

CITY OF TRINITY, TEXAS

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED SEPTEMBER 30, 2021*



**Davis, Heinemann & Company, P.C.**

*Certified Public Accountants*

1300 11th Street Suite 500

Huntsville, Texas 77340

(936) 291-3020

*Introductory Section*

*This page has been left blank intentionally.*

City of Trinity, Texas  
Annual Financial Report  
For The Year Ended September 30, 2021

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
<b>FINANCIAL SECTION</b>		
Independent Auditor's Report.....	1	
Management's Discussion and Analysis (Required Supplementary Information).....	3	
 <u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	9	A-1
Statement of Activities.....	10	A-2
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	12	A-3
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	13	A-4
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	14	A-5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	15	A-6
Statement of Net Position - Enterprise Funds.....	16	A-7
Statement of Revenues, Expenses, and Changes in		
Fund Net Position - Enterprise Funds.....	17	A-8
Statement of Cash Flows - Proprietary Funds.....	18	A-9
Notes to the Financial Statements .....	19	
 <u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
General Fund.....	38	B-1
Schedule of Changes in the City's Net Pension Liability		
And Related Ratios - Texas Municipal Retirement System .....	39	B-2
Schedule of City's Contributions - Texas Municipal Retirement System.....	41	B-3
Schedule of Changes in the City's Total OPEB Liability		
And Related Ratios - Texas Municipal Retirement System .....	43	B-4
Notes to Required Supplementary Information.....	44	

*This page has been left blank intentionally.*

*Financial Section*

*This page has been left blank intentionally.*

## **Independent Auditor's Report**

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

We have audited the accompanying 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, 2021, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

## Opinions

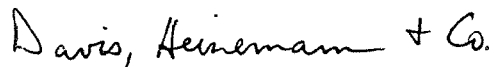
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Trinity, Texas as of September 30, 2021, 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.

## Other Matters

### *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 net pension liability and related ratios, schedule of City pension contributions, and schedule of the City's total OPEB liability and related ratios identified as Required Supplementary Information in the table of contents 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.

Respectfully submitted,



Davis, Heinemann & Company, P.C.

Huntsville, Texas  
October 31, 2022

## 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, 2021. Please read it in conjunction with the City's financial statements, which follow this section.

### FINANCIAL HIGHLIGHTS

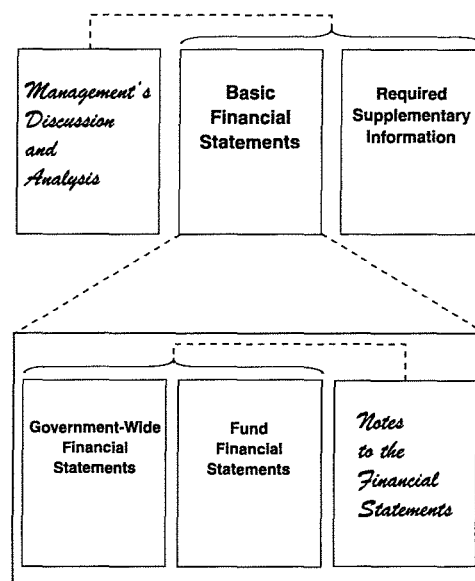
- The City's total combined net position of the primary government was \$7,957,050 at September 30, 2021.
- During the year, the City's expenses were \$715,592 less than the \$4,157,654 generated in taxes, charges for service and other revenues for governmental and business-type activities.
- The general fund reported a fund balance this year of \$2,434,058.

### 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



Summary ↔ Detail

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 \$7,9257,050 at September 30, 2021. (See Table A-1).

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

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
<b>ASSETS</b>						
Cash and Other Assets	\$ 2,957.1	\$ 887.8	\$ (181.1)	\$ 40.3	\$ 2,776.0	\$ 928.1
Receivables, Net	573.3	577.6	320.8	211.0	894.1	788.6
Internal Balances	-	569.9	-	(569.9)	-	-
Intergovernmental Receivables	231.6	146.8	-	-	231.6	146.8
Net Pension Asset	81.0	16.0	-	-	81.0	-
Capital Assets, Net of Depreciation	3,038.6	3,237.0	3,081.8	3,285.5	6,120.4	6,522.5
<b>Total Assets</b>	<b>6,881.6</b>	<b>5,435.1</b>	<b>3,221.5</b>	<b>2,966.9</b>	<b>10,103.1</b>	<b>8,402.0</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>						
Deferred Outflow Related To Pensions	26.3	33.8	14.9	16.0	41.2	49.8
Deferred Outflow Related To OPEB	8.3	6.0	2.4	1.8	10.7	7.8
<b>Total Deferred Outflows of Resources</b>	<b>34.6</b>	<b>39.8</b>	<b>17.3</b>	<b>17.8</b>	<b>51.9</b>	<b>57.6</b>
<b>LIABILITIES</b>						
Accounts Payable	96.5	123.9	1.5	-	98.0	123.9
Other Accrued Expenses	32.9	4.4	10.2	1.8	43.1	6.2
Customer Deposits	-	-	161.7	145.5	161.7	145.5
Accrued Interest Payable	2.4	0.7	15.8	15.8	18.2	16.5
Due to Component Unit	52.1	48.7	-	-	52.1	48.7
Due to Other Governments	4.6	4.6	2.5	2.3	7.1	6.9
Unearned Revenue	341.4	-	-	-	341.4	-
<b>Total Current Liabilities</b>	<b>529.9</b>	<b>182.3</b>	<b>191.7</b>	<b>165.4</b>	<b>721.6</b>	<b>347.7</b>
Non Current Liabilities						
Due Within One Year	75.0	36.0	93.3	115.1	190.1	151.1
Due In More Than One Year	687.5	15.2	430.4	523.8	1,211.3	539.0
Net Pension Liability	-	-	7.6	18.9	18.9	18.9
Net OPEB Liability	40.7	33.7	14.6	12.7	53.4	46.4
<b>Total Liabilities</b>	<b>1,333.1</b>	<b>267.1</b>	<b>737.6</b>	<b>835.8</b>	<b>1,473.7</b>	<b>1,102.9</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>						
Deferred Inflow Related to Pensions	80.3	76.5	25.8	25.4	106.1	101.9
Deferred Inflow Related to OPEB	16.5	10.5	4.7	2.9	21.2	13.4
<b>Total Deferred Inflows of Resources</b>	<b>96.8</b>	<b>87.0</b>	<b>30.5</b>	<b>28.3</b>	<b>127.3</b>	<b>115.3</b>
<b>NET POSITION</b>						
Invested in Capital Assets	2,288.7	3,201.0	2,555.1	2,649.2	4,843.8	5,850.2
Restricted	325.6	312.7	-	-	325.6	312.7
Unrestricted	2,872.0	1,607.1	(84.4)	(528.6)	2,787.6	1,078.5
<b>Total Net Position</b>	<b>\$ 5,486.3</b>	<b>\$ 5,120.8</b>	<b>\$ 2,470.7</b>	<b>\$ 2,120.6</b>	<b>\$ 7,957.0</b>	<b>\$ 7,241.4</b>

The Governmental Activities total net position increased \$365,419 from the prior year.

The Business-type Activities total net position increased \$350,173 from the prior year.

**Changes in net position.** The City's total revenues were \$4,157,654 and total expenses were \$3,442,062 which resulted in an increase in net position of \$715,592. (See Table A-2.)

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

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Program Revenues:						
Charges for Services	\$ 80.1	\$ 249.5	\$ 1,708.8	\$ 1,471.5	\$ 1,788.9	\$ 1,721.0
Capital Grants and Contributions	38.1	-	15.1	-	53.2	-
General Revenues:						
Ad Valorem Taxes	711.5	695.3	-	-	711.5	695.3
Sales Tax	1,095.0	896.5	-	-	1,095.0	896.5
Franchise and Other Taxes	146.7	145.0	-	-	146.7	145.0
Contributions	-	-	-	-	-	-
Miscellaneous	112.8	215.4	249.2	98.7	362.0	314.1
Interest Income	0.2	0.3	0.1	0.1	0.3	0.4
Transfers	(57.0)	(177.7)	57.0	177.7	-	-
<b>Total Revenues</b>	<b>2,127.4</b>	<b>2,024.3</b>	<b>2,030.2</b>	<b>1,748.0</b>	<b>4,157.6</b>	<b>3,772.3</b>
Program Expenses:						
General Government	558.6	548.4	-	-	558.6	548.4
Public Safety	642.8	573.7	-	-	642.8	573.7
Municipal Court	37.3	35.2	-	-	37.3	35.2
Street Department	457.1	447.4	-	-	457.1	447.4
Parks Department	43.0	88.0	-	-	43.0	88.0
Economic Development	23.2	-	-	-	23.2	-
Water, Sewer and Sanitation	-	-	1,680.0	1,674.5	1,680.0	1,674.5
<b>Total Expenses</b>	<b>1,762.0</b>	<b>1,692.7</b>	<b>1,680.0</b>	<b>1,674.5</b>	<b>3,442.0</b>	<b>3,367.2</b>
<b>Change in Net Position</b>	<b>\$ 365.4</b>	<b>\$ 331.6</b>	<b>\$ 350.2</b>	<b>\$ 73.5</b>	<b>\$ 715.6</b>	<b>\$ 405.1</b>

The Governmental Activities revenues were \$2,127,441 which is an increase of \$103,131 from the prior fiscal year primarily due to an increase in sales tax revenue. The Governmental Activities expenditures were \$1,762,022 which increased \$69,321 from the prior fiscal year.

The Business-type Activities operating revenues were \$2,030,213 which increased \$282,386 from the prior fiscal year. Total operating expenditures were \$1,680,040 which increased \$5,747 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 \$137,626 and expenditures were less than final appropriations by \$81,861.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2021, the City had invested \$15,417,635 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	
	2021	2020	2021	2020	2021	2020
Land	\$ 16.5	\$ 16.5	\$ 4.4	\$ 4.4	\$ 20.9	\$ 20.9
Construction in Progress	15.0	-	15.1	-	30.1	-
Buildings and Improvements	1,428.3	1,417.4	-	-	1,428.3	1,417.4
Infrastructure	3,700.6	3,700.6	-	-	3,700.6	3,700.6
Equipment	810.4	816.3	780.7	748.8	1,591.1	1,565.1
Vehicles	1,326.5	1,315.6	461.4	461.4	1,787.9	1,777.0
Furniture and Equipment	293.0	293.0	4.4	4.4	297.4	297.4
Water System	-	-	5,848.2	5,848.2	5,848.2	5,848.2
Sewer System	-	-	713.0	713.0	713.0	713.0
Totals at Historical Cost	<u>7,590.3</u>	<u>7,559.4</u>	<u>7,827.2</u>	<u>7,780.2</u>	<u>15,417.5</u>	<u>15,339.6</u>
Total Accumulated Depreciation	<u>(4,551.7)</u>	<u>(4,322.4)</u>	<u>(4,750.0)</u>	<u>(4,494.7)</u>	<u>(9,301.7)</u>	<u>(8,817.1)</u>
Net Capital Assets	<u>\$ 3,038.6</u>	<u>\$ 3,237.0</u>	<u>\$ 3,077.2</u>	<u>\$ 3,285.5</u>	<u>\$ 6,115.8</u>	<u>\$ 6,522.5</u>

### Long-Term Debt

At year-end the City had \$1,271,270 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	
	2021	2020	2021	2020
Warrants and Notes	\$ 750.0	\$ 36.0	\$ 521.3	\$ 636.3
Compensated Absences	12.5	15.2	1.6	2.5
Net Pension Liability/(Asset)	(81.0)	(16.0)	3.0	19.0
Net OPEB Liability	40.8	33.7	14.6	12.7
Total Long-Term Debt	<u>\$ 722.3</u>	<u>\$ 68.9</u>	<u>\$ 540.5</u>	<u>\$ 670.5</u>

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

- The City is continuing to work at locating and installing new radio read meters within the City. The City also received a grant from the Government Land Office to upgrade water storage facilities and lay new water lines. The City also is tying a water line to the Trinity River Authority line.
- The General Fund revenues are budgeted to increase about \$173,000 from the prior fiscal year. Expenditures are budgeted to increase by \$123,000 from the prior year. The budgetary fund balance is expected to increase by \$220,000. The City's budgetary net position for the enterprise fund is expected to decrease by about \$340,000 during fiscal year 2022.

## **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, 2021

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS:</b>				
Current Assets:				
Cash and Cash Equivalents	\$ 2,957,074	\$ (181,079)	\$ 2,775,995	\$ 979,439
Receivables	573,303	320,818	894,121	-
Due From Other Governments	231,489	-	231,489	52,087
Note Receivable	-	-	-	213,436
Internal Balances	-	-	-	-
Noncurrent Assets				
Long-term Investments	-	-	-	476,632
Net Pension Asset	80,961	4,572	85,533	-
Capital Assets (net of accumulated depreciation):				
Land	16,500	4,383	20,883	358,954
Buildings and Improvements	282,564	-	282,564	-
Machinery and Equipment	94,747	325,723	420,470	-
Water and Sewer System Infrastructure	-	2,732,009	2,732,009	-
Construction in Progress	2,629,835	-	2,629,835	-
	15,000	15,125	30,125	-
Total Assets	<u>6,881,473</u>	<u>3,221,551</u>	<u>10,103,024</u>	<u>2,080,548</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>				
Deferred Outflow Related to Pensions	26,369	14,940	41,309	-
Deferred Outflow Related to OPEB	8,372	2,412	10,784	-
Total Deferred Outflows of Resources	<u>34,741</u>	<u>17,352</u>	<u>52,093</u>	<u>-</u>
<b>LIABILITIES:</b>				
Accounts Payable	96,476	1,500	97,976	-
Other Accrued Liabilities	1,091	1,165	2,256	-
Accrued Payroll	31,780	9,131	40,911	-
Customer Deposits	-	161,670	161,670	-
Accrued Interest Payable	2,357	15,821	18,178	-
Due to Component Unit	52,087	-	52,087	-
Due to Other Governments	4,577	2,471	7,048	-
Unearned Revenue	341,449	-	341,449	-
Noncurrent Liabilities:				
Due Within One Year	75,000	93,306	168,306	-
Due in More Than One Year	687,480	430,382	1,117,862	-
Net OPEB Liability	40,794	14,589	55,383	-
Net Pension Liability	-	7,558	7,558	-
Total Liabilities	<u>1,333,091</u>	<u>737,593</u>	<u>2,070,684</u>	<u>-</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Deferred Inflow Related to Pensions	80,352	25,801	106,153	-
Deferred Inflow Related to OPEB	16,479	4,751	21,230	-
Total Deferred Inflows of Resources	<u>96,831</u>	<u>30,552</u>	<u>127,383</u>	<u>-</u>
<b>NET POSITION:</b>				
Net Investment in Capital Assets	2,288,646	2,555,136	4,843,782	-
Restricted For:				
Debt Service	306,505	-	306,505	-
Special Revenue	19,137	-	19,137	-
Other Purposes	-	-	-	2,080,548
Unrestricted	2,872,004	(84,378)	2,787,626	-
Total Net Position	<u>\$ 5,486,292</u>	<u>\$ 2,470,758</u>	<u>\$ 7,957,050</u>	<u>\$ 2,080,548</u>

The accompanying notes are an integral part of this statement.

**CITY OF TRINITY, TEXAS**  
 STATEMENT OF ACTIVITIES  
 FOR THE YEAR ENDED SEPTEMBER 30, 2021

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Capital Grants and Contributions
<b>PRIMARY GOVERNMENT:</b>			
Governmental Activities:			
General Government	\$ 558,603	\$ 8,095	\$ 38,140
Public Safety	642,814	67,953	-
Judicial	37,343	-	-
Transportation	457,109	-	-
Parks and Recreation	43,013	4,000	-
Economic Development	23,140	-	-
Total Governmental Activities	<u>1,762,022</u>	<u>80,048</u>	<u>38,140</u>
Business-type Activities:			
Utility	1,428,269	1,303,125	15,125
Solid Waste	251,771	405,651	-
Total Business-type Activities	<u>1,680,040</u>	<u>1,708,776</u>	<u>15,125</u>
Total Primary Government	<u>\$ 3,442,062</u>	<u>\$ 1,788,824</u>	<u>\$ 53,265</u>
<b>COMPONENT UNIT:</b>			
Economic Development Corporation	<u>\$ 32,700</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
\$ (512,368)		\$ (512,368)	
(574,861)		(574,861)	
(37,343)		(37,343)	
(457,109)		(457,109)	
(39,013)		(39,013)	
(23,140)		(23,140)	
<u>(1,643,834)</u>		<u>(1,643,834)</u>	
-	\$ (110,019)	(110,019)	
-	153,880	153,880	
-	43,861	43,861	
<u>(1,643,834)</u>	<u>43,861</u>	<u>(1,599,973)</u>	
			\$ <u>(32,700)</u>
711,490	-	711,490	-
1,095,046	-	1,095,046	261,740
142,444	-	142,444	-
4,280	-	4,280	-
112,795	249,232	362,027	24,800
229	49	278	10,580
(57,031)	57,031	-	-
<u>2,009,253</u>	<u>306,312</u>	<u>2,315,565</u>	<u>297,120</u>
365,419	350,173	715,592	264,420
5,120,873	2,120,585	7,241,458	1,816,128
<u>\$ 5,486,292</u>	<u>\$ 2,470,758</u>	<u>\$ 7,957,050</u>	<u>\$ 2,080,548</u>

**CITY OF TRINITY, TEXAS**  
 BALANCE SHEET - GOVERNMENTAL FUNDS  
 SEPTEMBER 30, 2021

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS:</b>				
Cash and Cash Equivalents	\$ 2,738,307	\$ 208,534	\$ 10,233	\$ 2,957,074
Receivables:				
Accounts	(1,408)	-	-	(1,408)
Ad Valorem Taxes	220,393	100,005	-	320,398
Due from Other Funds	2,034	-	8,904	10,938
Due from Other Governments	208,349	-	23,140	231,489
Total Assets	<u>\$ 3,167,675</u>	<u>\$ 308,539</u>	<u>\$ 42,277</u>	<u>\$ 3,518,491</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 125,423	\$ -	\$ 23,140	\$ 148,563
Other Accrued Liabilities	1,091	-	-	1,091
Accrued Payroll	31,780	-	-	31,780
Deferred Revenue	341,449	-	-	341,449
Due to Other Funds	8,904	2,034	-	10,938
Due to State	4,577	-	-	4,577
Total Liabilities	<u>513,224</u>	<u>2,034</u>	<u>23,140</u>	<u>538,398</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
Deferred Inflows of Resources:				
Deferred Property Taxes	220,393	100,005	-	320,398
Total Deferred Inflows of Resources	<u>220,393</u>	<u>100,005</u>	<u>-</u>	<u>320,398</u>
<b>FUND BALANCES:</b>				
Restricted for Debt Service	-	206,500	-	206,500
Restricted for Special Revenue	-	-	19,137	19,137
Unassigned	2,434,058	-	-	2,434,058
Total Fund Balance	<u>2,434,058</u>	<u>206,500</u>	<u>19,137</u>	<u>2,659,695</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balance	 <u>\$ 3,167,675</u>	 <u>\$ 308,539</u>	 <u>\$ 42,277</u>	 <u>\$ 3,518,491</u>

The accompanying notes are an integral part of this statement.

**CITY OF TRINITY, TEXAS**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2021

Total fund balances - governmental funds balance sheet	\$ 2,659,695
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.	3,038,646
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	320,398
Payables for bond interest which are not due in the current period are not reported in the funds.	(2,357)
Payables for notes which are not due in the current period are not reported in the funds.	(750,000)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(12,480)
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	254,312
Recognition of the City's proportionate share of the net pension liability is not reported in the funds.	80,961
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(80,352)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	26,369
Recognition of the City's proportionate share of the net OPEB liability is not reported in the funds.	(40,794)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(16,479)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	<u>8,372</u>
Net position of governmental activities - Statement of Net Position	<u>\$ 5,486,292</u>

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, 2021

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
<b>REVENUE:</b>				
Property Taxes	\$ 526,290	\$ 187,165	\$ -	\$ 713,455
Sales and Use Tax	1,095,126	-	-	1,095,126
Franchise Tax	142,444	-	-	142,444
Hotel Motel Tax	-	-	4,280	4,280
License and Permits	11,113	-	-	11,113
Intergovernmental	-	-	38,140	38,140
Charges for Services	950	-	-	950
Fines	67,953	-	-	67,953
Investment Earnings	3	215	11	229
Miscellaneous	112,795	-	-	112,795
Contributions	(48)	-	-	(48)
Total Revenues	<u>1,956,626</u>	<u>187,380</u>	<u>42,431</u>	<u>2,186,437</u>
<b>EXPENDITURES:</b>				
General Government	481,259	-	-	481,259
Library	54,620	-	-	54,620
Law Enforcement	607,332	-	-	607,332
Fire Protection	47,955	-	-	47,955
Municipal Court	37,343	-	-	37,343
Streets and Drainage	315,208	-	-	315,208
Parks and Recreation	24,132	-	-	24,132
Economic Development	-	-	38,140	38,140
Debt Service Payments	-	37,620	-	37,620
Total Expenditures	<u>1,567,849</u>	<u>37,620</u>	<u>38,140</u>	<u>1,643,609</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>388,777</u>	<u>149,760</u>	<u>4,291</u>	<u>542,828</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	80,539	-	-	80,539
Time Warrants Proceeds	750,000	-	-	750,000
Transfers Out	-	(136,070)	(1,500)	(137,570)
Total Other Financing Sources (Uses)	<u>830,539</u>	<u>(136,070)</u>	<u>(1,500)</u>	<u>692,969</u>
Net Change in Fund Balances	1,219,316	13,690	2,791	1,235,797
Fund Balances - Beginning	1,214,742	192,810	16,346	1,423,898
Fund Balances - Ending	<u>\$ 2,434,058</u>	<u>\$ 206,500</u>	<u>\$ 19,137</u>	<u>\$ 2,659,695</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, 2021

Net change in fund balances - total governmental funds	\$ 1,235,797
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	30,950
The depreciation of capital assets used in governmental activities is not reported in the funds.	(229,346)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(1,965)
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	36,000
(Increase) decrease in accrued interest from beginning of period to end of period.	(1,701)
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	2,747
Proceeds of notes do not provide revenue in the SOA, but are reported as current resources in the funds.	(750,000)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	53,604
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	<u>(10,669)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 365,419</u>

The accompanying notes are an integral part of this statement.

**CITY OF TRINITY, TEXAS**

## STATEMENT OF NET POSITION

## ENTERPRISE FUNDS

SEPTEMBER 30, 2021

	Enterprise Fund <u>Water and Sewer Fund</u>	Enterprise Fund <u>Solid Waste Fund</u>	Total Enterprise Funds <u>Funds</u>
<b>ASSETS:</b>			
<b>Current Assets:</b>			
Cash and Cash Equivalents	\$ (1,758,169)	\$ 1,577,090	\$ (181,079)
Receivables	320,818	-	320,818
Total Current Assets	<u>(1,437,351)</u>	<u>1,577,090</u>	<u>139,739</u>
<b>Noncurrent Assets:</b>			
Net Pension Asset	-	4,572	4,572
<b>Capital Assets:</b>			
Land	4,383	-	4,383
Water System	5,848,250	-	5,848,250
Sewer System	713,003	-	713,003
Vehicles	75,062	386,287	461,349
Furniture and Equipment	4,444	-	4,444
Machinery and Equipment	780,729	-	780,729
Construction in Progress	15,125	-	15,125
Less Accumulated Depreciation	<u>(4,513,488)</u>	<u>(236,555)</u>	<u>(4,750,043)</u>
Total Noncurrent Assets	<u>2,927,508</u>	<u>154,304</u>	<u>3,081,812</u>
Total Assets	<u>1,490,157</u>	<u>1,731,394</u>	<u>3,221,551</u>
<b>DEFERRED OUTFLOWS OF RESOURCES:</b>			
Deferred Outflow Related to Pensions	13,476	1,464	14,940
Deferred Outflow Related to OPEB	1,471	941	2,412
Total Deferred Outflows of Resources	<u>\$ 14,947</u>	<u>\$ 2,405</u>	<u>\$ 17,352</u>
<b>LIABILITIES:</b>			
<b>Current Liabilities:</b>			
Accounts Payable	\$ 1,500	\$ -	\$ 1,500
Accrued Liabilities	4,628	5,668	10,296
Customer Deposits	161,670	-	161,670
Due To Other Governments	2,471	-	2,471
Accrued Interest Payable	14,160	1,661	15,821
Noncurrent Liabilities Due Within One Year	<u>61,955</u>	<u>31,351</u>	<u>93,306</u>
Total Current Liabilities	<u>246,384</u>	<u>38,680</u>	<u>285,064</u>
<b>Noncurrent Liabilities:</b>			
Notes Payable	428,798	-	428,798
Net OPEB Liability	10,848	3,741	14,589
Net Pension Liability	7,558	-	7,558
Compensated Absences Payable	<u>1,126</u>	<u>458</u>	<u>1,584</u>
Total Noncurrent Liabilities	<u>448,330</u>	<u>4,199</u>	<u>452,529</u>
Total Liabilities	<u>694,714</u>	<u>42,879</u>	<u>737,593</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Inflow Related to Pensions	16,142	9,659	25,801
Deferred Inflow Related to OPEB	2,847	1,904	4,751
Total Deferred Inflows of Resources	<u>18,989</u>	<u>11,563</u>	<u>30,552</u>
<b>NET POSITION:</b>			
Investment in Capital Assets, Net of Related Debt	2,404,810	119,216	2,524,026
Unrestricted	<u>(1,613,409)</u>	<u>1,560,141</u>	<u>(53,268)</u>
Total Net Position	<u>\$ 791,401</u>	<u>\$ 1,679,357</u>	<u>\$ 2,470,758</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, 2021

	Enterprise Fund <u>Water and Sewer Fund</u>	Enterprise Fund <u>Solid Waste Fund</u>	Total Enterprise Funds <u>                    </u>
<b>OPERATING REVENUES:</b>			
Water Sales	\$ 929,409	\$ -	\$ 929,409
Sewer Sales	317,446	-	317,446
Penalties	42,590	-	42,590
Tap Fees	6,100	-	6,100
Solid Waste Sales	-	405,651	405,651
Other Services	7,580	-	7,580
Grant Revenue	15,125	-	15,125
Miscellaneous	249,232	-	249,232
Total Operating Revenues	<u>1,567,482</u>	<u>405,651</u>	<u>1,973,133</u>
<b>OPERATING EXPENSES:</b>			
Salaries and Wages	91,653	77,116	168,769
Employee Benefits	29,023	12,278	41,301
Office Supplies	12,257	-	12,257
Equipment Maintenance	97,968	47,759	145,727
Professional Fees	9,250	-	9,250
Rentals	55,914	190	56,104
Insurance	14,004	10,225	24,229
Utilities	88,570	-	88,570
Repair and Maintenance	74,283	-	74,283
Chemicals	19,768	56,290	76,058
TRA Expense	675,899	-	675,899
Capital Expense	7,410	7,985	15,395
Other Expenses	1,575	13,442	15,017
Depreciation	232,531	22,805	255,336
Total Operating Expenses	<u>1,410,105</u>	<u>248,090</u>	<u>1,658,195</u>
Operating Income	<u>157,377</u>	<u>157,561</u>	<u>314,938</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>			
Interest Revenue	49	-	49
Interest Expense	(18,164)	(3,681)	(21,845)
Total Non-operating Revenues (Expenses)	<u>(18,115)</u>	<u>(3,681)</u>	<u>(21,796)</u>
Income Before Transfers	<u>139,262</u>	<u>153,880</u>	<u>293,142</u>
Interfund Transfers In	25,080	31,951	57,031
Total Transfers	<u>25,080</u>	<u>31,951</u>	<u>57,031</u>
Change in Net Position	164,342	185,831	350,173
Total Net Position - Beginning	627,059	1,493,526	2,120,585
Total Net Position - Ending	<u>\$ 791,401</u>	<u>\$ 1,679,357</u>	<u>\$ 2,470,758</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, 2021

	Enterprise Funds		
	Water and Sewer Fund	Solid Waste	Totals
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>			
Cash Received from Customers	\$ 1,724,328	\$ 405,652	\$ 2,129,980
Cash Received from Other Sources	249,232	-	249,232
Cash Payments to Employees for Services	(120,676)	(89,394)	(210,070)
Cash Payments to Other Suppliers for Goods and Services	(1,591,513)	(135,167)	(1,726,680)
Cash Payments to Reduce Interfund Payables	(109,993)	(459,902)	(569,895)
Net Cash Provided (Used) by Operating Activities	<u>151,378</u>	<u>(278,811)</u>	<u>(127,433)</u>
<b>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:</b>			
Transfers From (To) Other Funds	25,080	31,951	57,031
Net Cash Provided (Used) by Non-capital Financing Activities	<u>25,080</u>	<u>31,951</u>	<u>57,031</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Acquisition or Construction of Capital Assets	(15,125)	-	(15,125)
Payment of Capital Leases and Time Warrants Principal	(104,120)	(31,950)	(136,070)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(119,245)</u>	<u>(31,950)</u>	<u>(151,195)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>			
Interest and Dividends on Investments	49	-	49
Net Cash Provided (Used) from Investing Activities	<u>49</u>	<u>-</u>	<u>49</u>
Net Increase (Decrease) in Cash and Cash Equivalents	<u>57,262</u>	<u>(278,810)</u>	<u>(221,548)</u>
Cash and Cash Equivalents at Beginning of Year	(1,815,431)	1,855,900	40,469
Cash and Cash Equivalents at End of Year	<u>\$ (1,758,169)</u>	<u>\$ 1,577,090</u>	<u>\$ (181,079)</u>
<b>Reconciliation of Operating Income to Net Cash</b>			
Provided by Operating Activities:			
Operating Income (Loss)	\$ 125,432	\$ 157,562	\$ 282,994
Adjustments to Reconcile Operating Income to Net Cash			
Provided by Operating Activities			
Depreciation	232,531	22,805	255,336
Change in Assets and Liabilities:			
Decrease (Increase) in Receivables	(109,846)	-	(109,846)
Decrease (Increase) in Net Pension Asset	-	(4,572)	(4,572)
Decrease(Increase) Deferred Outflow Related to Pensions	(98)	1,161	1,063
Decrease(Increase) Deferred Outflow Related to OPEB	(332)	(259)	(591)
Increase (Decrease) in Due to Other Governments	155	-	155
Increase (Decrease) in Accounts Payable	1,500	-	1,500
Increase (Decrease) in Accrued Expenses	4,260	4,237	8,497
Increase (Decrease) in Interfund Payables	(109,993)	(459,902)	(569,895)
Increase (Decrease) in Customer Deposits	16,186	-	16,186
Increase (Decrease) in Net Pension Liability	(9,994)	848	(9,146)
Increase (Decrease) in Net OPEB Liability	1,050	(1,395)	(345)
Increase (Decrease) in Compensated Absences	(1,424)	458	(966)
Increase(Decrease) Deferred Inflow Related to OPEB	892	(508)	384
Increase(Decrease) Deferred Inflow Related to Pensions	1,058	754	1,812
Total Adjustments	<u>25,945</u>	<u>(436,373)</u>	<u>(410,428)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 151,377</u>	<u>\$ (278,811)</u>	<u>\$ (127,434)</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, 2021

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, 2021. 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.

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

**CITY OF TRINITY, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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 and enterprise funds are aggregated and reported as nonmajor funds. 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.

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.

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.

**CITY OF TRINITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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.

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	30
Buildings	30-50
Building Improvements	20
Vehicles	2-15
Office Equipment	3-15
Computer Equipment	3-15

**CITY OF TRINITY, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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).

**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.

**CITY OF TRINITY, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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.

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.

**CITY OF TRINITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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>
Expenditures exceeded the budget in General Government and Law Enforcement.	The City will review the budget regularly and amend 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.

Cash Deposits:

At September 30, 2021, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$2,775,995 and the bank balance was \$2,761,309. The City's cash deposits at September 30, 2021 and during the year ended September 30, 2021, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

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.

**CITY OF TRINITY, TEXAS**  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

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.

The City had no investments at year end.

**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.

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.

**CITY OF TRINITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**D. Capital Assets**

Capital asset activity for the year ended September 30, 2021, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental Activities:</b>				
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 16,500	\$ -	\$ -	\$ 16,500
Construction in Progress	-	15,000	-	15,000
<b>Total Capital Assets Not Being Depreciated</b>	<b>16,500</b>	<b>15,000</b>	<b>-</b>	<b>31,500</b>
<b>Capital Assets Being Depreciated:</b>				
Infrastructure	3,700,608	-	-	3,700,608
Buildings and Improvements	1,428,349	-	-	1,428,349
Equipment	805,405	5,000	-	810,405
Vehicles	1,315,562	10,950	-	1,326,512
Furniture and equipment	292,980	-	-	292,980
<b>Total Capital Assets Being Depreciated</b>	<b>7,542,904</b>	<b>15,950</b>	<b>-</b>	<b>7,558,854</b>
<b>Less Accumulated Depreciation for:</b>				
Infrastructure	(903,026)	(167,747)	-	(1,070,773)
Buildings and Improvements	(1,125,177)	(20,607)	-	(1,145,784)
Equipment	(727,475)	(17,707)	-	(745,182)
Vehicles	(1,278,801)	(18,188)	-	(1,296,989)
Furniture and equipment	(287,883)	(5,097)	-	(292,980)
<b>Total Accumulated Depreciation</b>	<b>(4,322,362)</b>	<b>(229,346)</b>	<b>-</b>	<b>(4,551,708)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>3,220,542</b>	<b>(213,396)</b>	<b>-</b>	<b>3,007,146</b>
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 3,237,042</b>	<b>\$ (198,396)</b>	<b>\$ -</b>	<b>\$ 3,038,646</b>

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-Type Activities:</b>				
<b>Capital Assets Not Being Depreciated:</b>				
Land	\$ 4,383	\$ -	\$ -	\$ 4,383
Construction in Progress	-	15,125	-	15,125
<b>Total Capital Assets Not Being Depreciated</b>	<b>4,383</b>	<b>15,125</b>	<b>-</b>	<b>19,508</b>
<b>Capital Assets Being Depreciated:</b>				
Water System	5,848,251	-	-	5,848,251
Sewer System	713,003	-	-	713,003
Equipment	748,783	31,945	-	780,728
Vehicles	461,349	-	-	461,349
Furniture and equipment	4,444	-	-	4,444
<b>Total Capital Assets Being Depreciated</b>	<b>7,775,830</b>	<b>31,945</b>	<b>-</b>	<b>7,807,775</b>
<b>Less Accumulated Depreciation for:</b>				
Water System	(3,158,176)	(170,327)	-	(3,328,503)
Sewer System	(473,403)	(24,487)	-	(497,890)
Equipment	(569,874)	(37,717)	-	(607,591)
Vehicles	(288,811)	(22,805)	-	(311,616)
Furniture and equipment	(4,444)	-	-	(4,444)
<b>Total Accumulated Depreciation</b>	<b>(4,494,708)</b>	<b>(255,336)</b>	<b>-</b>	<b>(4,750,044)</b>
<b>Total Capital Assets Being Depreciated, Net</b>	<b>3,281,122</b>	<b>(223,391)</b>	<b>-</b>	<b>3,057,731</b>
<b>Business-Type Activities Capital Assets, Net</b>	<b>\$ 3,285,505</b>	<b>\$ (208,266)</b>	<b>\$ -</b>	<b>\$ 3,077,239</b>

**CITY OF TRINITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Depreciation was charged to functions as follows:

General Government	\$	19,261
Public Safety		19,447
Streets and Bridges		169,067
Library		2,690
Parks		18,881
Water, Sewer and Sanitation		255,336
	\$	<u>484,682</u>

**E. Interfund Balances and Activity**

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2021, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Debt Service	\$ 2,034	Short-term loans
Other Governmental Funds	General Fund	8,904	Short-term loans
	Total	<u>\$ 10,938</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, 2021, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
Debt Service	Other Governmental Funds	\$ 136,070	To pay debt service.
Other Governmental Funds	General fund	1,500	Reimburse expenditures.
	Total	<u>\$ 137,570</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, 2021, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental activities:</u>					
Notes from direct borrowing	\$ 36,000	\$ 750,000	\$ 36,000	\$ 750,000	\$ 75,000
Compensated absences *	15,227	-	2,747	12,480	-
Net OPEB liability	33,671	7,347	224	40,794	-
Total governmental activities	<u>\$ 84,898</u>	<u>\$ 757,347</u>	<u>\$ 38,971</u>	<u>\$ 803,274</u>	<u>\$ 75,000</u>

**CITY OF TRINITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
<b>Business-type activities:</b>					
Notes from direct borrowing	\$ 636,329	\$ -	\$ 114,224	\$ 522,105	\$ 93,306
Compensated absences *	2,550	-	966	1,583	-
Net pension liability	18,947	-	15,961	7,558	-
Net OPEB liability	12,709	1,932	52	14,589	-
<b>Total business-type activities</b>	<b>\$ 670,535</b>	<b>\$ 1,932</b>	<b>\$ 131,203</b>	<b>\$ 545,835</b>	<b>\$ 93,306</b>

\* 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
Compensated absences	Business-type	Water and sewer fund
Net pension liability	Business-type	Water and sewer fund

**2. Debt Service Requirements**

Debt service requirements on long-term debt at September 30, 2021, are as follows:

Year Ending September 30,	Governmental Activities		
	Notes from Direct Borrowing		
	Principal	Interest	Total
2022	\$ 75,000	\$ 31,875	\$ 106,875
2023	75,000	28,688	103,688
2024	75,000	25,570	100,570
2025	75,000	22,312	97,312
2026	75,000	19,125	94,125
2027-2031	375,000	47,847	422,847
<b>Totals</b>	<b>\$ 750,000</b>	<b>\$ 175,417</b>	<b>\$ 925,417</b>

Year Ending September 30,	Business-type Activities		
	Notes from Direct Borrowing		
	Principal	Interest	Total
2022	\$ 93,306	\$ 16,617	\$ 109,923
2023	65,844	13,195	79,039
2024	67,880	11,160	79,039
2025	69,978	9,062	79,040
2026	72,141	6,899	79,040
2027-2031	152,956	7,038	159,994
<b>Totals</b>	<b>\$ 522,105</b>	<b>\$ 63,971</b>	<b>\$ 586,076</b>

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, 2018	\$ 750,000
<b>Total Governmental Activities</b>	<b>\$ 750,000</b>

**CITY OF TRINITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Business Activities:

Promissory Note

The City signed a promissory note with First National Bank in Trinity, Texas dated March 1, 2017. The note in the amount of \$139,280 has an interest rate of 4.75% and is payable in five annual installments of \$31,950. The final payment is due March 1, 2022. Note proceeds were used to purchase a new garbage truck. The note is secured with an annual levy and collection of property tax.

Balance at September 30, 2021 \$ 31,351

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, 2021 \$ 490,754

Total Business Activities \$ 522,105

G. 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 2021, 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.

H. 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.tmrs.com](http://www.tmrs.com).

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

**CITY OF TRINITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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 December 31, 2020 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	30
Active employees	<u>21</u>
Total covered employees	<u><u>61</u></u>

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 6.86% and 6.84% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the year ended September 30, 2021 were \$47,796, and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2020, 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, 2020 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

**CITY OF TRINITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Salary increases were based on a service-related table. Mortality rates for active members are based on the PUB(10) mortality tables with the Public Safety table used for males and the General Employee table used for females. Mortality rates for healthy retirees and beneficiaries are based on the Gender distinct 2019 Municipal Retirees of Texas mortality tables. The rates for active, healthy retirees and beneficiaries are projected on a fully generational basis by Scale UMP to account for future mortality improvements. For disabled annuitants, the same mortality tables for healthy retirees are used with a 4 year set forward for males and a 3 year set forward for females. In addition, a 3.5% and 3.0% minimum mortality rate is applied, for males and females respectively, to reflect the impairment for younger members who become disabled. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

Actuarial assumptions used in the December 31, 2020, 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 Annuity Purchase Rate (APRs) is based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. 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 is 0.0675. 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. In determining their best estimate of a recommended investment return assumption under their various alternative asset allocation portfolios, GRS focused on the area between (1) arithmetic mean (aggressive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	30%	5.30%
Core Fixed Income	10%	1.25%
Non-Core Fixed Income	20%	4.14%
Real Return	10%	3.85%
Real Estate	10%	4.00%
Absolute Return	10%	3.48%
Private Equity	10%	7.75%
Total	<u>100.0%</u>	

**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.

**CITY OF TRINITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2019	\$ 1,603,536	\$ 1,600,579	\$ 2,957
Changes for the year			
Service cost	78,664	-	78,664
Interest	108,153	-	108,153
Change of benefit terms	-	-	-
Difference between expected and actual experience	(65,734)	-	(65,734)
Changes of assumptions	-	-	-
Contributions - employer	-	47,295	(47,295)
Contributions - employee	-	34,472	(34,472)
Net investment income	-	121,063	(121,063)
Benefit payments, including refunds of employee contributions	(81,190)	(81,190)	-
Administrative expense	-	(784)	784
Other changes	-	(31)	31
Net changes	\$ 39,893	\$ 120,825	\$ (80,932)
Balance at 12/31/2020	<u>\$ 1,643,429</u>	<u>\$ 1,721,404</u>	<u>\$ (77,975)</u>

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.

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ 178,116	\$ (77,975)	\$ (285,531)

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](http://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, 2021, the City recognized pension expense/(income) of \$(21,811).

**CITY OF TRINITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ -	\$ 60,657
Changes in actuarial assumptions	6,807	-
Difference between projected and actual investment earnings	-	45,496
Contributions subsequent to the measurement date	34,502	-
Total	<u>\$ 41,309</u>	<u>\$ 106,153</u>

\$34,502 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, 2021. 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,		
2022	\$	(56,012)
2023	\$	(14,252)
2024	\$	(26,473)
2025	\$	(2,604)
Thereafter	\$	-

I. 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 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.

**CITY OF TRINITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

At the December 31, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	6
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>21</u>
Total covered employees	<u><u>30</u></u>

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 prefund 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 \$55,383 was measured as of December 31, 2020, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.5% to 11.5% 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.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with Scale UMP.
Mortality rates - 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.

**CITY OF TRINITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Discount Rate:

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2020. The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.

	Total OPEB Liability
5. Changes in the Total OPEB Liability	
Balance at September 30, 2019	\$ 46,380
Changes for the year	
Service cost	15,305
Interest	1,482
Change of benefit terms	-
Difference between expected and actual experience	(14,270)
Changes of assumptions	6,762
Net investment income	-
Benefit payments, including refunds of employee contributions	(276)
Net changes	9,003
Balance at September 30, 2020	\$ 55,383

6. Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following shows the total OPEB liability calculated using the discount rate of 2.00 percent, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (1.00%) or 1 percentage point higher (3.00%) than the current rate.

	1% Decrease in Discount Rate (1.00%)	Discount Rate (2.00%)	1% Decrease in Discount rate (3.00%)
Total OPEB liability	\$ 66,067	\$ 55,383	\$ 46,588

7. OPEB Plan Total Liability:

Detailed information about the OPEB plan's Total OPEB Liability is available in a separately-issued TMRS financial report. That report may be obtained on the internet at [www.tnrs.com](http://www.tnrs.com).

8. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2021, the City recognized OPEB expense of \$14,521.

**CITY OF TRINITY, TEXAS**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

At September 30, 2021, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual economic experience (net of current year amortization)	\$ -	\$ 21,230
Changes in actuarial assumptions	10,131	-
Differences between projected and actual investment earnings (net of current year amortization)	-	-
Contributions subsequent to the measurement date	653	-
Total	<u>\$ 10,784</u>	<u>\$ 21,230</u>

\$656 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, 2021. 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,	
2022	\$ (2,266)
2023	\$ (2,266)
2024	\$ (2,662)
2025	\$ (2,197)
2026	\$ (1,707)
Thereafter	\$ -

**J. Health Care Coverage**

During the year ended September 30, 2021, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$644 per pay period per employee and dependents to the Plan. All premiums were paid to a third party administrator, acting on behalf of the self-funded pool. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the City and the third party administrator is renewable, and terms of coverage and premium costs are included in the contractual provisions.

**K. 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, 2021

2. Litigation

No reportable litigation was pending against the City at September 30, 2021.

L. Subsequent Events

The City evaluated subsequent events through October 31, 2022, 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.

*This page has been left blank intentionally.*

## *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.

*This page has been left blank intentionally.*

**CITY OF TRINITY, TEXAS**  
GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
FOR THE YEAR ENDED SEPTEMBER 30, 2021

**EXHIBIT B-1**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUE:</b>				
Property Taxes	\$ 671,500	\$ 671,500	\$ 526,290	\$ (145,210)
Sales and Use Tax	875,000	875,000	1,095,126	220,126
Franchise Tax	138,000	138,000	142,444	4,444
License and Permits	12,500	12,500	11,113	(1,387)
Charges for Services	2,000	2,000	950	(1,050)
Fines	75,000	75,000	67,953	(7,047)
Investment Earnings	-	-	3	3
Miscellaneous	45,000	45,000	112,795	67,795
Contributions	-	-	(48)	(48)
Total Revenues	<u>1,819,000</u>	<u>1,819,000</u>	<u>1,956,626</u>	<u>137,626</u>
<b>EXPENDITURES:</b>				
General Government	453,635	453,635	481,259	(27,624)
Library	83,750	83,750	54,620	29,130
Law Enforcement	581,485	581,485	607,332	(25,847)
Fire Protection	76,275	76,275	47,955	28,320
Municipal Court	44,075	44,075	37,343	6,732
Streets and Drainage	363,665	363,665	315,208	48,457
Parks and Recreation	46,825	46,825	24,132	22,693
Total Expenditures	<u>1,649,710</u>	<u>1,649,710</u>	<u>1,567,849</u>	<u>81,861</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>169,290</u>	<u>169,290</u>	<u>388,777</u>	<u>219,487</u>
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers In	-	-	80,539	80,539
Time Warrants Proceeds	-	-	750,000	750,000
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>830,539</u>	<u>830,539</u>
Net Change in Fund Balances	169,290	169,290	1,219,316	1,050,026
Fund Balances - Beginning	1,214,742	1,214,742	1,214,742	-
Fund Balances - Ending	<u>\$ 1,384,032</u>	<u>\$ 1,384,032</u>	<u>\$ 2,434,058</u>	<u>\$ 1,050,026</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 \***

	Fiscal Year			
	2020	2019	2018	2017
Total pension liability:				
Service cost	\$ 78,664	\$ 78,335	\$ 85,994	\$ 99,904
Interest	108,153	103,856	96,525	94,507
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(65,734)	(66,044)	(9,034)	(77,454)
Changes of assumptions	-	21,930	-	-
Benefit payments, including refunds of employee contributions	(81,190)	(67,960)	(54,152)	(106,044)
Net change in total pension liability	39,893	70,117	119,333	10,913
Total pension liability - beginning	1,603,536	1,533,419	1,414,086	1,403,173
Total pension liability - ending (a)	\$ 1,643,429	\$ 1,603,536	\$ 1,533,419	\$ 1,414,086
Plan fiduciary net position:				
Contributions - employer	\$ 47,295	\$ 48,486	\$ 56,923	\$ 68,563
Contributions - employee	34,472	35,034	38,050	43,895
Net investment income	121,063	212,088	(41,159)	166,585
Benefit payments, including refunds of employee contributions	(81,190)	(67,960)	(54,152)	(106,044)
Administrative expense	(784)	(1,200)	(796)	(865)
Other	(31)	(36)	(41)	(44)
Net change in plan fiduciary net position	120,825	226,412	(1,175)	172,090
Plan fiduciary net position - beginning	1,600,579	1,374,167	1,375,342	1,203,252
Plan fiduciary net position - ending (b)	1,721,404	1,600,579	1,374,167	1,375,342
City's net pension liability - ending (a) - (b)	\$ (77,975)	\$ 2,957	\$ 159,252	\$ 38,744
Plan fiduciary net position as a percentage of the total pension liability	104.74%	99.82%	89.61%	97.26%
Covered-employee payroll	\$ 689,432	\$ 700,670	\$ 761,006	\$ 877,890
City's net pension liability as a percentage of covered-employee payroll	-11.31%	0.42%	20.93%	4.41%

Notes to Schedule:

\* 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.

	2016	2015	2014
\$	106,180	\$ 97,461	\$ 85,361
	89,882	83,461	75,458
	-	33,826	-
	(47,949)	(11,077)	(36,491)
	-	10,543	-
	(46,875)	(44,055)	(55,692)
	101,238	170,159	68,636
	1,301,935	1,131,776	1,063,140
\$	<u>1,403,173</u>	<u>\$ 1,301,935</u>	<u>\$ 1,131,776</u>

\$	66,592	\$ 52,996	\$ 40,177
	45,926	47,747	41,678
	72,040	1,489	53,224
	(46,875)	(44,055)	(55,692)
	(814)	(907)	(556)
	(44)	(45)	(46)
	136,825	57,225	78,785
	1,066,427	1,009,202	930,417
	<u>1,203,252</u>	<u>1,066,427</u>	<u>1,009,202</u>

\$	<u>199,921</u>	<u>\$ 235,508</u>	<u>\$ 122,574</u>
----	----------------	-------------------	-------------------

	85.75%	81.91%	89.17%
--	--------	--------	--------

\$	918,513	\$ 925,551	\$ 833,551
----	---------	------------	------------

	21.77%	25.45%	14.71%
--	--------	--------	--------

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

	Fiscal Year			
	2021	2020	2019	2018
Actuarially determined contribution	\$ 50,440	\$ 47,672	\$ 50,228	\$ 58,629
Contributions in relation to the actuarially determined contribution	(50,440)	(47,672)	(50,228)	(58,629)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	\$ 698,208	\$ 693,203	\$ 709,165	\$ 877,890
Contributions as a percentage of covered-employee payroll	7.22%	6.88%	7.08%	6.68%

Notes to Schedule:

\* 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.

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

	2020	2019	2018	2017
Total OPEB liability:				
Service cost	\$ 15,305	\$ 3,153	\$ 4,186	\$ 4,302
Interest	1,482	1,786	1,589	1,486
Changes of benefit terms	-	-	-	-
Differences between expected and actual experience	(14,270)	(11,964)	(1,921)	-
Changes of assumptions or other inputs	6,762	6,958	(2,946)	3,272
Benefit payments	(277)	(210)	(304)	(351)
Net change in total OPEB liability	9,002	(277)	604	8,709
Total OPEB liability - beginning	46,381	46,658	46,054	37,345
Total OPEB liability - ending	<u>\$ 55,383</u>	<u>\$ 46,381</u>	<u>\$ 46,658</u>	<u>\$ 46,054</u>
Covered-employee payroll	\$ 689,432	\$ 700,670	\$ 761,006	\$ 877,890
Total OPEB liability as a percentage of covered-employee payroll	8.03%	6.62%	6.13%	5.25%

## Notes to Schedule:

\* 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.

# CITY OF TRINITY, TEXAS

## NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2021

### 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*	2.00%

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, 2020.

Note: The actuarial assumptions used in the December 31, 2020 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.