u>	<u>-</u>	<u>1,990</u>	<u>15,939</u>
<u>6,567</u>	<u>1,078</u>	<u>840</u>	<u>7</u>	<u>2,120</u>	<u>61</u>
1,500	-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
1,500	-	-	-	-	-
8,067	1,078	840	7	2,120	61
<u>44,396</u>	<u>1,476</u>	<u>1,418</u>	<u>7,703</u>	<u>22,658</u>	<u>11,848</u>
<u>\$ 52,463</u>	<u>\$ 2,554</u>	<u>\$ 2,258</u>	<u>\$ 7,710</u>	<u>\$ 24,778</u>	<u>\$ 11,909</u>

*continued*

**TRINITY COUNTY, TEXAS**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES - NONMAJOR SPECIAL REVENUE FUNDS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**  
**(CONTINUED)**

	<u>Airport</u>	<u>Courthouse Preservation</u>	<u>Grant Funds</u>	<u>Total Nonmajor Special Revenue Funds</u>
<b>REVENUES</b>				
Fines and forfeitures	\$ -	\$ -	\$ -	\$ 14,988
Fees, licenses, and permits	-	-	-	121,898
Intergovernmental revenue and grants	348	-	42,064	46,498
Investment earnings	3	75	6	338
Other revenue	-	-	-	6,561
Total revenues	<u>351</u>	<u>75</u>	<u>42,070</u>	<u>190,283</u>
<b>EXPENDITURES</b>				
General government	-	-	-	64,165
Judicial	-	-	-	10,234
Public safety	-	-	-	15,435
Road and bridge	-	-	-	-
Health and welfare	-	-	-	15,939
Pass-through expenditures	-	-	29,354	29,354
Capital outlay	-	-	12,499	14,084
Total expenditures	<u>-</u>	<u>-</u>	<u>41,853</u>	<u>149,211</u>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>				
	<u>351</u>	<u>75</u>	<u>217</u>	<u>41,072</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	1,500
Transfers out (use)	-	-	-	-
Net other financing sources (uses)	-	-	-	1,500
<b>NET CHANGE IN FUND BALANCE</b>	351	75	217	42,572
<b>FUND BALANCE - BEG. OF YEAR</b>	<u>2,396</u>	<u>36,854</u>	<u>14,863</u>	<u>295,684</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 2,747</u>	<u>\$ 36,929</u>	<u>\$ 15,080</u>	<u>\$ 338,256</u>

See Independent Auditors' Report.

**COMPLIANCE SECTION**

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# Todd, Hamaker & Johnson, LLP

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CERTIFIED PUBLIC ACCOUNTANTS

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

## **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***

To the 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, 2017, and the related notes to the financial statements, which collectively comprise Trinity County, Texas' basic financial statements and have issued our report thereon dated February 26, 2018.

### **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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity'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 and questioned costs (findings 2017-001 and 2017-002) that we consider to be significant deficiencies.

**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* – CONTINUED**

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Todd, Hamaker & Johnson, LLP*

Todd, Hamaker & Johnson, LLP  
Lufkin, Texas

February 26, 2018

**TRINITY COUNTY, TEXAS  
SCHEDULE OF AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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Financial Statements Audit Findings

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**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.

**Updated status.** New JP court management software was approved and purchased. The County used the "old" JP software from October 1, 2016 to June 30, 2017. The new system went live in July, 2017.

While the system is functioning on a "go-forward" basis, a complete verification/reconciliation that all balances from the old system have been moved to the new system has not been established. Additionally, the software vendor has not been able to provide reports that clearly provide the detail needed to track the increases/decreases in the receivables balances from one date to another (i.e. beginning of the month to the end of the month).

Management has provided for a 97% uncollectible rate on the fines receivable balances reported in the financial statements.

**View of responsible officials and corrective action.** Management agrees with the recommendation. The new JP software system was fully operational in July 2017 and the JP offices had a limited amount of time to reconcile and enter old cases into the new system before the end of the 2017 fiscal year. The JP offices are still entering old cases into the new software system. The County Auditor will be instructing JP offices to complete entries of outstanding cases by May, 2018.

The Auditor's Office is in the process of establishing a new internal tracking system to capture monthly, quarterly and year-end balances for comparison to software generated reports and will be working with the new software vendor to obtain reports required to provide additional detail information needed to track the fines assessed collected and/or adjusted for each JP Office.

Continued analysis and comparison of FY17 and FY18 collection reports are being conducted by the Auditors' office to determine year-end adjustments to the receivables balance as of September 30, 2017.

**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.

**TRINITY COUNTY, TEXAS  
SCHEDULE OF AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2017**

**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.

**View of responsible officials and corrective action.** Management agrees with the recommendation. The County Auditor will revise the fixed asset policy and establish written procedures for fixed asset acquisitions or disposals.

**TRINITY COUNTY, TEXAS**  
**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2017**

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Financial Statements Audit Findings

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**2016-001** *Significant Deficiency: Fines Receivable*  
*From prior year finding, 2015-002*

**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.

**Responsible official's response from prior year.** The County Commissioners approved new JP court management software on December 27, 2016. Initial consultation, review of current software system hardware, workstations and review of forms, fees and fines began in January 2017. Final installation, training and conversion of existing court system data is anticipated to be completed by the end of May 2017. The new management software system will help streamline the JP court management activities and will provide a more accurate reporting of data on a daily basis.

**Updated status.** This matter remains outstanding; see also, current year finding, 2017-001, and updated status on page 93.