

CITY OF TRINITY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2023.



Davis, Heinemann & Company, P.C.

Certified Public Accountants

1300 11th Street Suite 500

Huntsville, Texas 77340

(936) 291-3020



Introductory Section

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City of Trinity, Texas
Annual Financial Report
For The Year Ended September 30, 2023

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Financial Section

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DAVIS, HEINEMANN & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

1300 11TH STREET, SUITE 500

P.O. BOX 6308

HUNTSVILLE, TEXAS 77342

PHONE (936) 291-3020

FAX (936) 291-9607

Independent Auditor's Report

To the City Council
City of Trinity, Texas
101 W. Madison
Trinity, Texas 75862

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Trinity, Texas ("the City"), as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City of Trinity, Texas' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Trinity, Texas as of September 30, 2023, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Trinity, Texas, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Trinity, Texas' ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, and budgetary comparison information and schedule of the City's proportionate share of the net pension liability and schedule of City pension contributions, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Trinity, Texas' basic financial statements. The combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are 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 and individual nonmajor fund financial statements and the schedule of expenditures of federal awards 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. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements 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 June 21, 2024 on our consideration of City of Trinity, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of City of Trinity, Texas' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Trinity, Texas' internal control over financial reporting and compliance.

Respectfully submitted,

A handwritten signature in cursive script that reads "Davis, Heinemann & Co." with a small flourish at the end.

Davis, Heinemann & Company, P.C.

Huntsville, Texas
June 21, 2024

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MANAGEMENT’S DISCUSSION AND ANALYSIS

This section of City of Trinity, Texas’ annual financial report presents our discussion and analysis of the City’s financial performance during the fiscal year ended September 30, 2023. Please read it in conjunction with the City’s financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

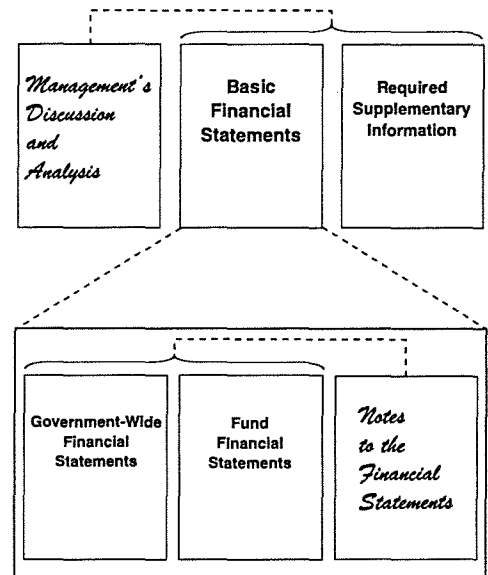
- The City’s total combined net position of the primary government was \$8,154,862 at September 30, 2023.
- During the year, the City’s expenses were \$308,793 more than the \$5,068,609 generated in taxes, charges for service and other revenues for governmental and business-type activities.
- The general fund reported a fund balance this year of \$2,014,454.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts—*management’s discussion and analysis* (this section), the *basic financial statements*, and *required supplementary information*. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City’s overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City’s operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short-term* as well as what remains for future spending.
- *Proprietary fund* statements offer *short-term* and *long-term* financial information about the activities the government operates *like businesses*.
- *Fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

Figure A-1, Required Components of the City’s Annual Financial Report



The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and related to one another.

The remainder of this overview section of management’s discussion and analysis explains the structure and contents of each of the statements.

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government’s assets and

liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the City's net position and how it has changed. Net position—the difference between the City's assets and liabilities—is one way to measure the City's financial health or *position*.

- Over time, increases or decreases in the City's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the City, one needs to consider additional nonfinancial factors such as changes in the City's tax base.

The government-wide financial statements of the City include the *Governmental activities*. Most of the City's basic services are included here, such as general administration, public safety, streets and bridges, buildings and grounds, and financial and professional. Property, sales and franchise taxes finance most of these activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant *funds*—not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by State law and by bond covenants.
- The City Council establishes other funds to control and manage money for particular purposes or to show that it is properly using certain taxes and grants.

The City has the following kinds of funds:

- *Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explains the relationship (or differences) between them.
- *Proprietary funds*—Services for which the City charges customers a fee are generally reported in proprietary funds. Proprietary funds, like the government-wide statements, provide both long-term and short-term financial information.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's combined net position was \$8,154,862 at September 30, 2023. (See Table A-1).

Table A-1
Statement of Net Position
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
ASSETS						
Cash and Other Assets	\$ 2,141.8	\$ 2,829.5	\$ (512.7)	\$ (339.2)	\$ 1,629.1	\$ 2,490.3
Receivables, Net	545.4	595.4	357.0	268.2	902.4	863.6
Internal Balances	-	(342.1)	-	342.1	-	-
Intergovernmental Receivables	233.4	472.3	70.5	132.6	303.9	604.9
Net Pension Asset	103.5	267.1	4.8	47.9	108.3	315.0
Capital Assets, Net of Depreciation	3,376.9	3,344.4	3,747.2	3,308.1	7,124.1	6,652.5
Total Assets	6,401.0	7,166.6	3,666.8	3,759.7	10,067.8	10,926.3
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Outflow Related To Pensions	115.1	44.7	52.3	21.4	167.4	66.1
Deferred Outflow Related To OPEB	7.0	8.0	1.8	2.4	8.8	10.4
Total Deferred Outflows of Resources	122.1	52.7	54.1	23.8	176.2	76.5
LIABILITIES						
Accounts Payable	40.1	354.3	121.4	192.6	161.5	546.9
Other Accrued Expenses	31.7	14.0	4.6	4.6	36.3	18.6
Customer Deposits	-	-	153.8	172.9	153.8	172.9
Accrued Interest Payable	19.1	2.1	9.1	10.4	28.2	12.5
Due to Component Unit	57.1	53.1	-	-	57.1	53.1
Due to Other Governments	2.3	2.3	2.7	2.4	5.0	4.7
Unearned Revenue	-	-	194.8	285.1	194.8	285.1
Total Current Liabilities	150.3	425.8	486.4	668.0	636.7	1,093.8
Non Current Liabilities						
Due Within One Year	131.9	78.2	67.9	65.8	199.8	144.0
Due In More Than One Year	785.3	614.7	296.6	363.4	1,081.9	978.1
Net Pension Liability	-	-	12.5	-	12.5	-
Net OPEB Liability	33.2	45.8	24.4	15.9	57.6	61.7
Total Liabilities	1,100.7	1,164.5	887.8	1,113.1	1,988.5	2,277.6
DEFERRED INFLOWS OF RESOURCES						
Deferred Inflow Related to Pensions	50.7	181.5	0.2	53.1	50.9	234.6
Deferred Inflow Related to OPEB	39.2	21.0	10.6	6.0	49.8	27.0
Total Deferred Inflows of Resources	89.9	202.5	10.8	59.1	100.7	261.6
NET POSITION						
Invested in Capital Assets	2,471.7	2,661.0	3,386.2	2,881.2	5,857.9	5,542.2
Restricted	329.6	312.6	-	-	329.6	312.6
Unrestricted	2,531.2	2,878.7	(563.9)	(269.9)	1,967.3	2,608.8
Total Net Position	\$ 5,332.5	\$ 5,852.3	\$ 2,822.3	\$ 2,611.3	\$ 8,154.8	\$ 8,463.6

The Governmental Activities total net position decreased \$519,777 from the prior year.

The Business-type Activities total net position increased \$210,984 from the prior year.

Changes in net position. The City's total revenues were \$5,068,609 and total expenses were \$5,377,402 which resulted in a decrease in net position of \$308,793. (See Table A-2).

Table A-2
Changes in City's Net Position
(in thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Program Revenues:						
Charges for Services	\$ 104.8	\$ 105.7	\$ 1,847.6	\$ 1,536.1	\$ 1,952.4	\$ 1,641.8
Capital and Operating Grants	64.7	438.3	789.0	577.7	863.7	1,016.0
General Revenues:						
Ad Valorem Taxes	707.3	712.4	-	-	707.3	712.4
Sales Tax	1,211.3	1,083.9	-	-	1,211.3	1,083.9
Franchise and Other Taxes	157.1	152.5	-	-	157.1	152.5
Contributions	-	75.0	-	-	-	75.0
Miscellaneous	81.6	19.6	79.3	127.9	160.9	147.5
Interest Income	24.5	0.1	1.4	-	25.9	0.1
Transfers	(134.3)	(111.0)	134.3	111.0	-	-
Total Revenues	<u>2,217.0</u>	<u>2,476.5</u>	<u>2,851.6</u>	<u>2,352.7</u>	<u>5,068.6</u>	<u>4,829.2</u>
Program Expenses:						
General Government	796.5	619.4	-	-	796.5	619.4
Public Safety	728.3	634.1	-	-	728.3	634.1
Municipal Court	50.6	33.2	-	-	50.6	33.2
Street Department	1,055.6	712.0	-	-	1,055.6	712.0
Parks Department	86.9	90.0	-	-	86.9	90.0
Economic Development	18.9	21.8	-	-	18.9	21.8
Water, Sewer and Sanitation	-	-	2,640.6	2,212.1	2,640.6	2,212.1
Total Expenses	<u>2,736.8</u>	<u>2,110.5</u>	<u>2,640.6</u>	<u>2,212.1</u>	<u>5,377.4</u>	<u>4,322.6</u>
Change in Net Position	<u>\$ (519.8)</u>	<u>\$ 366.0</u>	<u>\$ 211.0</u>	<u>\$ 140.6</u>	<u>\$ (308.8)</u>	<u>\$ 506.6</u>

The Governmental Activities revenues were \$2,217,043 which is a decrease of \$259,551 from the prior fiscal year primarily due to a decrease in grant related revenue. The Governmental Activities expenditures were \$2,736,820 which increased \$626,256 from the prior fiscal year.

The Business-type Activities operating revenues were \$2,851,566 which increased \$498,880 from the prior fiscal year. Total operating expenses were \$2,640,582 which increased \$428,473 over the prior year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

General Fund Budgetary Highlights

The General Fund budget was not amended during the year. Actual revenues were more than final estimated revenues by \$22,332 and expenditures were more than final appropriations by \$720,645. The largest negative variance was in the Street department.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2023, the City had invested \$17,311,247 in a broad range of capital assets, including land, construction in progress, equipment, buildings, and vehicles. (See Table A-3).

Table A-3
Capital Assets
(In thousands of dollars)

	Governmental Activities		Business-type Activities		Total	
	2023	2022	2023	2022	2023	2022
Land	\$ 16.5	\$ 16.5	\$ 4.4	\$ 4.4	\$ 20.9	\$ 20.9
Construction in Progress	521.4	506.4	112.4	482.0	633.8	988.4
Buildings and Improvements	1,428.3	1,428.4	-	-	1,428.3	1,428.4
Infrastructure	3,700.6	3,700.6	-	-	3,700.6	3,700.6
Equipment	895.6	810.4	849.5	785.9	1,745.1	1,596.3
Vehicles	1,472.1	1,350.3	441.3	477.0	1,913.4	1,827.3
Furniture and Equipment	293.0	293.0	4.4	4.4	297.4	297.4
Right-To-Use Leased Assets	11.3	11.3	-	-	11.3	11.3
Water System	-	-	6,500.8	5,833.5	6,500.8	5,833.5
Sewer System	-	-	1,059.5	713.0	1,059.5	713.0
Totals at Historical Cost	<u>8,338.8</u>	<u>8,116.9</u>	<u>8,972.3</u>	<u>8,300.2</u>	<u>17,311.1</u>	<u>16,417.1</u>
Total Accumulated Depreciation	<u>(4,961.9)</u>	<u>(4,772.5)</u>	<u>(5,225.1)</u>	<u>(4,992.1)</u>	<u>(10,187.0)</u>	<u>(9,764.6)</u>
Net Capital Assets	<u>\$ 3,376.9</u>	<u>\$ 3,344.4</u>	<u>\$ 3,747.2</u>	<u>\$ 3,308.1</u>	<u>\$ 7,124.1</u>	<u>\$ 6,652.5</u>

Long-Term Debt

At year-end the City had \$1,261,185 in outstanding notes and warrants as shown in Table A-4. More detailed information about the City's debt is presented in the notes to the financial statements.

Table A-4
Long-Term Debt
(in thousands of dollars)

	Governmental Activities		Business-Type Activities	
	2023	2022	2023	2022
Warrants and Notes	\$ 900.2	\$ 675.0	\$ 361.0	\$ 426.9
Compensated Absences	11.9	9.6	3.5	2.1
Lease Liability	5.1	8.3	-	-
Net Pension Liability	-	-	24.4	-
Net OPEB Liability	33.2	45.8	12.5	15.9
Total Long-Term Debt	<u>\$ 950.4</u>	<u>\$ 738.7</u>	<u>\$ 401.4</u>	<u>\$ 444.9</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The City received a grant from the Government Land Office to upgrade water storage facilities and lay new water lines. This project is in progress.
- The General Fund revenues are budgeted to decrease by about \$70,000 from the prior fiscal year. Expenditures are budgeted to increase by about \$75,000 from the prior year. The budgetary fund balance is expected to remain the same if budgeted estimates and appropriations are realized. The City's budgetary net position for the enterprise fund is expected to increase by about \$280,000 during fiscal year 2024.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City's Business Services Department.

Basic Financial Statements

This page has been left blank intentionally.

CITY OF TRINITY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 2,141,783	\$ (512,730)	\$ 1,629,053	\$ 111,630
Investments	-	-	-	1,750,000
Receivables	545,412	357,015	902,427	-
Due From Other Governments	233,395	70,464	303,859	57,099
Notes Receivable - Current	-	-	-	33,143
Internal Balances	-	-	-	-
Noncurrent Assets				
Notes Receivable	-	-	-	140,292
Net Pension Asset	103,493	4,805	108,298	-
Capital Assets (net of accumulated depreciation):				
Land	16,500	4,383	20,883	410,179
Buildings and Improvements	241,350	-	241,350	-
Machinery and Equipment	303,321	283,983	587,304	-
Water and Sewer System Infrastructure	-	3,346,453	3,346,453	-
Infrastructure	2,294,340	-	2,294,340	-
Construction in Progress	521,454	112,427	633,881	-
Total Assets	6,401,048	3,666,800	10,067,848	2,502,343
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred Outflow Related to Pensions	115,080	52,351	167,431	-
Deferred Outflow Related to OPEB	6,981	1,788	8,769	-
Total Deferred Outflows of Resources	122,061	54,139	176,200	-
LIABILITIES:				
Accounts Payable	40,085	121,455	161,540	-
Other Accrued Liabilities	23,245	925	24,170	-
Accrued Payroll	8,428	3,664	12,092	-
Customer Deposits	-	153,798	153,798	-
Accrued Interest Payable	19,140	9,081	28,221	-
Due to Component Unit	57,099	-	57,099	-
Due to Other Governments	2,276	2,699	4,975	-
Unearned Revenue	-	194,775	194,775	-
Noncurrent Liabilities:				
Due Within One Year	131,882	67,880	199,762	-
Due in More Than One Year	785,333	296,617	1,081,950	-
Net OPEB Liability	33,182	12,501	45,683	-
Net Pension Liability	-	24,382	24,382	-
Total Liabilities	1,100,670	887,777	1,988,447	-
DEFERRED INFLOWS OF RESOURCES:				
Deferred Inflow Related to Pensions	50,652	238	50,890	-
Deferred Inflow Related to OPEB	39,245	10,604	49,849	-
Total Deferred Inflows of Resources	89,897	10,842	100,739	-
NET POSITION:				
Net Investment in Capital Assets	2,471,689	3,386,207	5,857,896	-
Restricted For:				
Debt Service	309,172	-	309,172	-
Special Revenue	20,424	-	20,424	-
Other Purposes	-	-	-	2,502,343
Unrestricted	2,531,257	(563,887)	1,967,370	-
Total Net Position	\$ 5,332,542	\$ 2,822,320	\$ 8,154,862	\$ 2,502,343

The accompanying notes are an integral part of this statement.

CITY OF TRINITY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental Activities:				
General Government	\$ 796,511	\$ 11,172	\$ 44,659	\$ 20,000
Public Safety	728,304	81,187	-	-
Judicial	50,619	-	-	-
Transportation	1,055,591	-	-	-
Parks and Recreation	86,883	12,460	-	-
Economic Development	18,912	-	-	-
Total Governmental Activities	<u>2,736,820</u>	<u>104,819</u>	<u>44,659</u>	<u>20,000</u>
Business-type Activities:				
Utility	2,270,154	1,407,999	179,718	609,274
Solid Waste	370,428	439,646	-	-
Total Business-type Activities	<u>2,640,582</u>	<u>1,847,645</u>	<u>179,718</u>	<u>609,274</u>
Total Primary Government	<u>\$ 5,377,402</u>	<u>\$ 1,952,464</u>	<u>\$ 224,377</u>	<u>\$ 629,274</u>
COMPONENT UNIT:				
Economic Development Corporation	<u>\$ 58,656</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:
Property Taxes
Sales Taxes
Franchise Taxes
Other Taxes
Miscellaneous Revenue
Investment Earnings
Transfers
 Total General Revenues and Transfers
Change in Net Position
Net Position - Beginning
Net Position - Ending

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total	Component Unit
\$ (720,680)		\$ (720,680)	
(647,117)		(647,117)	
(50,619)		(50,619)	
(1,055,591)		(1,055,591)	
(74,423)		(74,423)	
(18,912)		(18,912)	
<u>(2,567,342)</u>		<u>(2,567,342)</u>	
-	\$ (73,163)	(73,163)	
-	69,218	69,218	
-	(3,945)	(3,945)	
<u>(2,567,342)</u>	<u>(3,945)</u>	<u>(2,571,287)</u>	
			\$ <u>(58,656)</u>
707,303	-	707,303	-
1,211,311	-	1,211,311	302,827
148,341	-	148,341	-
8,827	-	8,827	-
81,569	79,261	160,830	1,213
24,477	1,404	25,881	32,243
(134,263)	134,263	-	-
<u>2,047,565</u>	<u>214,928</u>	<u>2,262,493</u>	<u>336,283</u>
(519,777)	210,984	(308,793)	277,627
5,852,319	2,611,336	8,463,655	2,224,716
<u>\$ 5,332,542</u>	<u>\$ 2,822,320</u>	<u>\$ 8,154,862</u>	<u>\$ 2,502,343</u>

CITY OF TRINITY, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2023

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and Cash Equivalents	\$ 1,919,119	\$ 211,201	\$ 11,463	\$ 2,141,783
Receivables:				
Ad Valorem Taxes	221,888	100,005	-	321,893
Due from Other Funds	2,034	-	8,961	10,995
Due from Other Governments	228,395	-	5,000	233,395
Total Assets	<u>\$ 2,371,436</u>	<u>\$ 311,206</u>	<u>\$ 25,424</u>	<u>\$ 2,708,066</u>
LIABILITIES				
Accounts Payable	\$ 92,184	\$ -	\$ 5,000	\$ 97,184
Other Accrued Liabilities	23,245	-	-	23,245
Accrued Payroll	8,428	-	-	8,428
Due to Other Funds	8,961	2,034	-	10,995
Due to State	2,276	-	-	2,276
Total Liabilities	<u>135,094</u>	<u>2,034</u>	<u>5,000</u>	<u>142,128</u>
DEFERRED INFLOWS OF RESOURCES:				
Deferred Inflows of Resources:				
Deferred Property Taxes	221,888	100,005	-	321,893
Total Deferred Inflows of Resources	<u>221,888</u>	<u>100,005</u>	<u>-</u>	<u>321,893</u>
FUND BALANCES:				
Restricted for Debt Service	-	209,167	-	209,167
Restricted for Special Revenue	-	-	20,424	20,424
Unassigned	2,014,454	-	-	2,014,454
Total Fund Balance	<u>2,014,454</u>	<u>209,167</u>	<u>20,424</u>	<u>2,244,045</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 2,371,436</u>	<u>\$ 311,206</u>	<u>\$ 25,424</u>	<u>\$ 2,708,066</u>

The accompanying notes are an integral part of this statement.

CITY OF TRINITY, TEXASRECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2023

Total fund balances - governmental funds balance sheet	\$ 2,244,045
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Capital assets used in governmental activities are not reported in the funds.	3,376,965
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	321,893
Payables for right-to-use leases which are not due in the current period are not reported in the funds.	(5,130)
Payables for debt interest which are not due in the current period are not reported in the funds.	(19,140)
Payables for notes which are not due in the current period are not reported in the funds.	(900,146)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(11,939)
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	223,519
Recognition of the City's proportionate share of the net pension liability is not reported in the funds.	103,493
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(50,652)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	115,080
Recognition of the City's proportionate share of the net OPEB liability is not reported in the funds.	(33,182)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(39,245)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	6,981

Net position of governmental activities - Statement of Net Position	<u>\$ 5,332,542</u>
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The accompanying notes are an integral part of this statement.

CITY OF TRINITY, TEXAS

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES

IN FUND BALANCES - GOVERNMENTAL FUNDS

FOR THE YEAR ENDED SEPTEMBER 30, 2023

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUE:				
Property Taxes	\$ 508,692	\$ 198,611	\$ -	\$ 707,303
Sales and Use Tax	1,211,311	-	-	1,211,311
Franchise Tax	148,341	-	-	148,341
Hotel Motel Tax	-	-	8,827	8,827
License and Permits	23,624	-	-	23,624
Intergovernmental	54,719	-	20,000	74,719
Fines	121,127	-	-	121,127
Investment Earnings	18,270	3,788	2,419	24,477
Miscellaneous	81,569	-	-	81,569
Contributions	8	-	-	8
Total Revenues	<u>2,167,661</u>	<u>202,399</u>	<u>31,246</u>	<u>2,401,306</u>
EXPENDITURES:				
General Government	654,956	-	20,000	674,956
Library	69,587	-	-	69,587
Law Enforcement	778,595	-	-	778,595
Fire Protection	74,650	-	-	74,650
Municipal Court	50,619	-	-	50,619
Streets and Drainage	1,003,391	-	-	1,003,391
Parks and Recreation	89,820	-	-	89,820
Economic Development	-	-	13,912	13,912
Debt Service Payments	-	103,688	-	103,688
Total Expenditures	<u>2,721,618</u>	<u>103,688</u>	<u>33,912</u>	<u>2,859,218</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(553,957)</u>	<u>98,711</u>	<u>(2,666)</u>	<u>(457,912)</u>
OTHER FINANCING SOURCES (USES):				
Loan Proceeds	300,146	-	-	300,146
Transfers Out	(55,224)	(79,039)	-	(134,263)
Total Other Financing Sources (Uses)	<u>244,922</u>	<u>(79,039)</u>	<u>-</u>	<u>165,883</u>
Net Change in Fund Balances	(309,035)	19,672	(2,666)	(292,029)
Fund Balances - Beginning	2,323,489	189,495	23,090	2,536,074
Fund Balances - Ending	<u>\$ 2,014,454</u>	<u>\$ 209,167</u>	<u>\$ 20,424</u>	<u>\$ 2,244,045</u>

The accompanying notes are an integral part of this statement.

CITY OF TRINITY, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Net change in fund balances - total governmental funds	\$ (292,029)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	270,609
The depreciation of capital assets used in governmental activities is not reported in the funds.	(238,002)
Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.	(50,000)
Repayment of right-to-use lease principal is an expenditure in the funds but is not an expense in the SOA.	3,190
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	75,000
(Increase) decrease in accrued interest from beginning of period to end of period.	(17,017)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(2,332)
Proceeds of notes do not provide revenue in the SOA, but are reported as current resources in the funds.	(300,146)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	37,690
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	<u>(6,740)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ (519,777)</u>

The accompanying notes are an integral part of this statement.

CITY OF TRINITY, TEXAS

STATEMENT OF NET POSITION

ENTERPRISE FUNDS

SEPTEMBER 30, 2023

	Enterprise Fund Water and Sewer Fund	Enterprise Fund Solid Waste Fund	Total Enterprise Funds
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ (2,296,053)	\$ 1,783,323	\$ (512,730)
Receivables	351,870	5,145	357,015
Intergovernmental Receivables	70,464	-	70,464
Total Current Assets	<u>(1,873,719)</u>	<u>1,788,468</u>	<u>(85,251)</u>
Noncurrent Assets:			
Net Pension Asset	-	4,805	4,805
Capital Assets:			
Land	4,383	-	4,383
Water System	6,526,009	-	6,526,009
Sewer System	1,034,308	-	1,034,308
Vehicles	94,979	346,288	441,267
Furniture and Equipment	4,444	-	4,444
Machinery and Equipment	837,004	12,500	849,504
Construction in Progress	112,427	-	112,427
Less Accumulated Depreciation	(4,982,513)	(242,583)	(5,225,096)
Total Noncurrent Assets	<u>3,631,041</u>	<u>121,010</u>	<u>3,752,051</u>
Total Assets	<u>1,757,322</u>	<u>1,909,478</u>	<u>3,666,800</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Outflow Related to Pensions	43,446	8,905	52,351
Deferred Outflow Related to OPEB	1,051	737	1,788
Total Deferred Outflows of Resources	<u>\$ 44,497</u>	<u>\$ 9,642</u>	<u>\$ 54,139</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable	\$ 109,324	\$ 12,131	\$ 121,455
Accrued Liabilities	(240)	1,165	925
Accrued Wages Payable	2,804	860	3,664
Customer Deposits	153,798	-	153,798
Due To Other Governments	2,699	-	2,699
Accrued Interest Payable	9,081	-	9,081
Unearned Revenue	194,775	-	194,775
Noncurrent Liabilities Due Within One Year	67,880	-	67,880
Total Current Liabilities	<u>540,121</u>	<u>14,156</u>	<u>554,277</u>
Noncurrent Liabilities:			
Notes Payable	293,159	-	293,159
Net OPEB Liability	9,367	3,134	12,501
Net Pension Liability	24,382	-	24,382
Compensated Absences Payable	3,458	-	3,458
Total Noncurrent Liabilities	<u>330,366</u>	<u>3,134</u>	<u>333,500</u>
Total Liabilities	<u>870,487</u>	<u>17,290</u>	<u>887,777</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow Related to Pensions	(6,428)	6,666	238
Deferred Inflow Related to OPEB	6,927	3,677	10,604
Total Deferred Inflows of Resources	<u>499</u>	<u>10,343</u>	<u>10,842</u>
NET POSITION:			
Investment in Capital Assets, Net of Related Debt	3,270,002	116,205	3,386,207
Unrestricted	(2,339,169)	1,775,282	(563,887)
Total Net Position	<u>\$ 930,833</u>	<u>\$ 1,891,487</u>	<u>\$ 2,822,320</u>

The accompanying notes are an integral part of this statement.

CITY OF TRINITY, TEXAS

STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Enterprise Fund <u>Water and Sewer Fund</u>	Enterprise Fund <u>Solid Waste Fund</u>	Total Enterprise Funds
OPERATING REVENUES:			
Water Sales	\$ 991,419	\$ -	\$ 991,419
Sewer Sales	351,230	-	351,230
Penalties	43,800	-	43,800
Tap Fees	11,920	-	11,920
Solid Waste Sales	-	439,646	439,646
Intergovernmental	79,261	-	79,261
Other Services	9,630	-	9,630
Grant Revenue	179,718	-	179,718
Total Operating Revenues	<u>1,666,978</u>	<u>439,646</u>	<u>2,106,624</u>
OPERATING EXPENSES:			
Salaries and Wages	239,946	64,955	304,901
Employee Benefits	85,901	18,357	104,258
Office Supplies	18,575	-	18,575
Equipment Maintenance	89,442	60,611	150,053
Professional Fees	169,193	-	169,193
Rentals	67,591	12,497	80,088
Insurance	13,583	14,985	28,568
Utilities	84,549	-	84,549
Repair and Maintenance	265,463	-	265,463
Chemicals	30,443	113,758	144,201
TRA Expense	802,400	-	802,400
Capital Expense	130,540	77	130,617
Other Expenses	10,883	7,371	18,254
Lease Expense	-	54,595	54,595
Depreciation	249,817	23,222	273,039
Total Operating Expenses	<u>2,258,326</u>	<u>370,428</u>	<u>2,628,754</u>
Operating Income (Loss)	<u>(591,348)</u>	<u>69,218</u>	<u>(522,130)</u>
NON-OPERATING REVENUES (EXPENSES):			
Capital Grant Proceeds	609,274	-	609,274
Interest Revenue	1,405	-	1,405
Interest Expense	(11,828)	-	(11,828)
Total Non-operating Revenues (Expenses)	<u>598,851</u>	<u>-</u>	<u>598,851</u>
Income Before Transfers	<u>7,503</u>	<u>69,218</u>	<u>76,721</u>
Interfund Transfers In	120,021	14,242	134,263
Total Transfers	<u>120,021</u>	<u>14,242</u>	<u>134,263</u>
Change in Net Position	127,524	83,460	210,984
Total Net Position - Beginning	803,309	1,808,027	2,611,336
Total Net Position - Ending	<u>\$ 930,833</u>	<u>\$ 1,891,487</u>	<u>\$ 2,822,320</u>

The accompanying notes are an integral part of this statement.

CITY OF TRINITY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Enterprise Funds		
	Water and Sewer Fund	Solid Waste	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	\$ 1,403,550	\$ 434,501	\$ 1,838,051
Cash Received from Other Funds	342,124	-	342,124
Cash Received from Customers	241,857	-	241,857
Cash Payments to Employees for Services	(327,200)	(83,312)	(410,512)
Cash Payments to Other Suppliers for Goods and Services	(1,885,034)	(253,757)	(2,138,791)
Net Cash Provided (Used) by Operating Activities	<u>(224,703)</u>	<u>97,432</u>	<u>(127,271)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Transfers From (To) Other Funds	120,021	14,242	134,263
Net Cash Provided (Used) by Non-capital Financing Activities	<u>120,021</u>	<u>14,242</u>	<u>134,263</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition or Construction of Capital Assets	(699,653)	(12,500)	(712,153)
Payment of Capital Leases and Time Warrants Principal	(79,036)	-	(79,036)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(778,689)</u>	<u>(12,500)</u>	<u>(791,189)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and Dividends on Investments	1,405	-	1,405
Capital Grant Proceeds	609,274	-	609,274
Net Cash Provided (Used) from Investing Activities	<u>610,679</u>	<u>-</u>	<u>610,679</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(272,692)	99,174	(173,518)
Cash and Cash Equivalents at Beginning of Year	(2,023,361)	1,684,149	(339,212)
Cash and Cash Equivalents at End of Year	<u>\$ (2,296,053)</u>	<u>\$ 1,783,323</u>	<u>\$ (512,730)</u>
Reconciliation of Operating Income to Net Cash			
Provided by Operating Activities:			
Operating Income (Loss)	\$ (591,348)	\$ 69,218	\$ (522,130)
Adjustments to Reconcile Operating Income to Net Cash			
Provided by Operating Activities			
Depreciation	249,817	23,222	273,039
Change in Assets and Liabilities:			
Decrease (Increase) in Receivables	(83,710)	(5,145)	(88,855)
Decrease (Increase) in Intergovernmental Receivables	62,139	-	62,139
Decrease (Increase) in Interfund Receivables	342,124	-	342,124
Decrease (Increase) in Net Pension Asset	28,368	14,696	43,064
Decrease(Increase) Deferred Outflow Related to Pensions	(24,990)	(3,780)	(28,770)
Decrease(Increase) Deferred Outflow Related to OPEB	405	180	585
Increase (Decrease) in Due to Other Governments	265	-	265
Increase (Decrease) in Accounts Payable	(83,310)	12,131	(71,179)
Increase (Decrease) in Accrued Expenses	52	(53)	(1)
Increase (Decrease) in Customer Deposits	(19,131)	-	(19,131)
Increase (Decrease) in Unearned Revenue	(90,362)	-	(90,362)
Increase (Decrease) in Net Pension Liability	24,382	-	24,382
Increase (Decrease) in Net OPEB Liability	(2,411)	(1,025)	(3,436)
Increase (Decrease) in Compensated Absences	1,353	-	1,353
Increase(Decrease) Deferred Inflow Related to OPEB	3,238	1,407	4,645
Increase(Decrease) Deferred Inflow Related to Pensions	(41,584)	(13,419)	(55,003)
Total Adjustments	<u>366,645</u>	<u>28,214</u>	<u>394,859</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (224,703)</u>	<u>\$ 97,432</u>	<u>\$ (127,271)</u>

The accompanying notes are an integral part of this statement.

CITY OF TRINITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

A. Summary of Significant Accounting Policies

The combined financial statements of City of Trinity, Texas (the "City") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The City's basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity, as set forth in GASB Statement No. 14, "The Financial Reporting Entity," include whether:

- the organization is legally separate (can sue and be sued in its name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City
- there is fiscal dependency by the organization on the City
- the exclusion of the organization would result in misleading or incomplete financial statements

The City also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB Statement No. 14 requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the City, its component units or its constituents; and 2) The City or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the City.

Based on these criteria, the City has a component unit. Trinity Economic and Industrial Development Corporation is a non-profit corporation approved by the City Council and approved in an election by the City's voters in May, 1999. As a result of the election, the City increased the local sales tax by one-half cent for funding the corporation. Trinity Economic and Industrial Development Corporation is a component unit of the City and has issued separate audited financial statements for the year ended September 30, 2023. Additionally, the City is not a component unit of any other reporting entity as defined by the GASB Statement No. 14.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

Government-wide Statements: The statement of net position and the statement of activities include the financial activities of the overall government. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the governmental and business-type activities of the City. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

CITY OF TRINITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. The City does not allocate indirect expenses in the statement of activities. Program revenues include (a) fees, fines, and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the City's funds, with separate statements presented for each fund category. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

The City reports the following major governmental funds:

General Fund. This is the City's primary operating fund. It accounts for all financial resources of the City except those required to be accounted for in another fund.

Debt Service Fund. This fund accounts for and reports the financial resources that are restricted for the payment of general long-term debt.

Water and Sewer Fund. The Utility fund accounts for the business-like activities of providing water and sewer services to the public. These services are financed primarily by user charges and the measurement of financial activity focuses on net income similar to the private sector.

Solid Waste Fund. The Solid Waste fund accounts for the business-like activities of providing garbage pickup service to residential and commercial customers in the City. These services are financed primarily by user charges and the measurement of financial activity focuses on net income similar to the private sector.

b. Measurement Focus, Basis of Accounting

Government-wide and Proprietary Fund Financial Statements: These financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

CITY OF TRINITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Governmental Fund Financial Statements: Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

When the City incurs an expenditure or expense for which both restricted and unrestricted resources may be used, it is the City's policy to use restricted resources first, then unrestricted resources.

Under GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting," all proprietary funds will continue to follow Financial Accounting Standards Board ("FASB") standards issued on or before November 30, 1989. However, from that date forward, proprietary funds will have the option of either 1) choosing not to apply future FASB standards (including amendments of earlier pronouncements), or 2) continuing to follow new FASB pronouncements unless they conflict with GASB guidance. The City has chosen not to apply future FASB standards.

3. Financial Statement Amounts

a. Cash and Cash Equivalents

For purposes of the statement of cash flows, highly liquid investments are considered to be cash equivalents if they have a maturity of three months or less when purchased.

b. Property Taxes

Property taxes are levied by October 1 on the assessed value listed as of the prior January 1 for all real and business personal property in conformity with Subtitle E, Texas Property Tax Code. Taxes are due on receipt of the tax bill and are delinquent if not paid before February 1 of the year following the year in which imposed. On January 1 of each year, a tax lien attaches to property to secure the payment of all taxes, penalties, and interest ultimately imposed. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year.

c. Inventories and Prepaid Items

The City records purchases of supplies as expenditures, utilizing the purchase method of accounting for inventory.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items.

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

CITY OF TRINITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
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Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	5-40
Buildings	15-32
Building Improvements	20
Vehicles	5-10
Office Equipment	3-15
Equipment	3-15

e. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances.

There are no significant receivables which are not scheduled for collection within one year of year end. The City does not record an allowance for uncollectible accounts, but instead uses a direct write off method to expense bad debt.

f. Interfund Activity

Interfund activity results from loans, services provided, reimbursements or transfers between funds. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures or expenses. Reimbursements occur when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers In and Transfers Out are netted and presented as a single "Transfers" line on the government-wide statement of activities. Similarly, interfund receivables and payables are netted and presented as a single "Internal Balances" line of the government-wide statement of net position.

g. Deferred Outflows and Inflows of Resources

In addition to assets, the statements of financial position (the government-wide and proprietary Statements of Net Position) and governmental funds balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial element, deferred outflows of resources, represents a consumption of net position and/or fund balance that applies to one or more future periods and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to one or more future periods and so will not be recognized as an inflow of resources (revenue) until that time.

h. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

Nonspendable Fund Balance - represents amounts that cannot be spent because they are either not in spendable form (such as inventory or prepaid insurance) or legally required to remain intact (such as notes receivable or principal of a permanent fund).

CITY OF TRINITY, TEXAS
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Restricted Fund Balance - represents amounts that are constrained by external parties, constitutional provisions or enabling legislation.

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the City's City Council. Committed amounts cannot be used for any other purpose unless the City Council removes those constraints by taking the same type of formal action. Committed fund balance amounts may be used for other purposes with appropriate due process by the City Council. Commitments are typically done through adoption and amendment of the budget. Committed fund balance amounts differ from restricted balances in that the constraints on their use do not come from outside parties, constitutional provisions, or enabling legislation.

Assigned Fund Balance - represents amounts which the City intends to use for a specific purpose, but that do not meet the criteria to be classified as restricted or committed. Intent may be stipulated by the City Council or by an official or body to which the City Council delegates the authority. Specific amounts that are not restricted or committed in a special revenue, capital projects, debt service or permanent fund are assigned for purposes in accordance with the nature of their fund type or the fund's primary purpose. Assignments within the general fund conveys that the intended use of those amounts is for a specific purpose that is narrower than the general purposes of the City itself.

Unassigned Fund Balance - represents amounts which are unconstrained in that they may be spent for any purpose. Only the general fund reports a positive unassigned fund balance. Other governmental funds might report a negative balance in this classification because of overspending for specific purposes for which amounts had been restricted, committed or assigned.

When an expenditure is incurred for a purpose for which both restricted and unrestricted fund balance is available, the City considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the City considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds.

i. Fund Balance Flow Assumptions

Sometimes the City will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

j. Net Position Flow Assumption

Sometimes the City will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide and proprietary fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the City's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

CITY OF TRINITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

k. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to or deductions from TMRS's Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. 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.

l. Other Post-Employment Benefits (OPEB)

The total OPEB liability of the Texas Municipal Retirement System (TMRS) has been determined using the flow of economic resources measurement focus and full accrual basis of accounting. This includes for purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits and OPEB expense. Benefit payments are recognized when due and payable in accordance with the benefit terms. There are no investments as this is a pay-as-you-go plan and all cash is held in a cash account.

m. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) requires the use of management's estimates.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

In accordance with GASB Statement No. 38, "Certain Financial Statement Note Disclosures," violations of finance-related legal and contractual provisions, if any, are reported below, along with actions taken to address such violations:

<u>Violation</u>	<u>Action Taken</u>
In the General Fund the actual expenditures are more than budgeted expenditures.	The City is reviewing the budget quarterly to amend the budget as needed.

2. Deficit Fund Balance or Fund Net Position of Individual Funds

Following are funds having deficit fund balances or fund net position at year end, if any, along with remarks which address such deficits:

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
None reported	Not applicable	Not applicable

C. Deposits and Investments

The City's funds are required to be deposited and invested under the terms of a depository contract. The depository bank deposits for safekeeping and trust with the City's agent bank approved pledged securities in an amount sufficient to protect City funds on a day-to-day basis during the period of the contract. The pledge of approved securities is waived only to the extent of the depository bank's dollar amount of Federal Deposit Insurance Corporation ("FDIC") insurance.

CITY OF TRINITY, TEXAS
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FOR THE YEAR ENDED SEPTEMBER 30, 2023

Cash Deposits:

At September 30, 2023, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$528,000 and the bank balance was \$580,434. The City's cash deposits at September 30, 2023 and during the year ended September 30, 2023, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name. The City invests money in Texas Class investment pool. At September 30, 2023 the balance in Texas Class funds was \$1,101,053.

Investments:

The City is required by Government Code Chapter 2256, The Public Funds Investment Act, to adopt, implement, and publicize an investment policy. That policy must be written; primarily emphasize safety of principal and liquidity; address investment diversification, yield, and maturity and the quality and capability of investment management; and include a list of the types of authorized investments in which the investing entity's funds may be invested; and the maximum allowable stated maturity of any individual investment owned by the entity.

The Public Funds Investment Act ("Act") requires an annual audit of investment practices. Audit procedures in this area conducted as a part of the audit of the general purpose financial statements disclosed that in the areas of investment practices, management reports and establishment of appropriate policies, the City adhered to the requirements of the Act. Additionally, investment practices of the City were in accordance with local policies.

The Act determines the types of investments which are allowable for the City. These include, with certain restrictions, (1) obligations of the U.S. Treasury, certain U.S. agencies, and the State of Texas, (2) certificates of deposit, (3) certain municipal securities, (4) money market savings accounts, (5) repurchase agreements, (6) bankers acceptances, (7) mutual funds, (8) investment pools, (9) guaranteed investment contracts, and (10) common trust funds.

Analysis of Specific Deposit and Investment Risks:

GASB Statement No. 40 requires a determination as to whether the City was exposed to the following specific investment risks at year end and if so, the reporting of certain related disclosures:

a. Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The ratings of securities by nationally recognized rating agencies are designed to give an indication of credit risk. At year end, the City was not significantly exposed to credit risk.

b. Custodial Credit Risk

Deposits are exposed to custodial credit risk if they are not covered by depository insurance and the deposits are uncollateralized, collateralized with securities held by the pledging financial institution, or collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name.

Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the government, and are held by either the counterparty or the counterparty's trust department or agent but not in the City's name.

At year end, the City was not exposed to custodial credit risk.

c. Concentration of Credit Risk

This risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At year end, the City was not exposed to concentration of credit risk.

CITY OF TRINITY, TEXAS
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d. Interest Rate Risk

This is the risk that changes in interest rates will adversely affect the fair value of an investment. At year end, the City was not exposed to interest rate risk.

e. Foreign Currency Risk

This is the risk that exchange rates will adversely affect the fair value of an investment. At year end, the City was not exposed to foreign currency risk.

Investment Accounting Policy

The City's general policy is to report money market investments and short-term participating interest-earning investment contracts at amortized cost and to report nonparticipating interest-earning investment contracts using a cost-based measure. However, if the fair value of an investment is significantly affected by the impairment of the credit standing of the issuer or by other factors, it is reported at fair value. All other investments are reported at fair value unless a legal contract exists which guarantees a higher value. The term "short-term" refers to investments which have a remaining term of one year or less at time of purchase. The term "nonparticipating" means that the investment's value does not vary with market interest rate changes. Nonnegotiable certificates of deposit are examples of nonparticipating interest-earning investment contracts.

Public Funds Investment Pools

Public funds investment pools in Texas ("Pools") are established under the authority of the Interlocal Cooperation Act, Chapter 79 of the Texas Government Code, and are subject to the provisions of the Public Funds Investment Act (the "Act"), Chapter 2256 of the Texas Government Code. In addition to other provisions of the Act designed to promote liquidity and safety of principal, the Act requires Pools to: 1) have an advisory board composed of participants in the pool and other persons who do not have a business relationship with the pool and are qualified to advise the pool; 2) maintain a continuous rating of no lower than AAA or AAA-m or an equivalent rating by at least one nationally recognized rating service; and 3) maintain the market value of its underlying investment portfolio within one half of one percent of the value of its shares.

The City's investments in Pools are reported at an amount determined by the fair value per share of the pool's underlying portfolio, unless the pool is 2a7-like, in which case they are reported at share value. A 2a7-like pool is one which is not registered with the Securities and Exchange Commission ("SEC") as an investment company, but nevertheless has a policy that it will, and does, operate in a manner consistent with the SEC's Rule 2a7 of the Investment Company Act of 1940.

Fair Value Measurement

The District categorizes its fair value measurements with the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. Investments that are measured at fair value using the net asset value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy below.

In instances where inputs used to measure fair value fall into different levels in the above fair value hierarchy, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The City's assessment of the significance of particular inputs to these fair value measurements requires judgment and considers factors specific to each asset or liability.

The City had no investments that require Fair Value Measurement at December 31, 2023.

CITY OF TRINITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

D. Capital Assets

Capital asset activity for the year ended September 30, 2023, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 16,500	\$ -	\$ -	\$ 16,500
Construction in Progress	506,454	15,000	-	521,454
Total Capital Assets Not Being Depreciated	522,954	15,000	-	537,954
Capital Assets Being Depreciated:				
Infrastructure	3,700,608	-	-	3,700,608
Buildings and Improvements	1,428,348	-	-	1,428,348
Equipment	810,405	133,808	48,621	895,592
Vehicles	1,350,279	121,801	-	1,472,080
Furniture and Equipment	292,980	-	-	292,980
Right-To-Use Leased Assets	11,340	-	-	11,340
Total Capital Assets Being Depreciated	7,593,960	255,609	48,621	7,800,948
Less Accumulated Depreciation for:				
Infrastructure	(1,238,521)	(167,747)	-	(1,406,268)
Buildings and Improvements	(1,166,391)	(20,607)	-	(1,186,998)
Equipment	(762,638)	(23,535)	(48,621)	(737,552)
Vehicles	(1,310,608)	(24,695)	-	(1,335,303)
Furniture and Equipment	(292,980)	-	-	(292,980)
Right-to-Use Leased Assets	(1,418)	(1,418)	-	(2,836)
Total Accumulated Depreciation	(4,772,556)	(238,002)	(48,621)	(4,961,937)
Total Capital Assets Being Depreciated, Net	2,821,404	17,607	-	2,839,011
Governmental Activities Capital Assets, Net	\$ 3,344,358	\$ 32,607	\$ -	\$ 3,376,965
Business-Type Activities:				
Capital Assets Not Being Depreciated:				
Land	\$ 4,383	\$ -	\$ -	\$ 4,383
Construction in Progress	481,966	644,274	1,013,813	112,427
Total Capital Assets Not Being Depreciated	486,349	644,274	1,013,813	116,810
Capital Assets Being Depreciated:				
Water System	5,833,501	667,316	-	6,500,817
Sewer System	713,003	346,497	-	1,059,500
Equipment	785,874	63,629	-	849,503
Vehicles	477,017	4,250	39,999	441,268
Furniture and Equipment	4,444	-	-	4,444
Total Capital Assets Being Depreciated	7,813,839	1,081,692	39,999	8,855,532
Less Accumulated Depreciation for:				
Water System	(3,483,938)	(176,132)	-	(3,660,070)
Sewer System	(522,377)	(31,417)	-	(553,794)
Equipment	(645,308)	(39,248)	-	(684,556)
Vehicles	(335,989)	(26,242)	(39,999)	(322,232)
Furniture and Equipment	(4,444)	-	-	(4,444)
Total Accumulated Depreciation	(4,992,056)	(273,039)	(39,999)	(5,225,096)
Total Capital Assets Being Depreciated, Net	2,821,783	808,653	-	3,630,436
Business-Type Activities Capital Assets, Net	\$ 3,308,132	\$ 1,452,927	\$ 1,013,813	\$ 3,747,246

CITY OF TRINITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Depreciation was charged to functions as follows:

General Government	\$ 20,679
Public Safety	21,533
Streets and Bridges	178,887
Library	2,690
Parks	14,213
Water, Sewer and Sanitation	273,039
	<u>\$ 511,041</u>

E. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2023, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Debt Service Fund	\$ 2,034	Ad valorem tax collections
Other Governmental Funds	General Fund	8,961	Hotel/motel tax receipts
	Total	<u>\$ 10,995</u>	

All amounts due are scheduled to be repaid within one year.

2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2023, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Enterprise Funds	\$ 55,224	Reimburse Expenditures
Debt Service Fund	Enterprise Funds	79,039	Debt Service Payments
	Total	<u>\$ 134,263</u>	

F. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2023, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities:					
Notes from Direct Borrowing	\$ 675,000	\$ 300,146	\$ 75,000	\$ 900,146	\$ 128,513
Lease Liability	8,320	-	3,190	5,130	3,369
Compensated Absences *	9,607	2,332	-	11,939	-
Net OPEB Liability *	45,844	-	12,662	33,182	-
Total Governmental Activities	<u>\$ 738,771</u>	<u>\$ 302,478</u>	<u>\$ 90,852</u>	<u>\$ 950,397</u>	<u>\$ 131,882</u>

CITY OF TRINITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-Type Activities:					
Notes from Direct Borrowing	\$ 426,883	\$ -	\$ 65,844	\$ 361,039	\$ 67,880
Compensated Absences *	2,105	1,353	-	3,458	-
Net Pension Liability	-	24,382	-	24,382	-
Net OPEB Liability *	15,937	-	3,436	12,501	-
Total Business-Type Activities	\$ 444,925	\$ 25,735	\$ 69,280	\$ 401,380	\$ 67,880

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Compensated Absences	Governmental	General fund
Net Pension Liability	Governmental	General fund
Net OPEB Liability	Governmental	General fund
Compensated Absences	Business-type	Water and sewer fund
Net Pension Liability	Business-type	Water and sewer fund
Net OPEB Liability	Business-type	Water and sewer fund

2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2023, are as follows:

Year Ending September 30,	Governmental Activities		
	Notes from Direct Borrowing		
	Principal	Interest	Total
2024	\$ 128,513	\$ 42,822	\$ 171,335
2025	131,589	36,488	168,077
2026	134,842	30,049	164,891
2027	138,283	23,422	161,705
2028	141,919	16,632	158,551
2029-2033	225,000	19,125	244,125
Totals	\$ 900,146	\$ 168,538	\$ 1,068,684

Year Ending September 30,	Business-type Activities		
	Notes from Direct Borrowing		
	Principal	Interest	Total
2024	\$ 67,880	\$ 11,159	\$ 79,039
2025	69,978	9,061	79,039
2026	72,141	6,898	79,039
2027	74,371	4,668	79,039
2028	76,669	2,370	79,039
Totals	\$ 361,039	\$ 34,156	\$ 395,195

Governmental Activities:

Time Warrants

The City issued a time warrant with First National Bank September 3, 2021 in the amount of \$750,000 for street repairs. The warrant is payable in ten (10) annual installments of \$75,000 with an interest rate of 4.25%

Balance at September 30, 2023 \$ 600,000

CITY OF TRINITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

The City entered into a Public Property Finance Act contract with Government Capital Corporation December 15, 2022. The contract in the amount of \$300,146 is for the purchase of the purchase of machinery and equipment. The contract is payable in five (5) annual installments of \$70,766 with an interest rate of 6%. The payments will be paid through Texas Advantage Community Bank, N.A.

Balance at September 30, 2023	\$	300,146
Total Governmental Activities	\$	<u>900,146</u>

Business Activities:

Finance Contract Note

The City entered into a contract with Government Capital Corporation dated December 14, 2017. The contract provides financing for the City to purchase radio read water meters. The cost of the system is \$657,938 and the City will finance \$671,214. Annual payments of \$79,039 will be made in December. The contract is to be paid from an annual levy and collection of property tax and is secured with AMI Water Meter System.

Balance at September 30, 2023	\$	<u>361,039</u>
Total Business Activities	\$	<u>361,039</u>

G. Leases

The City enters into leases for copy machines, printers and a phone system on an ongoing basis. The City entered into a lease for a two copy machines in April 2020, with monthly payments of \$297.30 and an assumed interest rate of 5.5% for sixty (60) months, and an original lease liability of \$17,838.

Future lease payment maturity schedule is as follows:

Year ended September 30,	Principal	Interest	Total
2024	\$ 3,369	\$ 197	\$ 3,566
2025	1,761	28	1,789
	<u>\$ 5,130</u>	<u>\$ 225</u>	<u>\$ 5,355</u>

H. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2023, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

CITY OF TRINITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

I. Pension Plan

1. Plan Description

The City participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmr.com.

All eligible employees of the City are required to participate in TMRS.

2. Benefits Provided

TMRS provides retirement, disability, and death benefits. Benefit provisions are adopted by the governing body of the City, within the options available in the state statutes governing TMRS.

At retirement, the benefit is calculated as if the sum of the employee's contributions, with interest, and the City-financed monetary credits with interest were used to purchase an annuity. Members may choose to receive their retirement benefit in one of seven payment options. Members may also choose to receive a portion of their benefit as a Partial Lump Sum Distribution in an amount equal to 12, 24, or 36 monthly payments, which cannot exceed 75 percent of the total member's contributions and interest.

Employees covered by benefit terms:

At the September 30, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	48
Active employees	29
Total covered employees	87

3. Contributions

The contribution rates for employees in TMRS are either 5 percent, 6 percent, or 7 percent of employee's total compensation, and the City matching percentages are either 100 percent, 150 percent, or 200 percent, both as adopted by the governing body of the City. Under the state law governing TMRS, the contribution rate for each City is determined annually by the actuary, using the Entry Age Normal (EAN) actuarial cost method. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability.

Employees for the City were required to contribute 5.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 6.23% and 5.52% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2023 were \$54,863, and were equal to the required contributions.

CITY OF TRINITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of September 30, 2022, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50 percent per year
Overall payroll growth	2.75 percent per year
Investment Rate of Return	6.75 percent, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries are being phased in until 2027 on the unisex blend RP2000 Combined Healthy Mortality Table, with Blue Collar Adjustment for males and females, with both rates being multiplied by 107.5 percent and projected on a fully generational basis with scale BB. The current table of APRs is explicitly valued through 2032, and then it is assumed the APRs and the valuation mortality assumptions will be consistent over time. For retirees, a unisex blend of 70 percent of the male table and 30 percent of the female table is used, while 30 percent of the male table and 70 percent of the female table is used for beneficiaries.

Actuarial assumptions used in the December 31, 2022, valuation were developed primarily from the actuarial investigation of the experience of TMRS over the four-year period January 1, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy.

The long-term expected rate of return on pension plan investments is 6.75%. The pension plan's policy in regard to the allocation of invested assets is established and may be amended by the TMRS Board of Trustees. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income, in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

CITY OF TRINITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Core Fixed Income	6%	2.00%
Non-Core Fixed Income	20%	5.68%
Global Public Equity	35%	7.55%
Real Estate	12%	6.85%
Other Public & Private Markets	12%	7.22%
Hedge Funds	5%	5.35%
Private Equity	10%	10.00%
Cash Equivalents	0%	-
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. 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.

Changes in Net Pension Liability/(Asset)	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability/(Asset)
	(a)	(b)	(a) - (b)
Balance at 12/31/2021	\$ 1,651,848	\$ 1,966,816	\$ (314,968)
Changes for the year			
Service cost	98,025	-	98,025
Interest	111,955	-	111,955
Change of benefit terms	-	-	-
Difference between expected and actual experience	(24,588)	-	(24,588)
Changes of assumptions	-	-	-
Contributions - employer	-	53,853	(53,853)
Contributions - employee	-	43,221	(43,221)
Net investment income	-	(142,975)	142,975
Benefit payments, including refunds of employee contributions	(84,536)	(84,536)	-
Administrative expense	-	(1,242)	1,242
Other changes	-	1,483	(1,483)
Net changes	\$ 100,856	\$ (130,196)	\$ 231,052
Balance at 12/31/2022	\$ 1,752,704	\$ 1,836,620	\$ (83,916)

Sensitivity of the net pension liability to changes in the discount rate

The following presents the net pension liability of the City, calculated using the discount rate of 6.75%, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.75%) or 1-percentage-point higher (7.75%) than the current rate.

CITY OF TRINITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability/(asset)	\$ 172,558	\$ (83,916)	\$ (292,100)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

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

For the year ended September 30, 2023, the City recognized pension expense of \$843.

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 50,890
Changes in actuarial assumptions	-	-
Difference between projected and actual investment earnings	127,133	-
Contributions subsequent to the measurement date	40,298	
Total	<u>\$ 167,431</u>	<u>\$ 50,890</u>

\$40,298 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec. 31,		
2024	\$	(36,398)
2025	\$	23,809
2026	\$	33,688
2027	\$	55,144
Thereafter	\$	-

J. Other Post-Employment Benefits

Supplemental Death Benefits Plan

1. Plan Description

The City participates in the Texas Municipal Retirement System (TMRS) defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan and does not meet the

CITY OF TRINITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

definition of a trust under GASB No. 75, Paragraph 4. The member city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers.

2. Benefits Provided

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and is a fixed amount of \$7,500.

At the December 31, 2022 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	3
Active employees	29
Total covered employees	40

3. Contributions

Contributions are made monthly based on the covered payroll of employee members of the participating member city. The contractually required contribution rate is determined annually for each city. The rate is based on the mortality and service experience of all employees covered by the SDBF and the demographics specific to the workforce of the city. There is a one-year delay between the actuarial valuation that serves as the basis for the employer contribution rate and the calendar year when the rate goes into effect. The contributions to the SDBF are pooled for investment purposes with those of the Pension Trust Fund. The TMRS Act requires the Pension Trust Fund to allocate investment income to the SDBF on an annual basis. The funding policy of this plan is to assure that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers. As such, contributions are utilized to fund active member deaths on a pay-as-you-go basis; any excess contributions and investment income over payments then become net position available for benefits.

4. Total OPEB Liability

The City's OPEB liability of \$45,683 was measured as of December 31, 2022, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the December 31, 2022 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 10.5% including inflation
Retiree's share of benefit-related costs	\$0
Administration expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.

CITY OF TRINITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

At September 30, 2023, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience (net of current year amortization)	\$ -	\$ 32,009
Changes in actuarial assumptions	7,382	17,840
Differences between projected and actual investment earnings (net of current year amortization)	-	-
Contributions subsequent to the measurement date	1,387	-
Total	<u>\$ 8,769</u>	<u>\$ 49,849</u>

\$1,387 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2023. Other amounts reported as deferred outflows and inflows of resources to OPEB will be recognized in OPEB expense as follows:

Fiscal year ended September 30,	
2024	\$ (10,976)
2025	\$ (10,511)
2026	\$ (10,021)
2027	\$ (7,741)
2028	\$ (3,218)
Thereafter	\$ -

K. Health Care Coverage

During the year ended September 30, 2023, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$777 per month per employee to the Plan. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The plan is renewed each fiscal year.

L. Commitments and Contingencies

1. Contingencies

The City participates in grant programs which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the City has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectibility of any related receivable may be impaired. In the opinion of the City, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying basic financial statements for such contingencies.

CITY OF TRINITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

2. Litigation

No reportable litigation was pending against the City at September 30, 2023.

M. Subsequent Events

The City evaluated subsequent events through June 21, 2024, which is the date through which the financial statements were available to be issued. There were no events identified that required recording or disclosure in the financial statements.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

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CITY OF TRINITY, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2023

EXHIBIT B-1

	1	2	3	Variance with Final Budget Positive (Negative)
	Budgeted Amounts		Actual	
	Original	Final		
REVENUE:				
Property Taxes	\$ 751,861	\$ 751,861	\$ 508,692	\$ (243,169)
Sales and Use Tax	1,148,468	1,148,468	1,211,311	62,843
Franchise Tax	139,000	139,000	148,341	9,341
License and Permits	16,000	16,000	23,624	7,624
Intergovernmental	-	-	54,719	54,719
Fines	65,000	65,000	121,127	56,127
Investment Earnings	-	-	18,270	18,270
Miscellaneous	25,000	25,000	81,569	56,569
Contributions	-	-	8	8
Total Revenues	<u>2,145,329</u>	<u>2,145,329</u>	<u>2,167,661</u>	<u>22,332</u>
EXPENDITURES:				
General Government	600,840	600,840	654,956	(54,116)
Library	75,625	75,625	69,587	6,038
Law Enforcement	641,783	641,783	778,595	(136,812)
Fire Protection	90,240	90,240	74,650	15,590
Municipal Court	45,235	45,235	50,619	(5,384)
Streets and Drainage	487,912	487,912	1,003,391	(515,479)
Parks and Recreation	59,338	59,338	89,820	(30,482)
Total Expenditures	<u>2,000,973</u>	<u>2,000,973</u>	<u>2,721,618</u>	<u>(720,645)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>144,356</u>	<u>144,356</u>	<u>(553,957)</u>	<u>(698,313)</u>
OTHER FINANCING SOURCES (USES):				
Loan Proceeds	-	-	300,146	300,146
Transfers Out	-	-	(55,224)	(55,224)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>244,922</u>	<u>244,922</u>
Net Change in Fund Balances	144,356	144,356	(309,035)	(453,391)
Fund Balances - Beginning	2,323,489	2,323,489	2,323,489	-
Fund Balances - Ending	<u>\$ 2,467,845</u>	<u>\$ 2,467,845</u>	<u>\$ 2,014,454</u>	<u>\$ (453,391)</u>

CITY OF TRINITY, TEXAS
SCHEDULE OF CHANGES IN THE CITY'S
NET PENSION LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Measurement Year			
	2022	2021	2020	2019
Total Pension Liability:				
Service Cost	\$ 98,025	\$ 80,577	\$ 78,664	\$ 78,335
Interest	111,955	111,582	108,153	103,856
Changes of Benefit Terms	-	-	-	-
Differences Between Expected and Actual Experience	(24,588)	(122,337)	(65,734)	(66,044)
Changes of Assumptions	-	-	-	21,930
Benefit Payments, Including Refunds of Employee Contributions	(84,536)	(61,403)	(81,190)	(67,960)
Net Change in Total Pension Liability	100,856	8,419	39,893	70,117
Total Pension liability - Beginning	1,651,848	1,643,429	1,603,536	1,533,419
Total Pension Liability - Ending (a)	\$ 1,752,704	\$ 1,651,848	\$ 1,643,429	\$ 1,603,536
Plan Fiduciary Net Position:				
Contributions - Employer	\$ 53,853	\$ 48,731	\$ 47,295	\$ 48,486
Contributions - Employee	43,221	35,622	34,472	35,034
Net Investment Income	(142,975)	223,490	121,063	212,088
Benefit Payments, Including Refunds of Employee Contributions	(84,536)	(61,403)	(81,190)	(67,960)
Administrative Expense	(1,242)	(1,038)	(784)	(1,200)
Other	1,483	10	(31)	(36)
Net Change in Plan Fiduciary Net Position	(130,196)	245,412	120,825	226,412
Plan Fiduciary Net Position - Beginning	1,966,816	1,721,404	1,600,579	1,374,167
Plan Fiduciary Net Position - Ending (b)	\$ 1,836,620	\$ 1,966,816	\$ 1,721,404	\$ 1,600,579
City's Net Pension Liability/(Asset) - Ending (a) - (b)	\$ (83,916)	\$ (314,968)	\$ (77,975)	\$ 2,957
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	104.79%	119.07%	104.74%	99.82%
Covered-Employee Payroll	\$ 864,417	\$ 712,439	\$ 689,432	\$ 700,670
City's Net Pension Liability as a Percentage of Covered-Employee Payroll	-9.71%	-44.21%	-11.31%	0.42%

* This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

		Measurement Year							
		2018	2017	2016	2015	2014			
\$	85,994	\$	99,904	\$	106,180	\$	97,461	\$	85,361
	96,525		94,507		89,882		83,461		75,458
	-		-		-		33,826		-
	(9,034)		(77,454)		(47,949)		(11,077)		(36,491)
	-		-		-		10,543		-
	(54,152)		(106,044)		(46,875)		(44,055)		(55,692)
	119,333		10,913		101,238		170,159		68,636
	1,414,086		1,403,173		1,301,935		1,131,776		1,063,140
\$	<u>1,533,419</u>	\$	<u>1,414,086</u>	\$	<u>1,403,173</u>	\$	<u>1,301,935</u>	\$	<u>1,131,776</u>
\$	56,923	\$	68,563	\$	66,592	\$	52,996	\$	40,177
	38,050		43,895		45,926		47,747		41,678
	(41,159)		166,585		72,040		1,489		53,224
	(54,152)		(106,044)		(46,875)		(44,055)		(55,692)
	(796)		(865)		(814)		(907)		(556)
	(41)		(44)		(44)		(45)		(46)
	(1,175)		172,090		136,825		57,225		78,785
	1,375,342		1,203,252		1,066,427		1,009,202		930,417
\$	<u>1,374,167</u>	\$	<u>1,375,342</u>	\$	<u>1,203,252</u>	\$	<u>1,066,427</u>	\$	<u>1,009,202</u>
\$	<u>159,252</u>	\$	<u>38,744</u>	\$	<u>199,921</u>	\$	<u>235,508</u>	\$	<u>122,574</u>
	89.61%		97.26%		85.75%		81.91%		89.17%
	761,006		877,890	\$	918,513	\$	925,551	\$	833,551
	20.93%		4.41%		21.77%		25.45%		14.71%

CITY OF TRINITY, TEXAS
SCHEDULE OF CITY CONTRIBUTIONS
TEXAS MUNICIPAL RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year			
	2023	2022	2021	2020
Actuarially Determined Contribution	\$ 54,863	\$ 57,165	\$ 50,440	\$ 47,672
Contributions in Relation to the Actuarially Determined Contribution	(54,863)	(57,165)	(50,440)	(47,672)
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	\$ 963,832	\$ 838,638	\$ 698,208	\$ 693,203
Contributions as a Percentage of Covered-Employee Payroll	5.69%	6.82%	7.22%	6.88%

* This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

		Fiscal Year							
		2019	2018	2017	2016	2015			
\$	50,228	\$	58,629	\$	70,009	\$	61,975	\$	48,712
	(50,228)		(58,629)		(70,009)		(61,975)		(48,712)
\$	-	\$	-	\$	-	\$	-	\$	-
\$	709,165	\$	877,890	\$	918,513	\$	913,765	\$	904,072
	7.08%		6.68%		7.62%		6.78%		5.39%

CITY OF TRINITY, TEXAS
SCHEDULE OF CHANGES IN THE CITY'S
NET OPEB LIABILITY AND RELATED RATIOS
TEXAS MUNICIPAL RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year			
	2022	2021	2020	2019
Total OPEB Liability:				
Service Cost	\$ 19,622	\$ 16,671	\$ 15,305	\$ 3,153
Interest	1,303	1,265	1,482	1,786
Changes of Benefit Terms	-	-	-	-
Differences Between Expected and Actual Experience	(14,380)	(12,358)	(14,270)	(11,964)
Changes of Assumptions or Other Inputs	(21,088)	1,747	6,762	6,958
Benefit Payments	(1,555)	(927)	(277)	(210)
Net Change in Total OPEB Liability	(16,098)	6,398	9,002	(277)
Total OPEB Liability - Beginning	61,781	55,383	46,381	46,658
Total OPEB Liability - Ending	<u>\$ 45,683</u>	<u>\$ 61,781</u>	<u>\$ 55,383</u>	<u>\$ 46,381</u>
Covered-Employee Payroll	\$ 864,417	\$ 712,439	\$ 689,432	\$ 700,670
Total OPEB Liability as a Percentage of Covered-Employee Payroll	5.28%	8.67%	8.03%	6.62%

* This schedule shows only the years for which this information is available. Additional information will be added until 10 years of data are available and reported.

Fiscal Year	
2018	2017
\$ 4,186	\$ 4,302
1,589	1,486
-	-
(1,921)	-
(2,946)	3,272
(304)	(351)
604	8,709
46,054	37,345
\$ 46,658	\$ 46,054
\$ 761,006	\$ 877,890
6.13%	5.25%

CITY OF TRINITY, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2023

A. Budgetary Data

The following procedures are followed in establishing the budgetary data reflected in the basic financial statements:

- a. Prior to the beginning of the fiscal year, the City prepares a General Fund budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the City Council is then called to conduct public hearings to address comments regarding the adoption of the proposed budget.
- c. The budget must be legally adopted through passage of an ordinance no later than the 27th day of the last month of the fiscal year.

Once the budget is legally adopted, appropriations cannot be increased. To be in compliance with state statutes expenditures may not legally exceed budgeted appropriations. All budget appropriations lapse at year end.

The budget can be amended in the same format as adopted, by approval of a majority of the members of the City Council. Amendments are presented to the Council at regular meetings.

B. Pension

Valuation Date:

Notes Actuarially determined contribution rates are calculated as of December 31 and become effective in January 13 months later.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
Asset Valuation Method	10 Year Smoothed Market; 12% Soft Corridor
Inflation	2.5%
Salary Increase	3.5% to 11.5% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018.

Mortality Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
 Pre-Retirement: PUB(10) mortality tables, with the Public Safety table used for males and the General Employee table used for females. The rates are projected on a fully generational basis with scale UMP.

Other Information:

Notes There were no benefit changes during the year.

C. Post Employment Benefits Other than Pension (OPEB)

Inflation	2.5%
Salary Increase	3.5% to 11.5% including inflation
Discount Rate*	4.05%
Retirees' Share of Benefit	
Related Costs	\$0
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates	
Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by scale UMP to account for future mortality improvements subject to the floor.

*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2022.

Note: The actuarial assumptions used in the December 31, 2022 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

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*Combining Statements and Budget
Comparisons as Supplementary
Information*

This supplementary information includes financial statements and schedules not required by the Governmental Accounting Standards Board, nor a part of the basic financial statements, but are presented for purposes of additional analysis.

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CITY OF TRINITY, TEXAS
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 SEPTEMBER 30, 2023

	Hotel/Motel Occupancy Tax Fund	Community Development Fund	Total Nonmajor Special Revenue Funds (See Exhibit A-3)
ASSETS:			
Cash and Cash Equivalents	\$ 11,463	\$ -	\$ 11,463
Receivables:			
Due from Other Funds	8,961	-	8,961
Due from Other Governments	-	5,000	5,000
Total Assets	<u>\$ 20,424</u>	<u>\$ 5,000</u>	<u>\$ 25,424</u>
LIABILITIES			
Accounts Payable	\$ -	\$ 5,000	\$ 5,000
Total Liabilities	<u>-</u>	<u>5,000</u>	<u>5,000</u>
DEFERRED INFLOWS OF RESOURCES:			
Deferred Inflows of Resources:			
FUND BALANCES:			
Restricted for Special Revenue	<u>20,424</u>	-	<u>20,424</u>
Total Fund Balance	<u>20,424</u>	-	<u>20,424</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balance	 <u>\$ 20,424</u>	 <u>\$ 5,000</u>	 <u>\$ 25,424</u>

CITY OF TRINITY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

	Hotel/Motel Occupancy Tax Fund	Community Development Fund	Total Nonmajor Special Revenue Funds (See Exhibit A-5)
REVENUE:			
Hotel Motel Tax	\$ 8,827	\$ -	\$ 8,827
Intergovernmental	-	20,000	20,000
Investment Earnings	2,419	-	2,419
Total Revenues	<u>11,246</u>	<u>20,000</u>	<u>31,246</u>
EXPENDITURES:			
General Government	-	20,000	20,000
Economic Development	13,912	-	13,912
Total Expenditures	<u>13,912</u>	<u>20,000</u>	<u>33,912</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,666)</u>	<u>-</u>	<u>(2,666)</u>
OTHER FINANCING SOURCES (USES):			
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	(2,666)	-	(2,666)
Fund Balances - Beginning	23,090	-	23,090
Fund Balances - Ending	<u>\$ 20,424</u>	<u>\$ -</u>	<u>\$ 20,424</u>

Other Supplementary Information

This section includes financial information and disclosures not required by the Governmental Accounting Standards Board and not considered a part of the basic financial statements. It may, however, include information which is required by other entities.

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DAVIS, HEINEMANN & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

1300 11TH STREET, SUITE 500

P.O. BOX 6308

HUNTSVILLE, TEXAS 77342

PHONE (936) 291-3020

FAX (936) 291-9607

Independent Auditor's 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*

City Council
City of Trinity, Texas
101 W. Madison
Trinity, Texas 75862

Members of the City Council:

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, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Trinity, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise City of Trinity, Texas' basic financial statements and have issued our report thereon dated June 21, 2024.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Trinity, Texas' 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 City of Trinity, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Trinity, Texas' 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 have not been 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 as item(s) 2023-1, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Trinity, 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*.

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.

Respectfully submitted,

A handwritten signature in cursive script that reads "Davis, Heinemann & Co." with a small cross-like symbol at the end of the line.

Davis, Heinemann & Company, P.C.

Huntsville, Texas
June 21, 2024



DAVIS, HEINEMANN & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

1300 11TH STREET, SUITE 500

P.O. BOX 6308

HUNTSVILLE, TEXAS 77342

PHONE (936) 291-3020

FAX (936) 291-9607

Independent Auditors' Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance Required by the Uniform Guidance

City Council
City of Trinity, Texas
101 W. Madison
Trinity, Texas 75862

Members of the City Council:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Trinity, Texas' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on City of Trinity, Texas' major federal program for the year ended September 30, 2023. City of Trinity, Texas' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Trinity, Texas complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2023.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); 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). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of City of Trinity, Texas and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of City of Trinity, Texas' compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to City of Trinity, Texas' federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on City of Trinity, Texas' compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about City of Trinity, Texas' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Trinity, Texas' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of City of Trinity, Texas' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances 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 City of Trinity, Texas' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

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.

Respectfully submitted,

Davis, Heinemann & Co.

Davis, Heinemann & Company, P.C.

Huntsville, Texas
June 21, 2024

CITY OF TRINITY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? Yes No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Noncompliance material to financial statements noted? Yes No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes No

One or more significant deficiencies identified that are not considered to be material weaknesses? Yes None Reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with Title 2 U.S. Code of Federal Regulations (CFR) Part 200, para. 200.516(a)? Yes No

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	Community Development Block Grant Program

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

Auditee qualified as low-risk auditee? Yes No

CITY OF TRINITY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

B. Financial Statement Findings

Finding 2023-1:

Criteria: To provide accurate financial data and good internal control, the accounts in the general ledger should be reconciled with the supporting documentation.

Condition: The City does not reconcile the accounts receivable and utility deposits payable general ledger accounts with supporting subsidiary documentation.

Effect: The financial data in the City's financial statements is not accurate.

Recommendations: We suggest the City reconcile the general ledger accounts regularly.

Management Response: The City is discussing the reconciliation procedures and process.

Contact Person Responsible for Corrective Action: Mayor Billy Goodin.

C. Federal Awards Findings

None reported.

CITY OF TRINITY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
Finding 2022-1 The City had not submitted the required reporting timely.	The City is current in the required submissions.	
Finding 2022-2 The City's total expenditures were over budget.	City's expenditures exceeded budget for the current year.	The City is reviewing the budget comparison data quarterly.

CITY OF TRINITY, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2023

Response and Planned Corrective Action to Finding 2023-1:

The City is reviewing procedures and processes of reconciling general ledger accounts.

Official Responsible for Corrective Action: Mayor Billy Goodin

CITY OF TRINITY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2023

EXHIBIT E-1

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal ALN Number	Pass- Through Entity Identifying Number	Federal Expenditures
OTHER PROGRAMS:			
<u>U. S. Department of the Treasury</u>			
Passed Through Texas Division of Emergency Management:			
American Rescue Plan	21.027	ARP-TX-21-024	\$ 90,361
Total U. S. Department of the Treasury			<u>90,361</u>
<u>U. S. Department of Housing & Urban Development</u>			
Passed Through Texas General Land Office:			
Community Development Block Grant	14.228	22-082-021-D447	157,109
Passed Through Texas Department of Agriculture:			
Planning and Capacity Building Fund	14.228	7220164	44,659
Community Development Block Grant	14.228	7220242	20,000
Community Development Block Grants	14.228	7220469	232,400
Community Development Block Grant	14.228	CDV21-0116	309,122
Total Passed Through Texas Department of Agriculture			<u>606,181</u>
Total U. S. Department of Housing & Urban Development			<u>763,290</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u><u>\$ 853,651</u></u>

The accompanying notes are an integral part of this schedule.

CITY OF TRINITY, TEXAS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2023

Basis of Presentation

The accompanying schedule of expenditures of federal awards ("the Schedule") includes the federal grant activity of City of Trinity, Texas. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200 *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Therefore, some amounts may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. These expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if any, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

City of Trinity, Texas has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

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