

TRINITY COUNTY, TEXAS
AUDITED FINANCIAL STATEMENTS
AND COMPLIANCE REPORTS
SEPTEMBER 30, 2016

INTRODUCTORY SECTION

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SEPTEMBER 30, 2016**

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**TRINITY COUNTY, TEXAS
PRINCIPAL PUBLIC OFFICIALS
SEPTEMBER 30, 2016**

COMMISSIONERS' COURT

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

COUNTY ELECTED OFFICIALS

Rusty Barrett Constable Precinct #1
Mark Cole Constable Precinct #2
Carl Casey Constable Precinct #3
Reggie Olive..... Constable Precinct #4
Joe Warner Bell.....County Attorney
Shasta Bergman.....County Clerk
Bob DockensCounty Treasurer
Danny Martin Justice of the Peace, Precinct #1
Lyle Stubbs..... Justice of the Peace, Precinct #2
Hayne Huffman Justice of the Peace, Precinct #3
Sam "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

CERTIFIED PUBLIC ACCOUNTANTS

420 S 1st Street • PO Box 468 • Lufkin, TX 75902-0468 • (936) 632-8181
301 N 6th Street • PO Box 1249 • Crockett, TX 75835-1249 • (936) 544-2143

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

INDEPENDENT AUDITORS' REPORT

To the Honorable County Judge and
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, 2016, 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.

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

INDEPENDENT AUDITORS' REPORT – CONTINUED

fund information of Trinity County, Texas, as of September 30, 2016, 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 nonmajor fund financial statements section is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the schedule of expenditures of federal awards, on pages 79 - 88 and 95-96, respectively, 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 nonmajor fund financial statements and the schedule of expenditures of federal awards 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 May 2, 2017, 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, 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

INDEPENDENT AUDITORS' REPORT – CONTINUED

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

May 2, 2017

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**TRINITY COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(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, 2016. 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 \$7,629,949 (net position) at September 30, 2016.
- Total assets and deferred outflows increased by \$290,964 over the prior year; total liabilities and deferred inflows increased by \$101,323 over the prior year.
- Overall revenues exceeded expenses by \$189,281.

Fund financial statements

- At the close of the current fiscal year, the County's governmental funds reported a combined fund balance of \$1,373,933. Overall revenues exceeded expenditures by \$403,532.

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, 2016
(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 \$7,629,949 at September 30, 2016.

The largest portion of the County's net position, or \$6,338,876, reflects its investment in capital assets (\$8,361,279) less the related debt used to acquire those assets that remains outstanding (\$2,022,403). 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 \$375,766) represents resources that are subject to restriction on how they may be used.

The remaining balance of \$915,307 is unrestricted in nature.

**TRINITY COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(UNAUDITED)**

The County's Net Position

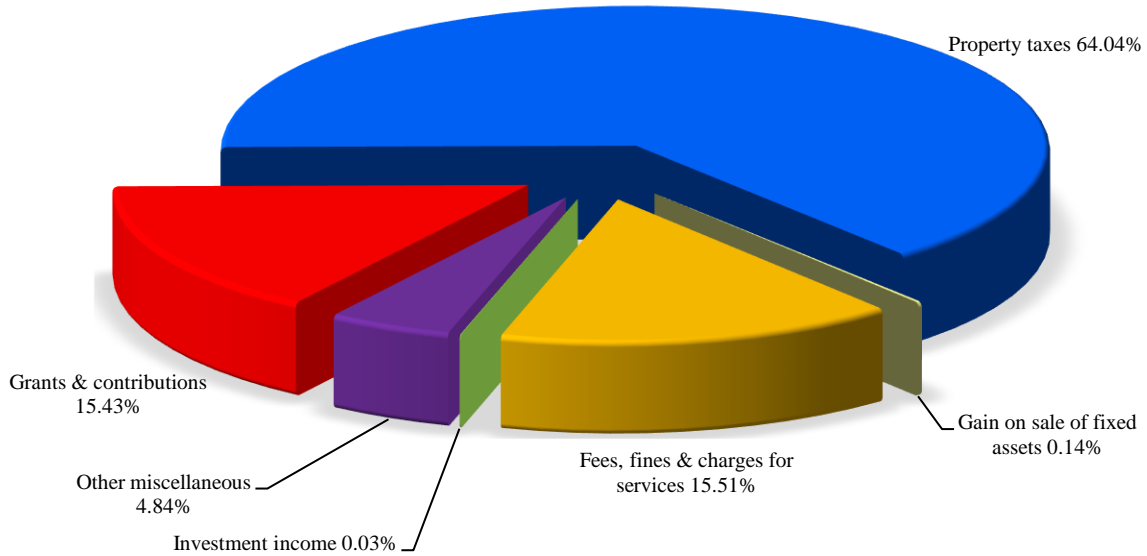
	<u>2016</u>	<u>2015</u>
ASSETS		
Current and other assets	\$ 2,166,473	\$ 2,209,519
Capital assets, net	<u>8,361,279</u>	<u>8,440,220</u>
Total assets	<u>10,527,752</u>	<u>10,649,739</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>757,835</u>	<u>345,244</u>
LIABILITIES		
Long-term liabilities	2,804,366	2,349,791
Other liabilities	<u>750,903</u>	<u>1,204,524</u>
Total liabilities	<u>3,555,269</u>	<u>3,554,315</u>
DEFERRED INFLOWS OF RESOURCES	<u>100,369</u>	<u>-</u>
NET POSITION		
Invested in capital assets, net of related debt	6,338,876	6,369,944
Restricted	375,766	339,081
Unrestricted	<u>915,307</u>	<u>731,643</u>
Total net position	<u>\$ 7,629,949</u>	<u>\$ 7,440,668</u>

Change in Net Position

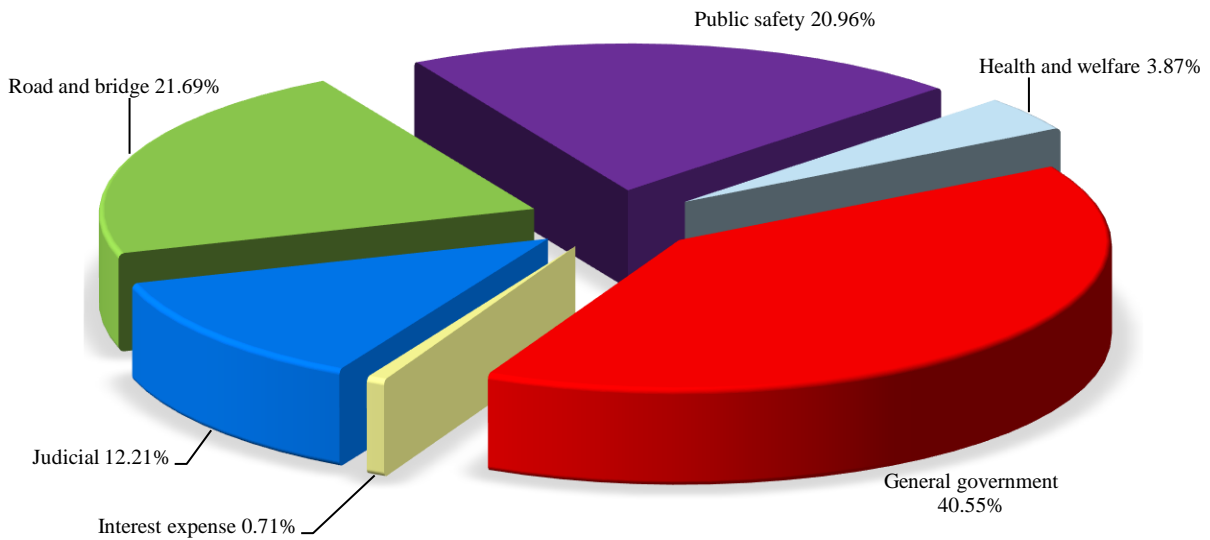
	<u>2016</u>	<u>2015</u>
Revenues		
Fees, fines, charges for services	\$ 1,184,423	\$ 1,133,076
Grants and contributions, net of pass-through expenditures	1,178,391	3,221,974
Property taxes	4,889,759	4,485,948
Payment in lieu of taxes	26,411	22,345
Investment income	2,620	2,103
Gain on sale of assets	10,989	31,000
Other miscellaneous	<u>369,852</u>	<u>171,173</u>
Total revenues	<u>7,662,445</u>	<u>9,067,619</u>
Expenses		
General government	3,030,480	2,038,955
Judicial	912,443	776,080
Public safety	1,566,450	1,435,749
Road and bridge	1,621,204	3,259,289
Health and welfare	289,284	296,683
Interest on long-term debt	<u>53,303</u>	<u>61,210</u>
Total expenses	<u>7,473,164</u>	<u>7,867,966</u>
Increase (decrease) in net position	189,281	1,199,653
Prior period adjustment	-	(91,269)
Net position at beginning of year	<u>7,440,668</u>	<u>6,332,284</u>
Net position at end of year	<u>\$ 7,629,949</u>	<u>\$ 7,440,668</u>

**TRINITY COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(UNAUDITED)**

**Revenues by Source
For the Fiscal Year Ended September 30, 2016**



**Expenses by Function
For the Fiscal Year Ended September 30, 2016**



**TRINITY COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(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, 2016, the County's governmental funds reported a combined positive fund balance of \$1,373,933.

This fund balance is comprised of \$506,523 that is either in a nonspendable form, restricted, or assigned for specific purposes. The remaining balance, \$867,410, is unassigned. During the year, the fund balance in the County's governmental funds increased by \$403,532.

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. A decrease (expenditures greater than revenues) in fund balance of \$117,759 was budgeted for the general fund. Actual results yielded a \$313,866 increase in fund balance, with a favorable budget variance of \$431,625.

Road and Bridge Fund, Precinct No. 1. A decrease (expenditures greater than revenues) in fund balance of \$98,446 was budgeted for the fund. Actual results yielded a \$15,190 increase in fund balance, with a favorable budget variance of \$115,636.

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 \$14,281 decrease in fund balance, with an unfavorable budget variance of \$14,281.

Road and Bridge Fund, Precinct No. 3. A decrease (expenditures greater than revenues) in fund balance of \$18,707 was budgeted for the fund. Actual results yielded a \$25,716 increase in fund balance, with a favorable budget variance of \$44,423.

Road and Bridge Fund, Precinct No. 4. A decrease (expenditures greater than revenues) in fund balance of \$49,532 was budgeted for the fund. Actual results yielded a \$39,897 decrease in fund balance, with a favorable budget variance of \$9,635.

Grant Funds. No budget was adopted for the grant funds.

**TRINITY COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(UNAUDITED)**

CAPITAL ASSETS

The County's investment in capital assets as of September 30, 2016 totaled \$8,361,279 (net of accumulated depreciation). This investment includes land, building, equipment, improvements (other than buildings), and construction in progress.

Capital assets of \$536,224 were purchased during the year. Significant purchases included:

- Generator for the jail (grant-funded)
- Various equipment and building improvements
- Various trucks and heavy equipment (funded by capital leases/notes)

Capital Assets (Net of Depreciation)

	2016	2015
Land	\$ 44,999	\$ 44,999
Construction in progress	18,228	-
Buildings and improvements	7,244,159	7,157,555
Infrastructure	899,108	899,108
Rolling stock	3,268,031	2,948,744
Furniture and equipment	866,647	849,261
Less: accumulated depreciation	(3,979,893)	(3,459,447)
Total	\$ 8,361,279	\$ 8,440,220

DEBT ADMINISTRATION

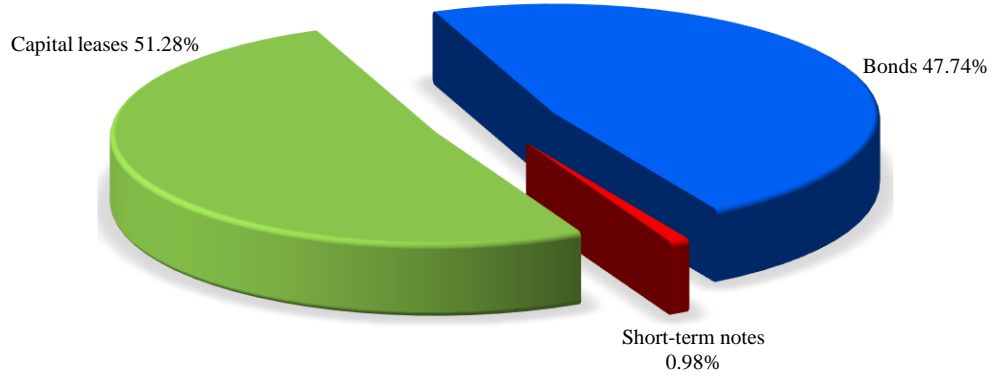
At the end of the current fiscal year, the County had total debt and capital lease obligations of \$2,042,433.

Debt Outstanding

	Beginning Balance	Additions	Reductions	Ending Balance
Short-term notes	\$ 18,030	\$ 20,030	\$ (18,030)	\$ 20,030
Capital leases	925,276	250,639	(128,512)	1,047,403
Bond obligations	1,145,000	-	(170,000)	975,000
Total	\$ 2,088,306	\$ 270,669	\$ (316,542)	\$ 2,042,433

**TRINITY COUNTY, TEXAS
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(UNAUDITED)**

**Total Debt Outstanding
September 30, 2016**



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, 2016

	Primary Government	
	Governmental Activities	Total
ASSETS		
Cash and cash equivalents	\$ 1,150,141	\$ 1,150,141
Receivables		
Property taxes, net of allowance for uncollectibles	129,688	129,688
Fines, net of allowance for uncollectibles	49,204	49,204
Grants	8,905	8,905
Other	16,661	16,661
Prepays	16,850	16,850
Restricted assets		
Cash and cash equivalents	795,024	795,024
Capital assets, net of accumulated depreciation	8,361,279	8,361,279
TOTAL ASSETS	10,527,752	10,527,752
DEFERRED OUTFLOWS OF RESOURCES		
Pension plan	757,835	757,835
TOTAL DEFERRED OUTFLOWS OF RESOURCES	757,835	757,835
LIABILITIES		
Accounts payable	466,824	466,824
Accrued expenses	74,263	74,263
Accrued interest	5,414	5,414
Accrued compensated absences	71,144	71,144
Unearned revenue - 2016 salary supplements	84,167	84,167
Unearned revenue - FEMA grant funds	29,061	29,061
Notes payable - short term	20,030	20,030
Noncurrent liabilities		
Net pension liability	781,963	781,963
Due within one year	595,725	595,725
Due in more than one year	1,426,678	1,426,678
TOTAL LIABILITIES	3,555,269	3,555,269
DEFERRED INFLOWS OF RESOURCES		
Pension plan	100,369	100,369
TOTAL DEFERRED INFLOWS OF RESOURCES	100,369	100,369
NET POSITION		
Invested in capital assets, net of related debt	6,338,876	6,338,876
Restricted for:		
Debt service	128,541	128,541
Grants	14,863	14,863
Judicial/courts	19,223	19,223
Records management	110,787	110,787
Hotel/motel tax	11,848	11,848
Law enforcement	90,504	90,504
Unrestricted	915,307	915,307
TOTAL NET POSITION	\$ 7,629,949	\$ 7,629,949

See accompanying notes to the financial statements.

**TRINITY COUNTY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Functions/Programs	Expenses
Primary government	
Governmental activities	
General government	\$ 3,030,480
Judicial	912,443
Public safety	1,566,450
Road and bridge	1,621,204
Health and welfare	289,284
Pass-through expenditures	250,568
Interest on long-term debt	53,303
Total governmental activities	7,723,732

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
\$ 98,542	\$ 508,206	\$ -	\$ (2,423,732)
266,994	117,931	-	(527,518)
279,799	32,178	86,441	(1,168,032)
519,762	353,224	-	(748,218)
19,326	80,411	-	(189,547)
-	250,568	-	-
-	-	-	(53,303)
<u>1,184,423</u>	<u>1,342,518</u>	<u>86,441</u>	<u>(5,110,350)</u>

General revenues	
Property taxes	4,889,759
Investment income	2,620
Payments in lieu of taxes	26,411
Gain on sale of assets	10,989
Miscellaneous income	<u>369,852</u>
Total general revenues	<u>5,299,631</u>
Change in net position	189,281
Net position - beginning	<u>7,440,668</u>
Net position - ending	<u>\$ 7,629,949</u>

See accompanying notes to the financial statements.

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FUND FINANCIAL STATEMENTS

**TRINITY COUNTY, TEXAS
BALANCE SHEET
GOVERNMENTAL FUNDS
SEPTEMBER 30, 2016**

	<u>General Fund</u>	<u>Road and Bridge Fund Pct No. 1</u>	<u>Road and Bridge Fund Pct No. 2</u>
ASSETS			
Cash and cash equivalents	\$ 855,557	\$ 31,628	\$ 122,002
Receivables			
Property taxes, net of allowance for uncollectibles	109,871	-	-
Fines, net of allowance for uncollectibles	49,204	-	-
Grants	8,905	-	-
Other	-	4,332	1,666
Due from other funds	-	-	-
Prepaid items	<u>11,770</u>	<u>1,044</u>	<u>141</u>
TOTAL ASSETS	<u>\$ 1,035,307</u>	<u>\$ 37,004</u>	<u>\$ 123,809</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 66,282	\$ 11,803	\$ 26,002
Accrued expenses	63,999	2,368	760
Accrued interest	-	115	-
Unearned revenue - 2016 salary supplements	84,167	-	-
Unearned revenue - FEMA grant funds	-	-	29,061
Due to other funds	-	-	-
Short term notes payable	-	<u>20,030</u>	-
Total liabilities	<u>214,448</u>	<u>34,316</u>	<u>55,823</u>
Deferred inflows of resources:			
Unavailable revenue - property taxes	69,246	-	-
Unavailable revenue - fines	<u>31,204</u>	<u>-</u>	<u>-</u>
Total deferred inflows of resources	<u>100,450</u>	<u>-</u>	<u>-</u>
Fund balances:			
Nonspendable	11,770	1,044	141
Restricted	-	-	-
Assigned	-	-	67,845
Unassigned	<u>708,639</u>	<u>1,644</u>	<u>-</u>
Total fund balances	<u>720,409</u>	<u>2,688</u>	<u>67,986</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 1,035,307</u>	<u>\$ 37,004</u>	<u>\$ 123,809</u>

Road and Bridge Fund Pct No. 3	Road and Bridge Fund Pct No. 4	Grant Funds	Nonmajor Governmental Funds	Total Governmental Funds
\$ 88,822	\$ 90,061	\$ 330,227	\$ 426,868	\$ 1,945,165
-	-	-	19,817	129,688
-	-	-	-	49,204
-	-	-	-	8,905
3,832	6,831	-	-	16,661
-	-	-	-	-
<u>1,496</u>	<u>2,398</u>	<u>-</u>	<u>-</u>	<u>16,849</u>
<u>\$ 94,150</u>	<u>\$ 99,290</u>	<u>\$ 330,227</u>	<u>\$ 446,685</u>	<u>\$ 2,166,472</u>
\$ 14,720	\$ 12,439	\$ 315,364	\$ 20,214	\$ 466,824
2,129	3,131	-	1,876	74,263
-	-	-	-	115
-	-	-	-	84,167
-	-	-	-	29,061
-	-	-	-	-
-	-	-	-	20,030
<u>16,849</u>	<u>15,570</u>	<u>315,364</u>	<u>22,090</u>	<u>674,460</u>
-	-	-	17,629	86,875
-	-	-	-	31,204
-	-	-	17,629	118,079
1,496	2,398	-	-	16,849
-	-	14,863	360,903	375,766
-	-	-	46,063	113,908
<u>75,805</u>	<u>81,322</u>	<u>-</u>	<u>-</u>	<u>867,410</u>
<u>77,301</u>	<u>83,720</u>	<u>14,863</u>	<u>406,966</u>	<u>1,373,933</u>
<u>\$ 94,150</u>	<u>\$ 99,290</u>	<u>\$ 330,227</u>	<u>\$ 446,685</u>	<u>\$ 2,166,472</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, 2016

Total fund balances - governmental funds balance sheet	\$ 1,373,933
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.	8,361,279
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.	657,466
Certain revenues are not available to pay current period expenditures and therefore, are reported as deferred inflows in the governmental funds.	118,079
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.	(76,442)
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>(2,804,366)</u>
Net position of governmental activities	<u>\$ 7,629,949</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, 2016

	General Fund	Road and Bridge Fund Pct No. 1	Road and Bridge Fund Pct No. 2
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Property taxes	\$ 4,646,960	\$ -	\$ -
Fines and forfeitures	182,293	-	-
Fees, licenses, and permits	312,079	134,441	51,708
Intergovernmental revenue and grants	268,230	123,034	23,627
Contributions and donations from private sources	2,750	-	-
Payment in lieu of taxes	26,411	-	-
Investment earnings	1,524	65	138
Other revenue	33,125	-	-
Total revenues	<u>5,473,372</u>	<u>257,540</u>	<u>75,473</u>
EXPENDITURES			
General government	1,935,527	-	-
Judicial	851,558	-	-
Public safety	1,387,852	-	-
Road and bridge	2,000	328,679	104,851
Health and welfare	269,377	-	-
Pass-through expenditures	-	-	-
Capital outlay	167,744	48,620	-
Debt service			
Principal	52,568	25,450	-
Interest	1,217	6,696	-
Total expenditures	<u>4,667,843</u>	<u>409,445</u>	<u>104,851</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>805,529</u>	<u>(151,905)</u>	<u>(29,378)</u>
OTHER FINANCING SOURCES (USES)			
Sale of real and personal property	-	21,760	-
Proceeds from notes/capital leases	91,714	-	-
Transfers in	11,733	145,335	80,578
Transfers out	(595,110)	-	(65,481)
Net other financing sources (uses)	(491,663)	167,095	15,097
NET CHANGE IN FUND BALANCE	313,866	15,190	(14,281)
FUND BALANCE - BEGINNING OF YEAR	<u>406,543</u>	<u>(12,502)</u>	<u>82,267</u>
FUND BALANCE - END OF YEAR	<u>\$ 720,409</u>	<u>\$ 2,688</u>	<u>\$ 67,986</u>

Road and Bridge Fund Pct No. 3	Road and Bridge Fund Pct No. 4	Grant Funds	Nonmajor Governmental Funds	Total Governmental Funds
\$ -	\$ -	\$ -	\$ 261,986	\$ 4,908,946
-	-	-	19,453	201,746
118,928	212,003	-	119,337	948,496
56,107	73,086	870,413	4,740	1,419,237
-	-	9,950	-	12,700
-	-	-	-	26,411
172	215	6	500	2,620
<u>17,792</u>	<u>3,541</u>	<u>315,364</u>	<u>30</u>	<u>369,852</u>
<u>192,999</u>	<u>288,845</u>	<u>1,195,733</u>	<u>406,046</u>	<u>7,890,008</u>
-	-	781,378	47,517	2,764,422
-	-	-	12,532	864,090
-	-	-	17,330	1,405,182
323,160	462,486	77,371	-	1,298,547
-	-	-	16,806	286,183
-	-	250,568	-	250,568
162,153	52,625	86,441	18,641	536,224
34,053	16,441	-	170,000	298,512
5,515	4,371	-	38,486	56,285
<u>524,881</u>	<u>535,923</u>	<u>1,195,758</u>	<u>321,312</u>	<u>7,760,013</u>
<u>(331,882)</u>	<u>(247,078)</u>	<u>(25)</u>	<u>84,734</u>	<u>129,995</u>
-	1,138	-	-	22,898
158,925	-	-	-	250,639
198,673	206,043	2,798	17,449	662,609
-	-	(1,835)	(183)	(662,609)
<u>357,598</u>	<u>207,181</u>	<u>963</u>	<u>17,266</u>	<u>273,537</u>
25,716	(39,897)	938	102,000	403,532
<u>51,585</u>	<u>123,617</u>	<u>13,925</u>	<u>304,966</u>	<u>970,401</u>
<u>\$ 77,301</u>	<u>\$ 83,720</u>	<u>\$ 14,863</u>	<u>\$ 406,966</u>	<u>\$ 1,373,933</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, 2016

Net change in fund balance - governmental funds	\$	403,532
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.		536,224
The depreciation of capital assets used in governmental activities is not reported in the governmental funds.		(603,256)
The net effect of other miscellaneous transactions involving capital assets (i.e. sales, non-cash donations, trade-ins, disposals) decreases net position.		(11,909)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the governmental funds.		12,017
Repayment of long-term debt is an expenditure in the governmental funds, but is not an expense in the statement of activities.		298,512
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.		(250,639)
Amount represents the change in accrued compensated absences from the beginning of the period to the end of the period.		(7,955)
This amount represents the change in net pension assets and liabilities from the beginning of the period to the end of the period.		(190,226)
Amount represents the change in accrued interest from the beginning of the period to the end of the period.		<u>2,981</u>
Change in net position of governmental activities	\$	<u><u>189,281</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, 2016

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	\$ <u>439,383</u>
TOTAL ASSETS	\$ <u>439,383</u>
LIABILITIES	
Amounts held for others	\$ 281,613
Due to other units	<u>157,770</u>
TOTAL LIABILITIES	\$ <u>439,383</u>

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, 2016

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.

Implementation of New Standards

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments* (“GASB 76”), establishes the hierarchy of GAAP for state and local governments and supersedes the previous guidance provided under GASB 55 and amends guidance provided under GASB 62. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2015, with retroactive application required. Implementation of GASB 76 did not have an impact on the County’s financial disclosures.

TRINITY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The County's funds are classified as either governmental or fiduciary and are described below.

Governmental Funds. Governmental funds are used to account for all or most of a government's general activity.

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

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

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

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 and grant funds are considered major governmental funds. 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

TRINITY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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.

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).

TRINITY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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.

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 \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. 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.

TRINITY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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

Deferred Inflows/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, that qualify for reporting in this category: 1) unamortized differences – pension plan projected and actual investment earnings, is recognized as a component of pension expense at an actuarially determined rate; 2) pension contributions subsequent to the plan measurement date, is recognized as a component of pension expense in the following fiscal year; and 3) unamortized differences – changes in actuarial assumptions, is reported on the government-wide statement of net position and is recognized as a component of pension expense at an actuarially determined rate.

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. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

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

TRINITY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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.

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 TCERS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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, 2016, restricted net position represents monies that are legally restricted for payment of debt service, law enforcement costs, grant 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.

TRINITY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

Estimates

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

STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgets and Budgetary Process

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

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

Accounting standards require budgets to be presented for all of the County's major funds. One major fund, the grants fund, did not have an adopted budget for the year ending September 30, 2016. A comparison of the actual versus budgeted results for each major fund is included on pages 59 to 67.

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TRINITY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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, 2016, the County’s cash deposits with depository banks totaled \$2,540,557, including agency funds totaling \$666,001. All deposits were fully secured by FDIC coverage and securities pledged by the depository banks with total collateral value of \$5,402,853.

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>Grants</u>	<u>Other</u>	<u>Totals</u>
Receivables by activity					
General fund	\$ 1,873,513	\$ 1,640,145	\$ 8,905	\$ -	\$ 3,522,563
Road and bridge funds	-	-	-	16,661	16,661
Debt service fund	74,363	-	-	-	74,363
Nonmajor special revenue funds	-	-	-	-	-
Total receivables	<u>1,947,876</u>	<u>1,640,145</u>	<u>8,905</u>	<u>16,661</u>	<u>3,613,587</u>
Allowance for uncollectibles					
General fund	(1,763,642)	(1,590,941)	-	-	(3,354,583)
Road and bridge funds	-	-	-	-	-
Debt service fund	(54,546)	-	-	-	(54,546)
Nonmajor special revenue funds	-	-	-	-	-
Total allowance	<u>(1,818,188)</u>	<u>(1,590,941)</u>	<u>-</u>	<u>-</u>	<u>(3,409,129)</u>
Total receivables, net	<u>\$ 129,688</u>	<u>\$ 49,204</u>	<u>\$ 8,905</u>	<u>\$ 16,661</u>	<u>\$ 204,458</u>

Property Taxes. Property taxes attach as an enforceable lien on property as of January 1. Property taxes are due October 1 and become delinquent January 31. The combined tax rate to finance general governmental services and principal and interest on general long term debt for the year ended September 30, 2016 (tax year 2015), was \$.6500 per \$100 of assessed valuation. Of this rate, \$.0406 was allocated to debt service and \$.6094 was allocated to maintenance and operation.

TRINITY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

Of the \$1,947,876 in property taxes receivable, \$1,592,031 represents the outstanding balances of assessments for tax years 2014 and prior.

Capital Assets

A summary of changes in capital assets for the year ended September 30, 2016, is as follows:

	<u>Balance</u> <u>09/30/2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>09/30/2016</u>
Capital assets, not being depreciated				
Land	\$ 44,999	\$ -	\$ -	\$ 44,999
Construction in progress	<u>-</u>	<u>18,228</u>	<u>-</u>	<u>18,228</u>
Total not being depreciated	<u>44,999</u>	<u>18,228</u>	<u>-</u>	<u>63,227</u>
Capital assets, being depreciated				
Buildings and improvements	7,157,555	87,804	(1,200)	7,244,159
Infrastructure	899,108	-	-	899,108
Rolling stock	2,948,744	403,062	(83,775)	3,268,031
Furniture and equipment	<u>849,261</u>	<u>27,130</u>	<u>(9,744)</u>	<u>866,647</u>
Total being depreciated	<u>11,854,668</u>	<u>517,996</u>	<u>(94,719)</u>	<u>12,277,945</u>
Less accumulated depreciation:				
Buildings and improvements	(942,531)	(180,407)	1,200	(1,121,738)
Infrastructure	(19,593)	(84,666)	-	(104,259)
Rolling stock	(1,858,560)	(266,233)	71,866	(2,052,927)
Furniture and equipment	<u>(638,763)</u>	<u>(71,950)</u>	<u>9,744</u>	<u>(700,969)</u>
Total accumulated depreciation	<u>(3,459,447)</u>	<u>(603,256)</u>	<u>82,810</u>	<u>(3,979,893)</u>
Total being depreciated, net	<u>8,395,447</u>	<u>(85,260)</u>	<u>(11,909)</u>	<u>8,298,052</u>
Total capital assets, net	<u>\$ 8,440,220</u>	<u>\$ (67,032)</u>	<u>\$ (11,909)</u>	<u>\$ 8,361,279</u>
				<u>(2,022,403)</u>
				<u>\$ 6,338,876</u>

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

General government	\$ 217,785
Judicial	7,733
Road and bridge	97,756
Public safety	<u>279,982</u>
Total	<u>\$ 603,256</u>

TRINITY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

LIABILITIES

Short-term Debt

From time to time, the County will utilize short-term financing to provide for its general operating expenditures and obligations. During the current fiscal year, all short-term debt outstanding from the prior year was paid-off or re-financed. 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, 2015	\$ -	\$ 18,030	\$ 18,030
Additional borrowings	-	20,030	20,030
Principal payments	-	(18,030)	(18,030)
Balance, September 30, 2016	<u>\$ -</u>	<u>\$ 20,030</u>	<u>\$ 20,030</u>

These short-term notes have maturity dates of less than one year and are due and payable in full, including interest at 3.50%, and are secured by equipment the notes serve to finance. At September 30, 2016, accrued interest payable on these notes was \$115.

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 1.89% 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	\$ 97,175	\$ 956,213	\$ 1,053,388
Less accumulated depreciation	(6,488)	(201,143)	(207,631)
Total	<u>\$ 90,687</u>	<u>\$ 755,070</u>	<u>\$ 845,757</u>

The future minimum lease obligations and the net present value of these minimum lease payments as of September 30, 2016, were as follows:

<u>Year ending September 30,</u>	<u>General Fund</u>	<u>Road and Bridge Funds</u>	<u>Totals</u>
2017	\$ 47,839	\$ 381,347	\$ 429,186
2018	46,848	69,695	116,543
2019	-	377,165	377,165
2020	-	166,999	166,999
2021	-	-	-
2022 – 2026	-	-	-
Total minimum lease payments	\$ 94,687	\$ 995,206	\$ 1,089,893
Less amount representing interest	(2,973)	(39,517)	(42,490)
Present value of minimum lease payments	<u>\$ 91,714</u>	<u>\$ 955,689</u>	<u>\$ 1,047,403</u>

TRINITY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

Long-term Liabilities

Long-term liability activity for the year ended September 30, 2016, was as follows:

	<u>Balance</u> <u>09/30/15</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>09/30/16</u>	<u>Due Within</u> <u>One Year</u>
Bonds payable –					
2012 Refunding	\$ 605,000	\$ -	\$ (110,000)	\$ 495,000	\$ 115,000
2012 Certificates	540,000	-	(60,000)	480,000	65,000
Capital leases	<u>925,276</u>	<u>250,639</u>	<u>(128,512)</u>	<u>1,047,403</u>	<u>415,725</u>
Total long-term debt	<u>\$ 2,070,276</u>	<u>\$ 250,639</u>	<u>\$ (298,512)</u>	<u>\$ 2,022,403</u>	<u>\$ 595,725</u>

Interest expense for the year totaled \$53,303. Interest payments made during the year totaled \$56,285.

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,						
2017	\$ 180,000	\$ 32,888	\$ 415,725	\$ 12,721	\$ 595,725	\$ 45,609
2018	185,000	26,875	99,333	14,991	284,333	41,866
2019	190,000	20,700	366,544	10,620	556,544	31,320
2020	195,000	14,363	162,841	4,158	357,841	18,521
2021	80,000	7,850	-	-	80,000	7,850
2022-2026	<u>145,000</u>	<u>7,700</u>	<u>-</u>	<u>-</u>	<u>145,000</u>	<u>7,700</u>
Totals	<u>\$ 975,000</u>	<u>\$ 110,376</u>	<u>\$ 1,047,403</u>	<u>\$ 42,490</u>	<u>\$ 2,022,403</u>	<u>\$ 152,866</u>

At year end, the County had cash totaling \$126,353 available in the debt service fund to service long-term debt.

Bonds and other debt payable at September 30, 2016, 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.

Capital Leases. As noted previously, the County has entered into various lease purchase agreements for the purpose of purchasing equipment. Each lease purchase is secured by the equipment that each respective agreement serves to finance.

TRINITY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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 Receivables, Payables, and Transfers

Interfund 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, 2016.

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, 2016:

<u>Fund</u>	<u>Transfers In</u>	<u>Transfers Out</u>
General	\$ 11,733	\$ (595,110)
Road and bridge precinct no. 1	145,335	-
Road and bridge precinct no. 2	80,578	(65,481)
Road and bridge precinct no. 3	198,673	-
Road and bridge precinct no. 4	206,043	-
Grant funds	2,798	(1,835)
Nonmajor special revenue funds		
Records management	643	-
Sheriff's forest service	-	(183)
Jury service	36	-
LEOSE education	270	-
Hotel/motel tax	<u>16,500</u>	<u>-</u>
Totals	<u>\$ 662,609</u>	<u>\$ (662,609)</u>

Defined Benefit Pension Plan

Plan Description. Trinity County participates as one of 677 plans in the non-traditional defined benefit plan in the statewide Texas County and District Retirement System ("TCDRS"). The Board of Trustees of TCDRS is responsible for the administration of the statewide agent multiple-employer public employee retirement system.

TCDRS in the aggregate issues a comprehensive annual financial report ("CAFR") on a calendar year basis. The CAFR is available online at www.tcdrs.org.

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

TRINITY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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

Employees Covered by Benefit Terms. At the December 31, 2015 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	64
Inactive employees entitled to but not yet receiving benefits	112
Active employees	86
	262

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

The County has not elected the annually determined contribution rate (“ADCR”) plan provisions of the TCDRS Act. The County contributed using the actuarially determined rate of 9.99% for calendar year 2015 and 10.25% for calendar year 2016. The contribution rate payable by the employee members for fiscal year 2016 is the rate of 7.00% as adopted by the County. For fiscal year 2016, the County’s required contributions equaled actual contributions which totaled \$235,191.

The County’s Net Pension Liability/Asset (“NPL”) was measured as of December 31, 2015, 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, 2015, actuarial valuation using the entry age actuarial cost method. The actuarial assumptions at December 31, 2015, 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, 2015, was 13.4 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.

TRINITY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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

The long-term expected rate of return on pension plan investments is 8.10%. The long-term expected rate of return on TCDRS assets is determined by adding expected inflation to expected long-term real returns, and reflecting expected volatility and correlation. The capital market assumptions and information shown below are provided by TCDRS' investment consultant, Cliffwater LLC. The numbers shown are based on January 2016 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	14.5%	5.45%
Private equity	14.0%	8.45%
Global equities	1.5%	5.75%
International equities - developed	10.0%	5.45%
International equities - emerging	8.0%	6.45%
Investment-grade bonds	3.0%	1.00%
High-yield bonds	3.0%	5.10%
Opportunistic credit	2.0%	5.09%
Direct lending	5.0%	6.40%
Distressed debt	3.0%	8.10%
REIT equities	3.0%	4.00%
Master limited partnerships	3.0%	6.80%
Private real estate partnerships	5.0%	6.90%
Hedge funds	<u>25.0%</u>	5.25%
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.

TRINITY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

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 12/31/2014	\$ 8,755,877	\$ 8,476,362	\$ 279,515
Changes for the year:			
Service cost	242,989	-	242,989
Interest on total pension liability	700,690	-	700,690
Effect of plan changes	(18,062)	-	(18,062)
Change of assumptions	96,428	-	96,428
Effect of economic/demographic (gains) or losses	(150,552)	-	(150,552)
Refund of contributions	(35,556)	(35,556)	-
Benefit payments	(500,751)	(500,751)	-
Administrative expenses	-	(6,031)	6,031
Employer contributions	-	217,163	(217,163)
Member contributions	-	152,167	(152,167)
Net investment income	-	111,782	(111,782)
Other	-	(106,036)	106,036
Net changes	<u>335,186</u>	<u>(167,262)</u>	<u>502,448</u>
Balance at 12/31/2015	<u>\$ 9,091,063</u>	<u>\$ 8,309,100</u>	<u>\$ 781,963</u>

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

	1% Decrease in Discount Rate (7.1%)	Discount Rate (8.1%)	1% Increase in Discount Rate (9.1%)
Total pension liability	\$ 10,050,276	\$ 9,091,063	\$ 8,279,999
Fiduciary net position	<u>8,309,100</u>	<u>8,309,100</u>	<u>8,309,100</u>
Net pension liability (asset)	<u>\$ 1,741,176</u>	<u>\$ 781,963</u>	<u>\$ (29,101)</u>

Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions. For the year ended September 30, 2016, the County recognized net pension (benefit) expense of \$425,416. Net pension (benefit) expense was charged to functions/programs as follows:

Function/program	Governmental Activities
General government	\$ 105,265
Judicial	89,216
Road and bridge	93,867
Public safety	130,134
Health and welfare	6,934
Total	<u>\$ 425,416</u>

TRINITY COUNTY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
SEPTEMBER 30, 2016

At September 30, 2016, 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	\$ -	\$ (100,369)
Difference between projected and actual investment earnings	511,481	-
Changes in actuarial assumptions	64,285	-
Contributions subsequent to the measurement date	<u>182,069</u>	<u>-</u>
Totals, governmental activities	<u>\$ 757,835</u>	<u>\$ (100,369)</u>

The amount reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date totaling \$164,042, will be recognized as a reduction of the net pension liability/asset for the fiscal year ending September 30, 2017. 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	\$ 346,723	\$ (50,185)	\$ 296,538
2017	164,653	(50,184)	114,469
2018	132,509	-	132,509
2019	113,950	-	113,950
2020	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 757,835</u>	<u>\$ (100,369)</u>	<u>\$ 657,466</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 May 2, 2017, 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, 2016

	Original	Final	Actual Amounts			Variances
	Adopted	Appropriated	Fund	Budgetary	Fav (Unfav)	
	Budget	Budget	Basis	Basis	Final to Actual	
REVENUES						
Property taxes	\$ 4,571,174	\$ 4,571,174	\$ 4,646,960	\$ -	\$ 4,646,960	\$ 75,786
Fines and forfeitures	150,000	150,000	182,293	-	182,293	32,293
Fees, licenses, and permits	303,600	303,600	312,079	-	312,079	8,479
Intergovernmental revenue and grants	69,200	96,700	268,230	-	268,230	171,530
Contributions and donations	-	-	2,750	-	2,750	2,750
Payment in lieu of taxes	25,000	25,000	26,411	-	26,411	1,411
Investment earnings	1,500	1,500	1,524	-	1,524	24
Other revenue	14,800	14,800	33,125	-	33,125	18,325
Total revenues	<u>5,135,274</u>	<u>5,162,774</u>	<u>5,473,372</u>	<u>-</u>	<u>5,473,372</u>	<u>310,598</u>
EXPENDITURES						
General government						
County judge	149,345	149,345	151,375	-	151,375	(2,030)
County clerk	118,022	118,022	118,305	-	118,305	(283)
Elections administrator	49,659	49,659	63,369	-	63,369	(13,710)
County auditor	112,762	112,762	86,159	-	86,159	26,603
County treasurer	72,874	72,874	75,732	-	75,732	(2,858)
Data processing	32,500	32,500	30,215	-	30,215	2,285
Tax assessor-collector	183,439	183,439	174,686	-	174,686	8,753
Veterans office	16,415	16,415	16,169	-	16,169	246
Courthouse maintenance	187,960	187,960	213,363	3,880 c	217,243	(29,283)
County agent	41,600	41,600	40,619	-	40,619	981
County insurance	577,000	577,000	511,641	-	511,641	65,359
Non-departmental	349,955	333,455	323,068	15,000 c	338,068	(4,613)
Fringe benefits	57,000	57,000	53,216	-	53,216	3,784
Courthouse miscellaneous	80,000	80,000	72,817	5,972 c	78,789	1,211
Community center	-	-	4,793	-	4,793	(4,793)
Total general government	<u>2,028,531</u>	<u>2,012,031</u>	<u>1,935,527</u>	<u>24,852</u>	<u>1,960,379</u>	<u>51,652</u>
Judicial						
County court	21,200	21,200	34,232	-	34,232	(13,032)
District court	207,643	207,643	202,187	-	202,187	5,456
District clerk	99,809	99,809	94,289	-	94,289	5,520
County attorney - county portion	94,785	97,159	90,077	-	90,077	7,082
County attorney - state portion	-	77,284	78,296	-	78,296	(1,012)
District attorney - county portion	87,640	87,640	87,407	-	87,407	233
District attorney - state portion	-	27,500	30,819	-	30,819	(3,319)
Justice of the peace, Pct No. 1	59,074	59,074	58,382	-	58,382	692
Justice of the peace, Pct No. 2	60,424	60,424	57,002	-	57,002	3,422
Justice of the peace, Pct No. 3	59,774	59,774	59,100	-	59,100	674
Justice of the peace, Pct No. 4	59,124	59,124	59,767	-	59,767	(643)
Total judicial	<u>749,473</u>	<u>856,631</u>	<u>851,558</u>	<u>-</u>	<u>851,558</u>	<u>5,073</u>
Public safety						
County judge	-	-	53	-	53	(53)
911 / emergency management	36,451	36,451	35,376	-	35,376	1,075
Public safety	99,832	99,832	83,117	-	83,117	16,715
Sheriff department	603,150	603,850	590,258	5,461 c	595,719	8,131
Jail	582,273	582,273	576,090	-	576,090	6,183
Department of public safety	700	-	-	-	-	-
Constable, Pct No. 1	20,887	20,887	18,704	-	18,704	2,183
Constable, Pct No. 2	31,266	31,266	25,804	-	25,804	5,462
Constable, Pct No. 3	32,116	32,116	31,918	-	31,918	198

TRINITY COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(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. 4	32,112	32,112	26,532	-	26,532	5,580
Total public safety	1,438,787	1,438,787	1,387,852	5,461	1,393,313	45,474
Road and bridge						
Commissioners	119,528	119,528	2,000	115,528 a	117,528	2,000
Total road and bridge	119,528	119,528	2,000	115,528	117,528	2,000
Health and welfare						
County judge	13,600	13,600	13,407	-	13,407	193
Civic improvements	36,000	36,000	30,089	-	30,089	5,911
DSHS health project	-	33,734	48,684	-	48,684	(14,950)
Victim advocate	-	20,867	27,258	-	27,258	(6,391)
Health and welfare	200,419	200,419	149,939	-	149,939	50,480
Total health and welfare	250,019	304,620	269,377	-	269,377	35,243
Capital outlay						
Sheriff department	-	-	142,892	(5,461) c	137,431	(137,431)
Justice of the peace, Pct No. 3	-	-	3,880	(3,880) c	-	-
Justice of the peace, Pct No. 4	-	-	3,587	(3,587) c	-	-
Pennington community center	-	-	15,000	(15,000) c	-	-
Courthouse miscellaneous	-	-	2,385	(2,385) c	-	-
Total capital outlay	-	-	167,744	(30,313)	137,431	(137,431)
Debt service						
Principal	100,000	100,000	52,568	1,217 b	53,785	46,215
Interest	-	-	1,217	(1,217) b	-	-
Total expenditures	4,686,338	4,831,597	4,667,843	115,528	4,783,371	48,226
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	448,936	331,177	805,529	(115,528)	690,001	358,824
OTHER FINANCING SOURCES (USES)						
Sale of real and personal property	-	-	-	-	-	-
Proceeds from notes/capital leases	-	-	91,714	-	91,714	91,714
Transfers in	10,400	10,400	11,733	-	11,733	1,333
Transfers out	(459,336)	(459,336)	(595,110)	115,528 a	(479,582)	(20,246)
Net other financing sources (uses)	(448,936)	(448,936)	(491,663)	115,528	(376,135)	72,801
NET CHANGE IN FUND BALANCE	-	(117,759)	313,866	-	313,866	431,625
FUND BALANCE - BEGINNING OF YEAR	406,543	406,543	406,543	-	406,543	-
FUND BALANCE - END OF YEAR	\$ 406,543	\$ 288,784	\$ 720,409	\$ -	\$ 720,409	\$ 431,625

Notes: Adjustments from fund basis to budgetary basis consist of the following:

a - Expense reclassification (transfer coded as other expenditure)	\$ -
b - Expense reclassification (debt service budget combines principal and interest)	-
c - Expense reclassification (capital purchase coded as other expenditure)	-
Net adjustments	<u>\$ -</u>

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, 2016

	Original	Final	Actual Amounts		Variances	
	Adopted Budget	Appropriated Budget	Fund Basis	Adjustments	Budgetary Basis	Fav (Unfav) Final to Actual
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-	-	-
Fees, licenses, and permits	148,980	148,980	134,441	-	134,441	(14,539)
Intergovernmental revenue and grants	46,800	46,800	123,034	-	123,034	76,234
Contributions and donations	-	-	-	-	-	-
Payment in lieu of taxes	-	-	-	-	-	-
Investment earnings	1,000	1,000	65	-	65	(935)
Other revenue	-	-	-	-	-	-
Total revenues	196,780	196,780	257,540	-	257,540	60,760
EXPENDITURES						
General government	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Road and bridge	290,304	359,490	328,679	-	328,679	30,811
Health and welfare	-	-	-	-	-	-
Capital outlay	-	29,260	48,620	-	48,620	(19,360)
Debt service						
Principal	150,257	150,257	25,450	18,030 a	43,480	106,777
Interest	7,554	7,554	6,696	-	6,696	858
Total expenditures	448,115	546,561	409,445	18,030	427,475	119,086
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	(251,335)	(349,781)	(151,905)	(18,030)	(169,935)	179,846
OTHER FINANCING SOURCES (USES)						
Sale of real and personal property	106,000	106,000	21,760	-	21,760	(84,240)
Proceeds from notes/capital leases	-	-	-	20,030 b	20,030	20,030
Transfers in	145,335	145,335	145,335	-	145,335	-
Transfers out	-	-	-	-	-	-
Net other financing sources (uses)	251,335	251,335	167,095	20,030	187,125	(64,210)
NET CHANGE IN FUND BALANCE	-	(98,446)	15,190	2,000	17,190	115,636
FUND BALANCE - BEGINNING OF YEAR	(12,502)	(12,502)	(12,502)	-	(12,502)	-
FUND BALANCE - END OF YEAR	\$ (12,502)	\$ (110,948)	\$ 2,688	\$ 2,000	\$ 4,688	\$ 115,636

Notes: Adjustments from fund basis to budgetary basis consist of the following:

a - Principal payments on short-term notes (not included in fund basis expenditures)	\$ (18,030)
b - Proceeds from issuance of short-term notes (not included in fund basis revenues)	<u>20,030</u>
Net adjustments	<u>\$ 2,000</u>

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TRINITY COUNTY, TEXAS
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
ROAD AND BRIDGE PRECINCT NO. 2
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	Original	Final	Actual Amounts		Variances	
	Adopted Budget	Appropriated Budget	Fund Basis	Adjustments	Budgetary Basis	Fav (Unfav) Final to Actual
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-	-	-
Fees, licenses, and permits	57,300	57,300	51,708	-	51,708	(5,592)
Intergovernmental revenue and grants	18,000	18,000	23,627	-	23,627	5,627
Contributions and donations	-	-	-	-	-	-
Payment in lieu of taxes	-	-	-	-	-	-
Investment earnings	80	80	138	-	138	58
Other revenue	-	-	-	-	-	-
Total revenues	75,380	75,380	75,473	-	75,473	93
EXPENDITURES						
General government	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Road and bridge	90,958	87,358	104,851	-	104,851	(17,493)
Health and welfare	-	-	-	-	-	-
Capital outlay	5,000	5,000	-	-	-	5,000
Debt service						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	95,958	92,358	104,851	-	104,851	(12,493)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	(20,578)	(16,978)	(29,378)	-	(29,378)	(12,400)
OTHER FINANCING SOURCES (USES)						
Sale of real and personal property	-	-	-	-	-	-
Proceeds from notes/capital leases	-	-	-	-	-	-
Transfers in	80,578	80,578	80,578	-	80,578	-
Transfers out	(60,000)	(63,600)	(65,481)	-	(65,481)	(1,881)
Net other financing sources (uses)	20,578	16,978	15,097	-	15,097	(1,881)
NET CHANGE IN FUND BALANCE						
	-	-	(14,281)	-	(14,281)	(14,281)
FUND BALANCE - BEGINNING OF YEAR						
	82,267	82,267	82,267	-	82,267	-
FUND BALANCE - END OF YEAR						
	\$ 82,267	\$ 82,267	\$ 67,986	\$ -	\$ 67,986	\$ (14,281)

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, 2016

	Original	Final	Actual Amounts		Variances	
	Adopted Budget	Appropriated Budget	Fund Basis	Adjustments	Budgetary Basis	Fav (Unfav) Final to Actual
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-	-	-
Fees, licenses, and permits	131,560	131,560	118,928	-	118,928	(12,632)
Intergovernmental revenue and grants	41,400	41,400	56,107	-	56,107	14,707
Contributions and donations	-	-	-	-	-	-
Payment in lieu of taxes	-	-	-	-	-	-
Investment earnings	1,000	1,000	172	-	172	(828)
Other revenue	60,000	60,000	17,792	-	17,792	(42,208)
Total revenues	<u>233,960</u>	<u>233,960</u>	<u>192,999</u>	<u>-</u>	<u>192,999</u>	<u>(40,961)</u>
EXPENDITURES						
General government	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Road and bridge	322,583	341,290	323,160	-	323,160	18,130
Health and welfare	-	-	-	-	-	-
Capital outlay	2,000	2,000	162,153	-	162,153	(160,153)
Debt service						
Principal	143,054	143,054	34,053	-	34,053	109,001
Interest	5,515	5,515	5,515	-	5,515	-
Total expenditures	<u>473,152</u>	<u>491,859</u>	<u>524,881</u>	<u>-</u>	<u>524,881</u>	<u>(33,022)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES						
	<u>(239,192)</u>	<u>(257,899)</u>	<u>(331,882)</u>	<u>-</u>	<u>(331,882)</u>	<u>(73,983)</u>
OTHER FINANCING SOURCES (USES)						
Sale of real and personal property	106,000	106,000	-	-	-	(106,000)
Proceeds from notes/capital leases	-	-	158,925	-	158,925	158,925
Transfers in	133,192	133,192	198,673	-	198,673	65,481
Transfers out	-	-	-	-	-	-
Net other financing sources (uses)	<u>239,192</u>	<u>239,192</u>	<u>357,598</u>	<u>-</u>	<u>357,598</u>	<u>118,406</u>
NET CHANGE IN FUND BALANCE						
	-	(18,707)	25,716	-	25,716	44,423
FUND BALANCE - BEGINNING OF YEAR						
	<u>51,585</u>	<u>51,585</u>	<u>51,585</u>	<u>-</u>	<u>51,585</u>	<u>-</u>
FUND BALANCE - END OF YEAR						
	<u>\$ 51,585</u>	<u>\$ 32,878</u>	<u>\$ 77,301</u>	<u>\$ -</u>	<u>\$ 77,301</u>	<u>\$ 44,423</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, 2016

	Original	Final	Actual Amounts		Variances	
	Adopted Budget	Appropriated Budget	Fund Basis	Adjustments	Budgetary Basis	Fav (Unfav) Final to Actual
REVENUES						
Property taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-	-	-
Fees, licenses, and permits	234,930	234,930	212,003	-	212,003	(22,927)
Intergovernmental revenue and grants	73,800	73,800	73,086	-	73,086	(714)
Contributions and donations	-	-	-	-	-	-
Payment in lieu of taxes	-	-	-	-	-	-
Investment earnings	1,000	1,000	215	-	215	(785)
Other revenue	-	-	3,541	-	3,541	3,541
Total revenues	309,730	309,730	288,845	-	288,845	(20,885)
EXPENDITURES						
General government	-	-	-	-	-	-
Judicial	-	-	-	-	-	-
Public safety	-	-	-	-	-	-
Road and bridge	491,961	492,193	462,486	3,325 a	465,811	26,382
Health and welfare	-	-	-	-	-	-
Capital outlay	-	49,300	52,625	(3,325) a	49,300	-
Debt service						
Principal	125,440	125,440	16,441	-	16,441	108,999
Interest	4,372	4,372	4,371	-	4,371	1
Total expenditures	621,773	671,305	535,923	-	535,923	135,382
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(312,043)	(361,575)	(247,078)	-	(247,078)	114,497
OTHER FINANCING SOURCES (USES)						
Sale of real and personal property	106,000	106,000	1,138	-	1,138	(104,862)
Proceeds from notes/capital leases	-	-	-	-	-	-
Transfers in	206,043	206,043	206,043	-	206,043	-
Transfers out	-	-	-	-	-	-
Net other financing sources (uses)	312,043	312,043	207,181	-	207,181	(104,862)
NET CHANGE IN FUND BALANCE	-	(49,532)	(39,897)	-	(39,897)	9,635
FUND BALANCE - BEGINNING OF YEAR	123,617	123,617	123,617	-	123,617	-
FUND BALANCE - END OF YEAR	\$ 123,617	\$ 74,085	\$ 83,720	\$ -	\$ 83,720	\$ 9,635

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 CHANGES IN NET PENSION LIABILITY (ASSET)
AND RELATED RATIOS - LAST TEN YEARS *
FOR THE YEAR ENDED SEPTEMBER 30, 2016

	<u>2015**</u>	<u>2014**</u>
TOTAL PENSION LIABILITY		
Service cost	\$ 242,989	\$ 234,680
Interest on total pension liability	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	(150,552)	213,927
Benefit payments/refunds of contributions	<u>(536,307)</u>	<u>(470,681)</u>
NET CHANGE IN TOTAL PENSION LIABILITY	335,186	626,994
TOTAL PENSION LIABILITY - BEGINNING	<u>8,755,877</u>	<u>8,128,883</u>
TOTAL PENSION LIABILITY - ENDING	(a) \$ <u>9,091,063</u>	\$ <u>8,755,877</u>
PLAN FIDUCIARY NET POSITION		
Employer contributions	\$ 217,163	\$ 204,818
Member contributions	152,167	140,838
Investment income, net of investment expenses	111,782	553,575
Benefit payments/refunds of contributions	(536,307)	(470,681)
Administrative expenses	(6,031)	(6,294)
Other	<u>(106,036)</u>	<u>171,667</u>
NET CHANGE IN PLAN FIDUCIARY NET POSITION	(167,262)	593,923
PLAN FIDUCIARY NET POSITION - BEGINNING	<u>8,476,362</u>	<u>7,882,439</u>
PLAN FIDUCIARY NET POSITION - ENDING	(b) \$ <u>8,309,100</u>	\$ <u>8,476,362</u>
NET PENSION LIABILITY (ASSET) - ENDING	(a - b) \$ <u>781,963</u>	\$ <u>279,515</u>
RELATED RATIOS		
Plan Fiduciary Net Position as a percentage of Total Pension Liability	91.40%	96.81%
Pensionable Covered Payroll	\$ 2,173,808	\$ 2,011,972
Net Pension Liability (Asset) as a percentage of Covered Payroll	35.97%	13.89%

* - GASB 68 requires ten years of data to be presented. Data for only two 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, 2016

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%

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

See Independent Auditors' Report and Notes to the Schedule of Pension Contributions.

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TRINITY COUNTY, TEXAS
NOTES TO THE SCHEDULE OF PENSION CONTRIBUTIONS
SEPTEMBER 30, 2016

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>	13.4 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, 2016**

	<u>Debt Service Fund</u>	<u>Nonmajor Special Revenue Funds</u>	<u>Total Nonmajor Governmental Funds</u>
ASSETS			
Cash and cash equivalents	\$ 126,353	\$ 300,515	\$ 426,868
Receivables			
Property taxes, net of allowance for uncollectibles	19,817	-	19,817
Grants	-	-	-
Other	-	-	-
Due from other funds	-	-	-
TOTAL ASSETS	<u>\$ 146,170</u>	<u>\$ 300,515</u>	<u>\$ 446,685</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 20,214	\$ 20,214
Accrued expenses	-	1,876	1,876
Due to other funds	-	-	-
Total liabilities	<u>-</u>	<u>22,090</u>	<u>22,090</u>
Deferred inflows of resources:			
Unavailable revenue - property taxes	<u>17,629</u>	<u>-</u>	<u>17,629</u>
Total deferred inflows of resources	<u>17,629</u>	<u>-</u>	<u>17,629</u>
Fund balances:			
Restricted	128,541	232,362	360,903
Assigned	<u>-</u>	<u>46,063</u>	<u>46,063</u>
Total fund balances	<u>128,541</u>	<u>278,425</u>	<u>406,966</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 146,170</u>	<u>\$ 300,515</u>	<u>\$ 446,685</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, 2016

	Debt Service Fund	Nonmajor Special Revenue Funds	Total Nonmajor Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Property taxes	\$ 261,986	\$ -	\$ 261,986
Fines and forfeitures	-	19,453	19,453
Fees, licenses, and permits	-	119,337	119,337
Intergovernmental revenue and grants	-	4,740	4,740
Contributions and donations from private sources	-	-	-
Investment earnings	210	290	500
Other revenue	-	30	30
Total revenues	<u>262,196</u>	<u>143,850</u>	<u>406,046</u>
EXPENDITURES			
General government	-	47,517	47,517
Judicial	-	12,532	12,532
Public safety	-	17,330	17,330
Road and bridge	-	-	-
Health and welfare	-	16,806	16,806
Pass-through expenditures	-	-	-
Capital outlay	-	18,641	18,641
Debt service			
Principal	170,000	-	170,000
Interest	38,486	-	38,486
Total expenditures	<u>208,486</u>	<u>112,826</u>	<u>321,312</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>53,710</u>	<u>31,024</u>	<u>84,734</u>
OTHER FINANCING SOURCES (USES)			
Sale of real and personal property	-	-	-
Transfers in	-	17,449	17,449
Transfers out (use)	-	(183)	(183)
Net other financing sources (uses)	-	17,266	17,266
NET CHANGE IN FUND BALANCE	53,710	48,290	102,000
FUND BALANCE - BEGINNING OF YEAR	<u>74,831</u>	<u>230,135</u>	<u>304,966</u>
FUND BALANCE - END OF YEAR	<u>\$ 128,541</u>	<u>\$ 278,425</u>	<u>\$ 406,966</u>

See Independent Auditors' Report.

**TRINITY COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2016**

	<u>Records Management</u>	<u>Law Library</u>	<u>Security Fee</u>
ASSETS			
Cash and cash equivalents	\$ 129,019	\$ 18,303	\$ 23,450
Receivables			
Grants	-	-	-
Other	-	-	-
Due from other funds	-	-	-
TOTAL ASSETS	<u><u>\$ 129,019</u></u>	<u><u>\$ 18,303</u></u>	<u><u>\$ 23,450</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 17,616	\$ 498	\$ -
Accrued expenses	616	-	-
Due to other funds	-	-	-
Total liabilities	<u>18,232</u>	<u>498</u>	<u>-</u>
Fund balances:			
Restricted	110,787	17,805	23,450
Assigned	-	-	-
Total fund balances	<u>110,787</u>	<u>17,805</u>	<u>23,450</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 129,019</u></u>	<u><u>\$ 18,303</u></u>	<u><u>\$ 23,450</u></u>

<u>Sheriff's Forest Service</u>	<u>Seized Funds</u>	<u>Jury Service</u>	<u>Court Technology</u>	<u>Special Crime Funds</u>	<u>LEOSE Education</u>
\$ 30	\$ 44,983	\$ 2,385	\$ 1,418	\$ 7,703	\$ 22,658
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 30</u>	<u>\$ 44,983</u>	<u>\$ 2,385</u>	<u>\$ 1,418</u>	<u>\$ 7,703</u>	<u>\$ 22,658</u>
\$ -	\$ 451	\$ -	\$ -	\$ -	\$ -
-	136	909	-	-	-
-	-	-	-	-	-
-	587	909	-	-	-
-	44,396	-	1,418	-	22,658
30	-	1,476	-	7,703	-
<u>30</u>	<u>44,396</u>	<u>1,476</u>	<u>1,418</u>	<u>7,703</u>	<u>22,658</u>
<u>\$ 30</u>	<u>\$ 44,983</u>	<u>\$ 2,385</u>	<u>\$ 1,418</u>	<u>\$ 7,703</u>	<u>\$ 22,658</u>

continued

**TRINITY COUNTY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2016
(CONTINUED)**

	Hotel/Motel Tax	Courthouse Preservation	Total Nonmajor Special Revenue Funds
ASSETS			
Cash and cash equivalents	\$ 12,063	\$ 38,503	\$ 300,515
Receivables			
Grants	-	-	-
Other	-	-	-
Due from other funds	-	-	-
TOTAL ASSETS	\$ 12,063	\$ 38,503	\$ 300,515
 LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ -	\$ 1,649	\$ 20,214
Accrued expenses	215	-	1,876
Due to other funds	-	-	-
Total liabilities	215	1,649	22,090
Fund balances:			
Restricted	11,848	-	232,362
Assigned	-	36,854	46,063
Total fund balances	11,848	36,854	278,425
TOTAL LIABILITIES AND FUND BALANCES	\$ 12,063	\$ 38,503	\$ 300,515

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, 2016

	<u>Records Management</u>	<u>Law Library</u>	<u>Security Fee</u>
REVENUES			
Fines and forfeitures	\$ -	\$ -	\$ -
Fees, licenses, and permits	83,603	10,461	9,469
Intergovernmental revenue and grants	-	-	-
Investment earnings	91	16	21
Other revenue	-	-	-
Total revenues	<u>83,694</u>	<u>10,477</u>	<u>9,490</u>
EXPENDITURES			
General government	45,700	-	-
Judicial	-	7,340	-
Public safety	-	-	427
Road and bridge	-	-	-
Health and welfare	-	-	-
Pass-through expenditures	-	-	-
Capital outlay	17,180	-	-
Total expenditures	<u>62,880</u>	<u>7,340</u>	<u>427</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>20,814</u>	<u>3,137</u>	<u>9,063</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	643	-	-
Transfers out (use)	-	-	-
Net other financing sources (uses)	643	-	-
NET CHANGE IN FUND BALANCE	21,457	3,137	9,063
FUND BALANCE - BEGINNING OF YEAR	<u>89,330</u>	<u>14,668</u>	<u>14,387</u>
FUND BALANCE - END OF YEAR	<u>\$ 110,787</u>	<u>\$ 17,805</u>	<u>\$ 23,450</u>

<u>Sheriff's Forest Service</u>	<u>Seized Funds</u>	<u>Jury Service</u>	<u>Court Technology</u>	<u>Special Crime Funds</u>	<u>LEOSE Education</u>
\$ -	\$ 19,453	\$ -	\$ -	\$ -	\$ -
-	-	775	3,967	-	-
-	-	1,224	-	-	3,516
-	42	2	1	8	22
30	-	-	-	-	-
<u>30</u>	<u>19,495</u>	<u>2,001</u>	<u>3,968</u>	<u>8</u>	<u>3,538</u>
-	-	-	-	-	-
-	-	588	4,604	-	-
-	15,701	-	-	-	1,202
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	<u>15,701</u>	<u>588</u>	<u>4,604</u>	<u>-</u>	<u>1,202</u>
30	3,794	1,413	(636)	8	2,336
-	-	36	-	-	270
(183)	-	-	-	-	-
(183)	-	36	-	-	270
(153)	3,794	1,449	(636)	8	2,606
183	40,602	27	2,054	7,695	20,052
<u>\$ 30</u>	<u>\$ 44,396</u>	<u>\$ 1,476</u>	<u>\$ 1,418</u>	<u>\$ 7,703</u>	<u>\$ 22,658</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, 2016
(CONTINUED)

	Hotel/Motel Tax	Courthouse Preservation	Total Nonmajor Special Revenue Funds
REVENUES			
Fines and forfeitures	\$ -	\$ -	\$ 19,453
Fees, licenses, and permits	11,062	-	119,337
Intergovernmental revenue and grants	-	-	4,740
Investment earnings	9	78	290
Other revenue	-	-	30
Total revenues	11,071	78	143,850
EXPENDITURES			
General government	-	1,817	47,517
Judicial	-	-	12,532
Public safety	-	-	17,330
Road and bridge	-	-	-
Health and welfare	16,806	-	16,806
Pass-through expenditures	-	-	-
Capital outlay	-	1,461	18,641
Total expenditures	16,806	3,278	112,826
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES			
	(5,735)	(3,200)	31,024
OTHER FINANCING SOURCES (USES)			
Transfers in	16,500	-	17,449
Transfers out (use)	-	-	(183)
Net other financing sources (uses)	16,500	-	17,266
NET CHANGE IN FUND BALANCE	10,765	(3,200)	48,290
FUND BALANCE - BEGINNING OF YEAR	1,083	40,054	230,135
FUND BALANCE - END OF YEAR	\$ 11,848	\$ 36,854	\$ 278,425

See Independent Auditors' Report.

COMPLIANCE SECTION

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Todd, Hamaker & Johnson, LLP

CERTIFIED PUBLIC ACCOUNTANTS

420 S 1st Street • PO Box 468 • Lufkin, TX 75902-0468 • (936) 632-8181
301 N 6th Street • PO Box 1249 • Crockett, TX 75835-1249 • (936) 544-2143

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

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, 2016, and the related notes to the financial statements, which collectively comprise Trinity County, Texas' basic financial statements and have issued our report thereon dated May 2, 2017.

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 (finding 2016-001) 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

May 2, 2017

Todd, Hamaker & Johnson, LLP

CERTIFIED PUBLIC ACCOUNTANTS

420 S 1st Street • PO Box 468 • Lufkin, TX 75902-0468 • (936) 632-8181
301 N 6th Street • PO Box 1249 • Crockett, TX 75835-1249 • (936) 544-2143

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INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

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

Report on Compliance for Each Major Federal Program

We have audited Trinity County, Texas' (the "Organization") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Organization's major federal programs for the year ended September 30, 2016. The Organization's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of Trinity County, Texas's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Trinity County, Texas' compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Trinity County, Texas' compliance.

Opinion on Each Major Federal Program

In our opinion, Trinity County, Texas complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended September 30, 2016.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED
BY THE UNIFORM GUIDANCE – CONTINUED**

Report on Internal Control over Compliance

Management of Trinity County, Texas is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Trinity County, Texas's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Trinity County, Texas' internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Todd, Hamaker & Johnson, LLP

Todd, Hamaker & Johnson, LLP
Lufkin, Texas

May 2, 2017

TRINITY COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Federal Grantor/ Pass-through Grantor/Other Grantor Program Title/Grant Title	Federal CFDA Number	Grant Number	Total Federal Expenditures	Amount Provided to Subrecipients
<u>U.S. Department of Agriculture</u>				
<i>Passed through Texas Comptroller</i>				
Schools and Roads - Grants to States – Title I	10.665	-	\$ 288,865	\$ 144,432
Schools and Roads - Grants to States – Title II	10.665	-	<u>77,371</u>	<u>-</u>
Total for CFDA 10.665			<u>366,236</u>	<u>144,432</u>
Total U.S. Department of Agriculture:			<u>366,236</u>	<u>144,432</u>
<u>U.S. Department of Housing and Urban Development</u>				
<i>Passed through Texas General Land Office</i>				
Community Development Block Grant/ State’s Program and Non-Entitlement Grants in Hawaii	14.228	DRS010189/ 10-5136-000-5117	76,491	-
Community Development Block Grant/ State’s Program and Non-Entitlement Grants in Hawaii	14.228	DRS220189/ 13-115-000-7157	<u>86,310</u>	<u>72,310</u>
Total for CFDA 14.228			<u>162,801</u>	<u>72,310</u>
<i>Passed through Texas Department of Housing and Community Affairs</i>				
Home Investment Partnerships Program	14.239	1001870	<u>461,000</u>	<u>-</u>
Total for CFDA 14.239			<u>461,000</u>	<u>-</u>
Total U.S. Department of Housing and Urban Development:			<u>623,801</u>	<u>72,310</u>
<u>U.S. Department of the Interior</u>				
<i>Passed through Texas Comptroller</i>				
National Forest Acquired Lands	15.438	-	<u>67,652</u>	<u>33,826</u>
Total for CFDA 15.438			<u>67,652</u>	<u>33,826</u>
Total U.S. Department of the Interior:			<u>67,652</u>	<u>33,826</u>
<u>U.S. Department of Justice</u>				
<i>Passed through Texas Office of the Governor</i>				
Crime Victim Assistance	16.575	2910901 2015-VA-GX-009	<u>32,187</u>	<u>-</u>
Total for CFDA 16.575			<u>32,187</u>	<u>-</u>
Total U.S. Department of Justice:			<u>32,187</u>	<u>-</u>

TRINITY COUNTY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016
(CONTINUED)

Federal Grantor/ Pass-through Grantor/Other Grantor Program Title/Grant Title	Federal CFDA Number	Grant Number	Total Federal Expenditures	Amount Provided to Subrecipients
<u>U.S. Department of Homeland Security</u>				
<i>Passed through Texas Department of Public Safety Division of Emergency Management</i>				
Disaster Grants – Public Assistance	97.036	DR 4223	97,488	-
Total for CFDA 97.036			97,488	-
Total U.S. Department of Homeland Security:			97,488	-
Total Expenditures of Federal Awards:			<u>\$ 1,187,364</u>	<u>\$ 250,568</u>

See accompanying Notes to the Schedule of Expenditures of Federal Awards.

TRINITY COUNTY, TEXAS
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

NOTE 1 – Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (“Schedule”) includes the federal grant activity of Trinity County, Texas under programs of the federal government for the year ended September 30, 2016. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”), as applicable. Because the Schedule presents only a selected portion of the operations of Trinity County, Texas, it is not intended to and does not present the financial position, changes in net position, or cash flows of Trinity County, Texas.

NOTE 2 – Summary of Significant Accounting Policies

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

NOTE 3 – Presentation of Expenditures

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

NOTE 5 – Other

Pass-through entity identifying numbers are presented where available.

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**TRINITY COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Section I – Summary of Auditors’ Results

Financial Statements

Type of auditors’ report issued: unmodified

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

Non-compliance material to financial statements noted? _____ yes ✓ no

Federal Awards

Internal control over major programs:

- Material weakness(es) identified? _____ yes ✓ no
- Significant deficiency(ies) identified that are not considered to be material weakness(es)? _____ yes ✓ none reported

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

Any audit findings disclosed that are required to be reported in accordance with § 516(a) of the *Uniform Guidance*? _____ yes ✓ no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>14.239</u>	<u>HOME Investment Partnerships Program</u>
_____	_____

Dollar threshold used to distinguish between type A and type B federal programs: \$ 750,000

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

TRINITY COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Section II – Financial Statements Audit Findings

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

View of responsible officials and corrective action. The County Auditor agrees with the findings. Monthly collection reports are being reviewed and reconciled each month. Additional reporting steps will be taken to provide year-end reconciliation. The County Auditor has recommended that the County upgrade the Justice of the Peace judicial management software system that will provide improvements required to track fines and provide advanced reporting features needed for year-end auditing. The request is to be considered during the FY 16/17 budget year.

Updated status by responsible officials. 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.

**TRINITY COUNTY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Section III – Major Federal Award Programs Audit Findings and Questioned Costs

None.

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TRINITY COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2016

Financial Statements Audit Findings

2015-001 Significant Deficiency: General Fund Bank Reconciliation

Condition. Auditing procedures performed on the general fund cash account revealed that the bank reconciliation performed at year end did not reconcile the bank balance to the final general ledger balance. We also noted several transactions that were not recorded to the general ledger until as much as two months after the actual transactions took place.

Additionally, a transfer of approximately \$85,000 in September was not properly accounted for and required audit adjustment. The general ledger cash account was not fully corrected until April, 2016 during our audit fieldwork.

Criteria or Specific Requirements. The majority of the County's funds are deposited, expended and accounted for through this bank account. Review of bank statements and reconciliations to the general ledger is possibly the single most important internal control within any organization.

Recommendation. This account, as well as all County funds, should be reconciled with the general ledger monthly basis by the County Treasurer. The reconciliation should be signed and dated. The reconciliation should be reviewed for accuracy by the County auditor, also signing and dating to document the process.

If transactions are posted to cash after the reconciliations are performed, the reconciliations should be updated to reflect the changes.

Status. Recommendations and corrective action were implemented during the year. This matter is considered resolved.

2015-002 Significant Deficiency: Fines Receivable

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.

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.

View of responsible officials and corrective action. The County Auditor agrees with the findings. Monthly collection reports are being reviewed and reconciled each month. Additional reporting steps will be taken to provide year-end reconciliation. The County Auditor has recommended that the County upgrade the Justice of the Peace judicial management software system that will provide improvements required to track fines and provide advanced reporting features needed for year-end auditing. The request is to be considered during the FY 16/17 budget year.

Status. This matter remains outstanding; see also, current year finding, 2016-001.

**TRINITY COUNTY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2016**

Major Federal Award Programs Audit Findings and Questioned Costs

None.