

CITY OF TRINITY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2020



Davis, Heinemann & Company, P.C.

Certified Public Accountants

1300 11th Street Suite 500

Huntsville, Texas 77340

(936) 291-3020

Introductory Section

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City of Trinity, Texas
 Annual Financial Report
 For The Year Ended September 30, 2020

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Financial Section

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DAVIS, HEINEMANN & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

1300 11TH STREET, SUITE 500

P.O. BOX 6308

HUNTSVILLE, TEXAS 77342

PHONE (936) 291-3020

FAX (936) 291-9607

Independent Auditor's Report

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

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, 2020, 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, 2020, 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 proportionate share of the net pension liability and schedule of City pension contributions, and schedule of the City's proportionate share of the net OPEB liability and schedule of City OPEB contributions identified as Required Supplementary Information in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Trinity, Texas' basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not required parts of the basic financial statements.

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

Respectfully submitted,



Davis, Heinemann & Company, P.C.

Huntsville, Texas
July 20, 2021

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, 2020. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

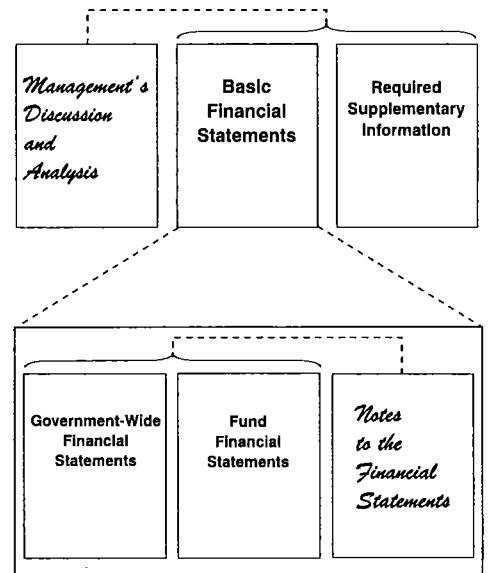
- The City's total combined net position of the primary government was \$7,241,458 at September 30, 2020.
- During the year, the City's expenses were \$405,143 less than the \$3,772,137 generated in taxes, charges for service and other revenues for governmental and business-type activities.
- The general fund reported a fund balance this year of \$1,214,742.

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- and long-term* financial information about the activities the government operates *like businesses*.
- *Fiduciary fund* statements provide information about the financial relationships in which the City acts solely as a *trustee or agent* for the benefit of others, to whom the resources in question belong.

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



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

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

Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

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

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

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

Fund Financial Statements

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

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

The City has the following kinds of funds:

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's combined net position was \$7,241,458 at September 30, 2020. (See Table A-1).

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

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
ASSETS						
Cash and Other Assets	\$ 887.8	\$ 502.2	\$ 40.3	\$ 34.4	\$ 928.1	\$ 536.6
Investments	-	91.8	-	-	-	91.8
Receivables, Net	577.6	380.3	211.0	276.7	788.6	657.0
Internal Balances	569.9	670.3	(569.9)	(670.3)	-	-
Intergovernmental Receivables	146.8	154.8	-	-	146.8	154.8
Net Pension Asset	16.0	-	-	-	-	-
Capital Assets, Net of Depreciation	3,237.0	3,477.9	3,285.5	3,406.3	6,522.5	6,884.2
Total Assets	<u>5,435.1</u>	<u>5,277.3</u>	<u>2,966.9</u>	<u>3,047.1</u>	<u>8,402.0</u>	<u>8,324.4</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Outflow Related To Pensions	33.8	77.0	16.0	27.6	49.8	104.6
Deferred Outflow Related To OPEB	6.0	1.7	1.8	0.7	7.8	2.4
Total Deferred Outflows of Resources	<u>39.8</u>	<u>78.7</u>	<u>17.8</u>	<u>28.3</u>	<u>57.6</u>	<u>107.0</u>
LIABILITIES						
Accounts Payable	123.9	120.9	-	-	123.9	120.9
Other Accrued Expenses	4.4	26.7	1.8	5.5	6.2	32.2
Customer Deposits	-	-	145.5	140.5	145.5	140.5
Accrued Interest Payable	0.7	1.3	15.8	18.9	16.5	20.2
Due to Component Unit	48.7	36.7	-	-	48.7	36.7
Due to Other Governments	4.6	6.7	2.3	2.2	6.9	8.9
Total Current Liabilities	<u>182.3</u>	<u>192.3</u>	<u>165.4</u>	<u>167.1</u>	<u>347.7</u>	<u>359.4</u>
Non Current Liabilities						
Due Within One Year	36.0	36.0	115.1	146.5	151.1	182.5
Due In More Than One Year	48.8	192.1	555.3	702.6	604.1	894.7
Total Liabilities	<u>267.1</u>	<u>420.4</u>	<u>835.8</u>	<u>1,016.2</u>	<u>1,102.9</u>	<u>1,436.6</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred Inflow Related to Pensions	76.5	30.4	25.4	11.2	101.9	41.6
Deferred Inflow Related to OPEB	10.5	3.1	2.9	1.0	13.4	4.1
Total Deferred Inflows of Resources	<u>87.0</u>	<u>33.5</u>	<u>28.3</u>	<u>12.2</u>	<u>115.3</u>	<u>45.7</u>
NET POSITION						
Invested in Capital Assets	3,201.0	3,405.9	2,649.2	2,623.5	5,850.2	6,029.4
Restricted	312.7	214.8	-	-	312.7	214.8
Unrestricted	1,607.1	1,281.4	(528.6)	(576.5)	1,078.5	704.9
Total Net Position	<u>\$ 5,120.8</u>	<u>\$ 4,902.1</u>	<u>\$ 2,120.6</u>	<u>\$ 2,047.0</u>	<u>\$ 7,241.4</u>	<u>\$ 6,949.1</u>

The Governmental Activities total net position increased \$218,799 from the prior year.

The Business-type Activities total net position increased \$73,534 from the prior year.

Changes in net position. The City's total revenues were \$3,772,137 and total expenses were \$3,366,994 which resulted in an increase in net position of \$405,143. (See Table A-2.)

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

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
Program Revenues:						
Charges for Services	\$ 249.5	\$ 124.2	\$ 1,471.5	\$ 1,582.7	\$ 1,721.0	\$ 1,706.9
Operating Grants	-	11.9	-	-	-	11.9
Capital Grants and Contributions	-	5.0	-	-	-	5.0
General Revenues:						
Ad Valorem Taxes	695.3	655.0	-	-	695.3	655.0
Sales Tax	896.5	787.8	-	-	896.5	787.8
Franchise and Other Taxes	145.0	144.4	-	-	145.0	144.4
Contributions	-	-	-	-	-	-
Miscellaneous	215.4	37.3	98.7	-	314.1	37.3
Interest Income	0.3	2.5	0.1	-	0.4	2.5
Gain on Sale of Asset	-	-	-	-	-	-
Transfers	(177.7)	(52.7)	177.7	52.7	-	-
Total Revenues	<u>2,024.3</u>	<u>1,715.4</u>	<u>1,748.0</u>	<u>1,635.4</u>	<u>3,772.3</u>	<u>3,350.8</u>
Program Expenses:						
General Government	548.4	551.0	-	-	548.4	551.0
Public Safety	573.7	586.1	-	-	573.7	586.1
Municipal Court	35.2	44.2	-	-	35.2	44.2
Street Department	447.4	443.7	-	-	447.4	443.7
Parks Department	88.0	55.5	-	-	88.0	55.5
Water, Sewer and Sanitation	-	-	1,674.5	1,613.4	1,674.5	1,613.4
Total Expenses	<u>1,692.7</u>	<u>1,680.5</u>	<u>1,674.5</u>	<u>1,613.4</u>	<u>3,367.2</u>	<u>3,293.9</u>
Change in Net Position	<u>\$ 331.6</u>	<u>\$ 34.9</u>	<u>\$ 73.5</u>	<u>\$ 22.0</u>	<u>\$ 405.1</u>	<u>\$ 56.9</u>

The Governmental Activities revenues were \$2,024,310 which is an increase of \$308,849 from the prior fiscal year primarily due to an increase in sales and property tax revenue. The Governmental Activities expenditures were \$1,692,701 which increased \$12,219 from the prior fiscal year. The City collected almost \$200,000 in insurance proceeds during the year for various claims.

The Business-type Activities operating revenues were \$1,747,827 which increased \$112,398 from the prior fiscal year primarily due to the COVID 19 pandemic. Total operating expenditures were \$1,674,293 which increased \$60,857 over the prior year. The additional expenses were in the Solid Waste fund in truck repairs.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

General Fund Budgetary Highlights

Over the course of the year, the City amended the General Fund budget. Actual revenues were more than final estimated revenues by \$19,202 and expenditures were less than final appropriations by \$142,449.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2020, the City had invested \$15,207,790 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	
	2020	2019	2020	2019	2020	2019
Land	\$ 16.5	\$ 16.5	\$ 4.4	\$ 4.4	\$ 20.9	\$ 20.9
Buildings and Improvements	1,417.4	1,417.4	-	-	1,417.4	1,417.4
Infrastructure	3,700.6	3,700.6	-	-	3,700.6	3,700.6
Equipment	816.3	816.3	748.8	748.8	1,565.1	1,565.1
Vehicles	1,315.6	1,315.6	461.4	384.2	1,777.0	1,699.8
Furniture and Equipment	293.0	293.0	4.4	4.4	297.4	297.4
Water System	-	-	5,848.2	5,793.5	5,848.2	5,793.5
Sewer System	-	-	713.0	713.0	713.0	713.0
Totals at Historical Cost	<u>7,559.4</u>	<u>7,559.4</u>	<u>7,780.2</u>	<u>7,648.3</u>	<u>15,339.6</u>	<u>15,207.7</u>
Total Accumulated Depreciation	<u>(4,322.4)</u>	<u>(4,081.5)</u>	<u>(4,494.7)</u>	<u>(4,242.0)</u>	<u>(8,817.1)</u>	<u>(8,323.5)</u>
Net Capital ssets	<u>\$ 3,237.0</u>	<u>\$ 3,477.9</u>	<u>\$ 3,285.5</u>	<u>\$ 3,406.3</u>	<u>\$ 6,522.5</u>	<u>\$ 6,884.2</u>

Long-Term Debt

At year-end the City had \$1,077,148 in outstanding debt 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	
	2020	2019	2020	2019
Warrants and Notes	\$ 36.0	\$ 72.0	\$ 636.3	\$ 782.9
Compensated Absences	15.2	12.0	2.5	4.3
Net Pension Asset	(16.0)	110.2	19.0	49.1
Net OPEB Liability	33.7	33.9	12.7	12.7
Total Long-Term Debt	<u>\$ 68.9</u>	<u>\$ 228.1</u>	<u>\$ 670.5</u>	<u>\$ 849.0</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 General Fund revenues are budgeted to increase about \$40,000 from the prior fiscal year. Expenditures are budgeted to increase by the same amount. The budgetary fund balance is expected to remain the same. The City's budgetary net position for the enterprise fund is expected to increase by about \$170,000 during fiscal year 2021.

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

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CITY OF TRINITY, TEXAS

STATEMENT OF NET POSITION

SEPTEMBER 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 887,825	\$ 40,469	\$ 928,294	\$ 706,896
Receivables	577,648	210,972	788,620	-
Due From Other Governments	146,797	-	146,797	48,722
Note Receivable	-	-	-	228,282
Internal Balances	569,895	(569,895)	-	-
Noncurrent Assets				
Long-term Investments	-	-	-	473,275
Net Pension Asset	15,991	-	15,991	-
Capital Assets (net of accumulated depreciation):				
Land	16,500	4,383	20,883	358,953
Buildings and Improvements	303,171	-	303,171	-
Machinery and Equipment	119,788	351,447	471,235	-
Water and Sewer System Infrastructure	-	2,929,675	2,929,675	-
	2,797,582	-	2,797,582	-
Total Assets	<u>5,435,197</u>	<u>2,967,051</u>	<u>8,402,248</u>	<u>1,816,128</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred Outflow Related to Pensions	33,854	16,003	49,857	-
Deferred Outflow Related to OPEB	5,981	1,821	7,802	-
Total Deferred Outflows of Resources	<u>39,835</u>	<u>17,824</u>	<u>57,659</u>	<u>-</u>
LIABILITIES:				
Accounts Payable	123,879	-	123,879	-
Other Accrued Liabilities	1,902	1,165	3,067	-
Accrued Payroll	2,509	632	3,141	-
Customer Deposits	-	145,484	145,484	-
Accrued Interest Payable	658	15,821	16,479	-
Due to Component Unit	48,723	-	48,723	-
Due to Other Governments	4,577	2,316	6,893	-
Noncurrent Liabilities:				
Due Within One Year	36,000	115,074	151,074	-
Due in More Than One Year	15,227	523,805	539,032	-
Net OPEB Liability	33,690	12,691	46,381	-
Net Pension Liability	-	18,947	18,947	-
Total Liabilities	<u>267,165</u>	<u>835,935</u>	<u>1,103,100</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES:				
Deferred Inflow Related to Pensions	76,472	25,416	101,888	-
Deferred Inflow Related to OPEB	10,522	2,939	13,461	-
Total Deferred Inflows of Resources	<u>86,994</u>	<u>28,355</u>	<u>115,349</u>	<u>-</u>
NET POSITION:				
Net Investment in Capital Assets	3,201,041	2,649,176	5,850,217	-
Restricted For:				
Debt Service	296,357	-	296,357	-
Special Revenue	16,347	-	16,347	-
Other Purposes	-	-	-	1,816,128
Unrestricted	1,607,128	(528,591)	1,078,537	-
Total Net Position	<u>\$ 5,120,873</u>	<u>\$ 2,120,585</u>	<u>\$ 7,241,458</u>	<u>\$ 1,816,128</u>

The accompanying notes are an integral part of this statement.

CITY OF TRINITY, TEXAS
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

Functions/Programs	Expenses	Program Revenues
PRIMARY GOVERNMENT:		Charges for Services
Governmental Activities:		
General Government	\$ 548,452	\$ 16,651
Public Safety	573,719	231,517
Judicial	35,160	-
Transportation	447,417	-
Parks and Recreation	87,953	1,350
Total Governmental Activities	<u>1,692,701</u>	<u>249,518</u>
Business-type Activities:		
Utility	1,416,818	1,075,462
Solid Waste	257,475	395,894
Total Business-type Activities	<u>1,674,293</u>	<u>1,471,356</u>
Total Primary Government	<u>\$ 3,366,994</u>	<u>\$ 1,720,874</u>
COMPONENT UNIT:		
Economic Development Corporation	<u>\$ 65,158</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
 Prior Period Adjustment - See Note M
 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
\$ (531,801)		\$ (531,801)	
(342,202)		(342,202)	
(35,160)		(35,160)	
(447,417)		(447,417)	
(86,603)		(86,603)	
<u>(1,443,183)</u>		<u>(1,443,183)</u>	
-	\$ (341,356)	(341,356)	
-	138,419	138,419	
-	<u>(202,937)</u>	<u>(202,937)</u>	
<u>(1,443,183)</u>	<u>(202,937)</u>	<u>(1,646,120)</u>	
			\$ <u>(65,158)</u>
695,254	-	695,254	-
896,470	-	896,470	236,141
138,790	-	138,790	-
6,222	-	6,222	-
215,442	98,721	314,163	2,000
308	56	364	10,128
(177,694)	177,694	-	-
<u>1,774,792</u>	<u>276,471</u>	<u>2,051,263</u>	<u>248,269</u>
331,609	73,534	405,143	183,111
4,902,074	2,047,051	6,949,125	1,633,017
(112,810)	-	(112,810)	-
<u>\$ 5,120,873</u>	<u>\$ 2,120,585</u>	<u>\$ 7,241,458</u>	<u>\$ 1,816,128</u>

CITY OF TRINITY, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2020

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and Cash Equivalents	\$ 685,538	\$ 194,844	\$ 7,443	\$ 887,825
Receivables:				
Accounts	972	-	-	972
Ad Valorem Taxes	218,817	103,547	-	322,364
Due from Other Funds	571,929	-	8,904	580,833
Due from Other Governments	146,797	-	-	146,797
Total Assets	<u>\$ 1,624,053</u>	<u>\$ 298,391</u>	<u>\$ 16,347</u>	<u>\$ 1,938,791</u>
LIABILITIES				
Accounts Payable	\$ 172,602	\$ -	\$ -	\$ 172,602
Other Accrued Liabilities	2,557	-	-	2,557
Accrued Payroll	1,854	-	-	1,854
Due to Other Funds	8,904	2,034	-	10,938
Due to State	4,577	-	-	4,577
Total Liabilities	<u>190,494</u>	<u>2,034</u>	<u>-</u>	<u>192,528</u>
DEFERRED INFLOWS OF RESOURCES:				
Deferred Inflows of Resources:				
Deferred Property Taxes	218,817	103,547	-	322,364
Total Deferred Inflows of Resources	<u>218,817</u>	<u>103,547</u>	<u>-</u>	<u>322,364</u>
FUND BALANCES:				
Restricted for Debt Service	-	192,810	-	192,810
Restricted for Special Revenue	-	-	16,347	16,347
Unassigned	1,214,742	-	-	1,214,742
Total Fund Balance	<u>1,214,742</u>	<u>192,810</u>	<u>16,347</u>	<u>1,423,899</u>
 Total Liabilities, Deferred Inflows of Resources and Fund Balance	 <u>\$ 1,624,053</u>	 <u>\$ 298,391</u>	 <u>\$ 16,347</u>	 <u>\$ 1,938,791</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, 2020

Total fund balances - governmental funds balance sheet	\$ 1,423,899
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.	3,237,041
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	322,364
Payables for bond interest which are not due in the current period are not reported in the funds.	(658)
Payables for notes which are not due in the current period are not reported in the funds.	(36,000)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(15,227)
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) asset is not reported in the funds.	15,991
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(76,472)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	33,854
Recognition of the City's proportionate share of the net OPEB liability is not reported in the funds.	(33,690)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(10,522)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	5,981
Net position of governmental activities - Statement of Net Position	<u>\$ 5,120,873</u>

The accompanying notes are an integral part of this statement.

CITY OF TRINITY, TEXASSTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUE:				
Property Taxes	\$ 470,708	\$ 199,302	\$ -	\$ 670,010
Sales and Use Tax	896,586	-	-	896,586
Franchise Tax	138,790	-	-	138,790
Hotel Motel Tax	-	-	6,222	6,222
License and Permits	12,506	-	-	12,506
Charges for Services	1,790	-	-	1,790
Fines	59,484	-	-	59,484
Investment Earnings	7	296	5	308
Miscellaneous	215,442	-	-	215,442
Contributions	3,589	-	-	3,589
Total Revenues	<u>1,798,902</u>	<u>199,598</u>	<u>6,227</u>	<u>2,004,727</u>
EXPENDITURES:				
General Government	453,585	-	-	453,585
Library	72,339	-	-	72,339
Law Enforcement	520,497	-	-	520,497
Fire Protection	45,832	-	-	45,832
Municipal Court	35,160	-	-	35,160
Streets and Drainage	283,659	-	-	283,659
Parks and Recreation	69,071	-	-	69,071
Debt Service Payments	-	39,240	-	39,240
Total Expenditures	<u>1,480,143</u>	<u>39,240</u>	<u>-</u>	<u>1,519,383</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>318,759</u>	<u>160,358</u>	<u>6,227</u>	<u>485,344</u>
OTHER FINANCING SOURCES (USES) :				
Transfers Out	(5,500)	(172,194)	-	(177,694)
Total Other Financing Sources (Uses)	<u>(5,500)</u>	<u>(172,194)</u>	<u>-</u>	<u>(177,694)</u>
Net Change in Fund Balances	313,259	(11,836)	6,227	307,650
Fund Balances - Beginning	1,014,293	204,646	10,120	1,229,059
Prior Period Adjustment - See Note M	(112,810)	-	-	(112,810)
Fund Balances - Ending	<u>\$ 1,214,742</u>	<u>\$ 192,810</u>	<u>\$ 16,347</u>	<u>\$ 1,423,899</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, 2020

Net change in fund balances - total governmental funds	\$ 307,650
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
The depreciation of capital assets used in governmental activities is not reported in the funds.	(240,859)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	25,244
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.	657
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	(3,204)
Uncollected court fines are not recorded as revenue in the funds.	172,033
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	36,972
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	<u>(2,884)</u>
Change in net position of governmental activities - Statement of Activities	<u>\$ 331,609</u>

The accompanying notes are an integral part of this statement.

CITY OF TRINITY, TEXAS

STATEMENT OF NET POSITION

ENTERPRISE FUNDS

SEPTEMBER 30, 2020

	Enterprise Fund <u>Water and Sewer Fund</u>	Enterprise Fund <u>Solid Waste Fund</u>	Total Enterprise Funds
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ (1,815,431)	\$ 1,855,900	\$ 40,469
Receivables	210,972	-	210,972
Total Current Assets	<u>(1,604,459)</u>	<u>1,855,900</u>	<u>251,441</u>
Noncurrent Assets:			
Capital Assets:			
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	748,784	-	748,784
Less Accumulated Depreciation	(4,280,958)	(213,750)	(4,494,708)
Total Noncurrent Assets	<u>3,112,968</u>	<u>172,537</u>	<u>3,285,505</u>
Total Assets	<u>1,508,509</u>	<u>2,028,437</u>	<u>3,536,946</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Outflow Related to Pensions	13,378	2,625	16,003
Deferred Outflow Related to OPEB	1,139	682	1,821
Total Deferred Outflows of Resources	<u>\$ 14,517</u>	<u>\$ 3,307</u>	<u>\$ 17,824</u>
LIABILITIES:			
Current Liabilities:			
Accrued Liabilities	\$ 368	\$ 1,429	\$ 1,797
Customer Deposits	145,484	-	145,484
Due To Other Funds	109,993	459,902	569,895
Due To Other Governments	2,316	-	2,316
Accrued Interest Payable	14,160	1,661	15,821
Noncurrent Liabilities Due Within One Year	85,955	29,119	115,074
Total Current Liabilities	<u>358,276</u>	<u>492,111</u>	<u>850,387</u>
Noncurrent Liabilities:			
Notes Payable	490,753	30,502	521,255
Net OPEB Liability	9,798	2,893	12,691
Net Pension Liability	17,552	1,395	18,947
Compensated Absences Payable	2,550	-	2,550
Total Noncurrent Liabilities	<u>520,653</u>	<u>34,790</u>	<u>555,443</u>
Total Liabilities	<u>878,929</u>	<u>526,901</u>	<u>1,405,830</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow Related to Pensions	15,249	10,167	25,416
Deferred Inflow Related to OPEB	1,789	1,150	2,939
Total Deferred Inflows of Resources	<u>17,038</u>	<u>11,317</u>	<u>28,355</u>
NET POSITION:			
Investment in Capital Assets, Net of Related Debt	2,536,259	112,917	2,649,176
Unrestricted	(1,909,200)	1,380,609	(528,591)
Total Net Position	<u>\$ 627,059</u>	<u>\$ 1,493,526</u>	<u>\$ 2,120,585</u>

The accompanying notes are an integral part of this statement.

CITY OF TRINITY, TEXASSTATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Enterprise Fund <u>Water and Sewer Fund</u>	Enterprise Fund <u>Solid Waste Fund</u>	Total Enterprise Funds
OPERATING REVENUES:			
Water Sales	\$ 694,788	\$ -	\$ 694,788
Sewer Sales	330,979	-	330,979
Penalties	33,930	-	33,930
Tap Fees	104,831	-	104,831
Solid Waste Sales	-	395,894	395,894
Other Services	9,655	-	9,655
Total Operating Revenues	<u>1,174,183</u>	<u>395,894</u>	<u>1,570,077</u>
OPERATING EXPENSES:			
Salaries and Wages	83,279	71,830	155,109
Employee Benefits	34,841	12,707	47,548
Office Supplies	15,190	-	15,190
Equipment Maintenance	76,080	54,930	131,010
Professional Fees	8,750	-	8,750
Rentals	56,179	1,444	57,623
Insurance	19,766	12,253	32,019
Utilities	88,931	-	88,931
Repair and Maintenance	107,066	-	107,066
Chemicals	20,996	68,793	89,789
TRA Expense	645,283	-	645,283
Capital Expense	7,549	180	7,729
Other Expenses	-	13,002	13,002
Depreciation	233,783	18,945	252,728
Total Operating Expenses	<u>1,397,693</u>	<u>254,084</u>	<u>1,651,777</u>
Operating Income	<u>(223,510)</u>	<u>141,810</u>	<u>(81,700)</u>
NON-OPERATING REVENUES (EXPENSES):			
Interest Revenue	56	-	56
Interest Expense	(19,125)	(3,391)	(22,516)
Total Non-operating Revenues (Expenses)	<u>(19,069)</u>	<u>(3,391)</u>	<u>(22,460)</u>
Income Before Transfers	<u>(242,579)</u>	<u>138,419</u>	<u>(104,160)</u>
Interfund Transfers In	145,744	31,950	177,694
Total Transfers	<u>145,744</u>	<u>31,950</u>	<u>177,694</u>
Change in Net Position	(96,835)	170,369	73,534
Total Net Position - Beginning	723,894	1,323,157	2,047,051
Total Net Position - Ending	<u>\$ 627,059</u>	<u>\$ 1,493,526</u>	<u>\$ 2,120,585</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, 2020

	Enterprise Funds		
	Water and Sewer Fund	Solid Waste	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	\$ 1,009,775	\$ 395,894	\$ 1,405,669
Cash Payments to Employees for Services	(118,119)	(84,537)	(202,656)
Cash Payments to Other Suppliers for Goods and Services	(916,069)	(152,922)	(1,068,991)
Cash Payments to Other Suppliers for Goods and Services	(1,776,336)	1,774,637	(1,699)
Net Cash Provided (Used) by Operating Activities	<u>(1,800,749)</u>	<u>1,933,072</u>	<u>132,323</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Transfers From (To) Other Funds	145,744	31,950	177,694
Net Cash Provided (Used) by Non-capital Financing Activities	<u>145,744</u>	<u>31,950</u>	<u>177,694</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition or Construction of Capital Assets	(54,650)	(77,172)	(131,822)
Payment of Capital Leases and Time Warrants Principal	(140,245)	(31,950)	(172,195)
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(194,895)</u>	<u>(109,122)</u>	<u>(304,017)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and Dividends on investments	56	-	56
Net Cash Provided (Used) from Investing Activities	<u>56</u>	<u>-</u>	<u>56</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,849,844)	1,855,900	6,056
Cash and Cash Equivalents at Beginning of Year	34,413	-	34,413
Cash and Cash Equivalents at End of Year	<u>\$ (1,815,431)</u>	<u>\$ 1,855,900</u>	<u>\$ 40,469</u>
Reconciliation of Operating Income to Net Cash			
Provided by Operating Activities:			
Operating Income (Loss)	\$ (322,231)	\$ 141,810	\$ (180,421)
Adjustments to Reconcile Operating Income to Net Cash			
Provided by Operating Activities			
Depreciation	233,783	18,945	252,728
Change in Assets and Liabilities:			
Decrease (Increase) in Receivables	65,687	-	65,687
Decrease (Increase) in Intergovernmental Receivables	-	-	-
Decrease (Increase) in Interfund Receivables	1,414,623	1,541,329	2,955,952
Decrease(Increase) Deferred Outflow Related to Pensions	8,123	3,495	11,618
Decrease(Increase) Deferred Outflow Related to OPEB	(612)	(513)	(1,125)
Increase (Decrease) in Due to Other Governments	95	-	95
Increase (Decrease) in Accrued Expenses	(2,840)	(919)	(3,759)
Increase (Decrease) in Interfund Payables	(3,190,959)	233,308	(2,957,651)
Increase (Decrease) in Customer Deposits	4,978	-	4,978
Increase (Decrease) in Net Pension Liability	(17,697)	(12,416)	(30,113)
Increase (Decrease) in Net OPEB Liability	(31)	(16)	(47)
Increase (Decrease) in Compensated Absences	(1,772)	-	(1,772)
Increase(Decrease) Deferred Inflow Related to OPEB	1,074	889	1,963
Increase(Decrease) Deferred Inflow Related to Pensions	7,030	7,160	14,190
Total Adjustments	<u>(1,478,518)</u>	<u>1,791,262</u>	<u>312,744</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (1,800,749)</u>	<u>\$ 1,933,072</u>	<u>\$ 132,323</u>

CITY OF TRINITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

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, 2020. Additionally, the City is not a component unit of any other reporting entity as defined by the GASB Statement.

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, 2020

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.

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.

The City reports the following major enterprise funds:

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

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

b. **Measurement Focus, Basis of Accounting**

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

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.

CITY OF TRINITY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

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

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

3. Financial Statement Amounts

a. Cash and Cash Equivalents

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

b. Property Taxes

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

c. 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

d. 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

CITY OF TRINITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

bad debt.

e. 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.

f. 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.

g. 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.

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

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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.

h. 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.

i. 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.

j. 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.

k. 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>
None reported	Not applicable

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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, 2020, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$928,118 and the bank balance was \$1,012,528. The City's cash deposits at September 30, 2020 and during the year ended September 30, 2020, 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.

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.

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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.

D. Capital Assets

Capital asset activity for the year ended September 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
Capital assets not being depreciated:				
Land	\$ 16,500	\$ -	\$ -	\$ 16,500
Total capital assets not being depreciated	<u>16,500</u>	<u>-</u>	<u>-</u>	<u>16,500</u>
Capital assets being depreciated:				
Infrastructure	3,700,606	-	-	3,700,606
Buildings and improvements	1,417,448	-	-	1,417,448
Equipment	816,305	-	-	816,305
Vehicles	1,315,562	-	-	1,315,562
Furniture and equipment	292,979	-	-	292,979
Total capital assets being depreciated	<u>7,542,900</u>	<u>-</u>	<u>-</u>	<u>7,542,900</u>
Less accumulated depreciation for:				
Infrastructure	(735,278)	(167,747)	-	(903,025)
Buildings and improvements	(1,125,176)	(21,109)	-	(1,146,285)
Equipment	(686,849)	(19,517)	-	(706,366)
Vehicles	(1,251,412)	(27,388)	-	(1,278,800)
Furniture and equipment	(282,785)	(5,098)	-	(287,883)
Total accumulated depreciation	<u>(4,081,500)</u>	<u>(240,859)</u>	<u>-</u>	<u>(4,322,359)</u>
Total capital assets being depreciated, net	<u>3,461,400</u>	<u>(240,859)</u>	<u>-</u>	<u>3,220,541</u>
Governmental activities capital assets, net	<u>\$ 3,477,900</u>	<u>\$ (240,859)</u>	<u>\$ -</u>	<u>\$ 3,237,041</u>

CITY OF TRINITY, TEXAS
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	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
Capital assets not being depreciated:				
Land	\$ 4,383	\$ -	\$ -	\$ 4,383
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>4,383</u>	<u>-</u>	<u>-</u>	<u>4,383</u>
Capital assets being depreciated:				
Water system	5,793,601	54,650	-	5,848,251
Sewer system	713,003	-	-	713,003
Equipment	748,784	-	-	748,784
Vehicles	384,176	77,173	-	461,349
Furniture and equipment	4,444	-	-	4,444
Total capital assets being depreciated	<u>7,644,008</u>	<u>131,823</u>	<u>-</u>	<u>7,775,831</u>
Less accumulated depreciation for:				
Water System	(2,990,024)	(168,152)	-	(3,158,176)
Sewer System	(448,916)	(24,487)	-	(473,403)
Equipment	(531,230)	(38,644)	-	(569,874)
Vehicles	(267,367)	(21,445)	-	(288,812)
Furniture and equipment	(4,444)	-	-	(4,444)
Total accumulated depreciation	<u>(4,241,981)</u>	<u>(252,728)</u>	<u>-</u>	<u>(4,494,709)</u>
Total capital assets being depreciated, net	<u>3,402,027</u>	<u>(120,905)</u>	<u>-</u>	<u>3,281,122</u>
Business-type activities capital assets, net	<u>\$ 3,406,410</u>	<u>\$ (120,905)</u>	<u>\$ -</u>	<u>\$ 3,285,505</u>

Depreciation was charged to functions as follows:

General Government	\$ 19,261
Public Safety	30,569
Streets and Bridges	169,457
Library	2,690
Parks	18,882
Water, Sewer and Sanitation	252,728
	<u>\$ 493,587</u>

E. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2020, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Enterprise Funds	\$ 668,616	Short-term loans
General Fund	Debt Service	2,034	For transfer of federal receipts
Other Governmental Funds	General Fund	8,904	Short-term loans
	Total	<u>\$ 679,554</u>	

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

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2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2020, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General fund	Enterprise Funds	\$ 5,500	Supplement other funds sources
Debt service fund	Enterprise Funds	172,194	Pay principal and interest
	Total	\$ 177,694	

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, 2020, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Notes from direct borrowing	\$ 72,000	\$ -	\$ 36,000	\$ 36,000	\$ 36,000
Compensated absences *	12,023	3,204	-	15,227	-
Net pension liability	110,191	-	126,182	(15,991)	-
Net OPEB liability	33,920	-	230	33,690	-
Total governmental activities	\$ 228,134	\$ 3,204	\$ 162,412	\$ 68,926	\$ 36,000
<u>Business-type activities:</u>					
Notes from direct borrowing	\$ 782,893	\$ -	\$ 146,564	\$ 636,329	\$ 115,074
Compensated absences *	4,322	-	1,772	2,550	-
Net pension liability	49,060	-	30,113	18,947	-
Net OPEB liability	12,738	-	47	12,691	-
Total business-type activities	\$ 849,013	\$ -	\$ 178,496	\$ 670,517	\$ 115,074

* 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 & sewer fund
Net pension liability	Business-type	Water & sewer fund

2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2020, are as follows:

Year Ending September 30,	Governmental Activities		
	Notes from Direct Borrowing		
	Principal	Interest	Total
2021	\$ 36,000	\$ 1,620	\$ 37,620
Totals	\$ 36,000	\$ 1,620	\$ 37,620

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Year Ending September 30,	Business-type Activities		
	Notes from Direct Borrowing		
	Principal	Interest	Total
2021	\$ 115,074	\$ 20,996	\$ 136,070
2022	94,360	16,617	110,977
2023	65,844	13,195	79,039
2024	67,880	11,160	79,040
2025	69,978	9,062	79,040
2026-2030	223,193	13,937	237,130
Totals	\$ 636,329	\$ 84,967	\$ 721,296

Governmental Activities:

Time Warrants

The City issued a time warrant with First National Bank May 5, 2016 in the amount of \$180,000 for maintenance and repair of City streets. The warrant is payable in five (5) annual installments of \$36,000 with an interest rate of 4.5%. The warrants are secured with an annual levy and collection of property tax.

Balance at September 30, 2020 \$ 36,000

Total Governmental Activities \$ 36,000

Business Activities:

Time Warrants

The City issued a time warrant with First National Bank May 5, 2016 in the amount of \$120,000 for maintenance of the wastewater treatment plant. The warrant is payable in five (5) annual installments of \$24,000 with an interest rate of 4.5%. The notes are secured with an annual levy and collection of property tax.

Balance at September 30, 2020 \$ 24,000

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, 2020 \$ 59,620

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, 2020 \$ 552,709

Total Business Activities \$ 636,329

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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 2020, 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 895 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 comprehensive annual financial report (CAFR) that can be obtained at www.tmr.com.

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

2. Benefits Provided

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

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

Employees covered by benefit terms:

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	9
Inactive employees entitled to but not yet receiving benefits	38
Active employees	23
Total covered employees	70

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3. Contributions

The contribution rates for employees in TMRS are either 5%, 6%, or 7% of employee gross earnings, and the City matching percentages are either 100%, 150%, or 200%, 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 6.92% and 6.86% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020 were \$47,672, and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, 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, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.00% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2019, valuation were developed primarily from the actuarial investigation of the experience of TMRS over the five-year period January 1, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy.

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

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

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return (Arithmetic)</u>
Global Equity	30.00%	5.30%
Core Fixed Income	10.00%	1.25%
Non-Core Fixed Income	20.00%	4.14%
Real Return	10.00%	3.85%
Real Estate	10.00%	4.00%
Absolute Return	10.00%	3.48%
Private Equity	10.00%	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.

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at 12/31/2018	\$ 1,533,419	\$ 1,374,168	\$ 159,251
Changes for the year			
Service cost	78,335	-	78,335
Interest	103,856	-	103,856
Change of benefit terms	-	-	-
Difference between expected and actual experience	(66,044)	-	(66,044)
Changes of assumptions	21,930	-	21,930
Contributions - employer	-	48,486	(48,486)
Contributions - employee	-	35,034	(35,034)
Net investment income	-	212,088	(212,088)
Benefit payments, including refunds of employee contributions	(67,960)	(67,960)	-
Administrative expense	-	(1,200)	1,200
Other changes	-	(36)	36
Net changes	\$ 70,117	\$ 226,412	\$ (156,295)
Balance at 12/31/2019	\$ 1,603,536	\$ 1,600,580	\$ 2,956

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 or 1-percentage-point higher than the current rate.

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
	5.75%	6.75%	7.75%
City's net pension liability	\$ 253,588	\$ 2,956	\$ (199,869)

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Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2020, the City recognized pension expense of \$7,881.

At September 30, 2020, 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	\$ -	\$ 52,658
Changes in actuarial assumptions	\$ 14,370	\$ -
Difference between projected and actual investment earnings	\$ -	\$ 49,230
Contributions subsequent to the measurement date	\$ 35,487	\$ -
Total	<u>\$ 49,857</u>	<u>\$ 101,888</u>

\$35,487 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, 2020. 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:	
2021	\$ (38,752)
2022	\$ (27,830)
2023	\$ 2,933
2024	\$ (23,868)
Thereafter	\$ -
Total	<u>\$ (87,517)</u>

I. Other Post-Employment Benefits

Supplemental Death Benefits Plan

1. Plan Description

The City participates in a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF) administered by TMRS. This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage (Supplemental Death Benefits) for their active members, including or not including retirees. Employers may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1. 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.

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FOR THE YEAR ENDED SEPTEMBER 30, 2020

2. Benefits Provided

Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. 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 employment benefit and is a fixed amount of \$7,500. The obligations of this plan are payable only from the SDBF and are not an obligation of, or a claim against, the Pension Trust Plan.

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.

Employees of the City were not required to contribute any of their annual gross earnings during the fiscal year. The contribution rates for the retiree portion of the SDBF for the City were 0.03% and 0.04% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020 were \$239 and were equal to the required contributions.

At the December 31, 2019 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	2
Active	23
Total	<u>30</u>

4. Total OPEB Liability

Actuarial Assumptions

The actuarial assumptions were developed primarily from the actuarial investigation of the experience of TMRS over the four year period from December 31, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013.

Inflation	2.5%
Salary increases	3.5% to 11.5% including inflation
Discount rate	2.75%
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.

CITY OF TRINITY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

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.

The discount rate is based on Fidelity Index's "20 Year Municipal GO AA Index" rate as of December 31, 2019.

Discount Rate:

The discount rate used to measure the Total OPEB Liability was 3.71%. 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.

Changes in the Total OPEB Liability	Total OPEB Liability
Balance at September 30, 2019	\$ 46,658
Changes for the year	
Service cost	3,153
Interest	1,786
Change of benefit terms	-
Difference between expected and actual experience	(11,964)
Changes of assumptions	6,958
Benefit payments	(210)
Net changes	(277)
Balance at September 30, 2020	<u>\$ 46,381</u>

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 3.71%, 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 or 1 percentage point higher than the current rate.

	1% Decrease in Discount Rate (1.75%)	Discount Rate (2.75%)	1% Increase in Discount rate (3.75%)
Total OPEB liability	\$ 55,100	\$ 46,381	\$ 39,339

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.tmr.com.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB:

For the year ended September 30, 2020, the City recognized OPEB expense of \$5,519.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

CITY OF TRINITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience (net of current year amortization)	\$ -	\$ (11,459)
Changes in actuarial assumptions	7,604	(2,002)
Differences between projected and actual investment earnings (net of current year amortization)	-	-
Contributions subsequent to the measurement date	198	-
Total	<u>\$ 7,802</u>	<u>\$ (13,461)</u>

\$156 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, 2020. 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	
2021	\$ (1,013)
2022	\$ (1,013)
2023	\$ (1,013)
2024	\$ (1,409)
2025	\$ (944)
Thereafter	\$ (464)
Total	<u>\$ (5,856)</u>

J. Health Care Coverage

During the year ended September 30, 2020, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$615 per month per employee and dependents to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. 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 October 1, 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.

2. Litigation

No reportable litigation was pending against the City at September 30, 2020.

L. Subsequent Events

The City has evaluated subsequent events through July 20, 2021, which is the date through which the financial statements were available to be issued.

CITY OF TRINITY, TEXAS
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED SEPTEMBER 30, 2020

On May 20, 2021, the Texas General Land Office Community Revitalization division awarded the City a grant in the amount of \$4,028,986 for water infrastructure improvements. In addition, the City also received a grant from Texas Department of Agriculture Community Development Block Grant in the amount of \$575,000 for downtown revitalization.

M. Prior Period Adjustment

The following discloses the restatement of governmental activities and the business-type net position as of the beginning of the year.

	<u>Governmental Fund Type</u>
Net Position, beginning of year, as previously stated:	\$ 4,902,074
It was determined some assets of the City were assets of a non-profit organization.	(112,810)
Net Position, beginning of year, as restated:	<u>\$ 4,789,264</u>

Required Supplementary Information

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

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CITY OF TRINITY, TEXAS
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2020

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE:				
Property Taxes	\$ 669,500	\$ 669,500	\$ 470,708	\$ (198,792)
Sales and Use Tax	800,000	800,000	896,586	96,586
Franchise Tax	144,000	144,000	138,790	(5,210)
License and Permits	15,000	15,000	12,506	(2,494)
Charges for Services	1,200	1,200	1,790	590
Fines	105,000	105,000	59,484	(45,516)
Investment Earnings	-	-	7	7
Miscellaneous	45,000	45,000	215,442	170,442
Contributions	-	-	3,589	3,589
Total Revenues	<u>1,779,700</u>	<u>1,779,700</u>	<u>1,798,902</u>	<u>19,202</u>
EXPENDITURES:				
General Government	590,630	414,240	453,585	(39,345)
Library	88,610	86,110	72,339	13,771
Law Enforcement	563,860	563,860	520,497	43,363
Fire Protection	73,175	73,175	45,832	27,343
Municipal Court	50,300	50,300	35,160	15,140
Streets and Drainage	376,380	376,380	283,659	92,721
Parks and Recreation	39,245	39,245	69,071	(29,826)
Total Expenditures	<u>1,782,200</u>	<u>1,603,310</u>	<u>1,480,143</u>	<u>123,167</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(2,500)</u>	<u>176,390</u>	<u>318,759</u>	<u>142,369</u>
OTHER FINANCING SOURCES (USES) :				
Transfers Out	-	(176,390)	(5,500)	170,890
Total Other Financing Sources (Uses)	<u>-</u>	<u>(176,390)</u>	<u>(5,500)</u>	<u>170,890</u>
Net Change in Fund Balances	(2,500)	-	313,259	313,259
Fund Balances - Beginning	1,014,293	1,014,293	1,014,293	-
Prior Period Adjustment - See Note M	-	-	(112,810)	(112,810)
Fund Balances - Ending	<u>\$ 1,011,793</u>	<u>\$ 1,014,293</u>	<u>\$ 1,214,742</u>	<u>\$ 200,449</u>

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

	Measurement Year Ended					
	2019	2018	2017	2016	2015	2014
Total Pension Liability:						
Service Cost	\$ 78,335	\$ 85,994	\$ 99,904	\$ 106,180	\$ 97,461	\$ 85,361
Interest	103,856	96,525	94,507	89,882	83,461	75,458
Changes of Benefit Terms	-	-	-	-	33,826	-
Differences Between Expected and Actual Experience	(66,044)	(9,034)	(77,454)	(47,949)	(11,077)	(36,491)
Changes of Assumptions	21,930	-	-	-	10,543	-
Benefit Payments, Including Refunds of Employee Contributions	(67,960)	(54,152)	(106,044)	(46,875)	(44,055)	(55,692)
Net Change in Total Pension Liability	70,117	119,333	10,913	101,238	170,159	68,636
Total Pension Liability - Beginning	1,533,419	1,414,086	1,403,173	1,301,935	1,131,776	1,063,140
Total Pension Liability - Ending (a)	\$ 1,603,536	\$ 1,533,419	\$ 1,414,086	\$ 1,403,173	\$ 1,301,935	\$ 1,131,776
Plan Fiduciary Net Position:						
Contributions - Employer	\$ 48,486	\$ 56,923	\$ 68,563	\$ 66,592	\$ 52,996	\$ 40,177
Contributions - Employee	35,034	38,050	43,895	45,926	47,747	41,678
Net Investment Income	212,088	(41,159)	166,585	72,040	1,489	53,224
Benefit Payments, Including Refunds of Employee Contributions	(67,960)	(54,152)	(106,044)	(46,875)	(44,055)	(55,692)
Administrative Expense	(1,200)	(796)	(865)	(814)	(907)	(556)
Other	(36)	(41)	(44)	(44)	(45)	(46)
Net Change in Plan Fiduciary Net Position	226,412	(1,175)	172,090	136,825	57,225	78,785
Plan Fiduciary Net Position - Beginning	1,374,168	1,375,343	1,203,254	1,066,429	1,009,202	930,417
Plan Fiduciary Net Position - Ending(b)	\$ 1,600,580	\$ 1,374,168	\$ 1,375,344	\$ 1,203,254	\$ 1,066,427	\$ 1,009,202
City's Net Pension Liability - (a) - (b)	\$ 2,956	\$ 159,251	\$ 38,742	\$ 199,919	\$ 235,508	\$ 122,574
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	99.82%	89.61%	97.26%	85.75%	81.91%	89.17%
Covered Payroll	\$ 700,670	\$ 761,006	\$ 877,890	\$ 918,513	\$ 925,551	\$ 833,551
City's Net Pension Liability as a Percentage of Covered Payroll	0.42%	20.93%	4.41%	21.77%	25.44%	14.71%

Notes to Schedule:

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled this schedule provides the information for those years for which information is available.

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

	Fiscal Year Ended					
	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 47,672	\$ 50,228	\$ 58,629	\$ 70,009	\$ 61,975	\$ 48,712
Contributions in relation to the contractually required contribution	47,672	50,228	58,629	70,009	61,975	48,712
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered-employee payroll	\$ 693,203	\$ 709,165	\$ 877,890	\$ 918,513	\$ 913,765	\$ 904,072
Contributions as a percentage of covered-employee payroll	6.88%	7.08%	6.68%	7.62%	6.78%	5.39%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

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 *

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

**Due to SDBF being considered an unfunded OPEB plan under GASB 75, benefit payments are treated as being equal to the employer's yearly contributions for retirees.

*This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

CITY OF TRINITY, TEXAS

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2020

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 at the function level. 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	26 Years
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 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*	2.75%
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, 2019.

Note: The actuarial assumptions used in the December 31, 2019 valuation were based on the results of an actuarial experience study for the period December 31, 2014 to December 31, 2018.