

CITY OF TRINITY, TEXAS

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2025



Davis, Heinemann & Company, P.C.

Certified Public Accountants

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Introductory Section

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City of Trinity, Texas
Annual Financial Report
For The Year Ended September 30, 2025

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
 FINANCIAL SECTION		
Independent Auditor's Report.....	1	
Management's Discussion and Analysis (Required Supplementary Information).....	4	
 <u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	10	A-1
Statement of Activities.....	11	A-2
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	13	A-3
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	14	A-4
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	15	A-5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	16	A-6
Statement of Net Position - Enterprise Funds.....	17	A-7
Statement of Revenues, Expenses, and Changes in		
Fund Net Position - Enterprise Funds.....	18	A-8
Statement of Cash Flows - Proprietary Funds.....	19	A-9
Notes to the Financial Statements	20	
 <u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
General Fund.....	39	B-1
Schedule of Changes in the City's Net Pension Liability		
And Related Ratios - Texas Municipal Retirement System.....	40	B-2
Schedule of City's Contributions - Texas Municipal Retirement System.....	42	B-3
Schedule of Changes in the City's Total OPEB Liability		
And Related Ratios - Texas Municipal Retirement System.....	44	B-4
Notes to Required Supplementary Information.....	46	
 <u>Combining Statements as Supplementary Information:</u>		
Special Revenue Funds:		
Combining Balance Sheet - Nonmajor Special Revenue Funds.....	48	C-1
Combining Statement of Revenues, Expenditures and Changes		
in Fund Balances - Nonmajor Special Revenue Funds.....	49	C-2

City of Trinity, Texas
Annual Financial Report
For The Year Ended September 30, 2025

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
OTHER SUPPLEMENTARY INFORMATION SECTION		
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	50	
Report on Compliance for Each Major Federal Program and Report on Internal Control over Compliance Required by the Uniform Guidance.....	52	
Schedule of Findings and Questioned Costs	55	
Summary Schedule of Prior Audit Findings.....	57	
Corrective Action Plan.....	58	
Schedule of Expenditures of Federal Awards	59	D-1
Notes to the Schedule of Expenditures of Federal Awards.....	60	

Financial Section

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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 Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Trinity, Texas ("the City"), as of and for the year ended September 30, 2025, and the related notes to the financial statements, which collectively comprise the City of Trinity, Texas' basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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 units, each major fund, and the aggregate remaining fund information of City of Trinity, Texas, as of September 30, 2025, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Trinity, Texas' basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and*

Audit Requirements for Federal Awards, and is also not a required part of the basic financial statements. The combining financial statements and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements and the schedule of expenditures of federal awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information as identified in the table of contents comprises the information included in the annual report but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 8, 2026 on our consideration of City of Trinity, Texas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of 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 & Company, P.C.

Huntsville, Texas
September 8, 2026

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, 2025. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

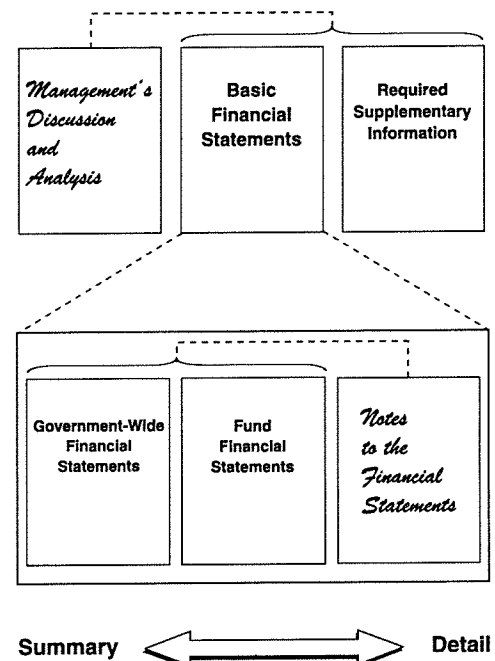
- The City's total combined net position of the primary government was \$9,361,107 at September 30, 2025.
- During the year, the City's expenses were \$1,628,627 less than the \$6,904,514 generated in taxes, charges for service and other revenues for governmental and business-type activities.
- The general fund reported a fund balance this year of \$2,006,143.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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



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

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

Government-wide Statements

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

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

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

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

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

Fund Financial Statements

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

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

The City has the following kinds of funds:

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

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's combined net position was \$9,361,107 at September 30, 2025. (See Table A-1).

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

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
ASSETS						
Cash and Other Assets	\$ 2,175.7	\$ 1,889.5	\$ (1,014.0)	\$ (859.1)	\$ 1,161.7	\$ 1,030.4
Receivables, Net	559.6	581.8	219.5	219.1	779.1	800.9
Intergovernmental Receivables	215.3	235.4	638.4	132.3	853.7	367.7
Net Pension Asset	247.7	191.4	50.4	20.1	298.1	211.5
Capital Assets, Net of Depreciation	2,944.5	3,177.3	5,309.7	3,794.5	8,254.2	6,971.8
Total Assets	<u>6,142.8</u>	<u>6,075.4</u>	<u>5,204.0</u>	<u>3,306.9</u>	<u>11,346.8</u>	<u>9,382.3</u>
DEFERRED OUTFLOWS OF RESOURCES						
Deferred Outflow Related To Pensions	30.1	67.2	18.7	35.1	48.8	102.3
Deferred Outflow Related To OPEB	6.5	6.8	1.8	1.8	8.3	8.6
Total Deferred Outflows of Resources	<u>36.6</u>	<u>74.0</u>	<u>20.5</u>	<u>36.9</u>	<u>57.1</u>	<u>110.9</u>
LIABILITIES						
Accounts Payable	40.4	22.8	706.7	221.5	747.1	244.3
Other Accrued Expenses	33.8	22.3	12.5	4.8	46.3	27.1
Customer Deposits	-	-	156.0	168.2	156.0	168.2
Accrued Interest Payable	9.3	11.8	5.5	7.2	14.8	19.0
Due to Component Unit	53.8	58.8	-	-	53.8	58.8
Due to Other Governments	14.0	14.0	3.2	3.0	17.2	17.0
Total Current Liabilities	<u>151.3</u>	<u>129.7</u>	<u>883.9</u>	<u>404.7</u>	<u>1,035.2</u>	<u>534.4</u>
Non Current Liabilities						
Due Within One Year	141.8	140.3	72.1	70.0	213.9	210.3
Due In More Than One Year	511.0	657.2	156.0	225.2	667.0	882.4
Net OPEB Liability	48.9	46.9	16.9	15.9	65.8	62.8
Total Liabilities	<u>853.0</u>	<u>974.1</u>	<u>1,128.9</u>	<u>715.8</u>	<u>1,981.9</u>	<u>1,689.9</u>
DEFERRED INFLOWS OF RESOURCES						
Deferred Inflow Related to Pensions	39.7	39.3	(5.2)	(5.6)	34.5	33.7
Deferred Inflow Related to OPEB	22.1	29.3	4.3	7.9	26.4	37.2
Total Deferred Inflows of Resources	<u>61.8</u>	<u>68.6</u>	<u>(0.9)</u>	<u>2.3</u>	<u>60.9</u>	<u>70.9</u>
NET POSITION						
Invested in Capital Assets	2,304.4	2,397.0	5,086.5	3,501.3	7,390.9	5,898.3
Restricted	364.2	270.9	-	-	364.2	270.9
Unrestricted	2,596.0	2,438.8	(990.0)	(875.6)	1,606.0	1,563.2
Total Net Position	<u>\$ 5,264.6</u>	<u>\$ 5,106.7</u>	<u>\$ 4,096.5</u>	<u>\$ 2,625.7</u>	<u>\$ 9,361.1</u>	<u>\$ 7,732.4</u>

The Governmental Activities total net position increased \$159,260 from the prior year.

The Business-type Activities total net position increased \$1,470,781 from the prior year.

Changes in net position. The City's total revenues were \$6,904,514 and total expenses were \$5,278,518 which resulted in an increase in net position of \$1,630,041. (See Table A-2).

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

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Program Revenues:						
Charges for Services	\$ 85.8	\$ 146.4	\$ 2,307.3	\$ 2,299.5	\$ 2,393.1	\$ 2,445.9
Capital and Operating Grants	83.6	-	1,877.4	454.7	1,961.0	454.7
General Revenues:			-	-	-	-
Ad Valorem Taxes	812.5	826.3	-	-	812.5	826.3
Sales Tax	1,438.3	1,231.5	-	-	1,438.3	1,231.5
Franchise and Other Taxes	138.0	141.2	-	-	138.0	141.2
Other Taxes	5.3	5.4	-	-	5.3	5.4
Miscellaneous	19.3	26.6	36.9	27.7	56.2	54.3
Gain/Loss on Disposal of Asset	2.3	22.9	(17.1)	-	(14.8)	22.9
Insurance Claim Proceeds	14.7	7.1	-	74.0	14.7	81.1
Interest Income	95.5	0.3	4.8	-	100.3	0.3
Transfers	(79.0)	(79.0)	79.0	79.0	-	-
Total Revenues	2,616.3	2,328.7	4,288.3	2,934.9	6,904.6	5,263.6
Program Expenses:						
General Government	898.4	804.8	-	-	898.4	804.8
Public Safety	829.2	833.9	-	-	829.2	833.9
Municipal Court	56.5	18.8	-	-	56.5	18.8
Street Department	585.2	830.9	-	-	585.2	830.9
Parks Department	89.1	66.1	-	-	89.1	66.1
Water, Sewer and Sanitation	-	-	2,817.5	3,131.5	2,817.5	3,131.5
Total Expenses	2,458.4	2,554.5	2,817.5	3,131.5	5,275.9	5,686.0
Change in Net Position	157.9	(225.8)	1,470.8	(196.6)	1,628.7	(422.4)
Beginning Net Position	5,106.7	5,332.5	2,625.7	2,822.3	7,732.4	8,154.8
Ending Net Position	\$ 5,264.6	\$ 5,106.7	\$ 4,096.5	\$ 2,625.7	\$ 9,361.1	\$ 7,732.4

The Governmental Activities revenues were \$2,616,246 which is an increase of \$287,620 from the prior fiscal year primarily due to an increase in sales tax and investment earnings. The Governmental Activities expenses were \$2,458,400 which is a decrease of \$101,459 from the prior fiscal year.

The Business-type Activities revenues were \$4,288,268 which increased by \$1,352,252 from the prior fiscal year due to the increase in grant funds. Total operating expenses were \$2,817,487, which is a decrease of \$310,539 over the prior year.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

General Fund Budgetary Highlights

The General Fund budget was amended each quarter during the year. Actual revenues were more than final estimated revenues by \$225,559 and expenditures were more than final appropriations by \$20,511. The largest negative variance was \$160,305 in General Government expenditures due to higher sales tax owed to Trinity Economic & Industrial Development Corporation and not budgeting for debt payments.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2025, the City had invested \$19,129,712 in a broad range of capital assets, including land, construction in progress, equipment, buildings, and vehicles. (See Table A-3).

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

	Governmental Activities		Business-type Activities		Total	
	2025	2024	2025	2024	2025	2024
Land	\$ 16.5	\$ 16.5	\$ 4.4	\$ 4.4	\$ 20.9	\$ 20.9
Construction in Progress	-	-	2,134.9	316.4	2,134.9	316.4
Buildings and Improvements	1,428.3	1,428.3	-	-	1,428.3	1,428.3
Infrastructure	4,236.7	4,222.1	-	-	4,236.7	4,222.1
Equipment	914.5	891.0	872.7	859.3	1,787.2	1,750.3
Vehicles	1,324.7	1,485.9	328.0	541.6	1,652.7	2,027.5
Furniture and Equipment	293.0	293.0	4.4	4.4	297.4	297.4
Right-To-Use Leased Assets	-	11.3	-	-	-	11.3
Water System	-	-	6,500.8	6,500.8	6,500.8	6,500.8
Sewer System	-	-	1,059.5	1,059.5	1,059.5	1,059.5
Totals at Historical Cost	<u>8,213.7</u>	<u>8,348.1</u>	<u>10,904.7</u>	<u>9,286.4</u>	<u>19,118.4</u>	<u>17,634.5</u>
Total Accumulated Depreciation	(5,269.2)	(5,170.8)	(5,595.0)	(5,491.9)	(10,864.2)	(10,662.7)
Net Capital Assets	<u>\$ 2,944.5</u>	<u>\$ 3,177.3</u>	<u>\$ 5,309.7</u>	<u>\$ 3,794.5</u>	<u>\$ 8,254.2</u>	<u>\$ 6,971.8</u>

Long-Term Debt

At year-end the City had \$870,224 in outstanding notes and warrants as shown in Table A-4. More detailed information about the City's debt is presented in the notes to the financial statements.

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

	Governmental Activities		Business-Type Activities	
	2025	2024	2025	2024
Warrants and Notes	\$ 647.0	\$ 785.5	\$ 223.2	\$ 293.2
Compensated Absences	5.8	10.2	4.9	2.0
Lease Liability	-	1.7	-	-
Net Pension Liability	-	-	-	-
Net OPEB Liability	48.9	46.9	16.9	15.9
Total Long-Term Debt	<u>\$ 701.7</u>	<u>\$ 844.3</u>	<u>\$ 245.0</u>	<u>\$ 311.1</u>

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

- The City received a grant from the Government Land Office to upgrade water storage facilities and lay new water lines. This project is in progress.
- The General Fund revenues are budgeted to increase by about \$16,500 from the prior fiscal year. Expenditures are budgeted to increase by about \$111,919 from the prior year. The budgetary fund balance is expected to decrease if budgeted estimates and appropriations are realized. The City's budgetary net position for the enterprise fund is expected to decrease by about \$586,000 during fiscal year 2026.

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.

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Basic Financial Statements

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CITY OF TRINITY, TEXAS
STATEMENT OF NET POSITION
SEPTEMBER 30, 2025

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
ASSETS:				
Current Assets:				
Cash and Cash Equivalents	\$ 2,175,653	\$ (1,014,007)	\$ 1,161,646	\$ 164,015
Investments	--	--	--	2,525,000
Receivables	559,636	219,536	779,172	--
Due From Other Governments	215,326	638,411	853,737	53,832
Notes Receivable	--	--	--	23,165
Noncurrent Assets				
Notes Receivable - Non Current	--	--	--	83,587
Net Pension Asset	247,721	50,402	298,123	--
Capital Assets (net of accumulated depreciation):				
Land	16,500	4,383	20,883	418,528
Buildings and Improvements	200,136	--	200,136	--
Machinery and Equipment	272,382	247,748	520,130	--
Water and Sewer System	--	2,922,651	2,922,651	--
Infrastructure	2,455,457	--	2,455,457	--
Construction in Progress	--	2,134,891	2,134,891	--
Total Assets	<u>6,142,811</u>	<u>5,204,015</u>	<u>11,346,826</u>	<u>3,268,127</u>
DEFERRED OUTFLOWS OF RESOURCES:				
Deferred Outflow Related to Pensions	30,125	18,689	48,814	--
Deferred Outflow Related to OPEB	6,507	1,781	8,288	--
Total Deferred Outflows of Resources	<u>36,632</u>	<u>20,470</u>	<u>57,102</u>	<u>--</u>
LIABILITIES:				
Accounts Payable	404,423	706,703	747,146	9,202
Other Accrued Liabilities	16,187	5,511	21,698	--
Accrued Payroll	17,611	6,989	24,600	--
Customer Deposits	--	156,016	156,016	--
Accrued Interest Payable	9,257	5,462	14,719	--
Due to Component Unit	53,832	--	53,832	--
Due to Other Governments	13,995	3,178	17,173	--
Noncurrent Liabilities:				
Due Within One Year	141,800	72,141	213,941	--
Due in More Than One Year	510,997	155,976	666,973	--
Net OPEB Liability	48,880	16,874	65,754	--
Total Liabilities	<u>853,002</u>	<u>1,128,850</u>	<u>1,981,852</u>	<u>9,202</u>
DEFERRED INFLOWS OF RESOURCES:				
Deferred Inflow Related to Pensions	39,740	(5,176)	34,564	--
Deferred Inflow Related to OPEB	22,090	4,315	26,405	--
Total Deferred Inflows of Resources	<u>61,830</u>	<u>(861)</u>	<u>60,969</u>	<u>--</u>
NET POSITION:				
Net Investment in Capital Assets	2,304,389	5,086,492	7,390,881	--
Restricted For:				
Debt Service	345,882	--	345,882	--
Special Revenue	18,339	--	18,339	--
Other Purposes	--	--	--	3,258,925
Unrestricted	2,596,001	(989,996)	1,606,005	--
Total Net Position	<u>\$ 5,264,611</u>	<u>\$ 4,096,496</u>	<u>\$ 9,361,107</u>	<u>\$ 3,258,925</u>

The accompanying notes are an integral part of this statement.

CITY OF TRINITY, TEXAS
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT:				
Governmental Activities:				
General Government	\$ 898,405	\$ 12,152	\$ --	\$ --
Public Safety	829,158	63,785	--	--
Judicial	56,543	--	--	--
Transportation	585,208	--	83,599	--
Parks and Recreation	89,086	9,840	--	--
Total Governmental Activities	<u>2,458,400</u>	<u>85,777</u>	<u>83,599</u>	<u>--</u>
Business-type Activities:				
Utility	2,451,454	1,784,960	92,860	1,784,611
Solid Waste	366,033	522,300	--	--
Total Business-type Activities	<u>2,817,487</u>	<u>2,307,260</u>	<u>92,860</u>	<u>1,784,611</u>
Total Primary Government	<u>\$ 5,275,887</u>	<u>\$ 2,393,037</u>	<u>\$ 176,459</u>	<u>\$ 1,784,611</u>
COMPONENT UNIT:				
Economic Development Corporation	<u>\$ 41,600</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
General Revenues:				
Property Taxes				
Sales Taxes				
Franchise Taxes				
Other Taxes				
Miscellaneous Revenue				
Investment Earnings				
Gain/(Loss) on Sale of Capital Assets				
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
\$ (886,253)		\$ (886,253)	
(765,373)		(765,373)	
(56,543)		(56,543)	
(501,609)		(501,609)	
(79,246)		(79,246)	
<u>(2,289,024)</u>		<u>(2,289,024)</u>	
--	\$ 1,210,977	1,210,977	
--	156,267	156,267	
--	<u>1,367,244</u>	<u>1,367,244</u>	
<u>(2,289,024)</u>	<u>1,367,244</u>	<u>(921,780)</u>	
			\$ (41,600)
812,492	--	812,492	--
1,438,339	--	1,438,339	360,308
137,985	--	137,985	--
5,331	--	5,331	--
19,248	36,865	56,113	3,265
95,506	4,779	100,285	98,399
2,347	(17,147)	(14,800)	--
14,662	--	14,662	--
(79,040)	79,040	--	--
<u>2,446,870</u>	<u>103,537</u>	<u>2,550,407</u>	<u>461,972</u>
157,846	1,470,781	1,628,627	420,372
5,106,765	2,625,715	7,732,480	2,838,553
<u>\$ 5,264,611</u>	<u>\$ 4,096,496</u>	<u>\$ 9,361,107</u>	<u>\$ 3,258,925</u>

CITY OF TRINITY, TEXAS
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2025

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
ASSETS:				
Cash and Cash Equivalents	\$ 1,939,811	\$ 226,464	\$ 9,378	\$ 2,175,653
Receivables:				
Ad Valorem Taxes	274,711	121,452	--	396,163
Due from Other Funds	2,034	--	8,961	10,995
Due from Other Governments	215,326	--	--	215,326
Total Assets	<u>\$ 2,431,882</u>	<u>\$ 347,916</u>	<u>\$ 18,339</u>	<u>\$ 2,798,137</u>
LIABILITIES:				
Accounts Payable	\$ 94,274	\$ --	\$ --	\$ 94,274
Other Accrued Liabilities	16,187	--	--	16,187
Accrued Payroll	17,611	--	--	17,611
Due to Other Funds	8,961	2,034	--	10,995
Due to State	13,995	--	--	13,995
Total Liabilities	<u>151,028</u>	<u>2,034</u>	<u>--</u>	<u>153,062</u>
DEFERRED INFLOWS OF RESOURCES:				
Deferred Inflows of Resources:				
Deferred Property Taxes	274,711	121,452	--	396,163
Total Deferred Inflows of Resources	<u>274,711</u>	<u>121,452</u>	<u>--</u>	<u>396,163</u>
FUND BALANCES:				
Restricted for Debt Service	--	224,430	--	224,430
Restricted for Special Revenue	--	--	18,339	18,339
Unassigned	2,006,143	--	--	2,006,143
Total Fund Balance	<u>2,006,143</u>	<u>224,430</u>	<u>18,339</u>	<u>2,248,912</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 2,431,882</u>	<u>\$ 347,916</u>	<u>\$ 18,339</u>	<u>\$ 2,798,137</u>

The accompanying notes are an integral part of this statement.

CITY OF TRINITY, TEXAS
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2025**

Total fund balances - governmental funds balance sheet	\$ 2,248,912
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.	2,944,475
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	396,163
Payables for debt interest which are not due in the current period are not reported in the funds.	(9,257)
Payables for notes which are not due in the current period are not reported in the funds.	(647,043)
Payables for compensated absences which are not due in the current period are not reported in the funds.	(5,754)
Court fines receivable unavailable to pay for current period expenditures are deferred in the funds.	163,473
Recognition of the City's net pension liability/asset is not reported in the funds.	247,721
Deferred Resource Inflows related to the pension plan are not reported in the funds.	(39,740)
Deferred Resource Outflows related to the pension plan are not reported in the funds.	30,125
Recognition of the City's total OPEB liability is not reported in the funds.	(48,880)
Deferred Resource Inflows related to the OPEB plan are not reported in the funds.	(22,090)
Deferred Resource Outflows related to the OPEB plan are not reported in the funds.	6,507
Net position of governmental activities - Statement of Net Position	<u>\$ 5,264,611</u>

The accompanying notes are an integral part of this statement.

CITY OF TRINITY, TEXASSTATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	General Fund	Debt Service Fund	Other Governmental Funds	Total Governmental Funds
REVENUE:				
Property Taxes	\$ 523,825	\$ 250,746	\$ --	\$ 774,571
Sales and Use Tax	1,438,339	--	--	1,438,339
Franchise Tax	137,985	--	--	137,985
Hotel Motel Tax	--	--	5,331	5,331
License and Permits	21,992	--	--	21,992
Intergovernmental	90,990	--	--	90,990
Fines	116,440	--	--	116,440
Investment Earnings	77,748	17,459	299	95,506
Miscellaneous	19,178	70	--	19,248
Insurance Proceeds	14,662	--	--	14,662
Total Revenues	<u>2,441,159</u>	<u>268,275</u>	<u>5,630</u>	<u>2,715,064</u>
EXPENDITURES:				
General Government	814,903	--	--	814,903
Library	83,893	--	--	83,893
Law Enforcement	735,215	--	--	735,215
Fire Protection	106,087	--	--	106,087
Municipal Court	56,543	--	--	56,543
Streets and Drainage	427,939	--	--	427,939
Parks and Recreation	74,444	--	--	74,444
Debt Service Payments	--	97,313	--	97,313
Total Expenditures	<u>2,299,024</u>	<u>97,313</u>	<u>--</u>	<u>2,396,337</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>142,135</u>	<u>170,962</u>	<u>5,630</u>	<u>318,727</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	24,666	--	--	24,666
Proceeds from Sale of Capital Assets	2,347	--	--	2,347
Transfers Out	--	(101,537)	(2,169)	(103,706)
Total Other Financing Sources (Uses)	<u>27,013</u>	<u>(101,537)</u>	<u>(2,169)</u>	<u>(76,693)</u>
Net Change in Fund Balances	169,148	69,425	3,461	242,034
Fund Balances - Beginning	1,836,995	155,005	14,878	2,006,878
Fund Balances - Ending	<u>\$ 2,006,143</u>	<u>\$ 224,430</u>	<u>\$ 18,339</u>	<u>\$ 2,248,912</u>

The accompanying notes are an integral part of this statement.

CITY OF TRINITY, TEXAS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
 AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED SEPTEMBER 30, 2025

Net change in fund balances - total governmental funds \$ 242,034

Amounts reported for governmental activities in the Statement of Activities
 ("SOA") are different because:

Capital outlays are not reported as expenses in the SOA.	38,096
The depreciation of capital assets used in governmental activities is not reported in the funds.	(271,013)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	37,921
Revenues in the SOA not providing current financial resources are not reported as revenues in the funds.	(60,046)
Repayment of right-to-use lease principal is an expenditure in the funds but is not an expense in the SOA.	1,761
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	138,505
(Increase) decrease in accrued interest from beginning of period to end of period.	2,569
Compensated absences are reported as the amount earned in the SOA but as the amount paid in the funds.	4,395
Pension expense relating to GASB 68 is recorded in the SOA but not in the funds.	18,779
OPEB expense relating to GASB 75 is recorded in the SOA but not in the funds.	4,845

Change in net position of governmental activities - Statement of Activities \$ 157,846

The accompanying notes are an integral part of this statement.

CITY OF TRINITY, TEXAS
STATEMENT OF NET POSITION
ENTERPRISE FUNDS
SEPTEMBER 30, 2025

	Enterprise Fund Water and Sewer Fund	Enterprise Fund Solid Waste Fund	Total Enterprise Funds
ASSETS:			
Current Assets:			
Cash and Cash Equivalents	\$ (3,040,101)	\$ 2,026,094	\$ (1,014,007)
Receivables	185,414	34,122	219,536
Intergovernmental Receivables	638,411	--	638,411
Total Current Assets	<u>(2,216,276)</u>	<u>2,060,216</u>	<u>(156,060)</u>
Noncurrent Assets:			
Net Pension Asset	29,785	20,617	50,402
Capital Assets:			
Land	4,383	--	4,383
Water System	6,500,818	--	6,500,818
Sewer System	1,059,500	--	1,059,500
Vehicles	155,748	172,267	328,015
Furniture and Equipment	4,444	--	4,444
Machinery and Equipment	860,139	12,500	872,639
Construction in Progress	2,134,891	--	2,134,891
Less Accumulated Depreciation	<u>(5,456,402)</u>	<u>(138,615)</u>	<u>(5,595,017)</u>
Total Noncurrent Assets	<u>5,293,306</u>	<u>66,769</u>	<u>5,360,075</u>
Total Assets	<u>3,077,030</u>	<u>2,126,985</u>	<u>5,204,015</u>
DEFERRED OUTFLOWS OF RESOURCES:			
Deferred Outflow Related to Pensions	18,346	343	18,689
Deferred Outflow Related to OPEB	1,072	709	1,781
Total Deferred Outflows of Resources	<u>\$ 19,418</u>	<u>\$ 1,052</u>	<u>\$ 20,470</u>
LIABILITIES:			
Current Liabilities:			
Accounts Payable	\$ 702,186	\$ 4,517	\$ 706,703
Accrued Liabilities	4,112	1,399	5,511
Accrued Wages Payable	5,486	1,503	6,989
Customer Deposits	156,016	--	156,016
Due To Other Governments	--	3,178	3,178
Accrued Interest Payable	5,462	--	5,462
Noncurrent Liabilities Due Within One Year	72,141	--	72,141
Total Current Liabilities	<u>945,403</u>	<u>10,597</u>	<u>956,000</u>
Noncurrent Liabilities:			
Notes Payable	151,040	--	151,040
Net OPEB Liability	12,364	4,510	16,874
Compensated Absences Payable	4,451	485	4,936
Total Noncurrent Liabilities	<u>167,855</u>	<u>4,995</u>	<u>172,850</u>
Total Liabilities	<u>1,113,258</u>	<u>15,592</u>	<u>1,128,850</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred Inflow Related to Pensions	(10,753)	5,577	(5,176)
Deferred Inflow Related to OPEB	2,365	1,950	4,315
Total Deferred Inflows of Resources	<u>(8,388)</u>	<u>7,527</u>	<u>(861)</u>
NET POSITION:			
Investment in Capital Assets, Net of Related Debt	4,939,994	46,152	4,986,146
Unrestricted	<u>(2,948,416)</u>	<u>2,058,766</u>	<u>(889,650)</u>
Total Net Position	<u>\$ 1,991,578</u>	<u>\$ 2,104,918</u>	<u>\$ 4,096,496</u>

The accompanying notes are an integral part of this statement.

CITY OF TRINITY, TEXAS
**STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - ENTERPRISE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025**

	Enterprise Fund Water and Sewer Fund	Enterprise Fund Solid Waste Fund	Total Enterprise Funds
OPERATING REVENUES:			
Water Sales	\$ 1,099,859	\$ --	\$ 1,099,859
Sewer Sales	572,845	--	572,845
Penalties	47,596	--	47,596
Tap Fees	29,040	--	29,040
Solid Waste Sales	--	522,300	522,300
Intergovernmental	38,372	--	38,372
Other Services	35,620	--	35,620
Grant Revenue	86,576	--	86,576
Miscellaneous	4,777	--	4,777
Total Operating Revenues	<u>1,914,685</u>	<u>522,300</u>	<u>2,436,985</u>
OPERATING EXPENSES:			
Salaries and Wages	298,919	100,792	399,711
Employee Benefits	109,393	26,983	136,376
Office Supplies	19,226	--	19,226
Equipment Repair and Maintenance	183,893	47,636	231,529
Professional Fees	97,575	--	97,575
Rentals	61,401	1,947	63,348
Insurance	22,945	15,138	38,083
Utilities	83,943	--	83,943
System Repair and Maintenance	249,613	--	249,613
Chemicals	25,166	72,817	97,983
TRA Expense	1,004,461	--	1,004,461
Capital Expense	--	1,548	1,548
Other Expenses	17,211	3,534	20,745
Lease Expense	--	72,000	72,000
Depreciation	270,342	23,638	293,980
Total Operating Expenses	<u>2,444,088</u>	<u>366,033</u>	<u>2,810,121</u>
Operating Income (Loss)	<u>(529,403)</u>	<u>156,267</u>	<u>(373,136)</u>
NON-OPERATING REVENUES (EXPENSES):			
Capital Grant Proceeds	1,784,611	--	1,784,611
Interest Revenue	4,779	--	4,779
Gain on Disposition of Assets	--	(17,147)	(17,147)
Interest Expense	(7,366)	--	(7,366)
Total Non-operating Revenues (Expenses)	<u>1,782,024</u>	<u>(17,147)</u>	<u>1,764,877</u>
Income Before Transfers	<u>1,252,621</u>	<u>139,120</u>	<u>1,391,741</u>
Interfund Transfers In	79,040	--	79,040
Total Transfers	<u>79,040</u>	<u>--</u>	<u>79,040</u>
Change in Net Position	1,331,661	139,120	1,470,781
Total Net Position - Beginning	659,917	1,965,798	2,625,715
Total Net Position - Ending	<u>\$ 1,991,578</u>	<u>\$ 2,104,918</u>	<u>\$ 4,096,496</u>

The accompanying notes are an integral part of this statement.

CITY OF TRINITY, TEXAS
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Enterprise Funds		
	Water and Sewer Fund	Solid Waste	Totals
CASH FLOWS FROM OPERATING ACTIVITIES:			
Cash Received from Customers	\$ 1,821,249	\$ 527,039	\$ 2,348,288
Cash Received from Grants	159,930	--	159,930
Cash Payments to Employees for Services	(405,124)	(127,290)	(532,414)
Cash Payments to Other Suppliers for Goods and Services	(1,873,730)	(220,098)	(2,093,828)
Net Cash Provided (Used) by Operating Activities	<u>(297,675)</u>	<u>179,651</u>	<u>(118,024)</u>
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:			
Transfers From (To) Other Funds	79,040	--	79,040
Net Cash Provided (Used) by Non-capital Financing Activities	<u>79,040</u>	<u>--</u>	<u>79,040</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES:			
Acquisition or Construction of Capital Assets	(1,298,724)	--	(1,298,724)
Payment of Long-Term Debt	(79,039)	--	(79,039)
Net Cash Provided (Used) for Capital and Related Financing Activities	<u>(1,377,763)</u>	<u>--</u>	<u>(1,377,763)</u>
CASH FLOWS FROM INVESTING ACTIVITIES:			
Interest and Dividends on Investments	4,779	--	4,779
Capital Grant Proceeds	1,251,411	--	1,251,411
Disposal of Assets	--	5,630	5,630
Net Cash Provided (Used) from Investing Activities	<u>1,256,190</u>	<u>5,630</u>	<u>1,261,820</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(340,208)	185,281	(154,927)
Cash and Cash Equivalents at Beginning of Year	(2,699,893)	1,840,813	(859,080)
Cash and Cash Equivalents at End of Year	<u>\$ (3,040,101)</u>	<u>\$ 2,026,094</u>	<u>\$ (1,014,007)</u>
Reconciliation of Operating Income to Net Cash			
Provided by Operating Activities:			
Operating Income (Loss)	\$ (529,403)	\$ 156,267	\$ (373,136)
Adjustments to Reconcile Operating Income to Net Cash			
Provided by Operating Activities			
Depreciation	270,342	23,638	293,980
Change in Assets and Liabilities:			
Decrease (Increase) in Receivables	(5,187)	4,739	(448)
Decrease (Increase) in Intergovernmental Receivables	27,111	--	27,111
Decrease (Increase) in Net Pension Asset	(23,748)	(6,556)	(30,304)
Decrease(Increase) Deferred Outflow Related to Pensions	12,115	4,270	16,385
Decrease(Increase) Deferred Outflow Related to OPEB	32	40	72
Increase (Decrease) in Due to Other Governments	(2,961)	3,178	217
Increase (Decrease) in Accounts Payable	(40,549)	(7,492)	(48,041)
Increase (Decrease) in Accrued Expenses	3,717	1,352	5,069
Increase (Decrease) in Accrued Wages	2,263	365	2,628
Increase (Decrease) in Customer Deposits	(12,229)	--	(12,229)
Increase (Decrease) in Net OPEB Liability	668	273	941
Increase (Decrease) in Net OPEB Liability	2,432	485	2,917
Increase(Decrease) Deferred Inflow Related to OPEB	410	5	415
Increase(Decrease) Deferred Inflow Related to Pensions	(2,688)	(913)	(3,601)
Total Adjustments	<u>231,728</u>	<u>23,384</u>	<u>255,112</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (297,675)</u>	<u>\$ 179,651</u>	<u>\$ (118,024)</u>

The accompanying notes are an integral part of this statement.

CITY OF TRINITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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, 2025. Additionally, the City is not a component unit of any other reporting entity as defined by the GASB Statement No. 14.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

CITY OF TRINITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

revenues, including all taxes, are presented as general revenues.

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

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

The City reports the following major governmental funds:

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

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

The City reports the following major enterprise funds:

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

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

b. Measurement Focus, Basis of Accounting

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

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

CITY OF TRINITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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

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

3. Compensated Absences

Employees of the City are granted vacation, sick leave, and other types of compensated absences in accordance with City policy, and applicable state and local regulations. Compensated absences are absences for which employees will be paid, such as vacation, sick leave, and certain other types of leave as agreed upon in the City's policy agreement. Vacation and sick leave may be carried forward from year-to-year, subject to limits established by policy.

In governmental funds, only the portion of the liability expected to be liquidated with expendable available financial resources is reported as a fund liability. The full liability is reported in the government-wide financial statements.

City employees may carry forward a maximum of up to one hundred sixty (160) hours of vacation leave each year. The City pays out vacation leave accrued upon termination, but does not pay out any sick leave accrued.

4. Financial Statement Amounts

a. Cash and Cash Equivalents

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

b. Property Taxes

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

c. Inventories and Prepaid Items

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

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

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated fair value at the date of the donation. The cost of normal maintenance and repairs

CITY OF TRINITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

Capital assets are being depreciated using the straight-line method over the following estimated useful lives:

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

e. Receivable and Payable Balances

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

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

f. Interfund Activity

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

g. Deferred Outflows and Inflows of Resources

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

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

h. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

CITY OF TRINITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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

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

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

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

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

i. Fund Balance Flow Assumptions

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

j. Net Position Flow Assumption

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

k. Pensions

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

CITY OF TRINITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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.

I. Other Post-Employment Benefits (OPEB)

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

m. Use of Estimates

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

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

<u>Violation</u>	<u>Action Taken</u>
In the General Fund actual expenditures exceed the budget.	Management will review the budget regularly and amend as needed.

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

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

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

C. Deposits and Investments

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

Cash Deposits:

At September 30, 2025, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$309,307 and the bank balance was \$418,159. The City's cash deposits at September 30, 2025 and during the year ended September 30, 2025, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name. The City invests money in Texas Class investment pool. At September 30, 2025 the balance in Texas Class funds was \$852,338.

CITY OF TRINITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Investments:

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

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

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

Analysis of Specific Deposit and Investment Risks:

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

a. Credit Risk

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

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

e. Foreign Currency Risk

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

CITY OF TRINITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Investment Accounting Policy

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

Public Funds Investment Pools

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

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

Fair Value Measurement

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

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

The City had no investments that require Fair Value Measurement at September 30, 2025.

CITY OF TRINITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

D. Capital Assets

Capital asset activity for the year ended September 30, 2025, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 16,500	\$ --	\$ --	\$ 16,500
Construction in Progress	--	--	--	--
Total Capital Assets Not Being Depreciated	16,500	--	--	16,500
Capital Assets Being Depreciated:				
Infrastructure	4,222,061	14,630	--	4,236,691
Buildings and Improvements	1,428,348	--	--	1,428,348
Equipment	891,034	23,466	--	914,500
Vehicles	1,369,443	--	44,780	1,324,663
Furniture and Equipment	292,980	--	--	292,980
Right-To-Use Leased Assets	11,340	--	11,340	--
Total Capital Assets Being Depreciated	8,215,206	38,096	56,120	8,197,182
Less Accumulated Depreciation for:				
Infrastructure	(1,587,049)	(194,186)	--	(1,781,235)
Buildings and Improvements	(1,207,605)	(20,607)	--	(1,228,212)
Equipment	(715,638)	(25,492)	--	(741,130)
Vehicles	(1,243,952)	(26,478)	(44,780)	(1,225,650)
Furniture and Equipment	(292,980)	--	--	(292,980)
Right-to-Use Leased Assets	(7,090)	(4,250)	(11,340)	--
Total Accumulated Depreciation	(5,054,314)	(271,013)	(56,120)	(5,269,207)
Total Capital Assets Being Depreciated, Net	3,160,892	(232,917)	--	2,927,975
Governmental Activities Capital Assets, Net	\$ 3,177,392	\$ (232,917)	\$ --	\$ 2,944,475

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Business-Type Activities:</u>				
Capital Assets Not Being Depreciated:				
Land	\$ 4,383	\$ --	\$ --	\$ 4,383
Construction in Progress	316,355	1,818,536	--	2,134,891
Total Capital Assets Not Being Depreciated	320,738	1,818,536	--	2,139,274
Capital Assets Being Depreciated:				
Water System	6,500,818	--	--	6,500,818
Sewer System	1,059,500	--	--	1,059,500
Equipment	859,253	13,386	--	872,639
Vehicles	541,612	--	213,596	328,016
Furniture and Equipment	4,444	--	--	4,444
Total Capital Assets Being Depreciated	8,965,627	13,386	213,596	8,765,417
Less Accumulated Depreciation for:				
Water System	(3,840,402)	(172,305)	--	(4,012,707)
Sewer System	(592,140)	(32,820)	--	(624,960)
Equipment	(698,926)	(47,974)	--	(746,900)
Vehicles	(355,945)	(40,881)	(190,819)	(206,007)
Furniture and Equipment	(4,444)	--	--	(4,444)
Total Accumulated Depreciation	(5,491,857)	(293,980)	(190,819)	(5,595,018)
Total Capital Assets Being Depreciated, Net	3,473,770	(280,594)	22,777	3,170,399
Business-Type Activities Capital Assets, Net	\$ 3,794,508	\$ 1,537,942	\$ 22,777	\$ 5,309,673

CITY OF TRINITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Depreciation was charged to functions as follows:

General Government	\$	47,459
Public Safety		21,991
Streets and Bridges		185,831
Library		1,090
Parks		14,642
Water, Sewer and Sanitation		293,980
	\$	<u>564,993</u>

E. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2025, consisted of the following:

<u>Due To Fund</u>	<u>Due From Fund</u>	<u>Amount</u>	<u>Purpose</u>
Other Governmental Funds	General Fund	\$ 8,961	Short-term loan
	Total	<u>\$ 8,961</u>	

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

2. Transfers To and From Other Funds

Transfers to and from other funds at September 30, 2025, consisted of the following:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>	<u>Reason</u>
Debt Service Fund	Enterprise Fund	\$ 79,040	Provide resources for repayment of debt
Debt Service Fund	General Fund	22,497	Provide resources for repayment of debt
Other Governmental Funds	General Fund	2,169	Supplement other funds sources
	Total	<u>\$ 103,706</u>	

F. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2025, are as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
<u>Governmental Activities:</u>					
Notes from Direct Borrowing	\$ 785,548	\$ --	\$ 138,505	\$ 647,043	\$ 141,800
Lease Liability	1,761	--	1,761	--	--
Compensated Absences *	10,149	--	4,395	5,754	--
Total OPEB Liability *	46,873	2,007	--	48,880	--
Total Governmental Activities	<u>\$ 844,331</u>	<u>\$ 2,007</u>	<u>\$ 144,661</u>	<u>\$ 701,677</u>	<u>\$ 141,800</u>

CITY OF TRINITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Business-Type Activities:					
Notes from Direct Borrowing	\$ 293,159	\$ --	\$ 69,978	\$ 223,181	\$ 72,141
Compensated Absences *	2,019	2,917	--	4,936	--
Total OPEB Liability *	15,933	941	--	16,874	--
Total Business-Type Activities	<u>\$ 311,111</u>	<u>\$ 3,858</u>	<u>\$ 69,978</u>	<u>\$ 244,991</u>	<u>\$ 72,141</u>

* 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
Total OPEB Liability	Governmental	General Fund
Compensated Absences	Business-type	Water and Sewer Fund
Net Pension Liability	Business-type	Water and Sewer Fund
Total OPEB Liability	Business-type	Water and Sewer Fund

2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2025, are as follows:

Year Ending September 30,	Governmental Activities		
	Notes from Direct Borrowing		
	Principal	Interest	Total
2026	\$ 141,800	\$ 30,049	\$ 171,849
2027	138,303	23,421	161,724
2028	141,940	16,631	158,571
2029	75,000	16,631	91,631
2030	75,000	9,563	84,563
2031-2035	75,000	9,563	84,563
Totals	<u>\$ 647,043</u>	<u>\$ 105,858</u>	<u>\$ 752,901</u>

Year Ending September 30,	Business-type Activities		
	Notes from Direct Borrowing		
	Principal	Interest	Total
2026	\$ 72,141	\$ 6,898	\$ 79,039
2027	74,370	4,669	79,039
2028	76,670	2,369	79,039
Totals	<u>\$ 223,181</u>	<u>\$ 13,936</u>	<u>\$ 237,117</u>

Governmental Activities:

Time Warrants

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

Balance at September 30, 2025 \$ 450,000

CITY OF TRINITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Financed Purchase Agreements

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

Balance at September 30, 2025	\$	190,085
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The City entered into a long-term contract with Bobcat of Houston in February 2024 to purchase a compact track loader. The purchase price was \$62,000. The City traded in a Bobcat skid steer for at a value of \$41,126 with the remainder of \$20,874 to be paid out over three years. The annual payment in the amount of \$6,958 is due each February with the final payment in 2026.

Balance at September 30, 2025	\$	6,958
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Total Finance Leases	\$	197,043
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Total Governmental Activities	\$	647,043
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Business Activities:

Financed Purchase Agreements

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

Balance at September 30, 2025	\$	223,181
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Total Business Activities	\$	223,181
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G. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2025, 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 more than 940 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

CITY OF TRINITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS's defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.tmrs.com.

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

2. **Benefits Provided**

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

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

Employees covered by benefit terms:

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	12
Inactive employees entitled to but not yet receiving benefits	60
Active employees	26
Total covered employees	<u>98</u>

3. **Contributions**

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

Employees for the City were required to contribute 5.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 5.87% and 6.05% in calendar years 2024 and 2025, respectively. The City's contributions to TMRS for the year ended September 30, 2025 were \$62,655, and were equal to the required contributions.

4. **Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2024, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

CITY OF TRINITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Actuarial assumptions:

The Total Pension Liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

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

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

Actuarial assumptions used in the December 31, 2024, valuation were developed primarily from the actuarial investigation of the experience of TMRS as of December 31, 2022. They were adopted in 2023 and first used in the December 31, 2023 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>
Global Equity	35%
Core Fixed Income	6%
Non-Core Fixed Income	6%
Real Estate	12%
Other Public & Private Markets	4%
Hedge Funds	5%
Private Equity	13%
Private Debt	13%
Infrastructure	6%
Cash Equivalents	0%
Total	<u><u>100.0%</u></u>

CITY OF TRINITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Discount Rate

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a) - (b)
Balance at December 31, 2023	\$ 1,863,362	\$ 2,074,866	\$ (211,504)
Changes for the year			
Service cost	123,367	--	123,367
Interest	127,055	--	127,055
Change of benefit terms	--	--	--
Difference between expected and actual experience	(11,339)	--	(11,339)
Changes of assumptions	--	--	--
Contributions - employer	--	60,803	(60,803)
Contributions - employee	--	51,792	(51,792)
Net investment income	--	214,523	(214,523)
Benefit payments, including refunds of employee contributions	(85,500)	(85,500)	--
Administrative expense	--	(1,383)	1,383
Other changes	--	(33)	33
Net changes	\$ 153,583	\$ 240,202	\$ (86,619)
Balance at December 31, 2024	\$ 2,016,945	\$ 2,315,068	\$ (298,123)

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

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

	1% Decrease in Discount Rate (5.75%)	Discount Rate (6.75%)	1% Increase in Discount Rate (7.75%)
City's net pension liability	\$ (20,800)	\$ (298,123)	\$ (524,169)

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, 2025, the City recognized pension expense of \$24,851.

CITY OF TRINITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ --	\$ 9,180
Changes in actuarial assumptions	--	2,042
Difference between projected and actual investment earnings	--	23,342
Contributions subsequent to the measurement date	48,814	--
Total	<u>\$ 48,814</u>	<u>\$ 34,564</u>

\$48,814 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, 2026. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended September 30,</u>	
2026	\$ (9,418)
2027	\$ 22,179
2028	\$ (32,431)
2029	\$ (14,894)
Thereafter	\$ --

I. Other Post-Employment Benefits

Supplemental Death Benefits Plan

1. Plan Description

The City participates in the Texas Municipal Retirement System (TMRS) defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (SDBF). This is a voluntary program in which participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan and does not meet the definition of a trust under GASB No. 75, Paragraph 4. The member city contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF is to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers.

2. Benefits Provided

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

CITY OF TRINITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

At the December 31, 2024 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	4
Active employees	26
Total covered employees	<u>40</u>

3. Contributions

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

4. Total OPEB Liability

The City's Total OPEB liability of \$65,754 was measured as of December 31, 2024, and was determined by an actuarial valuation as of that date.

Actuarial Assumptions

The total OPEB liability in the December 31, 2024 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50%
Discount Rate	4.08%
Overall payroll growth	3.60% to 11.85% including inflation
Retiree's share of benefit-related costs	\$0
Administration expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements of GASB Statement No. 68.
Mortality rates - service retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Mortality rates - disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate

CITY OF TRINITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

convergence) to account for future mortality improvements subject to the floor.

Discount Rate:

The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2024. The actuarial assumptions used in the December 31, 2024 valuation were based on the results of an actuarial experience study for the period December 31, 2018 to December 31, 2022.

5. Changes in the Total OPEB Liability

	Total OPEB Liability
Balance at December 31, 2023	\$ 62,806
Changes for the year	
Service cost	3,418
Interest	2,397
Change of benefit terms	--
Difference between expected and actual experience	2,096
Changes of assumptions	(3,099)
Contributions - employer	--
Contributions - employee	--
Net investment income	--
Benefit payments, including refunds of employee contributions	(1,864)
Administrative expense	--
Other charges	--
Net changes	2,948
Balance at December 31, 2024	<u>\$ 65,754</u>

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

The following shows the total OPEB liability calculated using the discount rate of 4.08 percent, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (3.08%) or 1 percentage point higher (5.08%) than the current rate.

	1% Decrease in Discount Rate (3.08%)	Discount Rate (4.08%)	1% Decrease in Discount rate (5.08%)
Total OPEB liability	\$ 76,537	\$ 65,754	\$ 57,244

7. OPEB Plan Total Liability:

Detailed information about the OPEB plan's Total OPEB Liability is available in a separately-issued TMRS financial report. That report may be obtained on the internet at www.tmr.com.

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

For the year ended September 30, 2025, the City recognized OPEB expense of \$4,507.

CITY OF TRINITY, TEXAS
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

At September 30, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual economic experience (net of current year amortization)	\$ 1,660	\$ 14,364
Changes in actuarial assumptions	4,127	12,041
Differences between projected and actual investment earnings (net of current year amortization)	--	--
Contributions subsequent to the measurement date	2,501	--
Total	<u>\$ 8,288</u>	<u>\$ 26,405</u>

\$2,501 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability for the year ending September 30, 2026. Other amounts reported as deferred outflows and inflows of resources to OPEB will be recognized in OPEB expense as follows:

Fiscal year ended September 30,	
2026	\$ (9,830)
2027	\$ (7,550)
2028	\$ (3,073)
2029	\$ (165)
2030	\$ --
Thereafter	\$ --

J. Health Care Coverage

During the year ended September 30, 2025, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$943 per month per employee and dependents to the Plan. The plan is renewed each fiscal year.

K. Commitments and Contingencies

1. Contingencies

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

2. Litigation

No reportable litigation was pending against the City at September 30, 2025.

L. Subsequent Events

The City evaluated subsequent events through September 8, 2026, which is the date the financial statements were available to be issued. The City did not identify any events that required recording or disclosure in the financial statements.

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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
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2025

EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUE:				
Property Taxes	\$ 610,000	\$ 610,000	\$ 523,825	\$ (86,175)
Sales and Use Tax	1,225,000	1,225,000	1,438,339	213,339
Franchise Tax	142,100	142,100	137,985	(4,115)
License and Permits	23,500	23,500	21,992	(1,508)
Intergovernmental	--	--	90,990	90,990
Fines	185,000	185,000	116,440	(68,560)
Investment Earnings	--	--	77,748	77,748
Miscellaneous	25,000	25,000	19,178	(5,822)
Insurance Proceeds	5,000	5,000	14,662	9,662
Total Revenues	<u>2,215,600</u>	<u>2,215,600</u>	<u>2,441,159</u>	<u>225,559</u>
EXPENDITURES:				
General Government	654,598	654,598	814,903	(160,305)
Library	95,100	95,100	83,893	11,207
Law Enforcement	795,220	795,220	735,215	60,005
Fire Protection	101,335	101,335	106,087	(4,752)
Municipal Court	105,700	105,700	56,543	49,157
Streets and Drainage	492,300	492,300	427,939	64,361
Parks and Recreation	34,260	34,260	74,444	(40,184)
Total Expenditures	<u>2,278,513</u>	<u>2,278,513</u>	<u>2,299,024</u>	<u>(20,511)</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(62,913)</u>	<u>(62,913)</u>	<u>142,135</u>	<u>205,048</u>
OTHER FINANCING SOURCES (USES):				
Transfers In	--	--	24,666	24,666
Proceeds from Sale of Capital Assets	--	--	2,347	2,347
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>27,013</u>	<u>27,013</u>
Net Change in Fund Balances	<u>(62,913)</u>	<u>(62,913)</u>	<u>169,148</u>	<u>232,061</u>
Fund Balances - Beginning	1,836,995	1,836,995	1,836,995	--
Fund Balances - Ending	<u>\$ 1,774,082</u>	<u>\$ 1,774,082</u>	<u>\$ 2,006,143</u>	<u>\$ 232,061</u>

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

	Measurement Year			
	2024	2023	2022	2021
Total Pension Liability:				
Service Cost	\$ 123,367	\$ 113,106	\$ 98,025	\$ 80,577
Interest	127,055	119,610	111,955	111,582
Changes of Benefit Terms	--	--	--	--
Differences Between Expected and Actual Experience	(11,339)	(29,161)	(24,588)	(122,337)
Changes of Assumptions	--	(18,382)	--	--
Benefit Payments, Including Refunds of Employee Contributions	(85,500)	(74,512)	(84,536)	(61,403)
Net Change in Total Pension Liability	153,583	110,661	100,856	8,419
Total Pension Liability - Beginning	1,863,362	1,752,701	1,651,845	1,643,426
Total Pension Liability - Ending (a)	\$ 2,016,945	\$ 1,863,362	\$ 1,752,701	\$ 1,651,845
Plan Fiduciary Net Position:				
Contributions - Employer	\$ 60,803	\$ 53,776	\$ 53,853	\$ 48,731
Contributions - Employee	51,792	48,710	43,221	35,622
Net Investment Income	214,523	211,638	(142,975)	223,490
Benefit Payments, Including Refunds of Employee Contributions	(85,500)	(74,512)	(84,536)	(61,403)
Administrative Expense	(1,383)	(1,354)	(1,242)	(1,038)
Other	(33)	(10)	1,483	10
Net Change in Plan Fiduciary Net Position	240,202	238,248	(130,196)	245,412
Plan Fiduciary Net Position - Beginning	2,074,866	1,836,618	1,966,814	1,721,402
Plan Fiduciary Net Position - Ending (b)	\$ 2,315,068	\$ 2,074,866	\$ 1,836,618	\$ 1,966,814
City's Net Pension Liability - Ending (a) - (b)	\$ (298,123)	\$ (211,504)	\$ (83,917)	\$ (314,969)
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	114.78%	111.35%	104.79%	119.07%
Covered Payroll	\$ 1,035,831	\$ 974,209	\$ 864,417	\$ 712,439
City's Net Pension Liability as a Percentage of Covered Payroll	-28.78%	-21.71%	-9.71%	-44.21%

		Measurement Year									
2020		2019		2018		2017		2016		2015	
\$	78,664	\$	78,335	\$	85,994	\$	99,904	\$	106,180	\$	97,461
	108,153		103,856		96,525		94,507		89,882		83,461
	--		--		--		--		--		33,826
	(65,734)		(66,044)		(9,034)		(77,454)		(47,949)		(11,077)
	--		21,930		--		--		--		10,543
	(81,190)		(67,960)		(54,152)		(106,044)		(46,875)		(44,055)
	39,893		70,117		119,333		10,913		101,238		170,159
	1,603,533		1,533,416		1,414,083		1,403,170		1,301,932		1,131,773
\$	1,643,426	\$	1,603,533	\$	1,533,416	\$	1,414,083	\$	1,403,170	\$	1,301,932
\$	47,295	\$	48,486	\$	56,923	\$	68,563	\$	66,592	\$	52,996
	34,472		35,034		38,050		43,895		45,926		47,747
	121,063		212,088		(41,159)		166,585		72,040		1,489
	(81,190)		(67,960)		(54,152)		(106,044)		(46,875)		(44,055)
	(784)		(1,200)		(796)		(865)		(814)		(907)
	(31)		(36)		(41)		(44)		(44)		(45)
	120,825		226,412		(1,175)		172,090		136,825		57,225
	1,600,577		1,374,165		1,375,340		1,203,250		1,066,425		1,009,200
\$	1,721,402	\$	1,600,577	\$	1,374,165	\$	1,375,340	\$	1,203,250	\$	1,066,425
\$	(77,976)	\$	2,956	\$	159,251	\$	38,743	\$	199,920	\$	235,507
	104.74%		99.82%		89.61%		97.26%		85.75%		81.91%
\$	689,432	\$	700,670	\$	761,006	\$	877,890	\$	918,513	\$	925,551
	-11.31%		0.42%		20.93%		4.41%		21.77%		25.45%

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

	Fiscal Year			
	2025	2024	2023	2022
Actuarially Determined Contribution	\$ 62,655	\$ 60,442	\$ 54,863	\$ 57,165
Contributions in Relation to the Actuarially Determined Contribution	(62,655)	(60,442)	(54,863)	(57,165)
Contribution Deficiency (Excess)	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Covered Payroll	\$ 1,042,634	\$ 1,044,233	\$ 963,832	\$ 838,638
Contributions as a Percentage of Covered Payroll	6.01%	5.79%	5.69%	6.82%

Fiscal Year					
2021	2020	2019	2018	2017	2016
\$ 50,440	\$ 47,672	\$ 50,228	\$ 58,629	\$ 70,009	\$ 61,975
(50,440)	(47,672)	(50,228)	(58,629)	(70,009)	(61,975)
<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
\$ 698,208	\$ 693,203	\$ 709,165	\$ 877,890	\$ 918,513	\$ 913,765
7.22%	6.88%	7.08%	6.68%	7.62%	6.78%

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

	Measurement Year			
	2024	2023	2022	2021
Total OPEB Liability:				
Service Cost	\$ 3,418	\$ 14,905	\$ 19,622	\$ 16,671
Interest on Total OPEB Liability	2,397	2,115	1,303	1,265
Changes of Benefit Terms Including TMRS Plan Participation	--	--	--	--
Differences Between Expected and Actual Experience	2,096	(1,177)	(14,380)	(12,358)
Changes of Assumptions or Other Inputs	(3,099)	3,131	(21,088)	1,747
Benefit Payments	(1,864)	(1,851)	(1,555)	(927)
Net Change in Total OPEB Liability	2,948	17,123	(16,098)	6,398
Total OPEB Liability - Beginning	62,806	45,683	61,781	55,383
Total OPEB Liability - Ending	<u>\$ 65,754</u>	<u>\$ 62,806</u>	<u>\$ 45,683</u>	<u>\$ 61,781</u>
Covered payroll	\$ 1,035,831	\$ 974,209	\$ 864,417	\$ 712,439
Total OPEB Liability as a Percentage of Covered Payroll	6.35%	6.45%	5.28%	8.67%

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

EXHIBIT B-4

Measurement Year				
2020	2019	2018	2017	
\$ 15,305	\$ 3,153	\$ 4,186	\$ 4,302	
1,482	1,786	1,589	1,486	
--	--	--	--	
(14,270)	(11,964)	(1,921)	--	
6,762	6,958	(2,946)	3,272	
(277)	(210)	(304)	(351)	
9,002	(277)	604	8,709	
46,381	46,658	46,054	37,345	
<u>\$ 55,383</u>	<u>\$ 46,381</u>	<u>\$ 46,658</u>	<u>\$ 46,054</u>	
\$ 689,432	\$ 700,670	\$ 761,006	\$ 877,890	
8.03%	6.62%	6.13%	5.25%	

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CITY OF TRINITY, TEXAS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED SEPTEMBER 30, 2025

A. Budgetary Data

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

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

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

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

B. Pension

Valuation Date:

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

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
Asset Valuation Method	10 Year Smoothed Market; 12% Soft Corridor
Inflation	2.50%
Salary Increase	3.6% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based table of rates that vary by age. Last updated for the 2023 valuation pursuant to an experience study of the period ending 2022.

Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence). Pre-retirement: PUB(10) mortality tables, with the 110% of the Public Safety table used for males and the 100% of the General Employee table used for females. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
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Other Information:

There were no benefit changes during the year.

C. Post Employment Benefits Other than Pension (OPEB)

Inflation	2.50%
Salary Increase	3.60% to 11.85% including inflation

Discount Rate*	4.08%
Retirees' Share of Benefit	
Related Costs	\$0
Administrative Expenses	All administrative expenses are paid through the Pension Trust and accounted for under reporting requirements under GASB Statement No. 68.
Mortality Rates	
Service Retirees	2019 Municipal Retirees of Texas Mortality Tables. Male rates are multiplied by 103% and female rates are multiplied by 105%. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence).
Disabled Retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by the most recent Scale MP-2021 (with immediate convergence) to account for future mortality improvements subject to the floor.

*The discount rate was based on the Bond Buyer "20-BondGO Index" rate closest to, but not later than December 31, 2024.

Note: The actuarial assumptions used in the December 31, 2024 valuation were based on the results of an actuarial experience study for the period ending December 31, 2022.

Combining Statements and Budget Comparisons as Supplementary Information

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

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CITY OF TRINITY, TEXAS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
SEPTEMBER 30, 2025

	Hotel/Motel Occupancy Tax Fund	Total Nonmajor Special Revenue Funds (See Exhibit A-3)
ASSETS:		
Cash and Cash Equivalents	\$ 9,378	\$ 9,378
Receivables:		
Due from Other Funds	8,961	8,961
Total Assets	<u>\$ 18,339</u>	<u>\$ 18,339</u>
LIABILITIES:		
DEFERRED INFLOWS OF RESOURCES:		
FUND BALANCES:		
Restricted for Special Revenue	\$ 18,339	\$ 18,339
Total Fund Balance	<u>18,339</u>	<u>18,339</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 18,339</u>	<u>\$ 18,339</u>

The accompanying notes are an integral part of this statement.

CITY OF TRINITY, TEXAS

COMBINING STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

	Hotel/Motel Occupancy Tax Fund	Total Nonmajor Special Revenue Funds (See Exhibit A-5)
REVENUE:		
Hotel Motel Tax	\$ 5,331	\$ 5,331
Investment Earnings	299	299
Total Revenues	<u>5,630</u>	<u>5,630</u>
EXPENDITURES:		
Total Expenditures	<u>--</u>	<u>--</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>5,630</u>	<u>5,630</u>
OTHER FINANCING SOURCES (USES):		
Transfers Out	<u>(2,169)</u>	<u>(2,169)</u>
Total Other Financing Sources (Uses)	<u>(2,169)</u>	<u>(2,169)</u>
Net Change in Fund Balances	3,461	3,461
Fund Balances - Beginning	14,878	14,878
Fund Balances - Ending	<u>\$ 18,339</u>	<u>\$ 18,339</u>

The accompanying notes are an integral part of this statement.

Other Supplementary Information

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

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DAVIS, HEINEMANN & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

1300 11TH STREET, SUITE 500

P.O. BOX 6308

HUNTSVILLE, TEXAS 77342

PHONE (936) 291-3020

FAX (936) 291-9607

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

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

Members of the City Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), 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, 2025, 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 September 8, 2026.

Report on 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) as a basis for designing 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 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 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) 2025-1, that we consider to be significant deficiencies.

Report on Compliance and Other Matters

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

Purpose of this Report

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

Respectfully submitted,

A handwritten signature in cursive script that reads "Davis, Heinemann & Co.".

Davis, Heinemann & Company, P.C.

Huntsville, Texas
September 8, 2026



DAVIS, HEINEMANN & COMPANY, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

1300 11TH STREET, SUITE 500

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HUNTSVILLE, TEXAS 77342

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FAX (936) 291-9607

Independent Auditor's Report on Compliance for Each Major Federal Program and
Report on Internal Control Over Compliance in Accordance with the Uniform Guidance

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

Members of the City Council:

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited City of Trinity, Texas' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on City of Trinity, Texas' major federal program for the year ended September 30, 2025. City of Trinity, Texas' major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, City of Trinity, Texas complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended September 30, 2025.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding City of Trinity, Texas' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of City of Trinity, Texas' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of City of Trinity, Texas' internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control

over compliance. Accordingly, no such opinion is expressed.

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

Respectfully submitted,

Davis, Heinemann + Co.

Davis, Heinemann & Company, P.C.

Huntsville, Texas
September 8, 2026

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CITY OF TRINITY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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 None Reported

Noncompliance material to financial statements noted? Yes X No

2. Federal Awards

Internal control over major programs:

One or more material weaknesses identified? Yes X No

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

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

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

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.228	CDBG Mitigation Program Infrastructure Projects

Dollar threshold used to distinguish between type A and type B programs: \$1,000,000

Auditee qualified as low-risk auditee? Yes X No

B. Financial Statement Findings

Finding 2025-1:

Criteria: The general ledger balances are verified by supporting documents.

Condition: The payroll liabilities, utility receivables and revenue, and customer deposits account balances on the ledger are not reconciled to the supporting documentation.

CITY OF TRINITY, TEXAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Effect: The payroll liabilities, utility receivables and revenue, and customer deposits accounts required significant adjustments to present balances fairly.

Recommendations: We recommend the balances in various accounts be reconciled to the source documents or subsidiary ledgers and recorded correctly between funds. We also recommend the City record utility billing and collections consistently across all fees and charges for services to help streamline the process and simplify the reconciliation process.

Management's Response: The City will work to reconcile the general ledger.

Contact Person: City Administrator, Tracy Hutto

Current Status: The City is in the process of working with the outside auditor to implement the correct procedures to record transactions and reconcile to the appropriate support.

C. Federal Award Findings and Questioned Costs

Finding 2025-2:

Criteria: 2 CFR 200 requires the City to file the Single Audit reporting package with the Federal Audit Clearinghouse within nine months of the end of the fiscal year.

Condition: The City did not file the current year audit report within nine months of the end of the fiscal year.

Effect: The City is not in compliance with 2 CFR 200 with respect to submitting the Single Audit reporting package.

Recommendation: The City should file the audit report as soon as it is received from the outside auditor.

Management's Response: The City will submit the Single Audit package as soon as the final audit is completed.

Contact Person: City Administrator, Tracy Hutto

CITY OF TRINITY, TEXAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

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

CITY OF TRINITY, TEXAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2025

Finding 2025-1

The City will reconcile appropriate accounts to the source documents or subsidiary ledgers. The City will work with the outside auditor to ensure an appropriate process is developed to consistently record transactions and simplify the reconciliations in various accounts.

Finding 2025-2

The City will submit the Single Audit package as soon as the final audit is completed and work with the outside auditor to ensure any future Single Audits are submitted timely.

CITY OF TRINITY, TEXAS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED SEPTEMBER 30, 2025

EXHIBIT D-1

Federal Grantor/ Pass-Through Grantor/ Program or Cluster Title	Federal ALN Number	Pass- Through Entity Identifying Number	Federal Expenditures
OTHER PROGRAMS:			
<u>U.S. Department of Homeland Security</u>			
Passed Through Texas Division of Emergency Management:			
Disaster Grants - Public Assistance	97.036	4781PATXP0000001	\$ 89,883
Total U.S. Department of Homeland Security			<u>89,883</u>
<u>U. S. Department of Housing & Urban Development</u>			
Passed Through Texas General Land Office:			
CDBG Mitigation Program Infrastructure Projects	14.228	B-18-DP-48-0002	1,871,188
Total U. S. Department of Housing & Urban Development			<u>1,871,188</u>
TOTAL EXPENDITURES OF FEDERAL AWARDS			<u>\$ 1,961,071</u>

The accompanying notes are an integral part of this schedule.

CITY OF TRINITY, TEXAS

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED SEPTEMBER 30, 2025

Basis of Presentation

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

Summary of Significant Accounting Policies

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

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