CITY OF TRENTON, TEXAS

ANNUAL FINANCIAL REPORT

SEPTEMBER 30, 2025

CITY OF TRENTON, TEXAS
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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 units, and each major fund of the City of Trenton, 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'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 units, and each major fund of the City of Trenton, Texas, as of September 30, 2025, 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
January 29, 2026

CITY OF TRENTON, TEXAS
Statement of Net Position - Modified Cash Basis
September 30, 2025

	Primary Government			Discretely Presented Component Units
	Governmental Activities	Business-Type Activities	Total	
ASSETS				
Cash and Cash Equivalents	$ 1,140,555	$ 272,830	$ 1,413,385	$ 139,688
Investments	12,521	-	12,521	-
Due from Primary Government	-	-	-	17,557
Internal Balances	88,385	(88,385)	-	-
Restricted Assets:				
Cash	-	3,563,219	3,563,219	-
Investments	-	45,554	45,554	-
Capital Assets Not Being Depreciated:				
Land	123,526	-	123,526	-
Construction in Progress	-	1,775,787	1,775,787	-
Capital Assets, Net of Accumulated Depreciation/Amortization:				
Improvements	2,040,794	-	2,040,794	80,070
Buildings	355,028	-	355,028	-
Furniture, Equipment, and Vehicles	63,385	39,684	103,069	-
Utility Plant in Service	-	4,890,584	4,890,584	-
Total Assets	3,824,194	10,499,273	14,323,467	237,315
LIABILITIES				
Payroll Liabilities	3,230	1,789	5,019	-
Due to Component Unit	17,557	-	17,557	-
Customers' Meter Deposits	-	46,543	46,543	-
Noncurrent Liabilities:				
Due Within One Year	18,303	218,000	236,303	-
Due in More than One Year	270,000	5,471,000	5,741,000	-
Total Liabilities	309,090	5,737,332	6,046,422	-
NET POSITION				
Net Investment in Capital Assets	2,294,430	4,473,477	6,767,907	80,070
Restricted for:				
Debt Service	181,466	-	181,466	-
Grant Expenditures	148,083	-	148,083	-
Unrestricted	891,125	288,464	1,179,589	157,245
Total Net Position	$ 3,515,104	$ 4,761,941	$ 8,277,045	$ 237,315

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, 2025

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Primary Government: Governmental Activities	Primary Government: Business-Type Activities	Primary Government: Total	Discretely Presented Component Units
Primary Government								
Governmental Activities:								
General Government	$ 391,960	$ -	$ -	$ 9,000	$ (382,960)	$ -	$ (382,960)	$ -
Public Safety	468,486	95,711	-	-	(372,775)	-	(372,775)	-
Sanitation Contract	132,720	139,705	-	-	6,985	-	6,985	-
Street Maintenance	136,063	-	-	-	(136,063)	-	(136,063)	-
Interest	15,774	-	-	-	(15,774)	-	(15,774)	-
Total Governmental Activities	1,145,003	235,416	-	9,000	(900,587)	-	(900,587)	-
Business-Type Activities:								
Water and Sewer	981,313	874,084	-	120,000	-	12,771	12,771	-
Total Primary Government	$ 2,126,316	$ 1,109,500	$ -	$ 129,000	(900,587)	12,771	(887,816)	-
Component Unit								
Trenton Community Development Corporation	$ 169,282	$ -	$ -	$ -				(169,282)
General Revenues								
Taxes:								
Property Tax					684,530	-	684,530	-
Sales Tax					233,246	-	233,246	116,623
Franchise Tax					36,784	-	36,784	-
Miscellaneous Revenue					84,007	710	84,717	3,300
Interest on Investments					5,373	16,188	21,561	562
Gain (Loss) on Sale of Assets					9,262	-	9,262	-
Transfers					(295,530)	295,530	-	-
Total General Revenues and Transfers					757,672	312,428	1,070,100	120,485
Change in Net Position					(142,915)	325,199	182,284	(48,797)
Net Position - Beginning					3,658,019	4,436,742	8,094,761	286,112
Net Position - Ending					$ 3,515,104	$ 4,761,941	$ 8,277,045	$ 237,315

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, 2025

	General Fund	Debt Service Fund	Total Governmental Funds
ASSETS			
Cash and Cash Equivalents	$ 964,750	$ 175,805	$ 1,140,555
Investments	12,521	-	12,521
Due From Other Funds	88,385	5,661	94,046
Total Assets	$ 1,065,656	$ 181,466	$ 1,247,122
LIABILITIES			
Payroll Liabilities	$ 3,230	$ -	$ 3,230
Intergovernmental Payable	17,557	-	17,557
Due To Other Funds	5,661	-	5,661
Total Liabilities	26,448	-	26,448
FUND BALANCES			
Restricted Fund Balance:			
Debt Service	-	181,466	181,466
Grant Expenditures	148,083	-	148,083
Committed Fund Balance:			
Municipal Court Police Fund	6,195	-	6,195
Unassigned Fund Balance:	884,930	-	884,930
Total Fund Balances	1,039,208	181,466	1,220,674
Total Liabilities and Fund Balances	$ 1,065,656	$ 181,466	$ 1,247,122

Fund Balances - Total Governmental Funds (above)	$ 1,220,674
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 costs of the assets are $4,330,200 and the accumulated depreciation/amortization is $1,747,467.	2,582,733
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:	
Certificates of Obligation	(275,000)
Notes Payable	(13,303)
Net Position of Governmental Activities	$ 3,515,104

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, 2025

	General Fund	Debt Service Fund	Total Governmental Funds
REVENUES			
Property Tax	$ 375,383	$ 309,147	$ 684,530
Sales Tax	233,246	-	233,246
Franchise Tax	36,784	-	36,784
Fines	95,711	-	95,711
Sanitation Fees and Charges	139,705	-	139,705
Interest	4,679	694	5,373
Payment in Lieu of Taxes - (Housing Authority)	3,181	-	3,181
Miscellaneous	80,826	-	80,826
Total Revenues	969,515	309,841	1,279,356
EXPENDITURES			
Current:			
General Government:			
Contractual Services	67,786	-	67,786
Insurance - Property, Liability, and Workers' Compensation	23,005	-	23,005
Office	34,789	-	34,789
Professional Fees	138,628	-	138,628
Appraisal District	26,455	-	26,455
Utilities	49,968	-	49,968
Park Improvements and Maintenance	13,994	-	13,994
Other	3,248	-	3,248
Public Safety:			
Heath Insurance	27,361	-	27,361
Payroll - Police	193,987	-	193,987
Payroll - Office	72,793	-	72,793
Payroll Taxes	22,194	-	22,194
Retirement	10,429	-	10,429
Police Department	68,051	-	68,051
Fire Department	16,218	-	16,218
Sanitation Contract	132,720	-	132,720
Street Maintenance and Equipment	6,704	-	6,704
Capital Outlay	9,247	-	9,247
Debt Service:			
Principal	-	20,550	20,550
Interest and Fees	-	7,029	7,029
Lease Principal	-	23,755	23,755
Lease Interest	-	8,745	8,745
Total Expenditures	917,577	60,079	977,656

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, 2025

	General Fund	Debt Service Fund	Total Governmental Funds
Excess (Deficiency) of Revenues over Expenditures	51,938	249,762	301,700
OTHER FINANCING SOURCES (USES)			
Proceeds from Sale of Capital Assets	9,262	-	9,262
Transfers In (Out)	(192,537)	(102,993)	(295,530)
Total Other Financing Sources (Uses)	(183,275)	(102,993)	(286,268)
Net Change in Fund Balances	(131,337)	146,769	15,432
Fund Balances - Beginning	1,170,545	34,697	1,205,242
Fund Balances - Ending	$ 1,039,208	$ 181,466	$ 1,220,674

Net Change in Fund Balances - Total Governmental Funds (above)	$ 15,432
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/amortization expense. This is the amount by which depreciation/amortization ($197,144) exceeded capital outlay ($9,247) in the current year.	(187,897)
The net effect of other transactions involving capital assets (i.e. sales and donations) is to increase net assets.	9,000
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.	20,550
Change in Net Position - Governmental Activities	$ (142,915)

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, 2025

	Business-Type Activities
	Water and Sewer Fund
ASSETS	
Current Assets	
Cash and Cash Equivalents	$ 272,830
Restricted Assets	
Restricted Cash	3,563,219
Restricted Investments	45,554
Total Current Assets	3,881,603
Noncurrent Assets	
Capital Assets:	
Construction in Progress	1,775,787
Furniture, Equipment, and Vehicles	155,647
Utility Plant in Service	8,408,307
Less Accumulated Depreciation	(3,633,686)
Total Noncurrent Assets	6,706,055
Total Assets	10,587,658
LIABILITIES	
Current Liabilities	
Payroll Liabilities	1,789
Certificates of Obligation - Current	218,000
Customers' Meter Deposits	46,543
Due to Other Funds	88,385
Total Current Liabilities	354,717
Noncurrent Liabilities	
Certificates of Obligation	5,471,000
Total Noncurrent Liabilities	5,471,000
Total Liabilities	5,825,717
NET POSITION	
Net Investment in Capital Assets	4,473,477
Unrestricted	288,464
Total Net Position	$ 4,761,941

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, 2025

	Business-Type Activities
	Water and Sewer Fund
OPERATING REVENUES	
Customer Charges	$ 874,084
Miscellaneous Income	710
Total Operating Revenues	874,794
OPERATING EXPENSES	
Payroll	150,240
Payroll Taxes	11,453
Retirement	6,430
Water and Wastewater Services	63,124
Insurance - Health	22,227
Insurance - Property, Liability, and Workers' Compensation	19,114
Utilities	53,958
Water and Sewer System Maintenance	133,220
Vehicle Expenses	16,348
Miscellaneous	16,492
Depreciation	214,434
Lease Principal and Interest	15,461
Total Operating Expenses	722,501
Operating Income (Loss)	152,293
NONOPERATING REVENUES (EXPENSES)	
Interest Income	16,188
Interest Expense	(206,812)
Bond Issuance Costs	(52,000)
Total Nonoperating Revenues (Expenses)	(242,624)
Income (Loss) Before Capital Contributions and Transfers	(90,331)
Capital Contributions	120,000
Transfers In (Out)	295,530
Total Capital Contributions and Transfers	415,530
Change in Net Position	325,199
Net Position - Beginning	4,436,742
Net Position - Ending	$ 4,761,941

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, 2025

	Business-Type Activities
	Water and Sewer Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	$ 880,164
Payments to Suppliers and Service Providers	(339,944)
Payments to Employees for Salaries and Benefits	(168,069)
Net Cash Provided By (Used For) Operating Activities	372,151
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer (to) from Other Funds	300,646
Net Cash Provided By (Used For) Noncapital Financing Activities	300,646
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and Construction of Capital Assets	(1,326,662)
Capital Contributed	120,000
Proceeds from Issuance of Debt	2,500,000
Principal Payments on Note Payable	(16,566)
Principal Payments on Time Warrants	(17,477)
Principal Payments on Certificates of Obligation	(102,000)
Interest Payments on Debt	(206,812)
Bond Issuance Costs Paid on Debt	(52,000)
Net Cash Provided By (Used For) Capital and Related Financing Activities	898,483
CASH FLOWS FROM INVESTING ACTIVITIES	
Proceeds from Interest Earnings	16,188
Net Cash Provided By (Used For) Investing Activities	16,188
Net Increase (Decrease) in Cash and Cash Equivalents	1,587,468
Cash and Cash Equivalents, Beginning	2,248,581
Cash and Cash Equivalents, Ending	$ 3,836,049
Reconciliation of Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:	
Operating Income (Loss)	$ 152,293
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided By (Used For) Operating Activities:	
Depreciation	214,434
Increase (Decrease) in Payroll Liabilities	54
Increase (Decrease) in Customers' Deposits	5,370
Total Adjustments	219,858
Net Cash Provided By (Used For) Operating Activities	$ 372,151

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, 2025

	Custodial Funds		
	Court Costs and Fees	Anderson Crossing Public Improvement District	Trenton Creekside Public Improvement District
ASSETS			
Current Assets			
Cash and Cash Equivalents	$ 13,422	$ 43,816	$ 25,266
Total Current Assets	13,422	43,816	25,266
Total Assets	13,422	43,816	25,266
LIABILITIES			
Current Liabilities			
Accounts Payable to State	13,422	-	-
Total Current Liabilities	13,422	-	-
Total Liabilities	13,422	-	-
NET POSITION			
Restricted for Property Owners	-	43,816	25,266
Total Net Position	$ -	$ 43,816	$ 25,266

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, 2025

	Custodial Funds		
	Court Costs and Fees	Anderson Crossing Public Improvement District	Trenton Creekside Public Improvement District
ADDITIONS			
State Court Fees Collected	$ 46,049	$ -	$ -
Special Assessments	-	236,070	-
Capital Contributions from Developers	-	-	30,000
Investment Earnings	-	5,421	-
Total Operating Revenues	46,049	241,491	30,000
DEDUCTIONS			
Payments of Court Fees to State	46,049	-	-
Administrative Expenses	-	45,330	-
Payments on Behalf of Property Owners	-	175,425	-
Materials, Supplies, and Contracted Services	-	5,371	4,734
Total Operating Expenses	46,049	226,126	4,734
Change in Net Position	-	15,365	25,266
Net Position - Beginning	-	28,451	-
Net Position - Ending	$ -	$ 43,816	$ 25,266

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

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, two component units are 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. The discretely presented component units are combined and reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the City. The component units do not issue separately audited financial statements.

The Trenton Community Development Corporation was incorporated under the Texas Non-Profit Corporation Act on December 10, 1998 as a Type B corporation. It operates without capital stock and was formed for the promotion and development of new or expanded business enterprises, and any other purpose authorized by the Development Corporation Act in the City of Trenton, Texas. The governing body of Trenton Community Development Corporation is appointed by the City Council.

The Trenton Economic Development Corporation was incorporated under the Texas Non-Profit Corporation Act on August 7, 2018 as a Type A corporation. It operates without capital stock and was formed for the purpose of benefitting and accomplishing public purposes of the City of Trenton, Texas, by promoting, assisting, and enhancing economic development activities as provided by the Development Corporation Act. The governing body of Trenton Economic Development Corporation is appointed by the City Council.

Note 1: Summary of Significant Accounting Policies (Continued)

A. Financial Reporting Entity (Continued)

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 City'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.

Trenton Creekside Custodial Fund: A developer entered into a professional service agreement with the City during the current year to establish the Trenton Creekside Public Improvement District (PID). The agreement required a deposit from the developer to be used for development expenses related to the establishment of the PID, of which the government is not obligated in any manner. The funds are reported in a custodial fund, to reflect the fact that the City's duties are limited to acting as a custodian of funds for the developer. No separate financial statements are available.

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 units. 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. As noted above, the City has two discretely presented component units. Management considers both the Trenton Community Development Corporation and Trenton Economic Development Corporation to be major component units, and as such are shown combined in a column in the government-wide financial statements. Refer to Note 14 for the condensed Statement of Net Position and Statement of Activities that details individual component unit activity. 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.

Note 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

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 Funds

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 three fiduciary funds are 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; the Court Costs and Fees Custodial Fund which includes court costs collected by the City on behalf of the State of Texas, which are remitted to the State quarterly; and the Trenton Creekside Public Improvement District Custodial Fund which is used to account for the assets held by the City for the establishment and development of a public improvement district. These assets are excluded from the government-wide financial statements as they cannot be used to support the City's own programs.

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-type 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.

Note 1: Summary of Significant Accounting Policies (Continued)

C. Measurement Focus and Basis of Accounting (Continued)

Measurement Focus (Continued)

The City 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.

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 a liability in the fund financial statements. The debt proceeds are reported as other financing sources and payment of principal and interest are reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

Note 1: Summary of Significant Accounting Policies (Continued)

D. Assets, Liabilities, and Equity (Continued)

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, 2025, 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.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

E. Revenues, Expenditures, and Expenses (Continued)

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.

Note 2: Stewardship, Compliance, and Accountability

By its nature as a local government unit, the City and its component units 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, 2025, the City's expenditures exceeded appropriations at the legal level of control in the General Fund as follows:

Object Category	Expenditures Exceeding Appropriations
Insurance – Property, Liability, and Workers' Compensation	$ 3,005
Professional Fees	27,628
Appraisal District	3,455
Utilities	9,968
Park Improvements and Maintenance	8,994
Health Insurance	6,361
Payroll – Police	21,987
Payroll – Office	4,793
Payroll Taxes	10,194
Retirement	429
Fire Department	6,218
Sanitation Contract	7,720
Capital Outlay	9,247
Transfers	192,537

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.

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, 2025, the carrying amount of deposits was $5,117,183 and the bank balance was $5,111,960. As of September 30, 2025, the City was not exposed to custodial credit risk since $168,608 was insured by FDIC and $4,899,536 was secured by a pledged FHLB Custodial Standby Letter of Credit. However, fiduciary cash of $43,816 was not collateralized or secured at September 30, 2025.

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 Units

At September 30, 2025, the carrying amount of the Trenton Community Development Corporation and the Trenton Economic Development Corporation's deposits were $139,688 and the bank balances totaled $139,941. As of September 30, 2025, Trenton Community Development Corporation and Trenton Economic Development Corporation were not exposed to custodial credit risk since $139,941 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, 2025, follows:

	Cash	Certificates of Deposit	Total
Interest and Sinking Fund	$ -	$ 29,054	$ 29,054
Customer's Meter Deposits	30,043	16,500	46,543
Restricted for Well Construction	3,533,176	-	3,533,176
	$3,563,219	$ 45,554	$ 3,608,773

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 2024 levy amounted to .3589 for maintenance and operation and .3013 for interest and sinking.

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Note 6: Capital Assets

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

	Balance 9/30/24	Additions	Retirements	Balance 9/30/25
Governmental Activities:				
Capital Assets, not being Depreciated/Amortized:				
Land	$ 123,526	$ -	$ -	$ 123,526
Website Development in Progress	7,450	-	(7,450)	-
	130,976	-	(7,450)	123,526
Capital Assets being Depreciated/Amortized:				
Improvements	3,208,499	-	-	3,208,499
Buildings	455,871	-	-	455,871
Furniture, Equipment, and Vehicles	558,654	25,697	(42,047)	542,304
	4,223,024	25,697	(42,047)	4,206,674
Less Accumulated Depreciation/Amortization for:				
Improvements	1,011,003	156,702	-	1,167,705
Buildings	88,830	12,013	-	100,843
Furniture, Equipment, and Vehicles	492,537	28,429	(42,047)	478,919
Total Accumulated Depreciation/Amortization	1,592,370	197,144	(42,047)	1,747,467
Capital Assets being Depreciated/Amortized, Net	2,630,654	(171,447)	-	2,459,207
Governmental Activities Capital Assets, Net	$ 2,761,630	$ (171,447)	$ (7,450)	$2,582,733

Note 6: Capital Assets (Continued)

	Balance 9/30/24	Additions	Retirements	Balance 9/30/25
Business-Type Activities:				
Capital Assets, not being Depreciated:				
Construction in Progress	$ 668,075	$ 1,107,712	$ -	$1,775,787
	668,075	1,107,712	-	1,775,787
Capital Assets being Depreciated:				
Furniture, Equipment, and Vehicles	180,396	-	(24,749)	155,647
Utility Plant in Service	8,189,357	218,950	-	8,408,307
	8,369,753	218,950	(24,749)	8,563,954
Less Accumulated Depreciation for:				
Furniture, Equipment, and Vehicles	124,151	16,561	(24,749)	115,963
Utility Plant in Service	3,319,850	197,873	-	3,517,723
	3,444,001	214,434	(24,749)	3,633,686
Capital Assets being Depreciated, Net	4,925,752	4,516	-	4,930,268
Business-Type Activities Capital Assets, Net	$ 5,593,827	$ 1,112,228	$ -	$6,706,055

Note 6: Capital Assets (Continued)

	Balance 9/30/24	Additions	Retirements	Balance 9/30/25
Component Units:				
Capital Assets, not being Depreciated:				
Land	$ -	$ -	$ -	$ -
	-	-	-	-
Capital Assets being Depreciated:				
Improvements	138,155	-	-	138,155
	138,155	-	-	138,155
Less Accumulated Depreciation for:				
Improvements	51,757	6,328	-	58,085
Total Accumulated Depreciation	51,757	6,328	-	58,085
Capital Assets being Depreciated, Net	86,398	(6,328)	-	80,070
Component Units Capital Assets, Net	$ 86,398	$ (6,328)	$ -	$ 80,070

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

Governmental Activities:	
General Government	$ 38,276
Public Safety	29,509
Street Maintenance	129,359
Total Depreciation/Amortization Expense-Governmental Activities	$ 197,144

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

Certificates of Obligation:	Balance 9/30/25
$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.	$ 275,000
Total Certificates of Obligation	$ 275,000

Note 7: Long-Term Debt (Continued)

Governmental Activities (Continued)

Notes Payable:

$62,758 Note Payable to American National Leasing Company, due in annual installments of $13,700 through February 2026, with interest at 2.99%.	$ 13,303
Total Notes Payable	$ 13,303

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 $18,000 to $48,000 through 2052.	$ 850,000
$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 $87,000 to $185,000 through 2042.	2,339,000
$2,500,000 City of Trenton, Texas Certificates of Obligation, Series 2024, bear interest at 5.20% and are payable in annual principal amounts of $113,000 to $234,000 through 2039.	2,500,000
Total Certificates of Obligation	$5,689,000

The following is a summary of changes in long-term debt for the year ended September 30, 2025:

Type of Debt	Balance 9/30/24	Additions	Retirements	Balance 9/30/25	Due Within One Year
Governmental Activities:					
Time Warrants	$ 2,636	$ -	$ 2,636	$ -	$ -
Certificates of Obligation	280,000	-	5,000	275,000	5,000
Notes Payable	26,217	-	12,914	13,303	13,303
Total Governmental Activities:	$ 308,853	$ -	$ 20,550	$ 288,303	$ 18,303
Business-Type Activities:					
Certificates of Obligation	$3,291,000	$2,500,000	$ 102,000	$5,689,000	$218,000
Time Warrants	17,477	-	17,477	-	-
Notes Payable	16,566	-	16,566	-	-
Total Business-Type Activities:	$3,325,043	$2,500,000	$ 136,043	$5,689,000	$218,000

Note 7: Long-Term Debt (Continued)

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

Year Ending	Governmental Activities		Business-Type Activities		
September 30,	Principal	Interest	Principal	Interest	Total
2026	$ 18,303	$ 6,586	$ 218,000	$ 258,650	$ 501,539
2027	5,000	6,075	230,000	247,992	489,067
2028	5,000	5,963	241,000	236,868	488,831
2029	6,000	5,850	252,000	225,059	488,909
2030	6,000	5,715	265,000	212,744	489,459
2031-2035	30,000	26,550	1,531,000	829,105	2,416,655
2036-2040	35,000	22,951	1,942,000	443,571	2,443,522
2041-2045	38,000	18,947	707,000	105,059	869,006
2046-2050	43,000	14,447	209,000	35,310	301,757
2051-2055	48,000	9,383	94,000	3,339	154,722
2056-2060	54,000	3,758	-	-	57,758
	$ 288,303	$ 126,225	$5,689,000	$2,597,697	$ 8,701,225

Note 8: Interfund Balances and Transfers

Interfund transfers for the year ended September 30, 2025, consisted of the following individual amounts:

Transfers to Water and Sewer Fund From:	
General Fund	$ 193,027
Debt Service Fund	102,993
Total Transferred to Water and Sewer Fund	$ 296,020
Transfers to General Fund From:	
Water and Sewer Fund	$ 490
Total Transferred to General Fund	$ 490

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. The transfer from General Fund is for assets purchased by the General Fund to be used for Water and Sewer. The transfer from Water and Sewer Fund is for interest earned on Certificates of Deposit to be used in General Fund.

Due To/Due From's for the year ended September 30, 2025 consisted of the following:

Due to General Fund From:	
Water Sewer	$ 88,385
Total Due to General Fund	$ 88,385
Due to Debt Service Fund From:	
General Fund	$ 5,661
Total Due to Debt Service Fund	$ 5,661

$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, and $5,116 was for governmental revenues collected in the Water and Sewer Fund. $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, 462 customers were connected to the water system, and 422 to the sewer system.

Note 10: Pension Plan

A. Plan Description

The City of Trenton participates as one of 938 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.

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.

A member's retirement 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. When a member applies for retirement, they have three options to determine how their lifetime monthly benefit will be calculated. Retiree Life Only provides the largest monthly benefit. A retiree receives a lifetime monthly retirement benefit with no survivor benefits. At the retiree's death, all TMRS payments cease. Retiree Life and Survivor provides a reduced lifetime monthly benefit with a lifetime monthly benefit after the retiree's death to their beneficiary. At the retiree's death, the beneficiary receives a percentage (50%, 75%, or 100%) of the retiree's monthly benefit each month for the rest of the beneficiary's life. Retiree Life and Guaranteed Term provides a reduced lifetime monthly retirement benefit with a monthly benefit to their beneficiary(ies) if the retiree dies before the guaranteed payment term ends. At retirement, the retiree selects a guaranteed payment term of 5, 10 or 15 years that begins at their retirement date. Then, if the retiree dies before their selected term ends, the beneficiary(ies) receives their benefit for the remainder of that term. After a member selects one of the three payment options, they may also choose to receive a Partial Lump-Sum Distribution (PLSD) equal to 12, 24 or 36 times the Retiree Life Only benefit. The PLSD cannot exceed 75% of the total member contributions and interest. If a member chooses a PLSD, it reduces the amount of their monthly retirement benefit.

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	6
Inactive employees entitled to but not yet receiving benefits	12
Active employees	7
Total	25

Note 10: Pension Plan (Continued)

C. Contributions

Active member contribution rates are adopted by a participating city and may be either 5%, 6% or 7% of the member's total compensation. A city withholds the member's contribution from wages on a pre-tax basis and sends it to TMRS monthly. A participating city's 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 retirement contribution rates for the City were 3.83% and 3.88% in calendar years 2024 and 2025, respectively. The City's pension and OPEB contributions to TMRS for the year ended September 30, 2025, were $16,859 and were equal to the required contributions.

The funded status as of December 31, 2024, the most recent actuarial valuation date, is as follows:

Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Funded Ratio	Unfunded AAL (UAAL)	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2024	$ 504,694	$ 450,567	112.0%	$(54,127)	$ 324,669	(16.7)%

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 SBDF allows participating cities to provide supplemental death benefits for their active members, with optional coverage for retirees. The City elected, by ordinance, to provide group-term life insurance coverage to both current and retired employees. The SDBF has 818 participating cities as of December 31, 2024. 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

SBDF benefits are paid to the designated beneficiaries upon TMRS' receipt of an approved application benefit application. 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 the Pension Trust Fund.

Note 11: Other Post Employment Benefit (OPEB) (Continued)

B. Benefits (Continued)

Employees Covered by Benefit Terms

At the December 31, 2024 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	7
Total	10

C. Contributions

Participating cities contribute to the SBDF monthly based on the payroll of their covered members at an annual actuarially determined rate. 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. TMRS pools the SDBF contributions with the assets of the Pension Trust Fund for investment purposes. The SDBF's funding policy assures that adequate resources are available to meet all death benefit payments for the upcoming year; the intent is not to pre-fund retiree term life insurance during employees' entire careers. The SDBF is a pay-as-you go fund, and any excess contributions are available for future SDBF benefits.

Employees of the City were not required to contribute to the OPEB plan during the fiscal year. The SDBF contribution rates for the City were 0.47% and 0.51% of gross earnings in calendar year 2024 and 2025, 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.

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: Illustrative Disclosures of Major Component Unit Information

Condensed Statement of Net Position

	Trenton Community Development Corporation	Trenton Economic Development Corporation	Total Component Units
Assets			
Cash and Cash Equivalents	$ 73,846	$ 65,842	$ 139,688
Due from Primary Government	10,278	7,279	17,557
Capital Assets, Net of Accumulated Depreciation	80,070	-	80,070
Total Assets	164,194	73,121	237,315
Liabilities			
	-	-	-
Total Liabilities	-	-	-
Net Position			
Net Investment in Capital Assets	80,070	-	80,070
Unrestricted	84,124	73,121	157,245
Total Net Position	$ 164,194	$ 73,121	$ 237,315

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Note 14: Illustrative Disclosures of Major Component Unit Information (Continued)

Condensed Statement of Activities

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Trenton Community Development Corporation	Net (Expense) Revenue and Changes in Net Position: Trenton Economic Development Corporation	Total
Component Units							
Trenton Community Development Corporation	$ 49,282	$ -	$ -	$ -	$ (49,282)	$ -	$ (49,282)
Trenton Economic Development Corporation	120,000	-	-	-	-	(120,000)	(120,000)
Total Component Units	$ 169,282	$ -	$ -	$ -	$ (49,282)	$ (120,000)	$ (169,282)
General Revenues:							
Sales Tax					58,312	58,311	116,623
Miscellaneous Revenue					3,300	-	3,300
Interest on Investments					250	312	562
Total General Revenues					61,862	58,623	120,485
Change in Net Position					12,580	(61,377)	(48,797)
Net Position - Beginning					151,615	134,497	286,112
Net Position - Ending					$ 164,195	$ 73,120	$ 237,315

Note 15: Commitments and Contingencies

Asset Retirement Obligation:
The City may incur 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, 2025, since the specific legally required costs of retirement have not yet been identified. As of September 30, 2025, 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. Assessments of $236,070 were levied and collected and bond payments totaling $175,425 were made during the year ended September 30, 2025. The aggregated principal outstanding and the balance of bond proceeds held by the trustee at September 30, 2025 are $2,223,000 and $296,583, respectively.

Construction Commitments
The City has outstanding at September 30, 2025 contract commitments totaling approximately $1,546,648 related to water tower and well construction and other water and sewer system improvements.

Lease Commitments
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 beginning November 2024 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 beginning December 2024 with a 6.50% fixed interest rate.

TCEQ
During the year, the City was assessed administrative penalties from the Texas Commission on Environmental Quality ("TCEQ") in the amount of $31,000. The penalties were in relation to the City's failure to comply with annual reporting and authorization requirements and permit effluent limits. The City reached an agreement with TCEQ to conditionally offset the City's penalty by the timely and satisfactory completion of a Supplemental Environmental Project ("SEP") project with minimum expenditures by the City of $31,000. The City represents that progress is being made to complete this project in a timely manner.

Note 16: Subsequent Events

Subsequent events have been evaluated through January 29, 2026, the date the financial statements were available to be issued.

In December 2025, the City signed a note agreement with Government Capital Corporation for the purchase of three police vehicles in the amount of $225,586. The payments are due in four installments of $64,562 with a 5.637% fixed interest rate.

Schedule 1

CITY OF TRENTON, TEXAS
Budgetary Comparison Schedule - Modified Cash Basis - General Fund
For the Year Ended September 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
Revenues				
Property Tax	$ 363,000	$ 363,000	$ 375,383	$ 12,383
Sales Tax	180,000	180,000	233,246	53,246
Franchise Tax	32,000	32,000	36,784	4,784
Fines	80,000	80,000	95,711	15,711
Sanitation Fees and Charges	125,000	125,000	139,705	14,705
Interest	5,000	5,000	4,679	(321)
Payment in Lieu of Taxes-(Housing Authority)	3,000	3,000	3,181	181
Miscellaneous	105,000	105,000	80,826	(24,174)
Total Revenues	893,000	893,000	969,515	76,515
Expenditures				
Current:				
General Government:				
Contractual Services	109,800	109,800	67,786	42,014
Insurance - Property, Liability, and Workers' Compensation	20,000	20,000	23,005	(3,005)
Office	72,000	72,000	34,789	37,211
Professional Fees	111,000	111,000	138,628	(27,628)
Appraisal District	23,000	23,000	26,455	(3,455)
Utilities	40,000	40,000	49,968	(9,968)
Park Improvements and Maintenance	5,000	5,000	13,994	(8,994)
Other	5,000	5,000	3,248	1,752
Public Safety:				
Health Insurance	21,000	21,000	27,361	(6,361)
Payroll- Police	172,000	172,000	193,987	(21,987)
Payroll - Office	68,000	68,000	72,793	(4,793)
Payroll Taxes	12,000	12,000	22,194	(10,194)
Retirement	10,000	10,000	10,429	(429)
Police Department	70,000	70,000	68,051	1,949
Fire Department	10,000	10,000	16,218	(6,218)
Sanitation Contract	125,000	125,000	132,720	(7,720)
Street Maintenance and Equipment	12,000	12,000	6,704	5,296
Capital Outlay	-	-	9,247	(9,247)
Total Expenditures	885,800	885,800	917,577	(31,777)
Excess (Deficiency) of Revenues over Expenditures	7,200	7,200	51,938	44,738

CITY OF TRENTON, TEXAS
Budgetary Comparison Schedule - Modified Cash Basis - General Fund
For the Year Ended September 30, 2025

	Original Budget	Final Budget	Actual	Variance with Final Budget
Other Financing Sources (Uses)				
Proceeds from Sale of Capital Assets	-	-	9,262	9,262
Transfers In (Out)	-	-	(192,537)	(192,537)
Total Other Sources (Uses)	-	-	(183,275)	(183,275)
Net Change in Fund Balance	7,200	7,200	(131,337)	(138,537)
Fund Balance - Beginning	1,170,545	1,170,545	1,170,545	-
Fund Balance - Ending	$ 1,177,745	$ 1,177,745	$ 1,039,208	$ (138,537)