

CITY OF TRENTON, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2023

CITY OF TRENTON, TEXAS
Table of Contents
September 30, 2023

	<u>Page</u>	<u>Statement</u>
Independent Auditors' Report	1	
Basic Financial Statements:		
Government-Wide Financial Statements:		
Statement of Net Position – Modified Cash Basis	3	1
Statement of Activities – Modified Cash Basis	4	2
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet - Modified Cash Basis	5	3
Statement of Revenues, Expenditures, and Changes in Fund Balances – Modified Cash Basis	6	4
Proprietary Fund:		
Statement of Net Position – Modified Cash Basis	8	5
Statement of Revenues, Expenses, and Changes in Fund Net Position – Modified Cash Basis	9	6
Statement of Cash Flows – Modified Cash Basis	10	7
Fiduciary Fund:		
Statement of Net Position – Modified Cash Basis	11	8
Statement of Revenues, Expenses, and Changes in Fund Net Position – Modified Cash Basis	12	9
Notes to Financial Statements	13	
		<u>Schedule</u>
Other Information		
Budgetary Comparison Schedule – Modified Cash Basis - General Fund	29	1

McClanahan and Holmes, LLP
CERTIFIED PUBLIC ACCOUNTANTS

GEORGE H. STRUVE, CPA
DEBRA J. WILDER, CPA
TEFFANY A. KAVANAUGH, CPA
APRIL J. HATFIELD, CPA
BRITTANY L. MARTIN, CPA

STEVEN W. MOHUNDRO, CPA,
OF COUNSEL

228 SIXTH STREET S.E.
PARIS, TEXAS 75460
903-784-4316
FAX 903-784-4310

304 WEST CHESTNUT
DENISON, TEXAS 75020
903-465-6070
FAX 903-465-6093

1400 WEST RUSSELL
BONHAM, TEXAS 75418
903-583-5574
FAX 903-583-9453

INDEPENDENT AUDITORS' REPORT

Honorable Mayor and Members
of the City Council
City of Trenton, Texas

Opinions

We have audited the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Trenton, Texas, as of and for the year ended September 30, 2023, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash basis financial position of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Trenton, Texas, as of September 30, 2023, and the respective changes in modified cash basis financial position and, where applicable, cash flows thereof for the year then ended in accordance with the modified cash basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City of Trenton, 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.

Emphasis of Matter—Basis of Accounting

We draw attention to Note 1 of the financial statements, which describes the basis of accounting. The financial statements are prepared on the modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the modified cash basis of accounting described in Note 1, and for determining that the modified cash basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible 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.

Honorable Mayor and Members
of the City Council
City of Trenton, Texas

Auditors' 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 auditors' 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 generally accepted 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 generally accepted 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.

Other Matters

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the budgetary comparison information but does not include the basic financial statements and our auditors' 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 basic 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.

McClanahan and Holmes, LLP
Certified Public Accountants

Bonham, Texas
March 26, 2024

CITY OF TRENTON, TEXAS
Statement of Net Position - Modified Cash Basis
September 30, 2023

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Trenton Community Development Corporation
ASSETS				
Cash and Cash Equivalents	\$ 735,694	\$ 236,491	\$ 972,185	\$ 228,981
Investments	12,521	-	12,521	-
Intergovernmental Receivables	-	-	-	10,988
Internal Balances	83,269	(83,269)	-	-
Restricted Assets:				
Cash	-	2,464,485	2,464,485	-
Investments	-	45,554	45,554	-
Capital Assets Not Being Depreciated:				
Land	123,526	-	123,526	-
Software Development in Progress	7,450	-	7,450	-
Construction in Progress	-	39,095	39,095	-
Capital Assets, Net of Accumulated Depreciation:				
Improvements	592,591	-	592,591	92,726
Buildings	368,336	-	368,336	-
Furniture, Equipment, and Vehicles	57,002	32,574	89,576	-
Utility Plant in Service	-	2,643,592	2,643,592	-
Total Assets	1,980,389	5,378,522	7,358,911	332,695
LIABILITIES				
Payroll Liabilities	2,889	1,325	4,214	-
Intergovernmental Payable	10,988	-	10,988	-
Customers' Meter Deposits	-	33,618	33,618	-
Noncurrent Liabilities:				
Due Within One Year	60,508	172,976	233,484	-
Due in More than One Year	308,853	3,325,042	3,633,895	-
Total Liabilities	383,238	3,532,961	3,916,199	-
NET POSITION				
Net Investment in Capital Assets	779,544	1,630,148	2,409,692	92,726
Restricted for:				
Debt Service	27,478	-	27,478	-
Grant Expenditures	148,083	-	148,083	-
Unrestricted	642,046	215,413	857,459	239,969
Total Net Position	\$ 1,597,151	\$ 1,845,561	\$ 3,442,712	\$ 332,695

The notes to financial statements are
an integral part of this statement.

CITY OF TRENTON, TEXAS
Statement of Activities - Modified Cash Basis
For the Year Ended September 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position			Component Unit Trenton Community Development Corporation
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	
Primary Government								
Governmental Activities:								
General Government	\$ 287,563	\$ -	\$ -	\$ -	\$ (287,563)	\$ -	\$ (287,563)	\$ -
Public Safety	415,866	69,166	-	-	(346,700)	-	(346,700)	-
Sanitation Contract	127,270	133,366	-	-	6,096	-	6,096	-
Street Maintenance	52,730	-	-	-	(52,730)	-	(52,730)	-
Interest	10,992	-	-	-	(10,992)	-	(10,992)	-
Total Governmental Activities	894,421	202,532	-	-	(691,889)	-	(691,889)	-
Business-Type Activities:								
Water and Sewer	929,223	688,857	-	-	-	(240,366)	(240,366)	-
Total Primary Government	\$ 1,823,644	\$ 891,389	\$ -	\$ -	(691,889)	(240,366)	(932,255)	-
Component Unit								
Trenton Community Development Corporation	\$ 92,409	\$ -	\$ -	\$ 455				(91,954)
General Revenues								
Taxes:								
Property Tax					489,735	-	489,735	-
Sales Tax					179,671	-	179,671	90,100
Franchise Tax					30,520	-	30,520	-
Miscellaneous Revenue					71,490	329	71,819	-
Interest on Investments					3,650	9,936	13,586	955
Gain (Loss) on Sale of Assets					-	7,084	7,084	-
Transfers					(289,143)	289,143	-	-
Total General Revenues and Transfers					485,923	306,492	792,415	91,055
Change in Net Position					(205,966)	66,126	(139,840)	(899)
Net Position - Beginning					1,803,117	1,779,435	3,582,552	333,594
Net Position - Ending					\$ 1,597,151	\$ 1,845,561	\$ 3,442,712	\$ 332,695

The notes to financial statements are an integral part of this statement.

CITY OF TRENTON, TEXAS
Governmental Funds
Balance Sheet - Modified Cash Basis
September 30, 2023

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 713,877	\$ 21,817	\$ 735,694
Investments	12,521	-	12,521
Due From Other Funds	83,269	5,661	88,930
Total Assets	\$ 809,667	\$ 27,478	\$ 837,145
LIABILITIES			
Payroll Liabilities	\$ 2,889	\$ -	\$ 2,889
Intergovernmental Payable	10,988	-	10,988
Due To Other Funds	5,661	-	5,661
Total Liabilities	19,538	-	19,538
FUND BALANCES			
Restricted Fund Balance:			
Debt Service	-	27,478	27,478
Grant Expenditures	148,083	-	148,083
Unassigned Fund Balance:	642,046	-	642,046
Total Fund Balances	790,129	27,478	817,607
Total Liabilities and Fund Balances	\$ 809,667	\$ 27,478	\$ 837,145
Fund Balances - Total Governmental Funds (above)			\$ 817,607
Amounts reported for governmental activities in the statement of net position are different because:			
Capital assets used in government activities are not financial resources and therefore are not reported in the funds. The cost of the assets are \$2,567,205 and the accumulated depreciation is \$1,418,300.			
			1,148,905
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:			
Time Warrants Payable			(30,928)
Certificates of Obligation			(285,000)
Notes Payable			(53,433)
Net Position of Governmental Activities			\$ 1,597,151

The notes to financial statements are
an integral part of this statement.

CITY OF TRENTON, TEXAS
 Governmental Funds
 Statement of Revenues, Expenditures, and Changes in Fund Balances -
 Modified Cash Basis
 For the Year Ended September 30, 2023

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES			
Property Tax	\$ 321,877	\$ 167,858	\$ 489,735
Sales Tax	179,671	-	179,671
Franchise Tax	30,520	-	30,520
Fines	69,166	-	69,166
Sanitation Fees and Charges	133,366	-	133,366
Interest	3,430	220	3,650
Payment in Lieu of Taxes-(Housing Authority)	6,363	-	6,363
Miscellaneous	65,127	-	65,127
Total Revenues	809,520	168,078	977,598
EXPENDITURES			
Current:			
General Government:			
Contractual Services	17,881	-	17,881
Insurance - Property, Liability, and Workers' Compensation	24,419	-	24,419
Office	24,140	-	24,140
Professional Fees	125,666	-	125,666
Appraisal District	20,997	-	20,997
Utilities	36,669	-	36,669
Park Improvements and Maintenance	4,659	-	4,659
Other	2,505	-	2,505
Public Safety:			
Heath Insurance	22,284	-	22,284
Payroll - Police	172,565	-	172,565
Payroll - Office	81,277	-	81,277
Payroll Taxes	15,373	-	15,373
Retirement	8,069	-	8,069
Municipal Court	11,780	-	11,780
Police Department	52,719	-	52,719
Fire Department	8,184	-	8,184
Sanitation Contract	127,270	-	127,270
Street Maintenance and Equipment	11,266	-	11,266
Capital Outlay	15,752	-	15,752
Debt Service:			
Principal	12,175	46,162	58,337
Interest and Fees	1,523	9,469	10,992
Total Expenditures	797,173	55,631	852,804

The notes to financial statements are
 an integral part of this statement.

CITY OF TRENTON, TEXAS
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances -
Modified Cash Basis (Continued)
For the Year Ended September 30, 2023

	General Fund	Debt Service Fund	Total Governmental Funds
Excess (Deficiency) of Revenues over Expenditures	12,347	112,447	124,794
OTHER FINANCING SOURCES (USES)			
Transfers In (Out)	(172,542)	(116,601)	(289,143)
Total Other Financing Sources (Uses)	(172,542)	(116,601)	(289,143)
Net Change in Fund Balances	(160,195)	(4,154)	(164,349)
Fund Balances - Beginning	950,324	31,632	981,956
Fund Balances - Ending	\$ 790,129	\$ 27,478	\$ 817,607
 Net Change in Fund Balances - Total Governmental Funds (above)			 \$ (164,349)
 Amounts reported for governmental activities in the statement of activities are different because:			
 Governmental Funds report capital outlays as expenditures. However, in the Government-Wide Statement of Activities the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation (\$115,706) exceeded capital outlay (\$15,752) in the current year.			
			(99,954)
 Repayment of long-term debt is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.			
			58,337
Change in Net Position - Governmental Activities			\$ (205,966)

The notes to financial statements are
an integral part of this statement.

CITY OF TRENTON, TEXAS
Proprietary Fund
Statement of Net Position - Modified Cash Basis
September 30, 2023

	Business-Type Activities
	Water and Sewer Fund
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 236,491
Restricted Assets	
Restricted Cash	2,464,485
Restricted Investments	45,554
Total Current Assets	2,746,530
Noncurrent Assets	
Capital Assets:	
Construction in Progress	39,095
Furniture, Equipment, and Vehicles	140,481
Utility Plant in Service	5,773,690
Less Accumulated Depreciation	(3,238,005)
Total Noncurrent Assets	2,715,261
Total Assets	5,461,791
LIABILITIES	
Current Liabilities	
Payroll Liabilities	1,325
Note Payable - Current	15,855
Time Warrants Payable - Current	60,121
Certificates of Obligation - Current	97,000
Customers' Meter Deposits	33,618
Due to Other Funds	83,269
Total Current Liabilities	291,188
Noncurrent Liabilities	
Note Payable	16,566
Time Warrants Payable	17,476
Certificates of Obligation	3,291,000
Total Noncurrent Liabilities	3,325,042
Total Liabilities	3,616,230
NET POSITION	
Net Investment in Capital Assets	1,630,148
Unrestricted	215,413
Total Net Position	\$ 1,845,561

The notes to financial statements are
an integral part of this statement.

CITY OF TRENTON, TEXAS
Proprietary Fund
Statement of Revenues, Expenses, and Changes in Fund Net Position -
Modified Cash Basis
For the Year Ended September 30, 2023

	Business-Type Activities
	Water and Sewer Fund
OPERATING REVENUES	
Customer Charges	\$ 688,857
Miscellaneous Income	329
Total Operating Revenues	689,186
OPERATING EXPENSES	
Payroll	100,827
Payroll Taxes	26,228
Retirement	4,129
Water and Wastewater Services	55,255
Insurance - Health	33,823
Insurance - Property, Liability, and Workers' Compensation	12,511
Utilities	50,618
Water and Sewer System Maintenance	337,000
Vehicle Expenses	11,214
Miscellaneous	11,670
Depreciation	147,922
Total Operating Expenses	791,197
Operating Income (Loss)	(102,011)
NONOPERATING REVENUES (EXPENSES)	
Interest Income	9,936
Gain (Loss) on Sale of Assets	7,084
Interest Expense	(90,026)
Bond Issuance Costs	(48,000)
Total Nonoperating Revenues (Expenses)	(121,006)
Income (Loss) Before Capital Contributions and Transfers	(223,017)
Transfers In	289,143
Change in Net Position	66,126
Net Position - Beginning	1,779,435
Net Position - Ending	\$ 1,845,561

The notes to financial statements are
an integral part of this statement.

CITY OF TRENTON, TEXAS
Proprietary Fund
Statement of Cash Flows - Modified Cash Basis
For the Year Ended September 30, 2023

	Business-Type Activities
	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 690,671
Payments to Suppliers and Service Providers	(512,091)
Payments to Employees for Salaries and Benefits	(131,450)
Net Cash Provided By (Used For) Operating Activities	47,130
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer (to) from Other Funds	289,143
Net Cash Provided By (Used For) Noncapital Financing Activities	289,143
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(39,095)
Proceeds from Note Payable	2,500,000
Principal Payments on Note Payable	(15,174)
Principal Payments on Time Warrants	(57,939)
Principal Payments on Certificates of Obligation	(17,000)
Interest Payments on Debt	(90,026)
Bond Issuance Costs Paid on Debt	(48,000)
Proceeds from the Sale of Assets	6,977
Net Cash Provided By (Used For) Capital and Related Financing Activities	2,239,743
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Interest Earnings	9,936
Net Cash Provided By (Used For) Investing Activities	9,936
Net Increase (Decrease) in Cash and Cash Equivalents	2,585,952
Cash and Cash Equivalents, Beginning	115,024
Cash and Cash Equivalents, Ending	\$ 2,700,976
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For)	
Operating Activities:	
Operating Income (Loss)	\$ (102,011)
Adjustments to Reconcile Operating Income (Loss) to	
Net Cash Provided By (Used For) Operating Activities:	
Depreciation	147,922
Decrease (Increase) in Overpayments	1,750
Increase (Decrease) in Payroll Liabilities	(266)
Increase (Decrease) in Customers' Deposits	(265)
Total Adjustments	149,141
Net Cash Provided By (Used For) Operating Activities	\$ 47,130

The notes to financial statements are
an integral part of this statement.

CITY OF TRENTON, TEXAS
 Fiduciary Fund
 Statement of Net Position - Modified Cash Basis
 September 30, 2023

	Anderson Crossing Public Improvement District
	Custodial Fund
ASSETS	
Current Assets	
Cash and Cash Equivalents	\$ 5,373
Total Current Assets	5,373
Total Assets	5,373
NET POSITION	
Restricted for Property Owners	5,373
Total Net Position	\$ 5,373

The notes to financial statements are
 an integral part of this statement.

CITY OF TRENTON, TEXAS
 Fiduciary Fund
 Statement of Revenues, Expenses, and Changes in Fund Net Position -
 Modified Cash Basis
 For the Year Ended September 30, 2023

	Anderson Crossing Public Improvement District
	Custodial Fund
ADDITIONS	
Capital Contributions from Developers	\$ 30,000
Total Operating Revenues	30,000
DEDUCTIONS	
Materials, Supplies, and Contracted Services	24,627
Total Operating Expenses	24,627
Change in Net Position	5,373
Net Position - Beginning	-
Net Position - Ending	\$ 5,373

The notes to financial statements are
 an integral part of this statement.

CITY OF TRENTON, TEXAS
Notes to Financial Statements
September 30, 2023

Note 1: Summary of Significant Accounting Policies

The City of Trenton is a municipal corporation governed by elected councilmen and a mayor. The City's major operations include public safety, public works, and general government services. Additionally, the City operates a water and sewer system.

As discussed further in Note 1.C, these financial statements are presented on a modified cash basis of accounting. The modified cash basis of accounting differs from accounting principles generally accepted in the United States of America. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled Audits of State and Local Governmental Units, and by the Financial Accounting Standards Board (when applicable). The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note. The more significant accounting policies of the City are described below:

A. Financial Reporting Entity

In evaluating how to define the government for financial reporting purposes, management has considered all potential component units. The basic – but not the only – criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens, or whether the activity is conducted within the geographic boundaries of the government and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, a component unit is included in the accompanying financial statements.

The City of Trenton, for financial purposes, includes all of the funds relevant to the operations of the City of Trenton. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the City. The component unit does not issue separately audited financial statements.

The component unit referred to above is the Trenton Community Development Corporation. The entity was incorporated under the Texas Non-Profit Corporation Act on December 10, 1998. It operates without capital stock and was formed to promote high quality development in the City of Trenton by the enhancement and expansion of the local economy through financial and other incentives. The governing body of Trenton Community Development Corporation is appointed by the City Council.

Anderson Crossing Custodial Fund: Anderson Crossing Public Improvement District (PID) issued a special assessment revenue bond for major capital improvements. The bond will be paid from the special assessments levied by the PID on property owners within the PID's geographical boundaries. The City collects the special assessment receipts and makes the debt service payments for the PID. The debt service transactions of a special assessment for which the government is not obligated in any manner are reported in a custodial fund rather than a debt service fund, to reflect the fact that the government's duties are limited to acting as a custodian of funds for the assessed property owners and the bondholders. No separate financial statements are available.

CITY OF TRENTON, TEXAS
Notes to Financial Statements (Continued)
September 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation

Government-Wide Statements

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole. They include all funds of the reporting entity and its component unit. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Fiduciary activities are not included in the government-wide financial statements, as they cannot be used to support the City's own programs.

Fund Financial Statements

The City segregates transactions related to certain functions or activities in separate funds in order to aid in financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as a separate column on the fund financial statements.

The City has the following major funds:

Governmental Funds

General Fund - The General Fund is the general operating fund of the City. It is used to account for all activities except those legally or administratively required to be accounted for in other funds.

Debt Service Fund – The Debt Service Fund is used to account for the accumulation of resources for, and the payment of, general obligation debt of governmental funds.

Proprietary Fund

Enterprise Fund - The Proprietary Fund is used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges. The City's one proprietary fund is the Water and Sewer Fund which is used to account for the provision of water and sewer services to the City's residents.

Fiduciary Fund

Custodial Fund - The Fiduciary Fund is used to account for assets held by the City in a trustee capacity or custodian for individuals, private organizations, other governments, and/or other funds. The City's one fiduciary fund is the Anderson Crossing Public Improvement District Custodial Fund which is used to account for the assets held by the City for the repayment of special assessment debt that the City is not obligated to pay from its own assets. These assets are excluded from the government-wide financial statements as they cannot be used to support the City's own programs.

CITY OF TRENTON, TEXAS
Notes to Financial Statements (Continued)
September 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting

Measurement Focus

In the government-wide Statement of Net Position and the Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as defined below:

In the fund financial statements, the “current financial resources” measurement focus, as applied to the modified cash basis of accounting, is used.

- a. All governmental funds utilize a “current financial resources” measurement focus. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.
- b. The proprietary fund utilizes an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities (whether current or noncurrent, financial, or nonfinancial) associated with their activities are reported. Proprietary fund balance is classified as net position.

Basis of Accounting

The City of Trenton prepares its financial statements on the modified cash basis. The modified cash basis recognizes revenue when collected rather than when it is earned, and expenses are generally recognized when paid rather than when the obligation is incurred. Therefore, the financial statements do not reflect receivables, payables, and accrued items. However, payroll liabilities and other amounts that the City collects and remits to third parties are shown as current liabilities. Depreciation of fixed assets is presented in the government-wide statements and the proprietary fund statements. This basis is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

D. Assets, Liabilities, and Equity

Cash and Cash Equivalents

For the purpose of financial reporting, cash includes all cash on hand, demand and savings accounts, and certificates of deposit with an original maturity of three months or less.

Investments

Investments classified in the financial statements consist entirely of certificates of deposit whose original maturity term exceeds three months. Investments are carried at cost, which approximates fair value. The certificates of deposit are not rated.

CITY OF TRENTON, TEXAS
Notes to Financial Statements (Continued)
September 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Equity (Continued)

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for the proprietary fund. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated assets are valued at their fair market value on the date donated. The cost of normal repairs and maintenance that do not add to the value of the asset or materially extend assets lives are not capitalized. The City elected not to report major general infrastructure assets retroactively. Therefore, infrastructure assets acquired after October 1, 2003 will be recorded at cost.

Assets capitalized have an original cost of more than \$5,000 and useful life in excess of one year. Depreciation has been provided over the estimated useful lives using the straight-line method of depreciation. The estimated useful lives are as follows:

Improvements	10-40 Years
Buildings	40-50 Years
Furniture, Equipment, and Vehicles	5-7 Years
Utility Plant In Service	10-50 Years

Long-Term Debt

All long-term debt arising from cash basis transactions to be repaid from governmental and business-type resources is reported as liabilities in the government-wide statements.

Long-term debt arising from cash basis transactions of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

Net Position/Fund Balance

Net position represents the difference between assets and liabilities. Net investment in capital assets, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction, or improvements of those assets, and adding back unspent proceeds. Net position is reported as restricted when there are limitations imposed on its use either through the enabling legislations adopted by the City or through external restrictions imposed by creditors, grantors, or laws and regulations of other governments. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

As of September 30, 2023, fund balances of the governmental funds are classified as follows:

Non-spendable – Amounts that cannot be spent either because they are in non-spendable form or because they are legally or contractually required to be maintained intact.

Restricted – Amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments. The City does not have any restricted fund balances by enabling legislation.

CITY OF TRENTON, TEXAS
Notes to Financial Statements (Continued)
September 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Equity (Continued)

Committed – Amounts that can be used only for specific purposes determined by a formal action of the City Council. The City Council is the highest level of decision making authority for the City. Commitments may be established, modified, or rescinded only through ordinances or resolutions approved by the City Council.

Assigned – Amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the City’s adopted policy, only the City Council may assign amounts for specific purposes.

Unassigned – All other spendable amounts.

When an expenditure is incurred for purposes 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, as needed, unless the City Council has provided otherwise in its commitment or assignment actions.

E. Revenues, Expenditures, and Expenses

Program Revenues

In the Statement of Activities, modified cash basis revenues that are derived directly from each activity or from parties outside the City’s taxpayers are reported as program revenues. These include fine and sanitation revenue and specific donations. All other governmental revenues are reported as general. All taxes are classified as general revenue even if restricted for a specific purpose.

Operating Revenue and Expenses

Operating revenues and expenses for the proprietary fund result from providing services and producing and delivering goods and/or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

F. Interfund Activity

Transfers between governmental and business-type activities on the government-wide statements are reported in the same manner as general revenues.

Exchange transactions between funds are reported as revenues in the seller funds and as expenditures/expenses in the purchaser funds. Flows of cash or goods from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers are reported as other financing sources/uses in governmental funds and after nonoperating revenues/expenses in proprietary funds. Amounts reported as interfund transfers in the fund financial statements are eliminated in the government-wide Statement of Activities except for the net amount of transfers between governmental and business-type activities, which are reported as Transfers. Repayments from funds responsible for particular expenditures/expenses to the funds that initially paid for them are not presented on the financial statements.

CITY OF TRENTON, TEXAS
Notes to Financial Statements (Continued)
September 30, 2023

Note 2: Stewardship, Compliance, and Accountability

By its nature as a local government unit, the City and its component unit are subject to various federal, state, and local laws and contractual regulations. The following instances of noncompliance are considered material to the financial statements:

For the year ended September 30, 2023, the City's expenditures exceeded appropriations at the legal level of control in the General Fund as follows:

<u>Object Category</u>	<u>Expenditures Exceeding Appropriations</u>
Contractual Services	\$ 2,881
Insurance – Property, Liability, and Workers' Compensation	1,419
Professional Fees	57,666
Health Insurance	7,284
Payroll – Police	12,565
Payroll – Office	27,277
Payroll Taxes	2,373
Retirement	1,069
Sanitation Contract	127,270
Street Maintenance and Equipment	3,266
Capital Outlay	15,752
Debt Service	1,523
Transfers In (Out)	172,542

The over-expenditures were funded by available fund balance.

Note 3: Bank Deposits and Investments

Primary Government

The City has not adopted formal deposit and investment policies other than that of the State of Texas.

Custodial credit risk for deposits is the risk that in the event of a bank failure, the City's deposits may not be returned or the City will not be able to recover collateral securities in the possession of an outside party. The City's policy requires deposits to be secured by collateral valued at market or par, whichever is lower, less the amount of the Federal Deposit Insurance Corporation insurance (FDIC). Deposited funds may be invested in certificates of deposits in institutions that are domiciled in the State of Texas. Collateral agreements must be approved prior to deposit of funds as provided by law.

Credit risk is the risk that an issuer of an investment will not fulfill its obligations to the holder of the investment. This type of risk is typically expressed in terms of the credit ratings issued by a nationally recognized statistical rating organization. Certificates of Deposit do not receive a credit rating.

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The City's investment balance consists of only Certificates of Deposit as described above.

Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

CITY OF TRENTON, TEXAS
Notes to Financial Statements (Continued)
September 30, 2023

Note 3: Bank Deposits and Investments (Continued)

Primary Government (Continued)

The Public Funds Investment Act requires the City to have independent auditors perform test procedures related to investment practices as prescribed by that legislation. The Act also requires a designated investment officer to complete training on topics pertaining to the Act. The training failed to be completed, therefore the City lacks the requirements to be in compliance with the Texas Public Funds Investment Act.

In accordance with State law, all uninsured deposits of municipal funds in financial institutions must be secured with acceptable collateral. Acceptable collateral includes certain U.S. Government or Government Agency securities, certain State or political subdivision debt obligations, surety bonds, or certain letters of credit. At September 30, 2023, the carrying amount of deposits was \$3,500,118 and the bank balance was \$3,506,283. As of September 30, 2023, the City was not exposed to custodial credit risk since \$79,568 was insured by FDIC and \$3,426,715 was secured by a pledged FHLB Custodial Standby Letter of Credit.

The City's Certificates of Deposit totaling \$58,075 are considered deposits for this footnote but are classified as investments on the face of the financial statements.

Component Unit

At September 30, 2023, the carrying amount of the Trenton Community Development Corporation's deposits was \$228,981 and the bank balance was \$228,981. As of September 30, 2023, Trenton Community Development Corporation was not exposed to custodial credit risk since \$228,981 was insured by FDIC.

Note 4: Restricted Assets

The ordinance authorizing the issuance of the Certificates of Obligation provides for monthly deposits to an interest and sinking fund sufficient to pay maturing principal and interest. The Certificates were issued for the purpose of paying costs associated with the construction of improvements and extensions to the City's combined water and sewage system.

An analysis of restricted assets at September 30, 2023, follows:

	Cash	Certificates of Deposit	Total
Interest and Sinking Fund	\$ -	\$ 29,054	\$ 29,054
Customer's Meter Deposits	17,118	16,500	33,618
Restricted for Well Construction	2,447,367	-	2,447,367
	\$2,464,485	\$ 45,554	\$ 2,510,039

Note 5: Property Taxes

Property taxes are levied by October 1 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. Tax rates per \$100 valuation for the 2022 levy amounted to .4544 for maintenance and operation and .2409 for interest and sinking.

CITY OF TRENTON, TEXAS
Notes to Financial Statements (Continued)
September 30, 2023

Note 6: Capital Assets

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

	<u>Balance</u> <u>9/30/22</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>9/30/23</u>
Governmental Activities:				
Capital Assets, not being Depreciated:				
Land	\$ 123,526	\$ -	\$ -	\$ 123,526
Software Development in Progress	<u>-</u>	<u>7,450</u>	<u>-</u>	<u>7,450</u>
	<u>123,526</u>	<u>7,450</u>	<u>-</u>	<u>130,976</u>
Capital Assets being Depreciated:				
Improvements	1,446,567	-	-	1,446,567
Buildings	445,977	-	-	445,977
Furniture, Equipment, and Vehicles	<u>535,383</u>	<u>8,302</u>	<u>-</u>	<u>543,685</u>
	<u>2,427,927</u>	<u>8,302</u>	<u>-</u>	<u>2,436,229</u>
Less Accumulated Depreciation for:				
Improvements	784,676	69,300	-	853,976
Buildings	66,617	11,024	-	77,641
Furniture, Equipment, and Vehicles	<u>451,301</u>	<u>35,382</u>	<u>-</u>	<u>486,683</u>
Total Accumulated Depreciation	<u>1,302,594</u>	<u>115,706</u>	<u>-</u>	<u>1,418,300</u>
Capital Assets being Depreciated, Net	<u>1,125,333</u>	<u>(107,404)</u>	<u>-</u>	<u>1,017,929</u>
Governmental Activities Capital Assets, Net	<u>\$ 1,248,859</u>	<u>\$ (99,954)</u>	<u>\$ -</u>	<u>\$ 1,148,905</u>

CITY OF TRENTON, TEXAS
Notes to Financial Statements (Continued)
September 30, 2023

Note 6: Capital Assets (Continued)

	<u>Balance</u> <u>9/30/22</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>9/30/23</u>
Business-Type Activities:				
Capital Assets, not being Depreciated:				
Construction in Progress	\$ -	\$ 39,095	\$ -	\$ 39,095
	<u>-</u>	<u>39,095</u>	<u>-</u>	<u>39,095</u>
Capital Assets being Depreciated:				
Furniture, Equipment, and Vehicles	148,232	-	(7,751)	140,481
Utility Plant in Service	5,773,690	-	-	5,773,690
	<u>5,921,922</u>	<u>-</u>	<u>(7,751)</u>	<u>5,914,171</u>
Less Accumulated Depreciation for:				
Furniture, Equipment, and Vehicles	104,257	11,508	(7,858)	107,907
Utility Plant in Service	2,993,684	136,414	-	3,130,098
	<u>3,097,941</u>	<u>147,922</u>	<u>(7,858)</u>	<u>3,238,005</u>
Capital Assets being Depreciated, Net	<u>2,823,981</u>	<u>(147,922)</u>	<u>107</u>	<u>2,676,166</u>
Business-Type Activities Capital Assets, Net	<u>\$ 2,823,981</u>	<u>\$ (108,827)</u>	<u>\$ 107</u>	<u>\$ 2,715,261</u>

CITY OF TRENTON, TEXAS
Notes to Financial Statements (Continued)
September 30, 2023

Note 6: Capital Assets (Continued)

	<u>Balance</u> <u>9/30/22</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>9/30/23</u>
Component Unit:				
Capital Assets, not being Depreciated:				
Land	\$ -	\$ -	\$ -	\$ -
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Capital Assets being Depreciated:				
Improvements	138,155	-	-	138,155
	<u>138,155</u>	<u>-</u>	<u>-</u>	<u>138,155</u>
Less Accumulated Depreciation for:				
Improvements	39,101	6,328	-	45,429
Total Accumulated Depreciation	<u>39,101</u>	<u>6,328</u>	<u>-</u>	<u>45,429</u>
Capital Assets being Depreciated, Net	<u>99,054</u>	<u>(6,328)</u>	<u>-</u>	<u>92,726</u>
Component Unit Capital Assets, Net	<u>\$ 99,054</u>	<u>\$ (6,328)</u>	<u>\$ -</u>	<u>\$ 92,726</u>

Depreciation expense was charged to functions/programs in the Statement of Activities as follows:

Governmental Activities:	
General Government	\$ 30,625
Public Safety	43,615
Street Maintenance	41,466
Total Depreciation Expense-Governmental Activities	<u>\$ 115,706</u>

Note 7: Long-Term Debt

The City's long-term debt arising from cash transactions is segregated between the amounts to be repaid from governmental activities and amounts to be repaid from business-type activities. Long-term debt is comprised of the following:

Governmental Activities

	<u>Balance</u> <u>9/30/23</u>
Time Warrants:	
\$274,689 Time Warrants issued April 5, 2013, bear interest at 3.75% and are payable in monthly installments of \$2,427 with the final payment due April 5, 2025. The warrants were used to refinance other time warrants and bonds.	\$ 30,928
Total Time Warrants	<u>\$ 30,928</u>

CITY OF TRENTON, TEXAS
Notes to Financial Statements (Continued)
September 30, 2023

Note 7: Long-Term Debt (Continued)

Governmental Activities (Continued)

Certificates of Obligation:

\$300,000 Certificates of Obligation issued September 15, 2020, to be used for fire station construction, bear interest at 2.25% and are payable in annual principal installments of \$5,000 to \$12,000 with the final payment due in 2060. \$ 285,000

Total Certificates of Obligation \$ 285,000

Notes Payable:

\$67,393 Note Payable to First State Bank, due in annual installments of \$15,160 through November 2023, with interest at 4.05%. \$ 14,674

\$62,758 Note Payable to American National Leasing Company, due in annual installments of \$13,700 through February 2026, with interest at 2.99%. 38,759

Total Notes Payable \$ 53,433

Business-Type Activities

Certificates of Obligation:

\$1,034,000 Texas Combination Tax and Junior Lien Revenue Certificates of Obligation, Series 2011, bear interest at 3.5% and are payable in annual principal amounts of \$17,000 to \$48,000 through 2052. \$ 888,000

\$2,500,000 City of Trenton, Texas Certificates of Obligation, Series 2022, bear interest at 4.45% and are payable in annual principal amounts of \$79,000 to \$185,000 through 2042. \$2,500,000

Total Certificates of Obligation \$3,388,000

Time Warrants:

\$595,589 Time Warrants issued April 5, 2013, bear interest at 3.75% and are payable in monthly installments of \$5,157 with the final payment due April 5, 2025. The warrants were used to refinance other time warrants and certificates of obligation. \$ 77,597

Total Time Warrants \$ 77,597

Notes Payable:

\$76,006 Note Payable to American National Leasing Company, due in annual installments of \$17,311 through October 2024, with interest at 4.49%. \$ 32,421

Total Notes Payable \$ 32,421

CITY OF TRENTON, TEXAS
Notes to Financial Statements (Continued)
September 30, 2023

Note 7: Long-Term Debt (Continued)

The following is a summary of changes in long-term debt for the year ended September 30, 2023:

<u>Type of Debt</u>	<u>Balance 9/30/22</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 9/30/23</u>	<u>Due Within One Year</u>
<u>Governmental Activities:</u>					
Time Warrants	\$ 58,192	\$ -	\$ 27,264	\$ 30,928	\$ 28,292
Certificates of Obligation	290,000	-	5,000	285,000	5,000
Notes Payable	<u>79,506</u>	<u>-</u>	<u>26,073</u>	<u>53,433</u>	<u>27,216</u>
Total Governmental Activities:	<u>\$ 427,698</u>	<u>\$ -</u>	<u>\$ 58,337</u>	<u>\$ 369,361</u>	<u>\$ 60,508</u>
<u>Business-Type Activities:</u>					
Certificates of Obligation	\$ 905,000	\$2,500,000	\$ 17,000	\$3,388,000	\$ 97,000
Time Warrants	135,536	-	57,939	77,597	60,121
Notes Payable	<u>47,595</u>	<u>-</u>	<u>15,174</u>	<u>32,421</u>	<u>15,855</u>
Total Business-Type Activities:	<u>\$1,088,131</u>	<u>\$2,500,000</u>	<u>\$ 90,113</u>	<u>\$3,498,018</u>	<u>\$172,976</u>

Annual debt service requirements to maturity for long-term debt are as follows:

<u>Year Ending September 30,</u>	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	
2024	\$ 60,508	\$ 8,994	\$ 172,976	\$ 143,567	\$ 386,045
2025	20,550	7,126	136,042	136,846	300,564
2026	18,303	6,586	105,000	131,587	261,476
2027	5,000	6,075	111,000	126,962	249,037
2028	5,000	5,963	116,000	122,182	249,145
2029-2033	30,000	27,900	656,000	530,328	1,244,228
2034-2038	33,000	24,458	814,000	373,219	1,244,677
2039-2043	36,000	20,589	1,010,000	178,417	1,245,006
2044-2048	41,000	16,315	195,000	49,480	301,795
2049-2053	46,000	11,476	182,000	13,047	252,523
2054-2058	51,000	6,075	-	-	57,075
2059-2060	<u>23,000</u>	<u>788</u>	<u>-</u>	<u>-</u>	<u>23,788</u>
	<u>\$ 369,361</u>	<u>\$ 142,345</u>	<u>\$3,498,018</u>	<u>\$1,805,635</u>	<u>\$5,815,359</u>

CITY OF TRENTON, TEXAS
Notes to Financial Statements (Continued)
September 30, 2023

Note 8: Interfund Balances and Transfers

Interfund transfers for the year ended September 30, 2023, consisted of the following individual amounts:

Transfers to Water and Sewer Fund From:	
General Fund	\$ 172,542
Debt Service Fund	<u>116,601</u>
Total Transferred to Water and Sewer Fund	<u>\$ 289,143</u>

The transfer from General Fund is for water and sewer assets purchased by General Fund. The transfer from Debt Service was used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them.

Due To/Due From's for the year ended September 30, 2023 consisted of the following:

Due to General Fund From:	
Water Sewer	\$ 83,269
Total Due to General Fund	<u>\$ 83,269</u>
Due to Debt Service Fund From:	
General Fund	\$ 5,661
Total Due to Debt Service Fund	<u>\$ 5,661</u>

\$24,000 of the due to/due from was used by the City to pay for the sewer development plan and engineering fees. The City borrowed the proceeds from the City Park grant. \$59,269 was used to pay the garbage fee. \$13,246 due to Debt Service Fund was for debt payments made out of Debt Service for General Fund. Conversely, \$7,585 was for a debt payment made out of General Fund for Debt Service for net Due to Debt Service Fund of \$5,661. The balance is scheduled to be collected in the subsequent year.

Note 9: Number of Water and Sewer System Customers

At year-end, 388 customers were connected to the water system, and 351 to the sewer system.

Note 10: Pension Plan

A. Plan Description

The City of Trenton participates as one of 919 plans in the defined benefit cash-balance plan administered by the Texas Municipal Retirement System (TMRS). TMRS is a statewide public retirement plan created by the State of Texas and administered in accordance with the Texas Government Code, Title 8, Subtitle G (TMRS Act) as an agent multiple-employer retirement system for employees of Texas participating cities. The TMRS Act places the general administration and management of TMRS with a six-member, Governor-appointed Board of Trustees; however, TMRS does not receive any funding from the State of Texas. TMRS issues a publicly available Annual Comprehensive Financial Report (Annual Report) that can be obtained at tmrs.com.

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

CITY OF TRENTON, TEXAS
Notes to Financial Statements (Continued)
September 30, 2023

Note 10: Pension Plan (Continued)

B. 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 member's benefit is calculated based on the sum of the member's contributions with interest, the city-financed monetary credits with interest, and their age at retirement and other actuarial factors. The retiring member may select one of seven monthly benefit payment options. Members may also choose to receive a portion of their benefit as a lump sum distribution in an amount equal to 12, 24 or 36 monthly payments, which cannot exceed 75% of the total member contributions and interest.

Employees Covered by Benefit Terms.

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

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	11
Active employees	<u>6</u>
Total	<u>22</u>

C. Contributions

Member contribution rates in TMRS are either 5%, 6% or 7% of the member's total compensation, and the city matching ratios are either 1:1(1 to 1), 1.5:1 (1 ½ to 1) or 2:1 (2 to 1), both as adopted by the governing body of the City. The City has adopted a matching percentage of 150%. 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 City's contribution rate is based on the liabilities created from the benefit plan options selected by the City and any changes in benefits or actual experience over time.

Employees for the City of Trenton were required to contribute 5% of their annual compensation during the fiscal year. The contribution rates for the City of Trenton were 4.18% and 3.67% in calendar years 2022 and 2023, respectively. The City's contributions to TMRS for the year ended September 30, 2023, were \$12,198 and were equal to the required contributions.

The funded status as of December 31, 2022, the most recent actuarial valuation date, is as follows:

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Funded Ratio</u>	<u>Unfunded AAL (UAAL)</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
12/31/2022	\$ 461,233	\$ 425,728	108.3%	\$ (35,505)	\$ 276,089	(12.9)%

CITY OF TRENTON, TEXAS
Notes to Financial Statements (Continued)
September 30, 2023

Note 11: Other Post Employment Benefit (OPEB)

A. Plan Description

The City also participates in the single-employer defined benefit group-term life insurance plan operated by the Texas Municipal Retirement System (TMRS) known as the Supplemental Death Benefits Fund (SDBF). The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The City may terminate coverage under and discontinue participation in the SDBF by adopting an ordinance before November 1 of any year to be effective the following January 1.

B. Benefits

Payments from this fund are similar to group-term life insurance benefits, and are paid to the designated beneficiaries upon the receipt of an approved application for payment. The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings, for the 12-month period preceding the month of death). The death benefit for retirees is considered an "other post-employment benefit" (OPEB) and is a fixed amount of \$7,500. The obligations of this plan are payable only from the SDBF and are not an obligation of, or a claim against, the Pension Trust Fund.

Employees Covered by Benefit Terms

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

Inactive Employees or Beneficiaries Currently Receiving Benefits	3
Inactive Employees Entitled to but not yet Receiving Benefits	0
Active Employees	<u>6</u>
Total	<u>9</u>

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

Employees of the City were not required to contribute to the OPEB plan during the fiscal year. The contribution rates for the City were 0.36% and 0.58% of gross earnings in calendar year 2022 and 2023, respectively.

D. Supplemental Death Benefits Fund Net Position

Detailed information about the plan's net position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmrs.com.

CITY OF TRENTON, TEXAS
Notes to Financial Statements (Continued)
September 30, 2023

Note 12: Federal Grants

In the normal course of operations, the City receives grant funds from various Federal and State agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Accordingly, the City's compliance with applicable grant requirements has not yet been established. The amount, if any, of reimbursements which may be required by the granting agencies cannot be determined at this time.

Note 13: Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The City purchases insurance coverage through the Texas Municipal League Intergovernmental Risk Pool to limit the risk of loss in these areas. Settled claims have not exceeded insurance coverage in any of the past three fiscal years.

Note 14: Commitments and Contingencies

Asset Retirement Obligation:

The City has incurred certain asset retirement obligations related to the disposal of their wastewater treatment plants, per state regulations. The City is on the modified cash basis and therefore has not recorded a liability for the legally required closure costs of these facilities. Further, the estimated liability of the legally required closure costs for the wastewater treatment plant cannot be reasonably estimated as of September 30, 2023, since the specific legally required costs of retirement have not yet been identified. As of September 30, 2023, the City has not begun any retirement procedures related to the disposal of these assets.

No-Commitment Special Assessment Debt

In September 2023, the city issued \$2,305,000 of City of Trenton, Texas Special Assessment Revenue Bonds, Series 2023 related to the Anderson Crossing Public Improvement District. The bonds are special obligations of the City payable solely from the assessments levied against parcels within the Public Improvement District and other pledged funds held under the indenture. The bonds do not give rise to a charge against the general credit or taxing powers of the City. The City is acting as a custodian for the property owners within the District in collecting future assessments, forwarding collections to trustees, approving bond proceeds disbursements, and initiating any future foreclosures. No assessments were levied during the year ended September 30, 2023. The aggregated principal outstanding and the balance of bond proceeds held by the trustee at September 30, 2023 are \$2,305,000 and \$2,000,761, respectively.

Note 15: Subsequent Events

Subsequent events have been evaluated through March 26, 2024, the date the financial statements were available to be issued.

In November 2023, the City signed two new lease purchase agreements with American National Leasing Company for two police vehicles. The leases are due in five annual principal installments of \$16,457 and \$16,045 each, respectively, with a 6.45% fixed interest rate.

In November 2023, the City signed a lease purchase agreement with American National Leasing Company for a new public works truck. The lease is due in five annual principal installments of \$15,562 with a 6.50% fixed interest rate.

CITY OF TRENTON, TEXAS
 Budgetary Comparison Schedule - Modified Cash Basis - General Fund
 For the Year Ended September 30, 2023

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Tax	\$ 325,000	\$ 325,000	\$ 321,877	\$ (3,123)
Sales Tax	160,000	160,000	179,671	19,671
Franchise Tax	27,000	27,000	30,520	3,520
Fines	35,000	35,000	69,166	34,166
Sanitation Fees and Charges	131,000	131,000	133,366	2,366
Interest	3,000	3,000	3,430	430
Payment in Lieu of Taxes-(Housing Authority)	2,300	2,300	6,363	4,063
Miscellaneous	21,000	21,000	65,127	44,127
Total Revenues	<u>704,300</u>	<u>704,300</u>	<u>809,520</u>	<u>105,220</u>
Expenditures				
Current:				
General Government:				
Contractual Services	15,000	15,000	17,881	(2,881)
Insurance - Property, Liability, and Workers' Compensation	23,000	23,000	24,419	(1,419)
Office	153,000	153,000	24,140	128,860
Professional Fees	68,000	68,000	125,666	(57,666)
Appraisal District	22,000	22,000	20,997	1,003
Utilities	40,000	40,000	36,669	3,331
Park Improvements and Maintenance	5,000	5,000	4,659	341
Other	6,300	6,300	2,505	3,795
Public Safety:				
Health Insurance	15,000	15,000	22,284	(7,284)
Payroll- Police	160,000	160,000	172,565	(12,565)
Payroll - Office	54,000	54,000	81,277	(27,277)
Payroll Taxes	13,000	13,000	15,373	(2,373)
Retirement	7,000	7,000	8,069	(1,069)
Municipal Court	16,000	16,000	11,780	4,220
Police Department	57,000	57,000	52,719	4,281
Fire Department	10,000	10,000	8,184	1,816
Sanitation Contract	-	-	127,270	(127,270)
Street Maintenance and Equipment	8,000	8,000	11,266	(3,266)
Capital Outlay	-	-	15,752	(15,752)
Debt Service:				
Principal	28,900	28,900	12,175	16,725
Interest and Fees	-	-	1,523	(1,523)
Total Expenditures	<u>701,200</u>	<u>701,200</u>	<u>797,173</u>	<u>(95,973)</u>

CITY OF TRENTON, TEXAS
Budgetary Comparison Schedule - Modified Cash Basis - General Fund
For the Year Ended September 30, 2023

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
Excess (Deficiency) of Revenues over Expenditures	<u>3,100</u>	<u>3,100</u>	<u>12,347</u>	<u>9,247</u>
Other Financing Sources (Uses)				
Transfers In (Out)	<u>-</u>	<u>-</u>	<u>(172,542)</u>	<u>(172,542)</u>
Total Other Sources (Uses)	<u>-</u>	<u>-</u>	<u>(172,542)</u>	<u>(172,542)</u>
 Net Change in Fund Balance	 3,100	 3,100	 (160,195)	 (163,295)
Fund Balance - Beginning	<u>950,324</u>	<u>950,324</u>	<u>950,324</u>	<u>-</u>
Fund Balance - Ending	<u>\$ 953,424</u>	<u>\$ 953,424</u>	<u>\$ 790,129</u>	<u>\$ (163,295)</u>