CITY OF TRINITY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2017

Davis, Heinemann & Company, P.C.
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Introductory Section

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City of Trinity, Texas
Annual Financial Report
For The Year Ended September 30, 2017

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Financial Section

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DH

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Independent Auditor's Report

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

Report on the Financial Statements

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, 2017, 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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, 2017, 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, budgetary comparison information, schedule of the City's proportionate share of the net pension liability and schedule of City pension 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 8, 2018 on our consideration of City of Trinity, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Trinity, Texas' internal control over financial reporting and compliance.

Respectfully submitted,

Davis, Heinemann & Co.

Davis, Heinemann & Company, P.C.
Huntsville, Texas
March 8, 2018

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, 2017. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

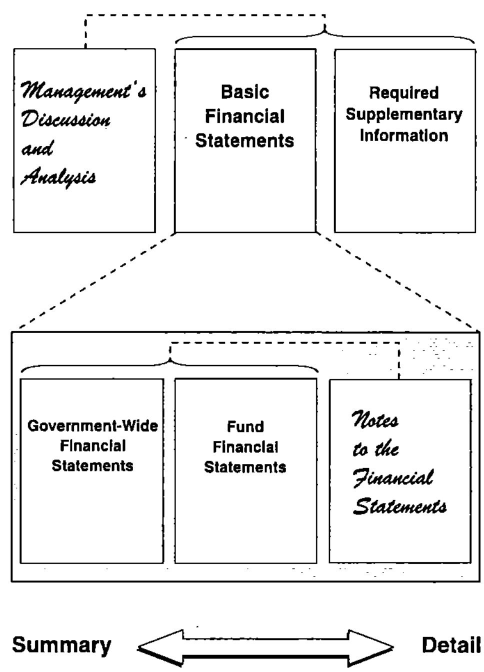
- The City's total combined net position of the primary government was $7,279,480 at September 30, 2017.
- During the year, the City's expenses were $640,804 more than the $3,428,162 generated in taxes, charges for service and other revenues for governmental and business-type activities.
- The general fund reported a fund balance this year of $862,150.

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 $7,279,480 at September 30, 2017. (See Table A-1).

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

	Governmental Activities 2017	Governmental Activities 2016	Business-type Activities 2017	Business-type Activities 2016	Total 2017	Total 2016
ASSETS						
Cash and Other Assets	$ 161.6	$ 527.5	$ 36.0	$ 24.0	$ 197.6	$ 551.5
Investments	90.5	90.5	-	-	90.5	90.5
Receivables, Net	349.1	324.2	208.3	174.3	557.4	498.5
Internal Balances	685.0	465.9	(685.0)	(465.9)	-	-
Intergovernmental Receivables	139.3	196.2	-	2.7	139.3	198.9
Capital Assets, Net of Depreciation	3,937.0	4,182.3	3,303.7	3,362.8	7,240.7	7,545.1
Total Assets	5,362.5	5,786.6	2,863.0	3,097.9	8,225.5	8,884.5
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Outflow Related To Contributions	37.9	35.8	15.3	12.3	53.2	48.1
Deferred Outflow Related To Pensions	36.4	50.1	14.5	20.0	50.9	70.1
Total Deferred Outflows of Resources	74.3	85.9	29.8	32.3	104.1	118.2
LIABILITIES						
Accounts Payable	88.3	128.5	2.7	2.7	91.0	131.2
Other Accrued Expenses	21.3	19.6	9.4	9.4	30.7	29.0
Customer Deposits	-	-	134.6	133.9	134.6	133.9
Accrued Interest Payable	4.2	4.2	6.4	0.5	10.6	4.7
Due to Component Unit	32.8	40.4	-	-	32.8	40.4
Due to Other Governments	6.2	6.2	0.6	0.3	6.8	6.5
Unearned Revenue	-	-	-	-	-	-
Total Current Liabilities	152.8	198.9	153.7	146.8	306.5	345.7
Non Current Liabilities						
Due Within One Year	96.8	96.8	49.3	24.0	146.1	120.8
Due In More Than One Year	305.4	426.0	246.6	165.3	552.0	591.3
Total Liabilities	555.0	721.7	449.6	336.1	1,004.6	1,057.8
DEFERRED INFLOWS OF RESOURCES						
Deferred Inflow Related to Pensions	33.1	18.2	12.5	6.5	45.6	24.7
Total Deferred Inflows of Resources	33.1	18.2	12.5	6.5	45.6	24.7
NET POSITION						
Invested in capital assets	3,682.3	3,830.7	3,068.4	3,242.8	6,750.7	7,073.5
Restricted	66.4	108.2	-	-	66.4	108.2
Unrestricted	1,100.0	1,193.7	(637.7)	(455.2)	462.3	738.5
Total Net Position	$ 4,848.7	$ 5,132.6	$ 2,430.7	$ 2,787.6	$ 7,279.4	$ 7,920.2

The Governmental Activities total net position decreased $283.8 thousand from the prior year.

The Business-type Activities total net position decreased $356.9 thousand from the prior year.

Changes in net position. The City's total revenues were $3,428,162 and total expenses were $4,068,966 which resulted in a decrease in net position of $640,802. (See Table A-2.)

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

	Governmental Activities		Business-type Activities		Total	
	2017	2016	2017	2016	2017	2016
Program Revenues:						
Charges for services	$ 162.6	$ 140.4	$ 1,212.7	$ 1,263.4	$ 1,375.3	$ 1,403.8
Operating grants	12.3	13.8	-	-	12.3	13.8
Capital Grants and Contributions	500.0	141.6	-	367.3	500.0	508.9
General Revenues:						
Ad valorem taxes	621.7	597.4	-	-	621.7	597.4
Sales tax	725.4	835.4	-	-	725.4	835.4
Franchise and other taxes	145.1	148.3	-	-	145.1	148.3
Miscellaneous	48.3	22.8	-	38.1	48.3	60.9
Interest income	0.2	0.2	-	-	0.2	0.2
Gain on sale of asset	-	23.0	-	33.0	-	56.0
Transfers	(12.0)	(142.8)	12.0	142.8	-	-
Total Revenues	2,203.6	1,780.1	1,224.7	1,844.6	3,428.3	3,624.7
Program Expenses:						
General government	1,008.9	727.0	-	-	1,008.9	727.0
Public safety	613.4	690.8	-	-	613.4	690.8
Municipal Court	40.0	49.6	-	-	40.0	49.6
Street Department	763.1	478.5	-	-	763.1	478.5
Parks Department	62.2	90.2	-	-	62.2	90.2
Interest on long-term debt	-	3.9	-	-	-	3.9
Water, sewer & sanitation	-	-	1,581.6	1,641.2	1,581.6	1,641.2
Total Expenses	2,487.6	2,040.0	1,581.6	1,641.2	4,069.2	3,681.2
Change in Net Position	$ (284.0)	$ (259.9)	$ (356.9)	$ 203.4	$ (640.9)	$ (56.5)

The Governmental Activities revenues increased $423.5 thousand from the prior fiscal year which is primarily due to an increase in grant and contribution of about forty-five (45) percent. The City's total operating expenditures increased $447.6 thousand or about twenty-two (22) percent from the prior fiscal year. The largest increase was in the Street Department expenditures.

The Business-type Activities operating revenues essentially remained the same as the prior fiscal year. Total operating expenditures decreased by about four (4) percent over the prior year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

General Fund Budgetary Highlights

Over the course of the year, the City revised the General Fund budget. Actual revenues were less than final estimated revenues by $490,143 and expenditures were less than appropriations by $205,065.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2017, the City had invested $14,621,947 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 2017	Governmental Activities 2016	Business-type Activities 2017	Business-type Activities 2016	Total 2017	Total 2016
Land	$ 16.5	$ 16.5	$ 4.4	$ 4.4	$ 20.9	$ 20.9
Construction in progress	-	2,221.4	-	-	-	2,221.4
Buildings and improvements	1,417.4	1,268.6	-	-	1,417.4	1,268.6
Infrastructure	3,700.6	1,628.0	-	-	3,700.6	1,628.0
Equipment	798.0	798.1	915.0	915.0	1,713.0	1,713.1
Vehicles	1,315.6	1,315.6	214.4	75.1	1,530.0	1,390.7
Furniture and Equipment	293.0	293.0	4.4	4.4	297.4	297.4
Water System	-	-	5,229.6	5,229.6	5,229.6	5,229.6
Sewer System	-	-	713.0	713.0	713.0	713.0
Totals at historical cost	7,541.1	7,541.2	7,080.8	6,941.5	14,621.9	14,482.7
Total accumulated depreciation	(3,604.1)	(3,358.9)	(3,777.1)	(3,578.7)	(7,381.2)	(6,937.6)
Net capital assets	$ 3,937.0	$ 4,182.3	$ 3,303.7	$ 3,362.8	$ 7,240.7	$ 7,545.1

Long Term Debt

At year-end the City had $490,045 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 2017	Governmental Activities 2016	Business-Type Activities 2017	Business-Type Activities 2016
Warrants and Notes	$ 254.7	$ 351.5	$ 235.3	$ 120.0
Compensated Absences	4.7	3.2	3.5	1.9
Net Pension Liability	142.7	168.1	57.2	67.4
Total Long Term Debt	$ 402.1	$ 522.8	$ 296.0	$ 189.3

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The City is installing new radio read water meters throughout the City during fiscal year 2018.
- The City's budgetary fund balance in the General Fund is expected to increase slightly from the 2017 fiscal year. The City's budgetary net position for the enterprise fund is expected to increase by about $175.0 thousand.
- The City will be finishing the nursing home infrastructure grant and the new meter project during the year to upgrade water system.

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, 2017

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	$ 161,559	$ 36,048	$ 197,607	$ 577,624
Receivables	349,086	208,327	557,413	-
Due From Other Governments	139,275	-	139,275	32,820
Internal Balances	684,965	(684,965)	-	-
Noncurrent Assets				
Long-term Investments	90,542	-	90,542	458,040
Capital Assets (net of accumulated depreciation):				
Land	16,500	4,383	20,883	150,354
Buildings and Improvements	197,682	-	197,682	-
Machinery and Equipment	281,771	440,938	722,709	-
Water and Sewer System	-	2,858,385	2,858,385	-
Infrastructure	3,441,078	-	3,441,078	-
Total Assets	5,362,458	2,863,116	8,225,574	1,218,838
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred Outflow Related to Contributions	37,900	15,255	53,155	-
Deferred Outflow Related to Pensions	36,436	14,538	50,974	-
Total Deferred Outflows of Resources	74,336	29,793	104,129	-
LIABILITIES:				
Accounts Payable	88,272	2,750	91,022	-
Other Accrued Liabilities	5,187	1,165	6,352	-
Accrued Payroll	16,123	8,225	24,348	-
Customer Deposits	-	134,581	134,581	-
Accrued Interest Payable	4,176	6,414	10,590	-
Due to Component Unit	32,820	-	32,820	-
Due to Other Governments	6,250	580	6,830	-
Noncurrent Liabilities:				
Due Within One Year	96,765	49,335	146,100	-
Due in More Than One Year	162,662	189,442	352,104	-
Net Pension Liability	142,704	57,214	199,918	-
Total Liabilities	554,959	449,706	1,004,665	-
DEFERRED INFLOWS OF RESOURCES:				
Deferred Inflow Related to Pensions	33,079	12,479	45,558	-
Total Deferred Inflows of Resources	33,079	12,479	45,558	-
NET POSITION:				
Net Investment in Capital Assets	3,682,266	3,068,426	6,750,692	-
Restricted For:				
Federal and State Programs	2,275	-	2,275	-
Debt Service	66,818	-	66,818	-
Special Revenue	(2,600)	-	(2,600)	-
Other Purposes	-	-	-	1,218,838
Unrestricted	1,099,997	(637,702)	462,295	-
Total Net Position	$ 4,848,756	$ 2,430,724	$ 7,279,480	$ 1,218,838

The accompanying notes are an integral part of this statement.

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

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental Activities:				
General Government	$ 1,008,955	$ 32,579	$ 3,500	$ 499,961
Public Safety	613,388	92,253	8,823	-
Judicial	39,775	-	-	-
Transportation	763,084	26,974	-	-
Parks and Recreation	62,172	10,750	-	-
Total Governmental Activities	2,487,374	162,556	12,323	499,961
Business-type Activities:				
Utility	1,375,005	898,398	-	-
Solid Waste	206,587	314,252	-	-
Total Business-type Activities	1,581,592	1,212,650	-	-
Total Primary Government	$ 4,068,966	$ 1,375,206	$ 12,323	$ 499,961
COMPONENT UNIT:				
Economic Development Corporation	$ 89,316	$ -	$ -	$ -

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

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-type Activities	Total	Component Unit
$ (472,915)		$ (472,915)	
(512,312)		(512,312)	
(39,775)		(39,775)	
(736,110)		(736,110)	
(51,422)		(51,422)	
(1,812,534)		(1,812,534)	
-	$ (476,607)	(476,607)	
-	107,665	107,665	
-	(368,942)	(368,942)	
(1,812,534)	(368,942)	(2,181,476)	
			$ (89,316)
621,724	-	621,724	-
725,419	-	725,419	180,531
135,904	-	135,904	-
9,149	-	9,149	-
23,566	-	23,566	-
182	-	182	3,818
24,728	-	24,728	-
(12,000)	12,000	-	-
1,528,672	12,000	1,540,672	184,349
(283,862)	(356,942)	(640,804)	95,033
5,132,618	2,787,666	7,920,284	1,123,805
$ 4,848,756	$ 2,430,724	$ 7,279,480	$ 1,218,838

CITY OF TRINITY, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	General Fund	Nursing Home Grant	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	$ 10,722	$ -	$ 150,837	$ 161,559
Receivables:				
Accounts	954	-	-	954
Ad Valorem Taxes	265,853	-	-	265,853
Due from Other Funds	1,884,768	-	-	1,884,768
Due from Other Governments	131,278	7,997	-	139,275
Noncurrent Assets:				
Long-term Investments	90,542	-	-	90,542
Total Assets and Other Debits	$ 2,384,117	$ 7,997	$ 150,837	$ 2,542,951
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE:				
Liabilities:				
Accounts Payable	$ 113,095	$ 7,997	$ -	$ 121,092
Other Accrued Liabilities	5,255	-	-	5,255
Accrued Payroll	16,055	-	-	16,055
Due to Other Funds	1,115,459	-	84,344	1,199,803
Due to State	6,250	-	-	6,250
Total Liabilities	1,256,114	7,997	84,344	1,348,455
Deferred Inflows of Resources:				
Deferred Property Taxes	265,853	-	-	265,853
Total Deferred Inflows of Resources	265,853	-	-	265,853
Fund Balances:				
Restricted for Debt Service	-	-	66,818	66,818
Restricted for Special Revenue	-	-	(325)	(325)
Unassigned	862,150	-	-	862,150
Total Fund Balance	862,150	-	66,493	928,643
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ 2,384,117	$ 7,997	$ 150,837	$ 2,542,951

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, 2017

Total fund balances - governmental funds balance sheet	$ 928,643
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.	3,937,031
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	265,853
Payables for bond interest which are not due in the current period are not reported in the funds.	(4,176)
Payables for notes which are not due in the current period are not reported in the funds.	(254,765)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(4,662)
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	82,279
Recognition of the City's proportionate share of the net pension liability is not reported in the funds.	(142,704)
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(33,079)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	74,336
Net position of governmental activities - Statement of Net Position	$ 4,848,756

The accompanying notes are an integral part of this statement.

CITY OF TRINITY, TEXAS

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

	General Fund	Nursing Home Grant	Other Governmental Funds	Total Governmental Funds
Revenue:				
Property Taxes	$ 430,059	$ -	$ 166,248	$ 596,307
Sales and Use Tax	725,418	-	-	725,418
Franchise Tax	135,904	-	-	135,904
Hotel Motel Tax	-	-	9,149	9,149
License and Permits	43,094	-	-	43,094
Intergovernmental	35,457	499,961	-	535,418
Charges for Services	555	-	-	555
Fines	92,253	-	-	92,253
Investment Earnings	3	-	179	182
Miscellaneous	23,566	-	-	23,566
Contributions	3,520	-	-	3,520
Insurance Proceeds	24,728	-	-	24,728
Total Revenues	1,514,557	499,961	175,576	2,190,094
Expenditures:				
General Government	481,709	-	-	481,709
Library	96,182	-	-	96,182
Law Enforcement	525,134	-	-	525,134
Fire Protection	59,018	-	-	59,018
Municipal Court	39,775	-	-	39,775
Streets and Drainage	592,263	-	-	592,263
Parks and Recreation	42,337	-	-	42,337
Economic Development	-	499,961	-	499,961
Total Expenditures	1,836,418	499,961	-	2,336,379
Excess (Deficiency) of Revenues Over (Under) Expenditures	(321,861)	-	175,576	(146,285)
Other Financing Sources (Uses):				
Transfers In	218,967	-	-	218,967
Transfers Out	(13,665)	-	(217,302)	(230,967)
Total Other Financing Sources (Uses)	205,302	-	(217,302)	(12,000)
Net Change in Fund Balances	(116,559)	-	(41,726)	(158,285)
Fund Balances - Beginning	978,709	-	108,219	1,086,928
Fund Balances - Ending	$ 862,150	$ -	$ 66,493	$ 928,643

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, 2017

Net change in fund balances - total governmental funds	$	(158,285)
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.		(245,247)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		25,417
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.		96,765
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.		(1,497)
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.		(1,015)
Change in net position of governmental activities - Statement of Activities	$	(283,862)

The accompanying notes are an integral part of this statement.

CITY OF TRINITY, TEXAS
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
SEPTEMBER 30, 2017

	Enterprise Fund Water and Sewer Fund	Enterprise Fund Solid Waste Fund	Total Enterprise Funds
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	$ 36,048	$ -	$ 36,048
Receivables	208,327	-	208,327
Due From Other Funds	622,480	1,304,652	1,927,132
Total Current Assets	866,855	1,304,652	2,171,507
Noncurrent Assets:			
Capital Assets:			
Land	4,383	-	4,383
Water System	5,229,591	-	5,229,591
Sewer System	713,003	-	713,003
Vehicles	75,062	-	75,062
Furniture and Equipment	4,444	-	4,444
Machinery and Equipment	748,784	305,527	1,054,311
Less Accumulated Depreciation	(3,599,642)	(177,446)	(3,777,088)
Total Noncurrent Assets	3,175,625	128,081	3,303,706
Total Assets	4,042,480	1,432,733	5,475,213
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Outflow Related to Contributions	11,467	3,788	15,255
Deferred Outflow Related to Pensions	11,392	3,146	14,538
Total Deferred Outflows of Resources	$ 22,859	$ 6,934	$ 29,793
LIABILITIES:			
Current Liabilities:			
Accounts Payable	$ 2,750	$ -	$ 2,750
Accrued Liabilities	6,689	2,701	9,390
Customer Deposits	134,581	-	134,581
Due To Other Funds	2,288,135	323,962	2,612,097
Due To Other Governments	580	-	580
Accrued Interest Payable	6,414	-	6,414
Noncurrent Liabilities Due Within One Year	24,000	25,335	49,335
Total Current Liabilities	2,463,149	351,998	2,815,147
Noncurrent Liabilities:			
Time Warrants Payable	72,000	-	72,000
Notes Payable	-	113,945	113,945
Net Pension Liability	42,971	14,243	57,214
Compensated Absences Payable	3,271	226	3,497
Total Noncurrent Liabilities	118,242	128,414	246,656
Total Liabilities	2,581,391	480,412	3,061,803
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow Related to Pensions	9,120	3,359	12,479
Total Deferred Inflows of Resources	9,120	3,359	12,479
NET POSITION:			
Investment in Capital Assets, Net of Related Debt	3,175,625	11,199	3,186,824
Unrestricted Net Assets	(1,700,797)	944,697	(756,100)
Total Net Position	$ 1,474,828	$ 955,896	$ 2,430,724

The accompanying notes are an integral part of this statement.

CITY OF TRINITY, TEXAS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Enterprise Fund: Water and Sewer Fund	Enterprise Fund: Solid Waste Fund	Total Enterprise Funds
OPERATING REVENUES:			
Water Sales	$ 628,023	$ -	$ 628,023
Sewer Sales	208,066	-	208,066
Penalties	40,020	-	40,020
Tap Fees	8,775	-	8,775
Solid Waste Sales	3,634	314,252	317,886
Other Services	9,880	-	9,880
Total Operating Revenues	898,398	314,252	1,212,650
OPERATING EXPENSES:			
Salaries and Wages	228,077	72,426	300,503
Employee Benefits	77,197	19,783	96,980
Office Supplies	13,454	-	13,454
Equipment Maintenance	53,516	32,876	86,392
Professional Fees	3,920	-	3,920
Rentals	18,606	208	18,814
Insurance	15,805	6,285	22,090
Utilities	90,223	-	90,223
Repair and Maintenance	82,573	-	82,573
Chemicals	30,611	48,015	78,626
TRA Expense	554,731	-	554,731
Capital Expense	3,948	5,803	9,751
Other Expenses	3,846	9,992	13,838
Depreciation	187,196	11,199	198,395
Total Operating Expenses	1,363,703	206,587	1,570,290
Operating Income	(465,305)	107,665	(357,640)
NON-OPERATING REVENUES (EXPENSES):			
Interest Expense	(11,302)	-	(11,302)
Total Non-operating Revenues (Expenses)	(11,302)	-	(11,302)
Income before Transfers	(476,607)	107,665	(368,942)
Interfund Transfers In	12,000	-	12,000
Change in Net Position	(464,607)	107,665	(356,942)
Total Net Position - Beginning	1,939,435	848,231	2,787,666
Total Net Position - Ending	$ 1,474,828	$ 955,896	$ 2,430,724

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, 2017

	Enterprise Funds		
	Water and Sewer Fund	Solid Waste	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	$ 1,250,137	$ 314,252	$ 1,564,389
Cash Payments to Employees for Services	(304,565)	(93,020)	(397,585)
Cash Payments to Other Suppliers for Goods and Services	(916,143)	(221,232)	(1,137,375)
Net Cash Provided (Used) by Operating Activities	29,429	-	29,429
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Transfers From (To) Other Funds	12,000	-	12,000
Net Cash Provided (Used) by Non-capital Financing Activities	12,000	-	12,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES :			
Acquisition or Construction of Capital Assets	-	-	-
Payment of Capital Leases and Time Warrants Principal	(29,400)	-	(29,400)
Proceeds From Capital Asset Financing	-	-	-
Net Cash Provided (Used) for Capital & Related Financing Activities	(29,400)	-	(29,400)
Net Increase (Decrease) in Cash and Cash Equivalents	12,029	-	12,029
Cash and Cash Equivalents at Beginning of Year	24,019	-	24,019
Cash and Cash Equivalents at End of Year	$ 36,048	$ -	$ 36,048
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:			
Operating Income (Loss)	$ (488,241)	$ 107,665	$ (380,576)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities			
Depreciation	187,196	11,199	198,395
Change in Assets and Liabilities:			
Decrease (Increase) in Receivables	(34,113)	-	(34,113)
Decrease (Increase) in Intergovernmental Receivables	2,750	-	2,750
Decrease (Increase) in Interfund Receivables	(241,329)	(229,960)	(471,289)
Decrease(Increase) Deferred Outflow Related to Contributions	21,084	(1,145)	19,939
Decrease(Increase) Deferred Outflow Related to Pensions	4,126	2,840	6,966
Increase (Decrease) in Accounts Payable	-	-	-
Increase (Decrease) in Accrued Expenses	-	-	-
Increase (Decrease) in Interfund Payables	578,407	111,908	690,315
Increase (Decrease) in Due to Other Governments	330	-	330
Increase (Decrease) in Customer Deposits	785	-	785
Increase (Decrease) in Net Pension Liability	(7,678)	(2,537)	(10,215)
Increase (Decrease) in Compensated Absences	1,608	19	1,627
Increase(Decrease) Deferred Inflow Related to Pensions	4,504	11	4,515
Total Adjustments	517,670	(107,665)	410,005
Net Cash Provided (Used) by Operating Activities	$ 29,429	$ -	$ 29,429

The accompanying notes are an integral part of this statement.

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, 2017. 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 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.

Capital Projects Fund. This fund accounts for and reports the financial resources that are restricted, committed, or assigned to expend for capital outlays.

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.

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.

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 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 when they become due or past due and receivable within the current period.

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:

Asset Class	Estimated Useful Lives
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 bac 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 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.

4. New Accounting Standards Adopted

In fiscal year 2017 the City adopted Statement No. 74, 80 and 82, a new statement of financial accounting standards issued by the Governmental Accounting Standards Board (GASB):

-- Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
-- Statement No. 80, *Blending Requirements for Certain Component Units*
-- Statement No. 82, *Pension Issues - An Amendment of GASB No. 67, No. 68 and No. 73*

a. Statement No. 74 improves the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement replaces Statements No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, as amended, and No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans. It also includes requirements for defined contribution OPEB plans that replace the requirements for those OPEB plans in Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, as amended, Statement No. 43, and Statement No. 50, Pension Disclosures.

The scope of this Statement includes OPEB plans, defined benefit and defined contribution that are administered through trusts that meet the following criteria:

1) Contributions from employers and nonemployer contributing entities to the OPEB plan and earnings on those contributions are irrevocable.

2) OPEB plan assets are dedicated to providing OPEB to plan members in accordance with the benefit terms.

3) OPEB plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the OPEB plan administrator. If the plan is a defined benefit OPEB plan, plan assets also are legally protected from creditors of the plan members.

This Statement also includes requirements to address financial reporting for assets accumulated for purposes of providing defined benefit OPEB through OPEB plans that are not administered through trusts that meet the specified criteria.

The City does not administer their OPEB plan through a trust that meets the criteria noted above. As a result, the adoption of GASB Statement No. 74 did not result in a change to the financial statements or note disclosures.

b. GASB Statement No. 80 clarifies the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, The Financial Reporting Entity, as amended.

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, Determining Whether Certain Organizations Are Component Units.

The City did not have any component units which met the definition noted above. As a result, the adoption of GASB Statement No. 80 did not result in a change to the financial statements or note disclosures.

c. GASB Statement No. 82 addresses certain issues that have been raised with respect to Statements No. 67, Financial Reporting for Pension Plans, No. 68, Accounting and Financial Reporting for Pensions, and No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

Prior to the issuance of this Statement, Statements 67 and 68 required presentation of covered employee payroll, which is the payroll of employees that are provided with pensions through the pension plan, and ratios that use that measure, in schedules of required supplementary information. This Statement amends Statements 67 and 68 to instead require the presentation of covered payroll, defined as the payroll on which contributions to a pension plan are based, and ratios that use that measure.

This Statement clarifies that a deviation, as the term is used in Actuarial Standards of Practice issued by the Actuarial Standards Board, from the guidance in an Actuarial Standard of Practice is not considered to be in conformity with the requirements of Statement 67, Statement 68, or Statement 73 for the selection of assumptions used in determining the total pension liability and related measures.

This Statement clarifies that payments that are made by an employer to satisfy contribution requirements that are identified by the pension plan terms as plan member contribution requirements should be classified as plan member contributions for purposes of Statement 67 and as employee contributions for purposes of Statement 68. It also requires that an employer's expense and expenditures for those amounts be recognized in the period for which the contribution is assessed and classified in the same manner as the employer classifies similar compensation other than pensions (for example, as salaries and wages or as fringe benefits).

The financial statements and note disclosures have been updated for the affects of the adoption of GASB Statement No. 82.

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:

Violation	Action Taken
None reported	Not applicable

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:

Fund Name	Deficit Amount	Remarks
Hotel Motel Occupancy Fund	$ 2,600	Will transfer funds to erase deficit.

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, 2017, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was $288,149 and the bank balance was $321,569. The City's cash deposits at September 30, 2017 and during the year ended September 30, 2017, 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's investment at September 30, 2017 are shown below.

Investment or Investment Type	Maturity		Fair Value
Certificate of Deposit	11/23/18	$	75,000
Certificate of Deposit	09/22/18		15,542
Total Investments		$	90,542

Analysis of Specific Deposit and Investment Risks:

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

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

D. Capital Assets

Capital asset activity for the year ended September 30, 2017, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
Governmental activities:				
Capital assets not being depreciated:				
Land	$ 16,500	$ -	$ -	$ 16,500
Construction in progress	2,221,472	-	2,221,472	-
Total capital assets not being depreciated	2,237,972	-	2,221,472	16,500
Capital assets being depreciated:				
Infrastructure	1,628,029	2,072,577	-	3,700,606
Buildings and improvements	1,268,554	148,894	-	1,417,448
Equipment	798,057	-	-	798,057
Vehicles	1,315,562	-	-	1,315,562
Furniture and Equipment	292,980	-	-	292,980
Total capital assets being depreciated	5,303,182	2,221,471	-	7,524,653
Less accumulated depreciation for:				
Infrastructure	(249,320)	(159,106)	-	(408,426)
Buildings and improvements	(1,031,728)	(39,143)	-	(1,070,871)
Equipment	(638,165)	(17,099)	-	(655,264)
Vehicles	(1,172,170)	(24,801)	-	(1,196,971)
Furniture and Equipment	(267,492)	(5,098)	-	(272,590)
Total accumulated depreciation	(3,358,875)	(245,247)	-	(3,604,122)
Total capital assets being depreciated, net	1,944,307	1,976,224	-	3,920,531
Governmental activities capital assets, net	$ 4,182,279	$ 1,976,224	$ 2,221,472	$ 3,937,031

	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	4,383	-	-	4,383
Capital assets being depreciated:				
Water System	5,229,592	-	-	5,229,592
Sewer System	713,003	-	-	713,003
Equipment	748,783	-	-	748,783
Vehicles	241,309	139,280	-	380,589
Furniture and Equipment	4,444	-	-	4,444
Total capital assets being depreciated	6,937,131	139,280	-	7,076,411
Less accumulated depreciation for:				
Water System	(2,578,779)	(105,490)	-	(2,684,269)
Sewer System	(375,451)	(24,489)	-	(399,940)
Equipment	(388,710)	(54,717)	-	(443,427)
Vehicles	(231,309)	(13,699)	-	(245,008)
Furniture and Equipment	(4,444)	-	-	(4,444)
Total accumulated depreciation	(3,578,693)	(198,395)	-	(3,777,088)
Total capital assets being depreciated, net	3,358,438	(59,115)	-	3,299,323
Business-type activities capital assets, net	$ 3,362,821	$ (59,115)	$ -	$ 3,303,706

Depreciation was charged to functions as follows:

General Government	$ 10,619
Public Safety	28,375
Streets and Bridges	170,303
Library	17,069
Parks	18,881
Water, Sewer and Sanitation	198,395
	$ 443,642

E. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2017, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
General Fund	Enterprise Fund	$ 600,622	Short-term loans
General Fund	Other Governmental Funds	84,343	Reimburse expenditures
	Total	$ 684,965	

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

2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2017, consisted of the following:

Transfers From	Transfers To	Amount	Reason
General Fund	Debt service Fund	$ 203,555	Pay debt service
General Fund	Other Governmental Funds	13,747	Supplement other fund sources
Enterprise Fund	General Fund	13,665	Reimburse expenditures
	Total	$ 230,967	

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, 2017, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental activities:					
Time Warrants	$ 351,530	$ -	$ 96,765	$ 254,765	$ 96,765
Compensated absences *	3,164	1,498	-	4,662	-
Net Pension Liability	168,077	-	25,373	142,704	-
Total governmental activities	$ 522,771	$ 1,498	$ 122,138	$ 402,131	$ 96,765
Business-type activities:					
Time Warrants/Notes	$ 120,000	$ 139,280	$ 24,000	$ 235,280	$ 49,335
Compensated absences *	1,869	1,629	-	3,498	-
Net Pension Liability	67,429	-	10,215	57,214	-
Total business-type activities	$ 189,298	$ 140,909	$ 34,215	$ 295,992	$ 49,335

* 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, 2017, are as follows:

	Governmental Activities		
Year Ending September 30,	Principal	Interest	Total
2018	$ 96,765	$ 12,188	$ 108,953
2019	86,000	7,485	93,485
2020	36,000	3,240	39,240
2021	36,000	1,620	37,620
Totals	$ 254,765	$ 24,533	$ 279,298

Year Ending September 30,		Principal		Interest		Total
2018	$	49,335	$	10,936	$	60,271
2019		50,538		8,652		59,190
2020		51,798		6,312		58,110
2021		53,119		3,911		57,030
2022		30,490		1,448		31,938
Totals	$	235,280	$	31,259	$	266,539

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%.

Balance at September 30, 2017	$	144,000

The City issued a time warrant with First National Bank November 5, 2014 in the amount of $32,295 for purchase of a vehicle for the police department. The warrant is payable in three (3) annual installments of $10,765 with an interest rate of 4.25%.

Balance at September 30, 2017	$	10,765

The City issued a time warrant with First National Bank September 24, 2009 in the amount of $500,000 for maintenance and repair of City streets. The warrant is payable in ten (10) annual installments of $50,000 with an interest rate of 5.25%.

Balance at September 30, 2017	$	100,000
Total Governmental Activities	$	254,765

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%.

Balance at September 30, 2017	$	96,000

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.

Balance at September 30, 2017	$	139,280
Total Business Activities	$	235,280

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 2017, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels;

however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

H. Pension Plan

1. Plan Description

The City participates as one of 872 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.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 payments 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 contribute at a rate of 5% of eligible income with the City currently matching at a rate is 7.90%.

Employees covered by benefit terms:

At the December 31, 2016 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	8
Inactive employees entitled to but not yet receiving benefits	33
Active employees	30
Total covered employees	71

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 7.50% and 8.07% in calendar years 2016 and 2017, respectively. The City's contributions to TMRS for the year ended September 30, 2017 were $72,362, and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2016, 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, 2016 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.5% per year
Overall payroll growth	3.0% 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 Blue Collar Adjustment, with male rates multiplied by 109% and female rates multiplied by 103%. Based on the size of the City, rates are multiplied by an additional factor of 100%. 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 Combined Healthy Mortality Tables with Blue Collar Adjustment are used with male rates multiplied by 109% and female rates multiplied by 103% with a 3 year set-forward for both males and females. In addition, a 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled. The rates are projected on a generational basis by scale BB to account for future mortality improvements subject to the 3% floor.

Actuarial assumptions used in the December 31, 2016, valuation were based on the results of actuarial experience studies. The experience study in TMRS was for the period December 31, 2010 through December 31, 2014. Healthy post-retirement mortality rates and annunity purchase rates were updated based on a Mortality Experience Investigation Study covering 2009 through 2011, and dated December 31, 2013. These assumptions were first used in the December 31, 2013 valuation, along with a change to the Entry Age Normal (EAN) actuarial cost method. Assumptions are reviewed annually. Plan assets are managed on a total return basis with an emphasis on both capital appreciation as well as the production of income in order to satisfy the short-term and long-term funding needs of TMRS.

The long-term expected rate of return on pension plan investments is 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. In determining their best estimate of a recommended investment return assumption under the various alternative asset allocation portfollios, GRS focused on the area between (1) arithmetic mean (aggresive) without an adjustment for time (conservative) and (2) the geometric mean (conservative) with an adjustment for time (aggressive). The target allocation and best estimates of real rates of return for each major asset class in fiscal year 2017 are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	17.5%	4.55%
International Equity	17.5%	6.35%
Core Fixed Income	10.0%	1.00%
Non-Core Fixed Income	20.0%	4.15%
Real Return	10.0%	4.15%
Real Estate	10.0%	4.75%
Absolute Return	10.0%	4.00%
Private Equity	5.0%	7.75%
Total	100.0%	

Discount Rate

The discount rate used to measure the Total Pension Liability was 6.75%. The projection of cash flows used to determine the discount rate assumed that employee and employer contributions will be made at the rates specified in statute. Based on that assumption, the pension plan's Fiduciary Net Position was projected to be available to make all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the Total Pension Liability.

	Increase (Decrease)		
Changes in Net Pension Liability	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2015	$ 1,301,935	$ 1,066,428	$ 235,507
Changes for the year			
Service cost	106,180	-	106,180
Interest	89,882	-	89,882
Change of benefit terms	-	-	-
Difference between expected and actual experience	(47,949)	-	(47,949)
Changes of assumptions	-	-	-
Contributions - employer	-	66,592	(66,592)
Contributions - employee	-	45,926	(45,926)
Net investment income	-	72,040	(72,040)
Benefit payments, including refunds of employee contributions	(46,877)	(46,875)	(2)
Administrative expense	-	(814)	814
Other changes	-	(44)	44
Net changes	101,236	136,825	(35,589)
Balance at 12/31/2016	$ 1,403,171	$ 1,203,253	$ 199,918

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

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

	1% Decrease in Discount Rate	Current Single Rate	1% Increase in Discount Rate
City's net pension liability	$ 431,374	$ 199,918	$ 14,554

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.tmrs.com.

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

For the year ended September 30, 2017, the City recognized pension expense of $71,005.

At September 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	$ -	$ 45,511
Changes in actuarial assumptions	$ 4,719	$ -
Difference between projected and actual investment earnings	$ 46,254	$ 47
Contributions subsequent to the measurement date	$ 53,156	
Total	$ 104,129	$ 45,558

$53,156 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, 2017. 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:	
2018	$ (4,840)
2019	$ 1,967
2020	$ 8,303
2021	$ (12)
Total	5,418

6. Supplemental Death Benefits Fund

The City also participates in the cost sharing multiple-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City 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.

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 preceeding the month of death); retired employees are insured for $7,500; this coverage is an "other post employment benefit," or OPEB.

The City of Trinity offers supplemental death benefits to:

	Plan Year 2016	Plan Year 2017
Active employees (yes or no)	Yes	Yes
Retirees (yes or no)	Yes	Yes

The 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 program is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers.

The City's contribution to the TMRS SDBF for the years 2017, 2016 and 2015 were $2,353, $2,159 and $1,788, respectively, which equaled the required contributions each year.

Schedule of Contribution Rates
(Retiree oly portion of the rate for OPEB)

Plan/ Calendar Year	Annual Required Contribution Rate	Actual Contribution Made Rate	Percentage of ARC Contributed
2014	0.020%	0.020%	100.00%
2015	0.020%	0.020%	100.00%
2016	0.025%	0.025%	100.00%
2017	0.026%	0.026%	100.00%

I. Health Care Coverage

During the year ended September 30, 2017, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of $512 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 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.

J. 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, 2017.

K. Subsequent Events

On December 14, 2017, the City entered into a Public Property Finance Act Contract with Government Capital Corporation to purchase radio read water meters to replace the currently used meters. The cost of the meters and installation is $675,000 and will be repaid over ten years at 3% interest.

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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

EXHIBIT B-1

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Actual	(Negative)
Revenue:				
Property Taxes	$ 612,000	$ 612,000	$ 430,059	$ (181,941)
Sales and Use Tax	1,009,000	1,009,000	725,418	(283,582)
Franchise Tax	154,000	154,000	135,904	(18,096)
License and Permits	19,000	19,000	43,094	24,094
Intergovernmental	-	-	35,457	35,457
Charges for Services	500	500	555	55
Fines	130,000	130,000	92,253	(37,747)
Investment Earnings	-	-	3	3
Miscellaneous	80,000	80,000	23,566	(56,434)
Contributions	200	200	3,520	3,320
Insurance Proceeds	-	-	24,728	24,728
Total Revenues	2,004,700	2,004,700	1,514,557	(490,143)
Expenditures:				
General Government	499,060	499,060	481,709	17,351
Library	95,185	95,185	96,182	(997)
Law Enforcement	558,880	558,880	525,134	33,746
Fire Protection	92,132	92,132	59,018	33,114
Municipal Court	64,913	64,913	39,775	25,138
Streets and Drainage	682,938	682,938	592,263	90,675
Parks and Recreation	48,375	48,375	42,337	6,038
Total Expenditures	2,041,483	2,041,483	1,836,418	205,065
Excess (Deficiency) of Revenues Over (Under) Expenditures	(36,783)	(36,783)	(321,861)	(285,078)
Other Financing Sources (Uses):				
Transfers In	-	-	218,967	218,967
Transfers Out	(143,217)	(143,217)	(13,665)	129,552
Total Other Financing Sources (Uses)	(143,217)	(143,217)	205,302	348,519
Net Change in Fund Balances	(180,000)	(180,000)	(116,559)	63,441
Fund Balances - Beginning	978,709	978,709	978,709	-
Fund Balances - Ending	$ 798,709	$ 798,709	$ 862,150	$ 63,441

EXHIBIT B-1

CITY OF TRINITY, TEXAS

SCHEDULE OF CHANGES IN NET PENSION LIABILITY
AND RELATED RATIOS - CURRENT PERIOD
TEXAS MUNICIPAL RETIREMENT SYSTEM
LAST TEN FISCAL YEARS *

	Fiscal Year		
	2017	2016	2015
Total pension liability:			
Service cost	$ 106,180	$ 97,461	$ 85,361
Interest	89,882	83,461	75,458
Changes of benefit terms	-	33,826	-
Differences between expected and actual experience	(47,949)	(11,077)	(36,491)
Changes of assumptions	-	10,543	-
Benefit payments, including refunds of employee contributions	(46,875)	(44,055)	(55,692)
Net change in total pension liability	101,238	170,159	68,636
Total pension liability - beginning	1,301,935	1,131,776	1,063,140
Total pension liability - ending (a)	$ 1,403,173	$ 1,301,935	$ 1,131,776
Plan fiduciary net position:			
Contributions - employer	$ 66,592	$ 52,998	$ 40,177
Contributions - employee	45,926	47,747	41,678
Net investment income	72,040	1,489	53,224
Benefit payments, including refunds of employee contributions	(46,875)	(44,055)	(55,692)
Administrative expense	(814)	(907)	(556)
Other	(44)	(45)	(46)
Net change in plan fiduciary net position	136,825	57,227	78,785
Plan fiduciary net position - beginning	1,066,429	1,009,202	930,417
Plan fiduciary net position - ending(b)	$ 1,203,254	$ 1,066,429	$ 1,009,202
City's net pension liability - (a) - (b)	$ 199,919	$ 235,506	$ 122,574
Plan fiduciary net position as a percentage of total pension liability	85.75%	81.91%	89.17%
Covered payroll	$ 918,513	$ 925,551	$ 833,551
City's net pension liability as a percentage of covered payroll	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 only for those years for which information is available.

CITY OF TRINITY, TEXAS

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

	Fiscal Year 2017	Fiscal Year 2016	Fiscal Year 2015
Actuarially determined contribution	$ 70,009	$ 61,975	$ 48,712
Contributions in relation to the actuarially determined contribution	70,009	61,975	48,712
Contribution deficiency (excess)	$ -	$ -	$ -
Covered payroll	$ 918,513	$ 913,765	$ 904,072
Contributions as a percentage of covered payroll	7.62%	6.78%	5.39%

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.

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.

All budget appropriations lapse at year end.

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	29 Years
Asset Valuation Method	10 Year Smoothed Market; 15% Soft Corridor
Inflation	2.5%
Salary Increase	3.5% to 10.5% 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 2015 valuation pursuant to an experience study of the period 2010-2014.
Mortality	The RP-2000 Combined Mortality Table with Blue Collar Adjustment with male rates multiplied by 109% and female rates multiplied by 103% and projected on a fully generational basis with scale BB.

Other Information

Notes	There were no benefit changes during the year.

Combining Statements and Budget Comparisons as Supplementary Information

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

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CITY OF TRINITY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
SEPTEMBER 30, 2017

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit A-3)
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	$ 2,985	$ 147,852	$ 150,837
Receivables:			
Noncurrent Assets:			
Total Assets and Other Debits	$ 2,985	$ 147,852	$ 150,837
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE:			
Liabilities:			
Due to Other Funds	$ 3,310	$ 81,034	$ 84,344
Total Liabilities	3,310	81,034	84,344
Deferred Inflows of Resources:			
Fund Balances:			
Restricted for Debt Service	-	66,818	66,818
Restricted for Special Revenue	(325)	-	(325)
Total Fund Balance	(325)	66,818	66,493
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ 2,985	$ 147,852	$ 150,837

CITY OF TRINITY, TEXAS

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

	Special Revenue Funds	Debt Service Fund	Total Nonmajor Governmental Funds (See Exhibit A-5)
Revenue:			
Property Taxes	$ -	$ 166,248	$ 166,248
Hotel Motel Tax	9,149	-	9,149
Investment Earnings	3	176	179
Total Revenues	9,152	166,424	175,576
Expenditures:			
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	9,152	166,424	175,576
Other Financing Sources (Uses):			
Transfers Out	(13,747)	(203,555)	(217,302)
Total Other Financing Sources (Uses)	(13,747)	(203,555)	(217,302)
Net Change in Fund Balances	(4,595)	(37,131)	(41,726)
Fund Balances - Beginning	4,270	103,949	108,219
Fund Balances - Ending	$ (325)	$ 66,818	$ 66,493

CITY OF TRINITY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2017

	HOME Program Grant Fund	Hotel/Motel Occupancy Tax Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-1)
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	$ 2,275	$ 710	$ 2,985
Receivables:			
Noncurrent Assets:			
Total Assets and Other Debits	$ 2,275	$ 710	$ 2,985
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE:			
Liabilities:			
Due to Other Funds	$ -	$ 3,310	$ 3,310
Total Liabilities	-	3,310	3,310
Deferred Inflows of Resources:			
Fund Balances:			
Restricted for Special Revenue	2,275	(2,600)	(325)
Total Fund Balance	2,275	(2,600)	(325)
Total Liabilities, Deferred Inflows of Resources and Fund Balance	$ 2,275	$ 710	$ 2,985

CITY OF TRINITY, TEXAS

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

	HOME Program Grant Fund	Hotel/Motel Occupancy Tax Fund	Total Nonmajor Special Revenue Funds (See Exhibit C-2)
Revenue:			
Hotel Motel Tax	$ -	$ 9,149	$ 9,149
Investment Earnings	-	3	3
Total Revenues	-	9,152	9,152
Expenditures:			
Total Expenditures	-	-	-
Excess (Deficiency) of Revenues Over (Under) Expenditures	-	9,152	9,152
Other Financing Sources (Uses):			
Transfers Out	-	(13,747)	(13,747)
Total Other Financing Sources (Uses)	-	(13,747)	(13,747)
Net Change in Fund Balances	-	(4,595)	(4,595)
Fund Balances - Beginning	2,275	1,995	4,270
Fund Balances - Ending	$ 2,275	$ (2,600)	$ (325)

Other 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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Independent Auditor's Report on Internal Control over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance With *Government Auditing Standards*

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

Members of the City Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Trinity, Texas, as of and for the year ended September 30, 2017, and the related notes to the financial statements, which collectively comprise City of Trinity, Texas' basic financial statements and have issued our report thereon dated March 8, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Trinity, Texas' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Trinity, Texas' internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Trinity, Texas' internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as item(s) 2017-1, that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Trinity, Texas' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

Davis, Heinemann & Company, P.C.

Huntsville, Texas
March 8, 2018

A. Summary of Auditor's Results

1. Financial Statements

Type of auditor's report issued:	Unmodified	
Internal control over financial reporting:		
One or more material weaknesses identified?	___ Yes	X No
One or more significant deficiencies identified that are not considered to be material weaknesses?	X Yes	
Noncompliance material to financial statements noted?	___ Yes	X No

B. Financial Statement Findings

Finding 2017-1:
Criteria: Budgets should be prepared accurately to enable administration to control expenses and to evaluate the Fund's solvency of a fund.

Condition: The City does not include depreciation when preparing a budgets for the Utility Ffund.

Effect: The Utility Fund continues to record a loss every year, creating a financial hardship for the fund.

Recommendation: The City should immediately increase water and sewer service rates enough to cover operating expenses, including depreciation.

Current Status: The City is in the process of determining an increase in utility service rates among other changes to improve the financial stability of the Utility Fund.

Contact Person: Steve Jones, City Administrator

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

Finding/Recommendation	Current Status	Management's Explanation If Not Implemented
None reported.		

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