



**FARMERSVILLE CITY COUNCIL
REGULAR SESSION AGENDA
May 23, 2017, 6:00 P.M.
Council Chambers, City Hall
205 S. Main Street**

I. PRELIMINARY MATTERS

- Call to Order, Roll Call, Prayer and Pledge of Allegiance
- Announcements
 - Calendar of upcoming holidays and meetings.
 - Calendar for 2017 budget.
 - Farmersville ISD Graduation will be May 25, 2017
 - The Building & Property Standards meeting scheduled for May 25, 2017 is cancelled due to FISD Graduation.
 - City offices will be closed on Monday, May 29th in observance of Memorial Day.
 - A public hearing for the Comprehensive Plan update will be held at City Hall on June 1st at 6:00 pm. All citizens are encouraged to attend and participate.
 - Proclamation declaring May as Brain Cancer Awareness Month.

II. PUBLIC COMMENT

Anyone wanting to speak is asked to speak at this time, with an individual time limit of three (3) minute. This forum is limited to a total of thirty (30) minutes. If a speaker inquires about an item, the City Council or City Staff may only respond with: (1) a statement of specific factual information; (2) a recitation of existing policy; or (3) a proposal that the item be placed on the agenda of a future meeting.

III. CONSENT AGENDA

Items in the Consent Agenda consist of non-controversial or "housekeeping" items required by law. Council members may request prior to a motion and vote on the Consent Agenda that one or more items be withdrawn from the Consent Agenda and considered individually. Following approval of the Consent Agenda,

excepting the items requested to be removed, the City Council will consider and act on each item so withdrawn individually.

- A. City Council Minutes
- B. City Financials
- C. City Manager's Verbal Report
 - Wastewater System Status
 - Camden Park Status
 - Splash Pad Upgrades
 - Fishing Pier Progress

IV. READING OF ORDINANCES

- A. Consider, discuss and act upon the 2nd reading of Ordinance #2017-0509-001 regarding leash laws.
- B. Consider, discuss and act upon Ordinance #2017-0523-001 regarding Atmos Energy rate changes.
- C. Consider, discuss and act upon the 1st reading of Ordinance #2017-0523-002 regarding placing liens on unpaid utility bills.

V. REGULAR AGENDA

- A. Swear in newly elected Council members and presentation of award for departing Council members.
- B. Possible motion to reconsider award of bank contract made on May 9, 2017.
- C. Consider, discuss and act on award of bank contract subject to approval of a motion to reconsider.
- D. Consider, discuss and act upon Reliant Energy contract.
- E. Consider, discuss and act upon resignation of Craig Overstreet and Chad Dillard from Planning & Zoning Commission.
- F. Consider, discuss and act upon Kim Potter's resignation from FCDC (4B), Main Street Board, and Parks and Recreation Board.
- G. Consider, discuss and act regarding the renegotiation of the North Farmersville Water Contract minimums.
- H. Consider, discuss and act upon signage in regards to children at play.
- I. Consider, discuss and act upon Resolution #R-2017-0523-001 regarding roadway support for North Texas Central Council of Governments.
- J. Consider, discuss and act upon the procedures for City Facebook pages.
- K. Consider, discuss and act upon receiving \$100 donation to the Fire Department

VI. REQUESTS TO BE PLACED ON FUTURE AGENDAS

VII. ADJOURNMENT

Dated this the 19th day of May, 2017.

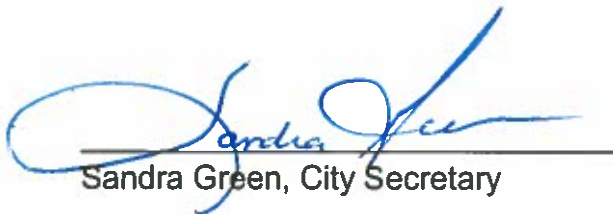


Diane C. Piwko, Mayor

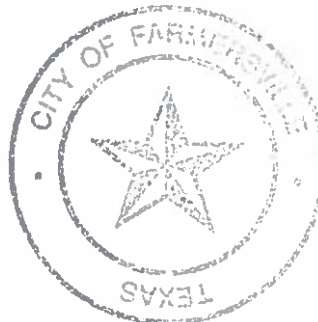
The City Council reserves the right to adjourn into Executive Session at any time during the course of this meeting to discuss any matters listed on the agenda, as authorized by the Texas Government Code, including, but not limited to, Sections 551.071 (Consultation with Attorney), 551.072 (Deliberations about Real Property), 551.073 (Deliberations about Gifts and Donations), 551.074 (Personnel Matters), 551.076 (Deliberations about Security Devices), 551.087 (Economic Development), 418.175-183 (Deliberations about Homeland Security Issues) and as authorized by the Texas Tax Code, including, but not limited to, Section 321.3022 (Sales Tax Information).

Persons with disabilities who plan to attend this meeting and who may need assistance should contact the City Secretary at 972-782-6151 or Fax 972-782-6604 at least two (2) working days prior to the meeting so that appropriate arrangements can be made. Handicap Parking is available in the front and rear parking lot of the building.

I, the undersigned authority, do hereby certify that this Notice of Meeting was posted in the regular posting place of the City Hall building for Farmersville, Texas, in a place and manner convenient and readily accessible to the general public at all times, and said Notice was posted May 19, 2017 by 6:00 P.M. and remained so posted continuously at least 72 hours proceeding the scheduled time of said meeting.



Sandra Green, City Secretary



I. Preliminary Matters

May 2017

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
	1 Early Voting at City Hall	2 Early Voting at City Hall	3	4	5	6 Farmers & Fleas 9:00am Plano Walking Club 8:00am Election Day
7	8 FCDC (4B) 5:45pm Main Street Board 4:45pm	9 Public Hearing for Wastewater System 5:30pm City Council Meeting 6:00pm	10	11	12	13
14 Mother's Day	15 P&Z 6:30pm Parks Board 4:00pm	16 City Council Special Meeting 6:00 pm	17	18 FEDC (4A) 6:30 pm	19	20 Fire Department Fish Fry
21	22 FISD School Board Meeting 7:00pm	23 Municipal Court 9:00am City Council Meeting 6:00pm	24	25 FISD Graduation B&PS Meeting 6:00 pm (Cancelled Due to Graduation)	26	27
28	29 City offices closed Memorial Day	30	31			

June 2017

Sunday	Monday	Tuesday	Wednesday	Thursday	Friday	Saturday
				1 Public Hearing for Comprehensive Plan 6:00pm	2	3 Farmers & Fleas 9:00am Yards of Yard Sale Downtown Car Show 11am-3pm
4	5 Main Street Board 5:00pm	6	7 Summer Reading Club @ the Library 2:00 pm	8	9	10
11	12 FCDC (4B) 5:45pm	13 City Council Meeting 6:00pm	14 Summer Reading Club @ the Library 2:00 pm	15 FEDC (4A) 6:30 pm	16	17 Audie Murphy Day
18 Father's Day	19 Park Board 4:00pm P&Z 6:30pm	20 Municipal Court 9:00am	21 Summer Reading Club @ the Library 2:00 pm	22	23	24
25	26 FISD School Board Meeting 7:00pm	27 City Council Meeting 6:00pm	28 Summer Reading Club @ the Library 2:00 pm	29 B&PS Meeting 6:00 pm	30	

July 2017

Sunday		Monday		Tuesday	Wednesday	Thursday	Friday	Saturday
								1 Farmers & Fleas 9:00am
2		3 Senior Citizens Board 4:00pm Main Street Board 5:00pm		4 City offices closed Independence Day Sparks of Freedom	5 Summer Reading Club @ the Library 2:00 pm	6	7	8
9		10 FCDC (4B) 5:45pm		11 City Council Meeting 6:00pm	12 Summer Reading Club @ the Library 2:00 pm	13 FEDC (4A) 6:30 pm	14	15
16		17 P&Z 6:30pm		18	19 Summer Reading Club @ the Library 2:00 pm	20	21	22
23		24 FISD School Board Meeting 7:00pm		25 City Council Meeting 6:00pm	26 Summer Reading Club @ the Library 2:00 pm	27 B&PS Meeting 6:00 pm	28	29
	30		31					



Budget Calendar
Fiscal Year 2017-2018

May 17, 2017	Budget Packets to Department Heads
June 7th, 2017	Deadline to return budget Packs to Finance Department
June 28th, 2017	Preliminary First Draft of Budget with Department Heads
July 11th, 2017	Council Budget Workshop to review preliminary draft
July 25th, 2017	Receive Certified Appraisal Roll
August 4th, 2017	72 hour notice for meeting (open meetings notice)
August 8th, 2017	Meeting with Council to discuss budget and tax rate
August 11th, 2017	Publish the "Notice of 2017 Property Tax Rate" by September 1. Notice must be published at least seven days before first public hearing. Notice must also be posted on the City's website.
August 18th, 2017	72 hour notice for first public hearing (open meetings notice)
August 22nd, 2017	<i>First Public Hearing</i> – At least 7 days after publication of "Notice of Property Tax Rates"
September 1st, 2017	72 Hour notice of second public hearing (open meetings notice)
September 5th, 2017	<i>Second Public Hearing</i> – May not be earlier than 3 days after first Public hearing. Schedule and announce meeting to adopt tax rate 3-14 days From this date. First reading of Tax Rate Ordinance First reading of Budget Ordinance
September 8th, 2017	72 hour notice for meeting at which governing body will adopt tax rate "Open meetings notice"
September 12th, 2017	Second and final reading of tax rate ordinance Second and final reading of budget ordinance

Public Notice

Farmersville Planning Workshop

You are invited to participate in a public workshop on

Thursday, June 1st at 6:00 pm

at 205 S. Main, Farmersville TX 75442

(972)-782-6151

If you have questions regarding the comprehensive plan, or would like more information about the workshop or other aspects of the planning process, please contact Zachary Stern at GrantWorks, Inc., 512-420-0303 ext.320 or zachary@grantworks.net



Planning, Housing,
and Community
Development
Services for Rural
Texas Since 1979

Please attend a planning workshop hosted by the City of Farmersville as part of the city's comprehensive planning process. Items to be discussed include provision of services for economic development, housing conditions, parks and recreation, water, wastewater, drainage and streets, and land use.

Planning studies are used by communities to inventory and analyze existing systems, to identify local goals, and to plan for future development. The workshop offers a forum to discuss issues in the community and determine a vision to preserve strengths, resolve weaknesses, and meet future goals. Public input is the key to a successful plan. So please, join us and share your thoughts!

City of Farmersville Proclamation

WHEREAS, there are approximately 700,000 people in the United States living with a primary brain tumor and approximately 69,000 will be diagnosed this year; and

WHEREAS, brain tumors are the second-leading cause of cancer-related death in people under the age of 20, and the leading cause of cancer-related death in people under the age of 14; and

WHEREAS, researchers, scientists, and numerous nonprofit organizations, are dedicated to discovering the cure for brain tumors. During the month of May, we acknowledge the extraordinary commitment and effort invested in this cause; and

WHEREAS, we recognize that over 17,000 people will lose their lives due to malignant brain tumors this year.

NOW, THEREFORE with support for those who continue to cope with brain tumors and those who have lost loved ones due to a brain tumor, I, Diane C. Piwko, Mayor of the City of Farmersville, Texas, extend our deepest respect for survivors, our deepest sympathy to those who have lost loved ones, and appreciation to those advocating for the prevention and cure and in so doing hereby proclaim May 2017 as

“BRAIN CANCER AWARENESS MONTH”

in the City of Farmersville. Further, I urge all residents to do their part to increase awareness in our community.

IN WITNESS WHEREOF, I have set my hand and caused the Seal of the City to be affixed this 23rd day of May in the year 2017.



Diane C. Piwko, Mayor

II. Public Comment

Agenda Section	Public Comment
Section Number	II
Subject	Public Comment
To	Mayor and Council Members
From	Ben White, City Manager
Date	May 23, 2017
Attachment(s)	NA
Related Link(s)	http://www.farmersvilletx.com/government/agendas_and_minutes/city_council_meetings.php
Consideration and Discussion	Anyone wanting to speak is asked to speak at this time, with an individual time limit of three (3) minute. This forum is limited to a total of thirty (30) minutes. If a speaker inquiries about an item, the City Council or City Staff may only respond with: (1) a statement of specific factual information; (2) a recitation of existing policy; or (3) a proposal that the item be placed on the agenda of a future meeting.
Action	NA

III. Consent Agenda

Agenda Section	Consent Agenda
Section Number	III.A
Subject	City Council Minutes
To	Mayor and Council Members
From	Ben White, City Manager
Date	May 23, 2017
Attachment(s)	Farmersville City Council Meeting Minutes
Related Link(s)	http://www.farmersvilletx.com/government/agendas_and_minutes/city_council_meetings.php
Consideration and Discussion	City Council discussion as required.
Action	<ul style="list-style-type: none"> • Motion/second/vote <ul style="list-style-type: none"> <input type="checkbox"/> Approve <input type="checkbox"/> Approve with Updates <input type="checkbox"/> Disapprove • Motion/second/vote to continue to a later date. _____ <ul style="list-style-type: none"> <input type="checkbox"/> Approve <input type="checkbox"/> Disapprove • Move item to another agenda. _____ • No motion, no action



**FARMERSVILLE CITY COUNCIL
REGULAR SESSION MINUTES
For
May 9, 2017, 6:00 P.M.**

I. PRELIMINARY MATTERS

- Mayor Piwko called the meeting to order at 6:00 p.m. Council members John Klostermann, Donny Mason, Michael Hesse, Mike Hurst and Leaca Caspari were all present. City staff members Ben White, Sandra Green, Mike Sullivan, Kim Morris, Trisha Dowell, and City Attorney, Robert Brown, were also present.
- Prayer was led by the Mary Hibbits of the Farmersville High School Fellowship of Christian Athletes, followed by the pledges to the United States flag and Texas flag.
- City offices will be closed on Monday, May 29th in observance of Memorial Day.
- Congratulations to Adah Leah Wolf for being awarded the "Excellence in Historical Education" Award by the Collin County Historical Commission.
- North Central Texas Council of Governments will hold a transportation public meeting on several dates this month. Notice for this event can be found in the window of City Hall or in the City Council agenda packet.
- A public hearing for the Comprehensive Plan update will be held at City Hall on June 1st at 6:00 pm. All citizens are encouraged to attend and participate.
- City Council will hold a Special Meeting on May 16th at 6:00 pm to canvass the votes for the May 6th election.
 - Mayor Piwko explained the Special Meeting had been changed to Thursday, May 11th at 6:00 pm.
- Fire Department Fish Fry will be held on May 20th.
- The FFA Banquet is on Saturday May 13th.
- Farmersville ISD Baccalaureate will be held at the Methodist Church on Wednesday, May 17th at 6:30 pm.

- Ben White pointed out the Building & Property Standards meeting was cancelled for May 25th due to FISD Graduation.

II. **PUBLIC COMMENT**

- No one came forward

III. **CONSENT AGENDA**

- A. City Council Minutes
- B. Police Department Report
- C. Code Enforcement/Animal Control Report
- D. Fire Department Report
- E. Municipal Court Report
- F. Warrant Officer Report
- G. Public Works Report
- H. Library Report
- I. City Manager's Report

- Leaca Caspari pulled the Public Works Report and Mayor Piwko pulled the City Manager's Report.
 - Motion to approve reports A, B, C, D, E, F, & H made by Donny Mason
 - 2nd to approve was John Klostermann
 - All council members voted in favor
- Leaca Caspari stated on the Property and Buildings section under Chamber of Commerce backlog she wanted to know if they have fixed the awning.
- Ben White stated June's Windows have provided samples and one has been selected. They are in the process of having those made.
- Leaca Caspari also asked about an item under the Chaparral Trail regarding the backlog of installing trees and bricks.
- Ben White explained the City has installed three trees and replaced a few that have died. He stated the City has to order several bricks that will need to be installed.
- Leaca Caspari inquired if the City could place crushed granite under the exercise equipment.
- Ben White indicated he would put that in the report.
- Michael Hesse asked why some of trees were dying and asked if gator bags could be used. He explained that some of the trees have been replaced several times.

- Ben White explained the City is able to water the trees they can get to, but deep into the Chaparral Trail it is hard to get water to them.
 - Motion to approve Public Works Report made by Leaca Caspari
 - 2nd to approve was Michael Hesse
 - All council members voted in favor
- Mayor Piwko continued with questions on the City Manager's Report. She asked about the status of the Historical Preservation Ordinance.
- Ben White indicated Planning & Zoning had asked for it, but nothing has been completed on it at this point. He indicated it would become a higher priority.
- Mayor Piwko inquired about what type of City support would be necessary for the Church of Jesus Christ of Latter-day Saints and what they would be doing on their community cleanup day.
- Ben White stated they are going to have 70 to 80 volunteers for the cleanup effort. They will be trimming trees and the City will use the chipper truck.
- Mayor Piwko asked if they would be receiving dumpsters.
- Ben stated there would be no dumpsters, but they will make piles and our crews will go behind them and chip the limbs. The church provides their own supplies, such as water.
- Mike Hurst inquired about the status of a towing use being added in the Zoning Ordinance.
- Ben White stated he believed the company has moved out of town.
- Sandra Green explained the Zoning Ordinance was typed and forwarded to Alan Lathrom for review. The goal is to have it on the June Planning & Zoning agenda.
 - Motion to approve City Manager's Report made by Leaca Caspari
 - 2nd to approve was Mike Hurst
 - All council members voted in favor

IV. **INFORMATIONAL ITEMS**

These Informational Items are intended solely to keep the City Council apprised of the actions and efforts of the various boards and commissions serving the City of Farmersville. Council members may deliberate and/or request further information or clarification regarding any one or more of the items contained in this provision. City Council approval of, or action on, these items is not required or requested

- A. FEDC (4A) Meeting Minutes
- B. FEDC (4A) Financial Report
- C. FCDC (4B) Meeting Minutes
- D. FCDC (4B) Financial Report

- E. Main Street Board Minutes
- F. Main Street Report
- G. Library/Civic Center Board Minutes
 - o Motion to approve reports made by Michael Hesse
 - o 2nd to approve was Mike Hurst
 - o All council members voted in favor

V. **READING OF ORDINANCES**

- A. Consider, discuss and act upon the 2nd reading of Ordinance #2017-0425-001 updating the City Building Codes to the 2015 Editions.

- Mayor Piwko read the title block of the Ordinance:

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FARMERSVILLE, TEXAS, AMENDING CHAPTER 14, "BUILDING AND BUILDING REGULATIONS," THROUGH THE AMENDMENT OF CERTAIN SECTIONS OF ARTICLE II, "BUILDING AND TECHNICAL CODES," AND CHAPTER 29, "FIRE PREVENTION AND CONTROL,"

THROUGH THE AMENDMENT OF CERTAIN SECTIONS OF ARTICLE III, "FIRE CODE," OF THE CODE OF ORDINANCES OF THE CITY OF FARMERSVILLE, AS IDENTIFIED HEREIN-BELOW, TO PROVIDE FOR THE ADOPTION OF THE INTERNATIONAL BUILDING CODE, 2015 EDITION, INTERNATIONAL RESIDENTIAL CODE, 2015 EDITION, NATIONAL ELECTRICAL CODE, 2017 EDITION, INTERNATIONAL MECHANICAL CODE, 2015 EDITION, INTERNATIONAL PLUMBING CODE, 2015 EDITION, INTERNATIONAL FUEL GAS CODE, 2015 EDITION, INTERNATIONAL EXISTING BUILDING CODE, 2015 EDITION, INTERNATIONAL ENERGY CODE, 2015 EDITION, INTERNATIONAL PROPERTY MAINTENANCE CODE, 2015 EDITION, AND THE INTERNATIONAL FIRE CODE, 2015 EDITION; PROVIDING FOR SEVERABILITY; PROVIDING A REPEALER CLAUSE; PROVIDING FOR PUBLICATION; PROVIDING ENGROSSMENT AND ENROLLMENT; PROVIDING A SAVINGS CLAUSE; AND PROVIDING AN EFFECTIVE DATE.

This Ordinance shall take effect immediately upon its adoption and publication in accordance with and as provided by Texas law.

- o Motion to approve 2nd reading made by John Klostermann
- o 2nd to approve was Leaca Caspari

- Before the vote Michael Hesse asked about Section 2, B (a)(2) regarding ceiling joists. He thought it was unusual to have ceiling joists required as they were written.
- Ben White explained the section was actually calling out for those requirements to be deleted.

- All council members voted in favor

B. Consider, discuss and act upon the 1st reading of Ordinance #2017-0509-001 regarding leash laws.

- Mayor Piwko read the title block of the Ordinance.
AN ORDINANCE OF THE CITY OF FARMERSVILLE, TEXAS, AMENDING THE CODE OF ORDINANCES OF THE CITY OF FARMERSVILLE, TEXAS, AS HERETOFORE AMENDED, THROUGH THE AMENDMENT OF CHAPTER 11, "ANIMALS," BY THE AMENDMENT OF SECTION 11-45, ENTITLED "ANIMALS AT LARGE OR RUNNING AT LARGE," BY DELETING EXISTING PARAGRAPH (b), "AT LARGE," IN ITS ENTIRETY AND REPLACING SAID PARAGRAPH WITH A NEW PARAGRAPH (b), ALSO ENTITLED "AT LARGE"; REPEALING ORDINANCES IN CONFLICT HERewith; PROVIDING FOR SEVERABILITY; PROVIDING FOR GOVERNMENTAL IMMUNITY; PROVIDING FOR INJUNCTIONS; PROVIDING FOR NOTICE AND IMPLEMENTATION; AND PROVIDING AN EFFECTIVE DATE.

This Ordinance shall take effect immediately from and after its passage and publication of the caption as required by law.

- Mayor Piwko explained what the Ordinance was making unlawful.
- Michael Hesse inquired if these regulations would not allow a dog park.
- John Klostermann responded by stating dog parks are usually enclosed by a fence and in that case would be okay.
- Mayor Piwko stated her only concern was she thought the Council was addressing this so one animal could not cross into another's yard.
- Michael Sullivan explained the owner has to have control of the dog at all times.
- Leaca Caspari asked if that applied to the dog owner's yard as well and Chief Sullivan indicated that was correct.
- Mayor Piwko asked if this Ordinance would make it easier for Karen Dixon, Code Enforcement Officer, to enforce this section.
- Chief Sullivan explained he and Alan Lathrom discussed several different ordinances and they liked the wording of this one the best.

- Motion to approve 1st reading made by Leaca Caspari
- 2nd to approve was Donny Mason
- All council members voted in favor

VI. **REGULAR AGENDA**

- A. Consider discuss and act upon awarding and signing mowing contract.
- Ben White addressed Council and explained the bid tabulation sheets were included in the agenda packet. The amount of times mowing would occur included more information than what the City expects every week. At the time of the bid opening, the lowest bidder was McCrary's Mow Time. He indicated the recommendation of staff was to award the contract to McCrary's Mow Time.
 - Leaca Caspari asked if in the bids where it requested total employees and equipment was the total number of employees they would use. She asked Ben White if he believed this number of employees and equipment could handle the job.
 - Ben White explained the City had a contract with McCrary's Mow Time in the past and they also have other contracts with other cities currently. He felt they have the equipment and employees to handle the mowing for the City, but McCrary would have to arrange his time to provide a great job or he would be in breach of the contract.
 - Mayor Piwko pointed out the contract would be for three years.
 - Ben White explained the contract has renewal clauses, but it is for up to three years. He had chosen to go out for bid again this year because of questions brought up last year.
 - Leaca Caspari asked if there was any questions as to whether any of the processes were unfair last year.
 - Ben White stated there was no conflict, but Mow Time had stated his opinion that things were not done right.
 - Mayor Piwko pointed out the contract last year was higher than McCrary's Mow Time, so the City will save money with this contract and will receive the same level of quality.
 - Leaca Caspari stated she wanted to make everyone understand that last year's contracts were awarded legally and it was given to the lowest bidder.
 - Michael Hesse wanted to know the amount of money the City paid Oak Grove for mowing last year.
 - Ben White indicated the amount spent was probably around \$40,000.00.
 - Mayor Piwko said she had added the amount up before and it was

probably around \$56,000.00 in December. But, she has seen a few checks since then so it is probably closer to \$65,000.00.

- Michael Hesse asked if the City budgeted for this and if the total amount was not spent could it be used toward something else.
- Ben White explained the City generally budgets for less than the amount that is presented on the bid tabulations.
- Donny Mason asked why Oak Grove did not include a check like the other companies had.
- Ben White explained they were bonded.
 - Motion to approve contract made by Donny Mason
 - 2nd to approve was made by Michael Hesse
 - All council members voted in favor
- Ben White explained the contract has his name on it and asked if he could receive permission to sign the contract.
 - Motion amended by Donny Mason to include Ben White as signatory for this contract.
 - All council members voted in favor

B. Consider, discuss and act upon approving budget amendment for fire training.

- Motion to approve made by Leaca Caspari
- 2nd to approve was made by John Klostermann
- All council members voted in favor

C. Consider, discuss and act upon a citizen's request to temporarily reside in a recreational vehicle while remodeling their home.

- Rick and Teresa Thompson addressed Council and stated they were requesting for Council to allow them to live in their recreational vehicle for three to four months while they work on their house. They stated if they could use their RV to live in they would get the house completed sooner. It is located on a cement slab and it is hooked up to temporary sewer and water.
- Mayor Piwko stated the Thompson's were one of the residents who were living in their RV without official approval. The City is trying to work on instances where it would be allowable for someone to temporarily live in a trailer or RV while they are fixing their home.
- Leaca Caspari stated she would like to hear if it would be a problem for the police department to enforce.
- Chief Sullivan explained the City has an Ordinance in place to prevent this. He stated it gives the wrong perception and the City receives complaints about RV's all the time. It is problematic regarding enforcement. It puts the police in an odd situation if we allow it at all.

- Mike Hurst asked what the normal police enforcement procedure would be.
- Chief Sullivan stated the police department would give them a citation and the judge could impose fines or make them leave.
- Leaca Caspari asked the Thompson's how long they had been working on their house.
- Mrs. Thompson explained they had been working on the house for over a year, but more seriously since November. She stated they have most of the floor complete and the plumbing in. They have drywall left, a little bit of flooring, and then they have to replace the windows. She explained they are building the house paycheck to paycheck.
- Mayor Piwko asked if there was anyway the City could create some kind of placard granting them a certain length of time to reside in the RV.
- Robert Brown explained the City can craft an exception in the Ordinance, but it would be hard to enforce. You can also create guidelines in the Ordinance to have Council or staff decide each case and whether or not to allow someone to live in an RV. He stated that he agreed with Chief Sullivan that it would be very difficult to enforce. The City could open up a Pandora's Box of potential legal issues if some citizens were allowed and some not.
- Mayor Piwko asked that since they have vacated the RV could the City grant them 30 more days. She explained that time frame is allowed by our Ordinance and then the City could allow them to stay until a new Ordinance could be drafted and processed.
- Mike Sullivan asked what Ordinance she was referring to.
- Mayor Piwko explained it just gives a definition that states temporary housing will have a maximum of 30 days. She stated it is very hard to look at the Ordinances and find anywhere that states you cannot live in an RV. There is a definition of an RV and a definition of temporary housing, but it never ties the two together.
- Mike Sullivan stated if Council wanted to look at exceptions then staff could research that information.
- Mike Hurst wanted to know what other General Law cities do in these instances.
- Robert Brown explained he has seen other Ordinances address screening of the RV and how long the RV can be parked in the street. The City would have to figure out the situation it is are trying to address. It is going to be determined based on what the City is trying to prohibit.
- Ben White stated the City could tie it to a construction permit.
- Robert Brown indicated the City could clearly say that an RV could be

used only during construction and while the construction permit is valid. But, the City would have to have a policy in place.

- Mayor Piwko asked if any neighbors have made complaints on the Thompson's
- Mike Sullivan stated the police department had not received any complaints that he knew of regarding the Thompson's
- Mayor Piwko stated she would like to give the Thompson's 30 days to live in the RV until the City could get an Ordinance in place.
- John Klostermann asked if the City could give citizens 48 hours after the permit was closed to move in the house.
- Ben White indicated the time frame could be incorporated into the Ordinance, but he recommended giving the Thompson's 45 days due to processing time.
 - Motion to grant the Thompson's a 45 day extension to live in the RV while staff creates an Ordinance and brings it before Council made by Mike Hurst
 - 2nd to approve was made by Donny Mason
 - All council members voted in favor

D. Update regarding upcoming Comprehensive Plan public meeting.

- Ben White explained that Zachary Sterns could not come to the meeting. Ben went over a Power Point provided by Zachary Sterns that showed what would take place at the public meeting. The public meeting is a requirement of the grant. Also, a Resolution has to be passed at a meeting before October to meet the grant requirements. The overall goal of the public meeting will be to obtain data from citizens. He stated that he has stressed to Zachary that the City is trying to stay within the same frame work as the present Comprehensive Plan. There may be a few new items that will be included.
- Sandra Green explained Zachary would have stations so people could rotate and discuss different topics.
- Ben White indicated it is being publicized in the newspaper, a flyer is being sent to every board, and it is posted on the website.

E. Update regarding the Chaparral Trail.

- John Klosterman wanted to know if anyone was representing the trail for the City.
- Ben White indicated that Marcy Whitehead was the representative chosen. He stated she would probably love to come in and give Council an update sometime in June or July. It is currently in the process to try and get the State of Texas to recognize the trail as a park. There could be good and bad aspects to this. The trail is an

asset to the City and staff should make sure that any deals regarding the trail is crafted well.

- Michael Hesse also brought up the Spain Complex and how it is overrun because of the lack of parking. Is there any way the City could fix the problem and maybe mow the land next to it and allow people to park there.
- Ben White indicated that right now that area has no improved surface and it would be a mess. The City would have to make an investment and pull money away from somewhere else.
- Leaca Caspari asked if the City could use the open space grant for the improvements.
- Ben White stated he had released Halff & Associates to start bidding and the City could only go as far as \$100,000 would go.
- Leaca Caspari stated the City had been working a lot on improvements there the past year and 4B had moved money to help and it needs to be used.
- Michael Hesse asked if the City could place a temporary sign to prevent people from parking in non-designated areas.
- Mayor Piwko indicated if the City would stripe the parking lot that would make the parking more efficient.
- Ben White explained that the parking lot could get stripped as part of the work the grant will cover. The City would contract the work because staff could be used on something else. He indicated he would get Eddy Brock from Public Works to mow it more often.

F. Consider, discuss and act upon awarding banking contract.

- Mayor Piwko explained this was an annual renewal and staff recommended staying with First National Bank of Trenton.
- Ben White indicated he spoke to Daphne Hamlin, Finance Director, and that was staff's recommendation. The difference in the banks was about \$1,200 a year based on rates. Independent Bank did have better rates. If the City changed banks it would take over 24 hours of staff time to change over the INCODE system. Unfortunately, we are human and mistakes would happen.
- Mayor Piwko added that staff and Council would have to go back and create and reapprove the Resolutions for signatures and other necessary bank documents.
- Ben White explained that Independent Bank had a great bid, but in deciding it also came down to the time it would take to change banks. He added that he spoke with Daphne in detail about it and she indicated that she has enjoyed the service she has received with The First National Bank of Trenton.
- Donny Mason suggested to leave it as it is.

- Motion to award banking contract to The First National Bank of Trenton made by Donny Mason
- 2nd to approve was made by Michael Hesse
- All council members voted in favor

G. Consider, discuss and act regarding the renegotiation of the North Farmersville Water Contract minimums.

- Glenn McClain, from North Farmersville Water Corporation, addressed Council and passed out a packet of information. He referenced the paper he passed out. In the winter months their customers are using less than half of the minimum they are required to buy. He explained they are paying for more water than they use. If the City could provide any relief and maybe drop their minimum it would be helpful. They recently released 37 meters to Frognot, and now they currently have 214 meter.
- Mike Hurst inquired about the reason they gave up 37 meters.
- Glenn McClain explained there was a TCEQ requirement that when you hit 250 meters you have to have storage facilities, two pumps, a generator, a full time Class C operator and it would cost a lot of money. Frognot joined them and extended their lines to take the 37 meters. People have more water pressure now and we were have trouble keeping chlorine levels stable.
- Mayor Piwko asked if he could provide any information concerning what the average customer pays for service.
- Glenn McClain indicated they just recently had to increase their rates. He stated the minimum was \$30, and that was up from \$25.00. The amount they charge now was comparable to what other water districts are charging.
- Mayor Piwko asked Ben White what our minimum charge was.
- Ben White stated he was not sure of the rates off the top of his head. The City does supply wholesale water to North Farmersville Water Corporation because we are their only interconnect. Staff would have to look at the last year or two and then calculate what the anticipated loss of revenue would be, because peak rates set the parameters. He suggested coming back to Council after running the numbers and calculate what the loss to the City would be.
- Glenn McClain stated if the City cut them a deal they would have the money to upgrade lines. He indicated they are gradually increasing the size of their pipes. The bigger the line you have the more volume you have, which means more pressure.

- Mayor Piwko asked Glenn McClain as growth comes did he believe they would have more customers requesting service.
 - Glenn McClain stated they have already started receiving more requests.
 - Mayor Piwko indicated she would like to see three sets of numbers (21, 22, and 23 million) so the Council could look at the overall picture.
 - Ben White stated he felt things were fair the way they are and the City has had this arrangement for a while, but he understands that it would be fair to North Farmersville Water Corporation.
 - Council directed staff to bring back numbers at the next Council meeting.
- H. Update regarding the Islamic Association of Collin County.
- Ben White addressed Council and stated the preliminary plat may be on the May 15th Planning & Zoning agenda. But, according to the DBI engineer addressing the comments, it may be pushed to the June agenda.
 - Sandra Green stated the engineer for the applicant emailed today and informed it would be pushed to the June 19th Planning & Zoning meeting.
- I. Consider, discuss and act upon signage in regards to children at play.
- Michael Hesse stated one of the families at Westgate was wanting a sign in place to help protect children. They have a lot of children that are playing and riding bicycles around. He wanted to know what the City would need to do in order to place a sign at the entrance of Westgate.
 - Ben White explained Council had a packet given to them before the meeting that addressed children at play signs. The City follows a book that determines when a sign is needed. It goes into heights and widths of signs, as well as other information. The manual has not been adopted or placed in our Ordinances, but he recommended the City have an Ordinance that allows the guidelines of the manual to be followed. He read from the paperwork and said that some parents are not as vigilant if signs are up, and it might encourage children to play in the street. If the use of a non-standard sign was put in place the City would have liability because it would be giving permission to children to play in the street. Children at play signs have been shown to not reduce speeds of vehicles. If you had a playground where the sign was posted that would be an appropriate place to have the sign. Vulcan

signs had removed the specific signs that the City would put up from the standards manual years ago for different reasons.

- Michael Hesse asked what Ben White proposed in lieu of the signs.
- Ben White suggested the City use police presence and enforcement.
- Leaca Caspari asked about flashing signs and if they would work.
- Mike Sullivan explained in school zones they do work, but sometimes people ignore signs. He stated speed trailers sometimes work also.
- Michael Hesse inquired if the City could put out speed bumps.
- Ben White stated that was an option, but the City could post the speed limit and below that could have a built in radar on the sign that would tell people the speed of their vehicle.
- Discussions continued about the different signs that could be used and how to address basketball goals.
- Mike Sullivan explained some towns do have Ordinances for basketball goals and where they can be placed.
- Ben stated he would like to present the costs of signs at the next Council meeting.
- Michael Hesse wants staff to research the cost of flashing signs, but he does not want to ignore citizens who are concerned about their kids.
 - Council directed staff to bring back numbers at the next Council meeting.

J. Update regarding Home Rule status.

- Ben White stated he has looked at numbers and said the numbers are higher than he thought. When Camden Park is built the City will have the numbers, but it will depend on how fast they develop.
- Leaca Caspari inquired if the apartment complex would be three stories and what factors were used to acquire the numbers.
- Ben White explained he used less than four. He is trying to determine when the City would be able to start the process. Within a year of Camden Park beginning construction the City would have the numbers.
- Mayor Piwko stated we could start the process immediately.
- Ben White stated the City could start the process now or start the same time Camden Park began construction.
- Mike Hurst indicated he is trying to protect the City and wants to start immediately. He feels if the City sits and waits it would be bad.

- Robert Brown explained there are two ways to start the process. The City can have an election for the citizens to create a Commission for Charter, or the Mayor and City Council can create a Commission. The City would need to have a charter ready before there was an election. The charter is voted on in sections. It would take six months at a minimum for creating a charter. The charter involves legal work and the charter has to work for the specific city writing it. You have to have stakeholder involvement, residents, developers, and others to create a good charter. Nothing states the City cannot get ahead of the curb and start working on it now.
 - Mayor Piwko explained there may be budget issues that we need to incorporate when the City starts creating the charter.
 - Ben White inquired from Robert Brown what his office has charged for helping create a charter.
 - Robert Brown stated typically it would depend on how involved in the process the lawyer would be. It would be smart to budget at least \$10,000.
 - Ben White stated a charter would cost approximately \$10,000 to \$20,000.
 - Robert Brown explained something could be worked out to help fit the City of Farmersville, since the City has been a long standing client.
 - Michael Hesse stated he would like to see a time line and information from the City Attorney regarding the steps in the process.
 - Council directed City Attorney to come back with a presentation regarding commission set up and guidelines, timelines, and other information about the process of changing to Home Rule status.
- K. Update regarding drone video for advertising.
- Ben White stated the video and script was recorded during the first of May. The videographers would put together the video and script for a first draft and then it would be edited. We have already had a lot of comments and the City should be presenting the first draft video to 4A soon.
- L. Consider, discuss and act upon Resolution #R-2017-0509-001 regarding TxDOT closures for City events.
- Mayor Piwko pulled the item from the agenda per Ben White's recommendation.

- Ben White stated there were some issues that needed to be worked out first.
- Mayor Piwko stated the road for June could be closed on an emergency basis and then the item would be brought back to Council at a later meeting to discuss and act upon.

VI. **REQUESTS TO BE PLACED ON FUTURE AGENDAS**

- Michael Hesse wanted an item regarding policies and procedures for the City managed Facebook pages.
- Leaca Caspari wanted an item that discussed the City moving forward toward live streaming of City meetings.

VII. **ADJOURNMENT**

- Meeting was adjourned at 8:28 p.m.

APPROVE:

Diane C. Piwko, Mayor

ATTEST:

Sandra Green, City Secretary

Agenda Section	Consent Agenda
Section Number	III.B
Subject	City Financials
To	Mayor and Council Members
From	Ben White, City Manager
Date	May 23, 2017
Attachment(s)	City Financials
Related Link(s)	http://www.farmersvilletx.com/government/agendas_and_minutes/city_council_meetings.php
Consideration and Discussion	City Council discussion as required.
Action	<ul style="list-style-type: none"> • Motion/second/vote <ul style="list-style-type: none"> <input type="checkbox"/> Approve <input type="checkbox"/> Approve with Updates <input type="checkbox"/> Disapprove • Motion/second/vote to continue to a later date. _____ <ul style="list-style-type: none"> <input type="checkbox"/> Approve <input type="checkbox"/> Disapprove • Move item to another agenda. _____ • No motion, no action

MEMO

To: Benjamin White, City Manager
From: Daphne Hamlin, City Accountant
Date: May 18th, 2017
Subject: April 2017 Budget Report

The monthly budget report will focus on the analysis of budgetary variances of the revenues and expenditures of each of the major operating funds and project the impact on available fund balance. As a benchmark for comparison, we'll bear in mind that as of the end of April, 7/12 months or 58.33% of the fiscal year has passed. For revenues and expenditures occurring evenly throughout the year, we expect to have used or collected close the 58.33% level, and to have 41.67% remaining budget for the remaining of the year.

Presented in this format are: 1) an executive summary describing current budget issues, 2) budgetary comparison schedules of each major operating fund of the city, and 3) a fiscal year to date activity summary for cash and investments.

Executive Summary

The major operating funds that are part of the annual operating budget of the city are the general, water & wastewater, refuse, and electric funds.

General Fund

Total revenues in the general fund are 68.39% collected and total expenses are 61.76%.

Ad Valorem collections currently received is 100.45%. Delinquent Ad Valorem received is 105.72%

Sales Tax current collection rate of 74.86%. Sales Tax exceeded expectations.

Municipal Court Revenues current collection rate of 52.14%.

Interest Earned is slowly on the rebound, still exceeding expectations, current collection rate 304.25%

Refuse Fund

Total revenues are 65.62% and total expenses are 59.69%.

Water & Wastewater Fund

Total revenues for the Water Fund are 62.41% Water expenses in Administration are 71.14%. Water Department overall expenditures are 61.00%

Total revenues for the Wastewater Fund are 57.04% Wastewater expenses are 44.32%.

Electric Fund

Total revenues are 47.15%; the expenses are at 59.75%, includes transfers to general fund. Revenues compared to April 2016 where at 47.13%. We are still monitoring this fund closely

Cash Summary

The cash summary is attached.

SUMMARY OF CASH BALANCES APRIL 2017

ACCOUNT: FNB (0815)

	Interest Earned	Restricted	Assigned	Account Balance
Clearing Accounts				
General Fund			\$ 407,017.01	
Permit Fund			\$ (19,604.81)	
Refuse Fund			\$ 81,843.99	
Water Fund			\$ (454,700.42)	
Wastewater Fund			\$ 496,556.83	
Electric Fund			\$ (552,289.24)	
CC Child Safety	\$ 23,013.05			
2012 Bond	\$ 204,553.53			
Law Enf Training	\$ 12,198.97			
Disbursement Fund	\$ (190,031.91)			
Library Donation Fund	\$ 2,473.64			
Court Tech/Sec	\$ 16,173.98			
JW Spain Grant	\$ 50,000.00			
Grants	\$ (60,597.22)			
CC Bond Farmersville Parkway	\$ 180,000.86			
CC Bond Floyd	\$ (49,667.75)			
Equipment Replacement	\$ 5,322.29			
TOTAL:	\$ 115.02	\$ 193,439.44	\$ (41,176.64)	\$ 152,262.80

Debt Service Accounts				
County Tax Deposit (FNB 0807)(Debt Service)	\$ 124.92	\$ 213,615.19		
Debt Service Reserve (Texpool 0014) (2 months rsv)	\$ 63.41	\$ 108,434.12		
TOTAL:	\$ 188.33	\$ 322,049.31		\$ 322,049.31

Appropriated Surplus Investment Accounts				
Customer meter deposits (Texpool 0008)	\$ 63.32	\$ 108,224.32		
2012 G/O Bond, streets, water, wastewater (Texstar 0120)	\$ 842.65	\$ 1,307,156.23	-	
TOTAL:	\$ 905.97	\$ 1,415,380.55	\$ -	\$ 1,415,380.55

Unassigned Surplus Investment Accounts				
Gen Fund Acct. (Texpool 0004)(Reso. 90 Day Reserve)	\$ 507.26	\$ 866,700.00		
Water/WW Fund (Texpool 0003)(Operating 90 day)	\$ 348.40	\$ 595,562.84		
Water/WW Fund (Texpool 00017)(Capital)	\$ 443.16	\$ 757,565.54		
Elec. Fund (Texpool 0005) (Operating)	\$ 29.30	\$ 50,000.00		
Elec. Fund (Texpool 0016)(Capital)	\$ 188.47	\$ 322,184.21		
Elec. Surcharge (Texpool 0015)	\$ 71.11	\$ 121,626.44		
Money Market Acct. (FNB 092)	\$ 9.05		\$ 73,408.10	
TOTAL:	\$ 1,596.75	\$ 2,713,639.03	\$ 73,408.10	\$ 2,787,047.13

Contractor Managed Accounts Nonspendable				
NTMWD Sewer Plant Maint. Fund		\$ 18,100.17		
TOTAL APPROPRIATED SURPLUS		\$ 18,100.17	\$ -	\$ 18,100.17
TOTAL CASH & INVESTMENT ACCOUNTS		\$ 4,662,608.50	\$ 32,231.46	\$ 4,694,839.96

SUMMARY OF CASH BALANCES APRIL 2017

FEDC 4A Board Investment & Checking Account					
FEDC 4A Checking Account (Independent Bank 7909)	\$	12.35	\$	322,901.45	
FEDC 4A Investment Account (Texpool 0001)	\$	363.05	\$	620,600.37	
FEDC 4A Certificate of Deposit (Independent Bank)	\$	74.32	\$	250,000.00	
TOTAL:	\$	449.72	\$	1,193,501.82	\$ - \$ 1,193,501.82

FCDC 4B Board Investment & Checking Account					
FCDC 4B Checking Account (Independent Bank 3035)	\$	5.76	\$	158,874.65	
FCDC 4B Investment Account (Texpool 0001)	\$	49.96	\$	85,385.50	
TOTAL:	\$	55.72	\$	244,260.15	\$ - \$ 244,260.15

TIRZ Account					
County Tax Deposits (FNB 01276)	\$	68.26	\$	114,612.71	
TOTAL:	\$	68.26	\$	114,612.71	\$ - \$ 114,612.71

Note: Salmon color used to indicate an item dedicated to a specific project or need

Note: Standard & Poor's Rating Service assigned A+/long-term stable rating to Farmersville, Texas

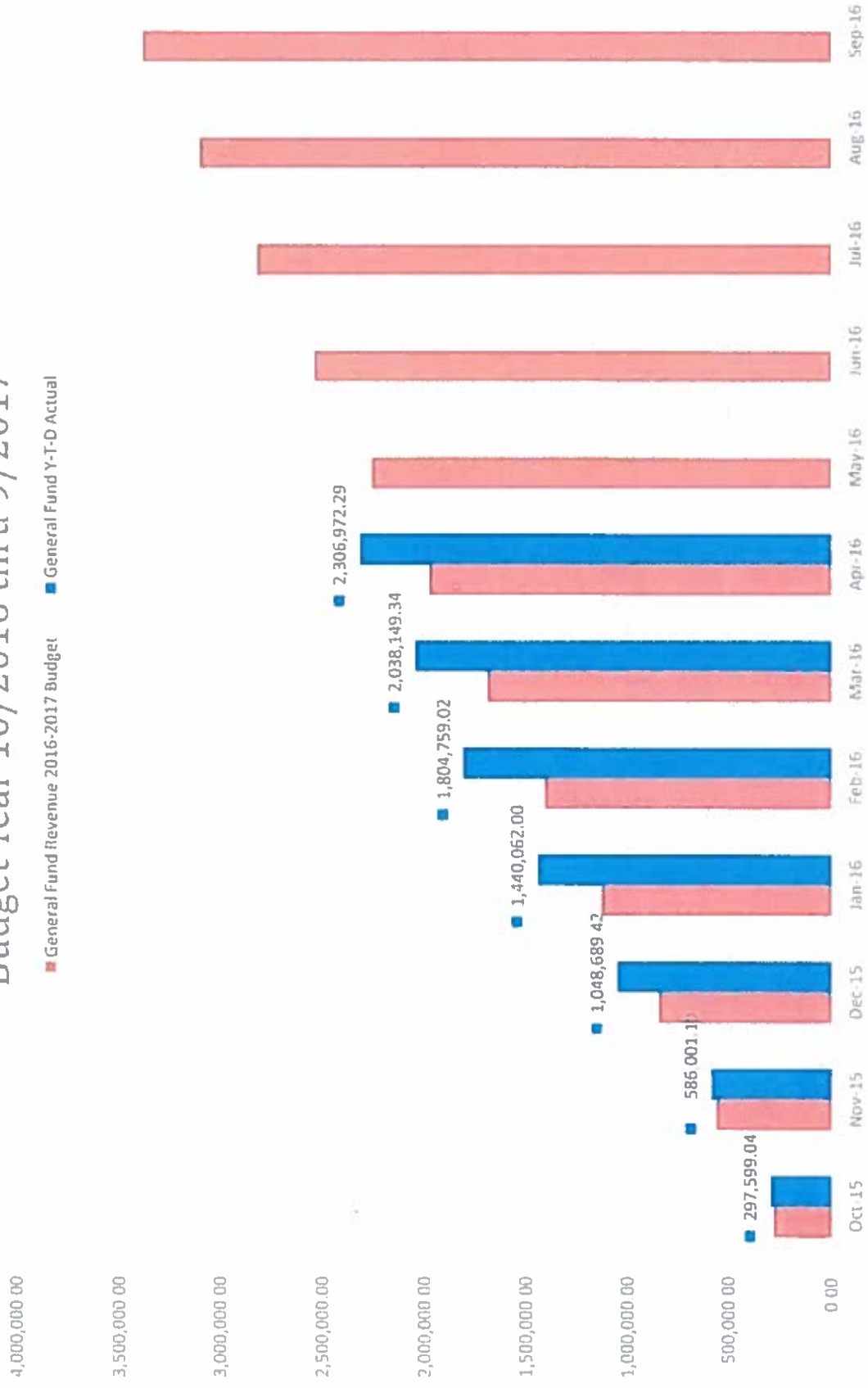
I hereby certify that the City of Farmersville's Investment Portfolio is in compliance with the City's investment strategy as expressed in the City's Investment Policy (Resolution 99-17, and with relevant provisions of the law.

The Public Funds Investment Act (Sec.2256.008) requires the City's Investment Officer to obtain 10 hrs. of continuing education each period from a source approved by the governing body. Listed below are courses Daphne Hamlin completed to satisfy that requirement:

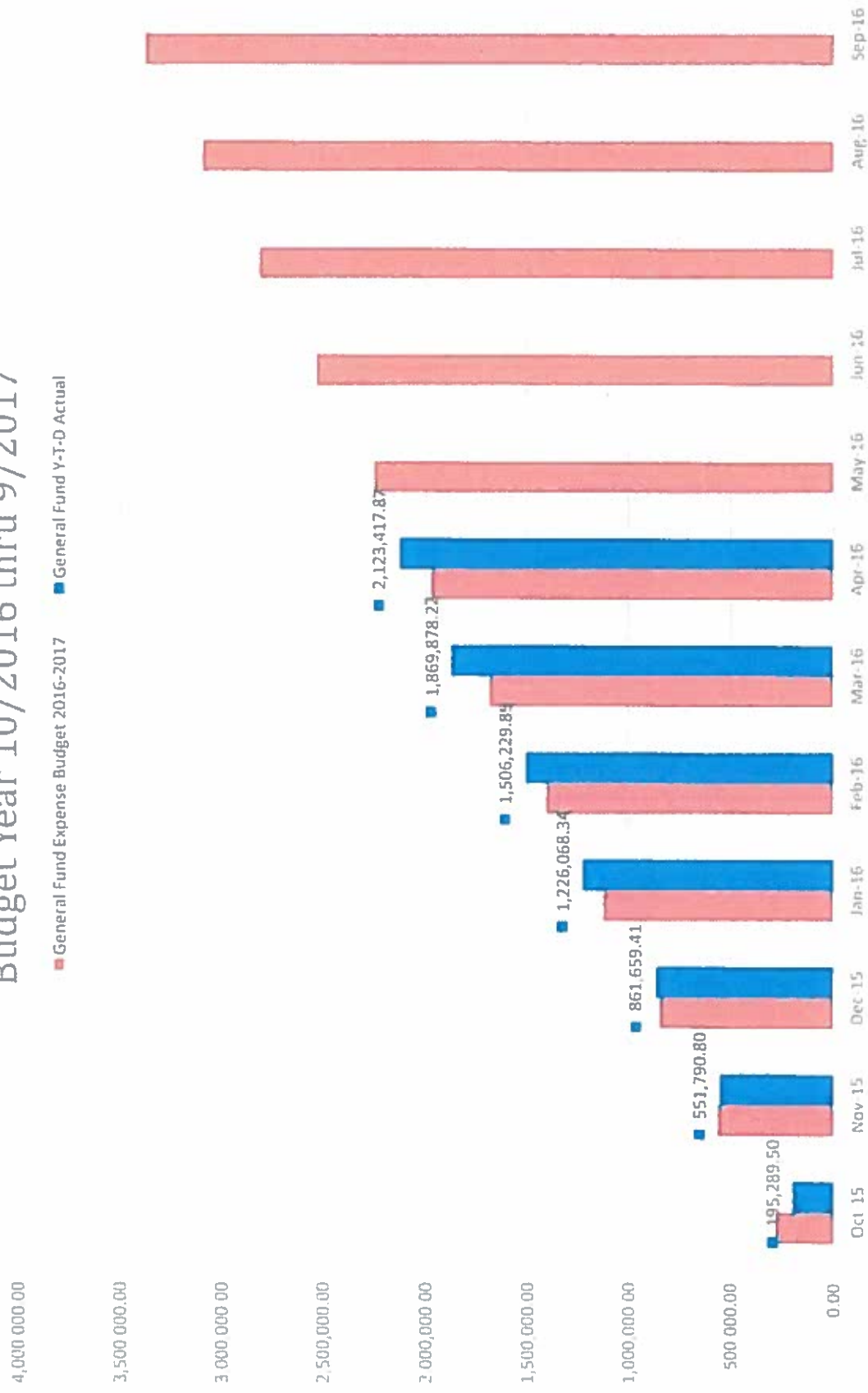
Daphne Hamlin
Daphne Hamlin, City Investment Officer

10-2014 NCTCOG - Public Funds Inv Act

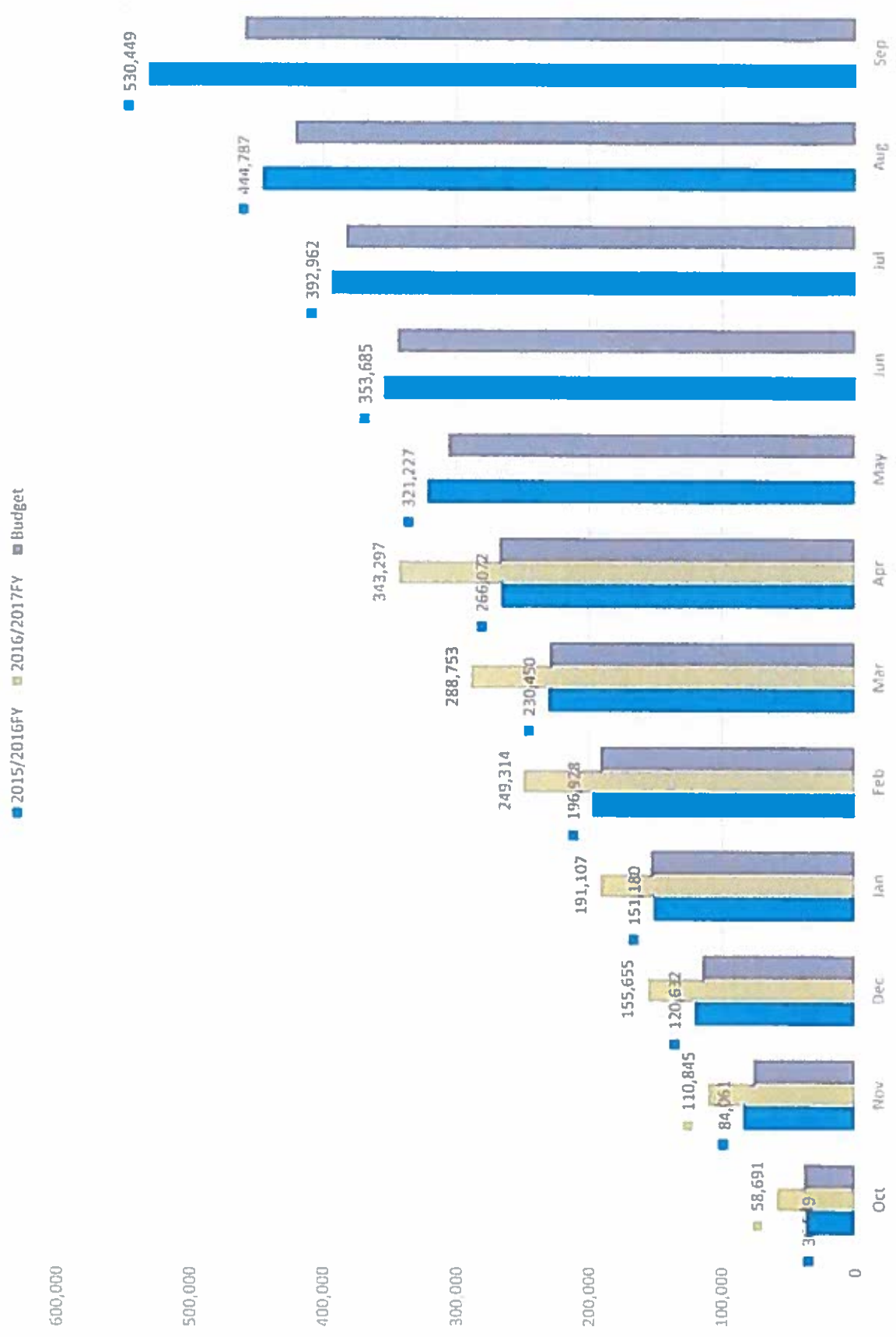
General Fund Revenue Progress Budget Year 10/2016 thru 9/2017



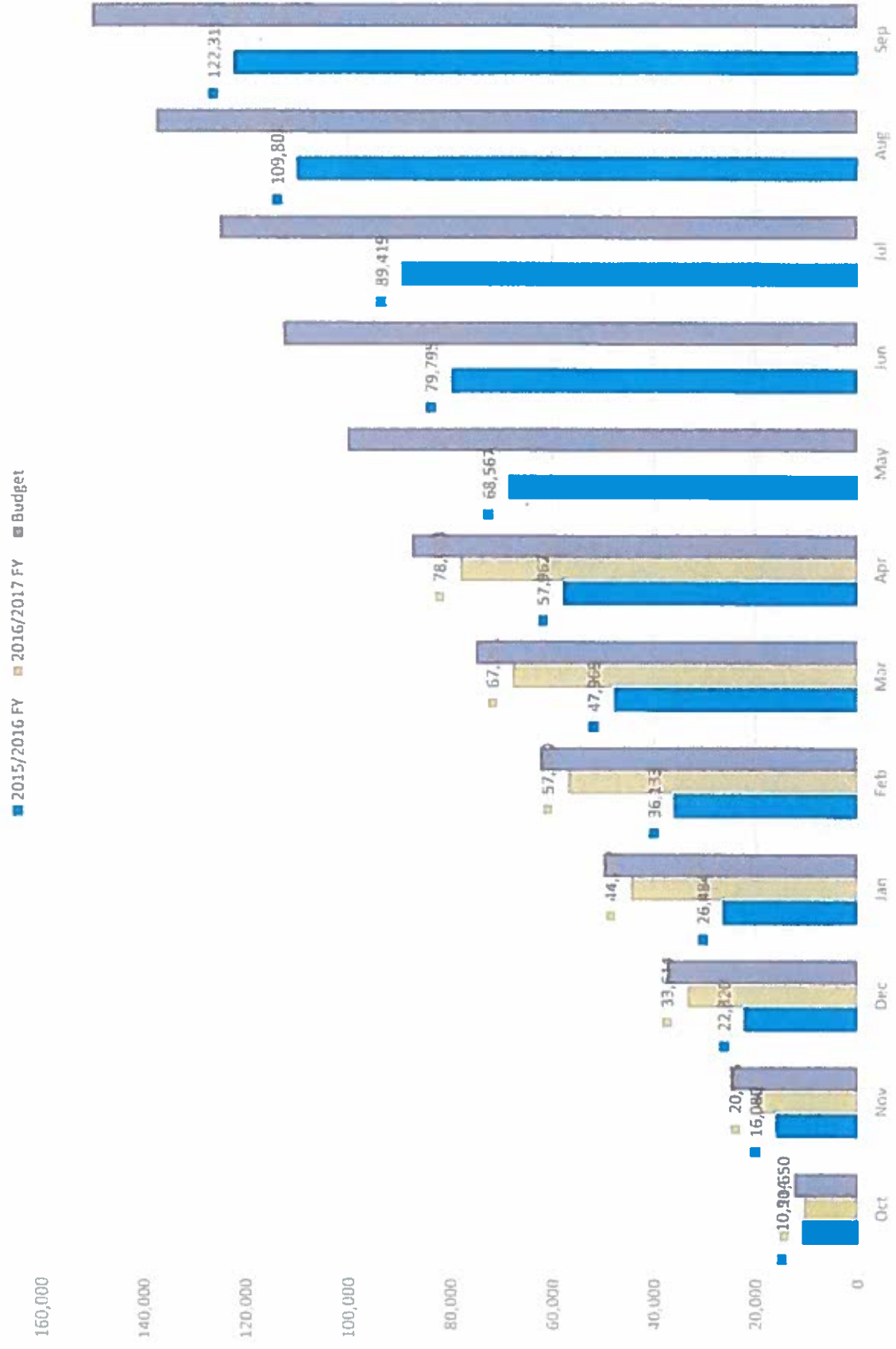
General Fund Expense Budget Year 10/2016 thru 9/2017



Sales Tax Chart Comparison



Municipal Court Revenue Comparison Chart



CITY OF FARMERSVILLE
REVENUE & EXPENSE REPORT (UNAUDITED)
AS OF: APRIL 30TH, 2017100-GENERAL FUND
FINANCIAL SUMMARY

% OF YEAR COMPLETED: 58.33

	CURRENT BUDGET	CURRENT PERIOD	YEAR TO DATE ACTUAL	TOTAL ENCUMBERED	BUDGET BALANCE	% YTD BUDGET
<u>REVENUE SUMMARY</u>						
00-REVENUE	3,373,230	268,822.95	2,306,972.29	0.00	1,066,257.71	68.39
TOTAL REVENUES	3,373,230	268,822.95	2,306,972.29	0.00	1,066,257.71	68.39
<u>EXPENDITURE SUMMARY</u>						
00-TRANSFER OUT						
TRANSFERS	0	0.00	0.00	0.00	0.00	0.00
TOTAL 00-TRANSFER OUT	0	0.00	0.00	0.00	0.00	0.00
11-MAYOR & CITY COUNCIL						
PERSONNEL SERVICES	2,040	150.00	1,050.00	0.00	990.00	51.47
CONTRACTS & PROF. SVCS	150	0.00	1,000.00	0.00	850.00	666.67
MAINTENANCE	0	0.00	0.00	0.00	0.00	0.00
MISCELLANEOUS	11,355	0.00	9,116.18	0.00	2,238.82	80.28
CAPITAL EXPENDITURES	0	0.00	0.00	0.00	0.00	0.00
TOTAL 11-MAYOR & CITY COUNCIL	13,545	150.00	11,166.18	0.00	2,378.82	82.44
12-ADMINISTRATION						
PERSONNEL SERVICES	276,617	22,505.02	151,189.45	0.00	125,427.55	54.66
CONTRACTS & PROF. SVCS	126,200	11,189.49	90,717.37	0.00	35,482.63	71.88
MAINTENANCE	101,590	3,534.76	55,402.29	0.00	46,187.71	54.54
UTILITIES	21,100	1,971.40	11,885.56	0.00	9,214.44	56.33
SUPPLIES	23,000	2,440.36	12,629.23	0.00	10,370.77	54.91
MISCELLANEOUS	45,750	6,723.63	21,879.12	0.00	23,870.88	47.82
CAPITAL EXPENDITURES	115,425	3,408.40	135,539.94	939.61	21,054.55	118.24
TRANSFERS	0	0.00	0.00	0.00	0.00	0.00
TOTAL 12-ADMINISTRATION	709,682	51,773.06	479,242.96	939.61	229,499.43	67.66
14-MUNICIPAL COURT						
PERSONNEL SERVICES	140,325	10,614.58	86,056.75	0.00	54,268.25	61.33
CONTRACTS & PROF. SVCS	25,150	1,270.00	11,019.30	0.00	14,130.70	43.81
MAINTENANCE	11,530	602.87	6,853.51	0.00	4,676.49	59.44
UTILITIES	1,200	101.84	677.24	0.00	522.76	56.44
SUPPLIES	8,500	116.31	3,647.55	0.00	4,852.45	42.91
MISCELLANEOUS	8,200	500.07	5,320.33	0.00	2,879.67	64.88
CAPITAL EXPENDITURES	0	0.00	0.00	0.00	0.00	0.00
TOTAL 14-MUNICIPAL COURT	194,905	13,205.67	113,574.68	0.00	81,330.32	58.27
15-LIBRARY						
PERSONNEL SERVICES	124,405	9,565.04	72,918.68	0.00	51,486.32	58.61
CONTRACTS & PROF. SVCS	0	0.00	0.00	0.00	0.00	0.00
MAINTENANCE	34,220	1,762.35	17,061.38	0.00	17,158.62	49.86
UTILITIES	9,750	583.75	5,370.18	0.00	4,379.82	55.08
SUPPLIES	3,700	244.77	2,261.09	0.00	1,438.91	61.11
MISCELLANEOUS	3,850	254.71	3,438.94	0.00	411.06	89.32

100-GENERAL FUND
FINANCIAL SUMMARY

% OF YEAR COMPLETED: 58.33

	CURRENT BUDGET	CURRENT PERIOD	YEAR TO DATE ACTUAL	TOTAL ENCUMBERED	BUDGET BALANCE	% YTD BUDGET
CAPITAL EXPENDITURES	15,000	1,341.43	6,340.10	550.83	8,109.07	45.94
TRANSFERS	0	0.00	0.00	0.00	0.00	0.00
TOTAL 15-LIBRARY	190,925	13,752.05	107,390.37	550.83	82,983.80	56.54
16-CIVIC/CENTER						
UTILITIES	16,000	673.12	5,650.24	0.00	10,349.76	35.31
TOTAL 16-CIVIC/CENTER	16,000	673.12	5,650.24	0.00	10,349.76	35.31
21-POLICE DEPT.						
PERSONNEL SERVICES	796,112	62,346.72	459,444.08	0.00	336,667.92	57.71
CONTRACTS & PROF. SVCS	50,642	9,427.61	18,552.97	0.00	32,089.03	36.64
MISCELLANEOUS	1,000	0.00	4.15	0.00	995.85	0.42
MAINTENANCE	81,118	3,998.28	44,667.11	702.00	35,748.89	55.93
UTILITIES	40,500	2,368.32	20,683.18	0.00	19,816.82	51.07
SUPPLIES	46,600	5,835.62	32,563.17	434.00	13,602.83	70.81
MISCELLANEOUS	27,000	356.50	16,456.81	500.00	10,043.19	62.80
CAPITAL EXPENDITURES	41,523	12,321.75	130,205.21	4,380.00	93,062.30	324.12
TRANSFERS	0	0.00	0.00	0.00	0.00	0.00
TOTAL 21-POLICE DEPT.	1,084,495	96,654.80	722,576.68	6,016.00	355,902.23	67.18
22-FIRE DEPT.						
PERSONNEL SERVICES	181,692	12,637.42	120,777.79	0.00	60,914.21	66.47
CONTRACTS & PROF. SVCS	42,639	375.00	39,059.58	0.00	3,579.42	91.61
MISCELLANEOUS	500	0.00	0.00	0.00	500.00	0.00
MAINTENANCE	33,780	8,175.15	20,538.82	1,064.52	12,176.66	63.95
UTILITIES	1,500	173.97	1,331.76	0.00	168.24	88.78
SUPPLIES	27,329	1,146.79	7,456.63	0.00	19,872.46	27.28
MISCELLANEOUS	12,000	206.25	9,660.75	0.00	2,339.25	80.51
CAPITAL EXPENDITURES	0	0.00	0.00	0.00	0.00	0.00
TRANSFERS	0	0.00	0.00	0.00	0.00	0.00
TOTAL 22-FIRE DEPT.	299,440	22,714.58	198,825.33	1,064.52	99,550.24	66.75
34-STREET SYSTEM						
PERSONNEL SERVICES	210,852	6,165.39	66,074.99	0.00	144,777.01	31.34
CONTRACTS & PROF. SVCS	7,800	50.00	3,459.50	0.00	4,340.50	44.35
MISCELLANEOUS	112,942	11,392.23	60,308.66	11,250.49	41,382.85	63.36
MAINTENANCE	6,500	886.50	1,513.20	0.00	4,986.80	23.28
UTILITIES	8,950	474.18	3,923.23	0.00	5,026.77	43.83
SUPPLIES	11,000	442.25	3,408.90	0.00	7,591.10	30.99
MISCELLANEOUS	1,500	0.00	517.20	0.00	982.80	34.48
CAPITAL EXPENDITURES	0	0.00	0.00	0.00	0.00	0.00
TOTAL 34-STREET SYSTEM	359,544	19,410.55	139,205.68	11,250.49	209,087.83	41.85
60-PUBLIC WORKS BLDG						
PERSONNEL SERVICES	44,875	8,422.29	77,195.67	0.00	32,320.67	172.02
CONTRACTS & PROF. SVCS	13,500	52.83	2,182.83	0.00	11,317.17	16.17
MISCELLANEOUS	45,500	450.67	22,956.23	1.00	22,542.77	50.46
MAINTENANCE	62,000	136.00	1,896.62	0.00	60,103.38	3.06
UTILITIES	21,940	910.77	10,390.99	0.00	11,549.01	47.36
SUPPLIES	500	0.00	0.00	0.00	500.00	0.00

CITY OF FARMERSVILLE
REVENUE & EXPENSE REPORT (UNAUDITED)
AS OF: APRIL 30TH, 2017

100-GENERAL FUND
FINANCIAL SUMMARY

% OF YEAR COMPLETED: 58.33

	CURRENT BUDGET	CURRENT PERIOD	YEAR TO DATE ACTUAL	TOTAL ENCUMBERED	BUDGET BALANCE	% YTD BUDGET
MISCELLANEOUS	250	0.00	0.00	0.00	250.00	0.00
CAPITAL EXPENDITURES	0	0.00	0.00	0.00	0.00	0.00
TRANSFERS	0	0.00	0.00	0.00	0.00	0.00
TOTAL 60-PUBLIC WORKS BLDG	188,565	9,972.56	114,622.34	1.00	73,941.66	60.79
39-PARKS						
PERSONNEL SERVICES	40,625	3,485.97	18,945.91	0.00	21,679.09	46.64
CONTRACTS & PROF. SVCS	81,750	12,631.97	28,279.60	0.00	53,470.40	34.59
MISCELLANEOUS	20,000	649.18	14,402.38	0.00	5,597.62	72.01
MAINTENANCE	16,500	1,927.50	7,467.42	0.00	9,032.58	45.26
UTILITIES	82,100	4,192.38	21,314.19	0.00	60,785.81	25.96
SUPPLIES	7,500	0.00	993.44	0.00	6,506.56	13.25
MISCELLANEOUS	0	0.00	0.00	0.00	500.00	0.00
CAPITAL EXPENDITURES	0	0.00	0.00	0.00	0.00	0.00
TOTAL 39-PARKS	248,975	22,887.00	91,402.94	0.00	157,572.06	36.71
71-DEBT SERVICE						
DEBT SERVICE	163,606	2,346.26	139,371.61	0.00	24,234.39	85.19
TRANSFERS	0	0.00	0.00	0.00	0.00	0.00
TOTAL 71-DEBT SERVICE	163,606	2,346.26	139,371.61	0.00	24,234.39	85.19
TOTAL EXPENDITURES	3,469,682	253,539.65	2,123,029.01	19,822.45	1,326,830.54	61.76
REVENUE OVER/(UNDER) EXPENDITURES	(96,452)	15,283.30	183,943.28	(19,822.45)	260,572.83	170.16-

CITY OF FARMERSVILLE
REVENUE & EXPENSE REPORT (UNAUDITED)
AS OF: APRIL 30TH, 2017

100-GENERAL FUND

% OF YEAR COMPLETED: 58.33

REVENUES	CURRENT BUDGET	CURRENT PERIOD	YEAR TO DATE ACTUAL	TOTAL ENCUMBERED	BUDGET BALANCE	% YTD BUDGET
00-REVENUE						
100.00.5711.000 AD VALOREM TAX	715,870	9,756.77	719,074.77	0.00 (	3,204.77)	100.45
100.00.5712.000 CC CONV FEE COURT	0	0.00	0.00	0.00 (	0.00	0.00
100.00.5713.000 DEL. TAX, PEN. & INT.	12,400	1,233.66	13,109.32	0.00 (	709.32)	105.72
100.00.5714.000 CC CONV FEE UTILITY	0	0.00	0.00	0.00	0.00	0.00
100.00.5715.000 TIRZ	0	0.00	0.00	0.00	0.00	0.00
100.00.5721.000 SALES TAX	458,600	54,544.09	343,299.73	0.00	115,300.27	74.86
100.00.5722.000 BEVERAGE TAX	2,600	593.08	1,992.65	0.00	607.35	76.64
100.00.5730.000 FRANCHISE FEES - GARBAGE	38,442	2,711.34	19,070.65	0.00	19,371.35	49.61
100.00.5731.000 FRANCHISE FEES - GAS	34,000	0.00	28,267.49	0.00	5,732.51	83.14
100.00.5732.000 SKYBEAM	58,320	4,860.00	34,020.00	0.00	24,300.00	58.33
100.00.5733.000 ELEC. FUND FRANCHISE FEE	6,500	0.00	6,505.70	0.00 (	5.70)	100.09
100.00.5734.000 FRANCHISE FEES - TELE.	4,500	8.43	4,968.78	0.00 (	468.78)	110.42
100.00.5735.000 FRANCHISE FEES - CABLE	13,000	0.00	3,300.21	0.00	9,699.79	25.39
100.00.5736.000 FRANCHISE FEES - OTHER	35,000	0.00	0.00	0.00	0.00	0.00
100.00.5741.000 PERMITS & INSPECTIONS	2,000	3,986.10	19,603.46	0.00	15,396.54	56.01
100.00.5742.000 PLANNING & ZONING FEES	100	0.00	0.00	0.00	2,000.00	0.00
100.00.5743.000 FEES	150,000	0.00	55.00	0.00	45.00	55.00
100.00.5744.000 CNTY FIRE RUNS	111,427	10,253.86	78,204.95	0.00	71,795.05	52.14
100.00.5745.000 UNION SHED RENTAL	1,000	53,143.97	106,287.93	0.00	5,139.07	95.39
100.00.5746.000 COUNTY LIBRARY FUND	15,960	50.00	400.00	0.00	600.00	40.00
100.00.5747.000 MICRO CHIP PROGRAM	0	7,154.16	7,154.16	0.00	8,805.84	44.83
100.00.5748.000 MUN. CT. BLDG. SECURITY	0	0.00	0.00	0.00	0.00	0.00
100.00.5749.000 MAIN STREET EVENTS	0	0.00	0.00	0.00	0.00	0.00
100.00.5750.000 MUN. CT. TECHNOLOGY FUND	0	0.00	0.00	0.00	0.00	0.00
100.00.5751.000 GRANT PROCEEDS	16,747	1,395.64	9,769.48	0.00 (	6,977.52	58.34
100.00.5752.000 GAMING MACHINE LICENSE	0	0.00	600.00	0.00 (	600.00)	0.00
100.00.5753.000 SRO SUPPORT	1,050	0.00	0.00	0.00	0.00	0.00
100.00.5754.000 INTEREST EARNED	600	622.28	3,194.59	0.00 (	2,144.59)	304.25
100.00.5755.000 FEDC 4A STAFF SUPPORT	0	0.00	0.00	0.00	500.00	0.00
100.00.5756.000 FCDC IMPROVEMENTS	12,000	0.00	0.00	0.00	0.00	0.00
100.00.5757.000 RENT E. TX. MED CTR.	0	0.00	7,000.00	0.00	5,000.00	58.33
100.00.5758.000 FEDC IMPROVEMENT FUND	0	0.00	0.00	0.00	0.00	0.00
100.00.5759.000 OTHER REVENUE	7,200	0.00	0.00	0.00	0.00	0.00
100.00.5760.000 S W BELL LEASE	25,000	362.08	2,758.79	0.00	4,441.21	38.32
100.00.5761.000 OTHER INCOME	0	0.00	6,866.20	0.00	18,133.80	27.46
100.00.5762.000 C.C. CHILD SAFETY	0	0.00	0.00	0.00	0.00	0.00
100.00.5763.000 ATHLETIC COMPLEX	0	0.00	0.00	0.00	0.00	0.00
100.00.5764.000 PUBLIC WORKS REVENUE	0	0.00	61.00	0.00 (	61.00)	0.00
100.00.5765.000 REVENUE RESCUE	700	25.00	25.00	0.00	0.00	0.00
100.00.5766.000 ALARM FEE	0	0.00	0.00	0.00	675.00	3.57
100.00.5767.000 TEXAS FOREST SERVICE GRA	0	0.00	0.00	0.00	0.00	0.00
100.00.5768.000 LIBRARY GRANT	0	0.00	0.00	0.00	0.00	0.00
100.00.5769.000 BRICK CAMPAIGN	0	0.00	0.00	0.00	0.00	0.00
100.00.5770.000 PARK DEDICATION FEE	0	0.00	0.00	0.00	0.00	0.00
100.00.5771.000 COURT EOY CORRECTION	0	0.00	0.00	0.00	0.00	0.00

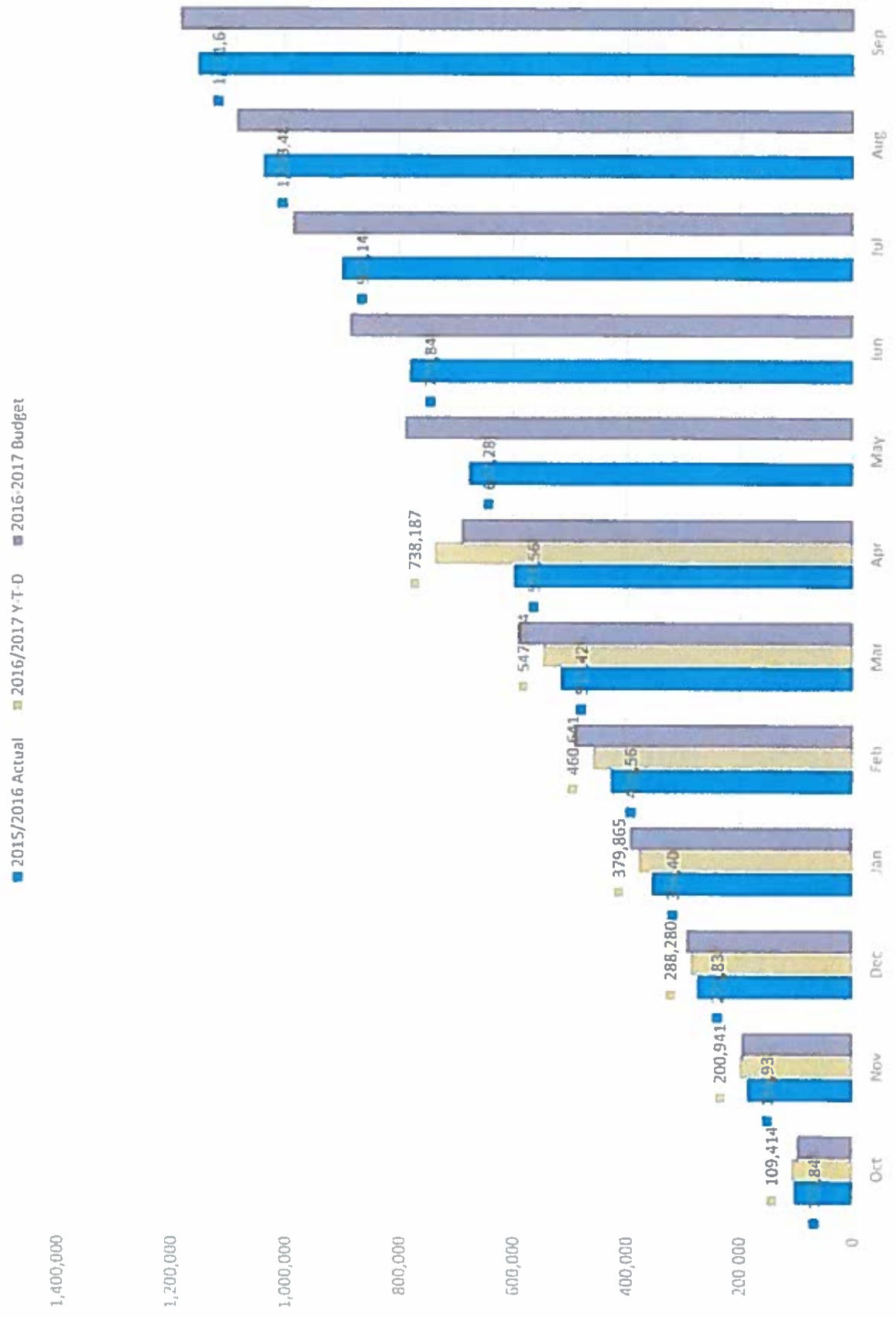
CITY OF FARMERSVILLE
REVENUE & EXPENSE REPORT (UNAUDITED)
AS OF: APRIL 30TH, 2017

100-GENERAL FUND

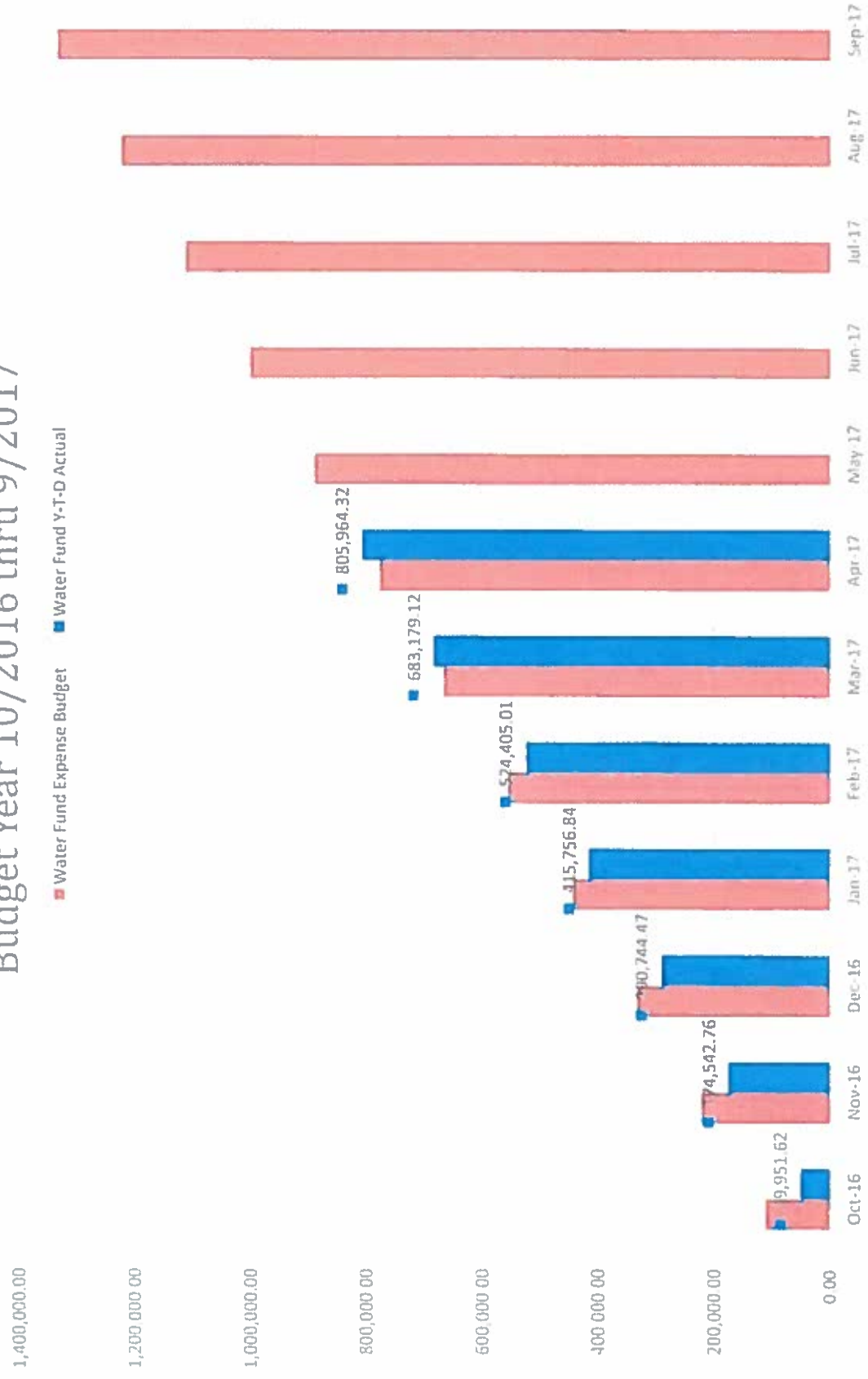
% OF YEAR COMPLETED: 58.33

REVENUES	CURRENT BUDGET	CURRENT PERIOD	YEAR TO DATE ACTUAL	TOTAL ENCUMBERED	BUDGET BALANCE	% YTD BUDGET
100.00.5791.000 4B SUPPORT REVENUE	0	0.00	0.00	0.00	0.00	0.00
100.00.5792.000 ADM.SUPPORT CHARGES	20,710	1,725.83	12,080.81	0.00	8,629.19	58.33
100.00.5793.000 RENT RECEIVED	3,600	300.00	2,100.00	0.00	1,500.00	58.33
100.00.5794.000 CIVIC RENT	5,500	350.00	3,175.00	0.00	2,325.00	57.73
100.00.5795.000 4B SALARY	63,793	0.00	63,800.00	0.00	7.00)	100.01
100.00.5796.000 KCS RAILWAY MOWING	0	0.00	0.00	0.00	0.00	0.00
100.00.5797.000 MARKETING	0	0.00	0.00	0.00	0.00	0.00
100.00.5798.000 STEP PROGRAM	0	0.00	0.00	0.00	0.00	0.00
100.00.5799.000 CAPITAL LEASE REFUNDING	0	0.00	0.00	0.00	0.00	0.00
100.00.5939.000 FORESTRY SVC GRANT	0	0.00	0.00	0.00	0.00	0.00
100.00.5991.000 TRANSFERS IN-OTHER FUNDS	1,388,960	115,746.66	810,226.62	0.00	578,733.38	58.33
100.00.5992.000 SALE OF FIXED ASSETS	0	0.00	0.00	0.00	0.00	0.00
100.00.5994.000 LEASE PURCHASE PROCEEDS	0	0.00	0.00	0.00	0.00	0.00
100.00.5995.000 TRANSFERS-RESERVE	167,651	0.00	0.00	0.00	167,651.00	0.00
100.00.5998.000 TRANS. IN- GEN.FND.SURPLU	0	0.00	0.00	0.00	0.00	0.00
100.00.5999.000 TRANS. IN-PARK IMP.SURPLU	0	0.00	0.00	0.00	0.00	0.00
TOTAL 00-REVENUE	3,373,230	268,822.95	2,306,972.29	0.00	1,066,257.71	68.39
TOTAL REVENUE	3,373,230	268,822.95	2,306,972.29	0.00	1,066,257.71	68.39

Water Revenue Comparison Chart



Water Fund Expense Budget Year 10/2016 thru 9/2017



CITY OF FARMERSVILLE
REVENUE & EXPENSE REPORT (UNAUDITED)
AS OF: APRIL 30TH, 2017700-WATER FUND
FINANCIAL SUMMARY

% OF YEAR COMPLETED: 58.33

	CURRENT BUDGET	CURRENT PERIOD	YEAR TO DATE ACTUAL	TOTAL ENCUMBERED	BUDGET BALANCE	% YTD BUDGET
<u>REVENUE SUMMARY</u>						
00-REVENUE	1,182,736	190,303.11	738,187.58	0.00	444,548.42	62.41
TOTAL REVENUES	1,182,736	190,303.11	738,187.58	0.00	444,548.42	62.41
<u>EXPENDITURE SUMMARY</u>						
00-TRANSFER OUT						
TRANSFERS	0	0.00	0.00	0.00	0.00	0.00
TOTAL 00-TRANSFER OUT	0	0.00	0.00	0.00	0.00	0.00
12-ADMINISTRATION						
PERSONNEL SERVICES	68,711	5,342.28	43,687.26	0.00	25,023.74	63.58
CONTRACTS & PROF. SVCS	700	0.00	0.00	0.00	700.00	0.00
MAINTENANCE	23,197	5,176.31	23,151.90	0.00	45.10	99.81
UTILITIES	6,350	433.94	3,104.97	0.00	3,245.03	48.90
SUPPLIES	1,000	42.39	1,460.48	0.00	460.48	146.05
MISCELLANEOUS	10,500	795.28	7,177.04	0.00	3,322.96	68.35
TOTAL 12-ADMINISTRATION	110,458	11,790.20	78,581.65	0.00	31,876.35	71.14
52-STORM WATER SYSTEM						
PERSONNEL SERVICES	0	0.00	0.00	0.00	0.00	0.00
CONTRACTS & PROF. SVCS	0	0.00	0.00	0.00	0.00	0.00
MISCELLANEOUS	0	0.00	4,500.00	0.00	4,500.00	0.00
UTILITIES	0	0.00	0.00	0.00	0.00	0.00
SUPPLIES	0	0.00	0.00	0.00	0.00	0.00
MISCELLANEOUS	0	0.00	0.00	0.00	0.00	0.00
CAPITAL EXPENDITURES	0	0.00	0.00	0.00	0.00	0.00
TOTAL 52-STORM WATER SYSTEM	0	0.00	4,500.00	0.00	4,500.00	0.00
35-WATER DEPT.						
PERSONNEL SERVICES	136,590	21,589.95	142,936.76	0.00	6,346.76	104.65
CONTRACTS & PROF. SVCS	73,655	13,834.10	84,352.60	6,241.00	16,938.60	123.00
MISCELLANEOUS	122,000	3,630.63	43,054.57	3.00	78,942.43	35.29
MAINTENANCE	5,500	141.38	959.45	0.00	4,540.55	17.44
UTILITIES	26,550	2,068.53	16,895.09	0.00	9,654.91	63.63
SUPPLIES	720,852	59,574.25	362,145.90	0.00	358,706.10	50.24
MISCELLANEOUS	14,000	0.00	1,445.18	0.00	12,554.82	10.32
CAPITAL EXPENDITURES	0	0.00	0.00	0.00	0.00	0.00
TRANSFERS	121,874	10,156.16	71,093.12	0.00	50,780.88	58.33
TOTAL 35-WATER DEPT.	1,221,021	110,995.00	722,882.67	6,244.00	491,894.33	59.71
TOTAL EXPENDITURES	1,331,479	122,785.20	805,964.32	6,244.00	519,270.68	61.00
REVENUE OVER/(UNDER) EXPENDITURES	(148,743)	67,517.91	(67,776.74)	(6,244.00)	(74,722.26)	49.76

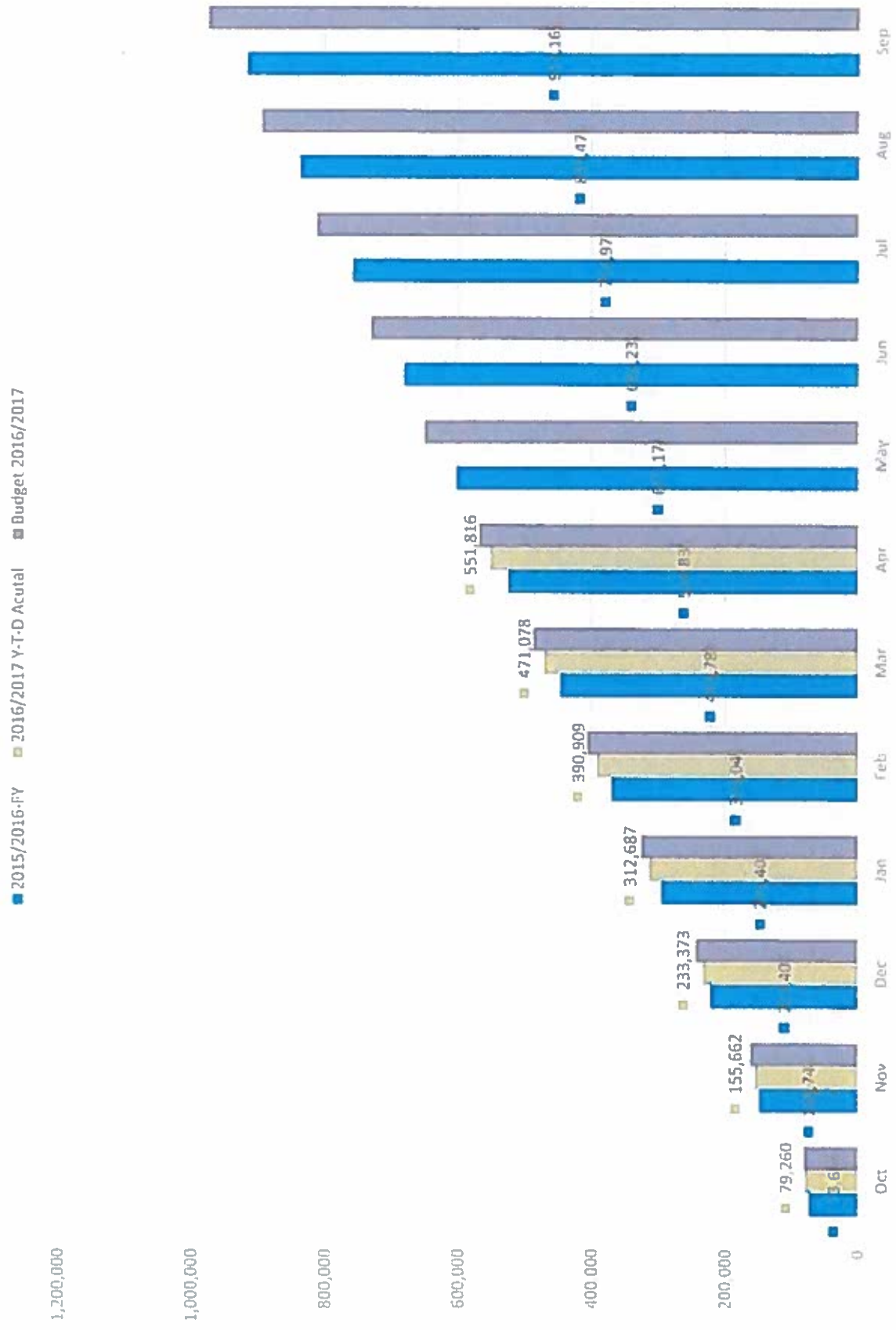
CITY OF FARMERSVILLE
REVENUE & EXPENSE REPORT (UNAUDITED)
AS OF: APRIL 30TH, 2017

700-WATER FUND

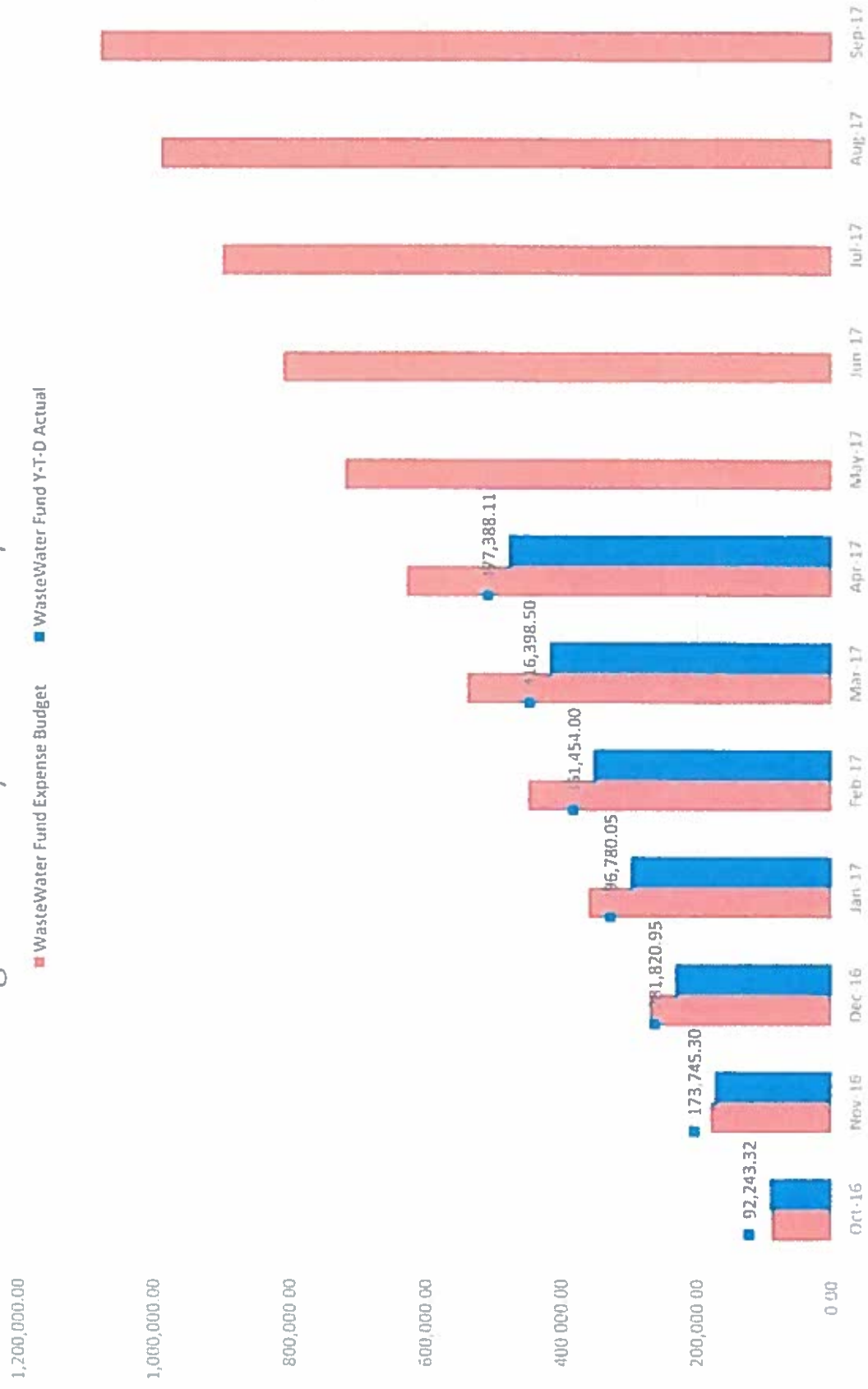
% OF YEAR COMPLETED: 58.33

REVENUES	CURRENT BUDGET	CURRENT PERIOD	YEAR TO DATE ACTUAL	TOTAL ENCUMBERED	BUDGET BALANCE	% YTD BUDGET
00-REVENUE						
700.00.5714.000 CC CONV. FEE	0	0.00	0.00	0.00	0.00	0.00
700.00.5743.000 CONNECT FEE	3,500	450.00	2,808.99	0.00	691.01	80.26
700.00.5744.000 PENALTIES	15,000	1,174.32	9,144.88	0.00	5,855.12	60.97
700.00.5745.000 AGREEMENTS AND CONTRACTS	129,000	12,506.22	93,590.46	0.00	35,409.54	72.55
700.00.5746.000 IMPACT FEE	4,055	0.00	787.00	0.00	3,268.00	19.41
700.00.5751.000 CITY WATER SALES	1,028,481	175,745.80	628,450.15	0.00	400,030.85	61.10
700.00.5753.000 WATER TAP FEES	1,200	0.00	1,200.00	0.00	0.00	100.00
700.00.5762.000 INTEREST EARNED	1,500	420.77	2,200.10	0.00	700.10	146.67
700.00.5767.000 OTHER REVENUE	0	6.00	6.00	0.00	6.00	0.00
700.00.5769.000 OTHER REVENUE	0	0.00	0.00	0.00	0.00	0.00
700.00.5993.000 TRANSFER IN	0	0.00	0.00	0.00	0.00	0.00
TOTAL 00-REVENUE	1,182,736	190,303.11	738,187.58	0.00	444,548.42	62.41
TOTAL REVENUE	1,182,736	190,303.11	738,187.58	0.00	444,548.42	62.41

City Sewer Sales Comparison Chart



Wastewater Fund Expense Budget Year 10/2016 thru 9/2017



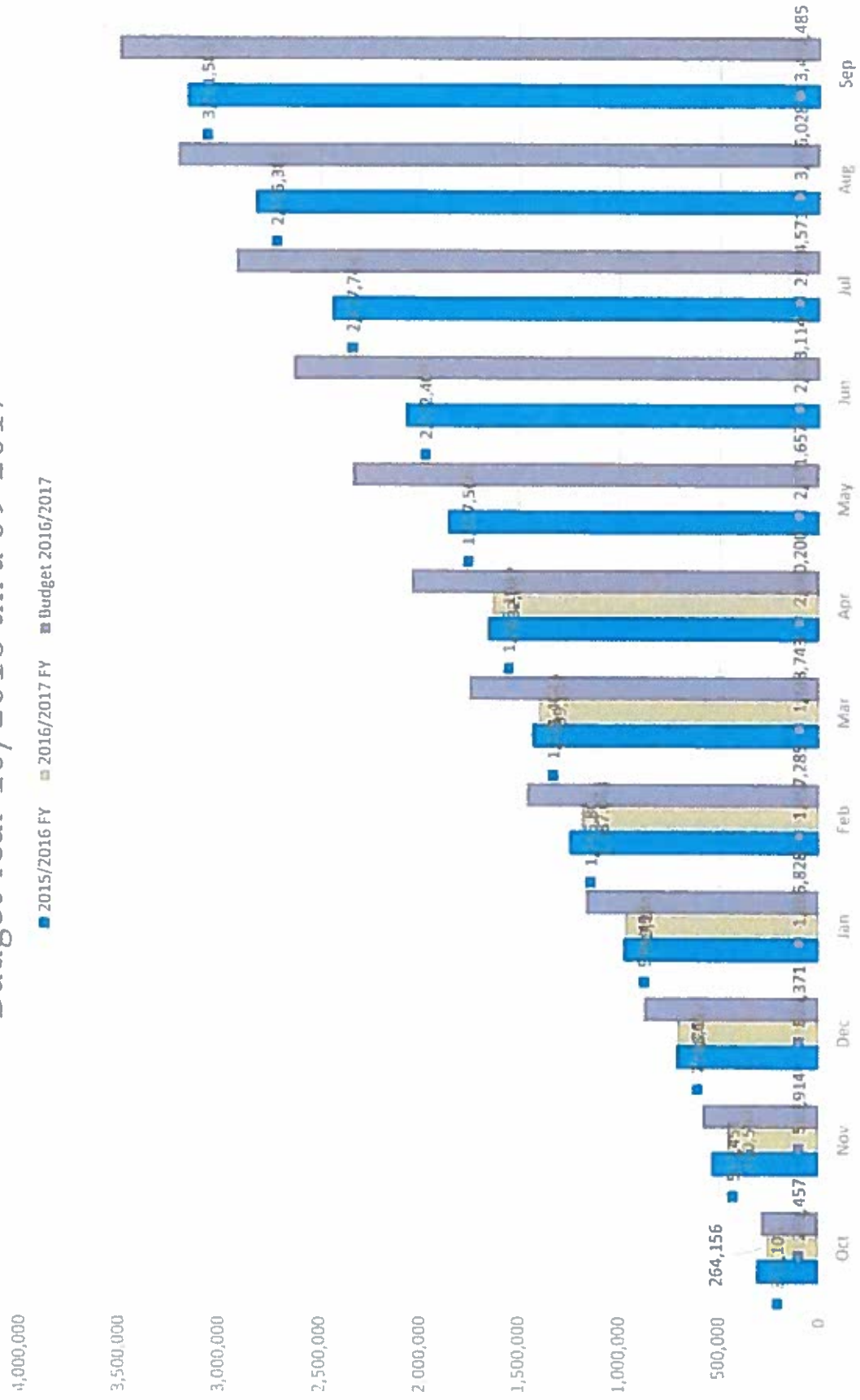
CITY OF FARMERSVILLE
REVENUE & EXPENSE REPORT (UNAUDITED)
AS OF: APRIL 30TH, 2017

705-WASTEWATER
FINANCIAL SUMMARY

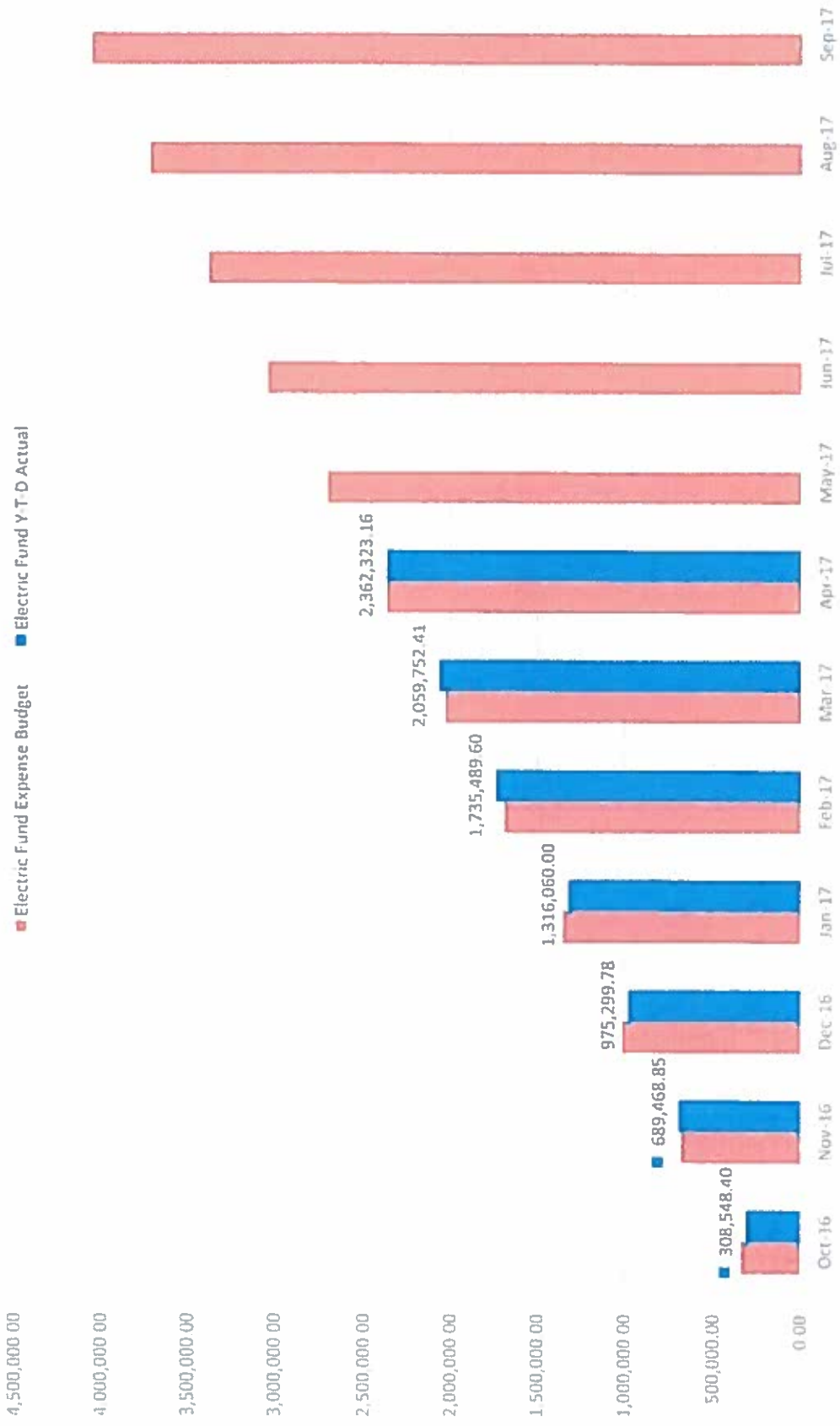
% OF YEAR COMPLETED: 58.33

	CURRENT BUDGET	CURRENT PERIOD	YEAR TO DATE ACTUAL	TOTAL ENCUMBERED	BUDGET BALANCE	% YTD BUDGET
REVENUE SUMMARY						
00-REVENUE	992,161	82,320.02	565,969.62	0.00	426,191.38	57.04
TOTAL REVENUES	992,161	82,320.02	565,969.62	0.00	426,191.38	57.04
EXPENDITURE SUMMARY						
12-ADMINISTRATION						
PERSONNEL SERVICES	69,091	1,327.27	12,625.55	0.00	56,465.45	18.27
TOTAL 12-ADMINISTRATION	69,091	1,327.27	12,625.55	0.00	56,465.45	18.27
36-WASTEWATER SYSTEM						
PERSONNEL SERVICES	114,325	4,352.11	52,795.11	0.00	61,529.89	46.18
CONTRACTS & PROF. SVCS	14,640	1,291.34	11,619.63	0.00	3,020.37	79.37
MISCELLANEOUS	64,000	14.60	7,780.76	2.00	56,217.24	12.16
MAINTENANCE	408,450	27,881.00	232,218.88	1.00	176,230.12	56.85
UTILITIES	13,375	916.04	6,322.38	0.00	7,052.62	47.27
SUPPLIES	5,500	442.25	2,835.00	0.00	2,665.00	51.55
MISCELLANEOUS	5,000	0.00	35.80	0.00	4,964.20	0.72
DEBT SERVICE	0	0.00	0.00	0.00	0.00	0.00
CAPITAL EXPENDITURES	130,000	3,700.00	3,700.00	0.00	126,300.00	2.85
TRANSFERS	252,780	21,065.00	147,455.00	0.00	105,325.00	58.33
TOTAL 36-WASTEWATER SYSTEM	1,008,070	59,662.34	464,762.56	3.00	543,304.44	46.10
TOTAL EXPENDITURES	1,077,161	60,989.61	477,388.11	3.00	599,769.89	44.32
REVENUE OVER/(UNDER) EXPENDITURES	(85,000)	21,330.41	88,581.51 (	3.00) (	173,578.51)	104.21-

City Electric Sales Comparison Budget Year 10/2016 thru 09-2017



Electric Fund Expense Budget Year 10/2016 thru 9/2017



CITY OF FARMERSVILLE
REVENUE & EXPENSE REPORT (UNAUDITED)
AS OF: APRIL 30TH, 2017

715-ELECTRIC FUND
FINANCIAL SUMMARY

% OF YEAR COMPLETED: 58.33

	CURRENT BUDGET	CURRENT PERIOD	YEAR TO DATE ACTUAL	TOTAL ENCUMBERED	BUDGET BALANCE	% YTD BUDGET
<u>REVENUE SUMMARY</u>						
00-REVENUE	4,047,985	244,701.88	1,908,795.85	0.00	2,139,189.15	47.15
TOTAL REVENUES	4,047,985	244,701.88	1,908,795.85	0.00	2,139,189.15	47.15
<u>EXPENDITURE SUMMARY</u>						
12-ADMINISTRATION						
PERSONNEL SERVICES	46,561	4,127.04	33,765.79	0.00	12,795.21	72.52
TOTAL 12-ADMINISTRATION	46,561	4,127.04	33,765.79	0.00	12,795.21	72.52
37-ELECTRIC DEPT.						
PERSONNEL SERVICES	446,058	32,705.12	257,435.55	0.00	188,622.45	57.71
CONTRACTS & PROF. SVCS	69,600	3,549.08	50,821.46	0.00	18,778.54	73.02
MISCELLANEOUS	181,144	332.46	76,220.65	1,126.98	103,796.37	42.70
MAINTENANCE	19,739	685.75	7,080.33	0.00	12,658.67	35.87
UTILITIES	13,750	937.68	6,207.59	0.00	7,542.41	45.15
SUPPLIES	2,034,382	172,983.39	1,131,035.63	0.00	903,346.37	55.60
MISCELLANEOUS	17,600	823.07	7,484.51	0.00	10,115.49	42.53
DEBT SERVICE	129,945	0.00	128,266.00	0.00	1,679.00	98.71
CAPITAL EXPENDITURES	150,000	8,160.00	116,135.53	55,319.82	21,455.35	114.30
TRANSFERS	939,206	78,267.16	547,870.12	0.00	391,335.88	58.33
TOTAL 37-ELECTRIC DEPT.	4,001,424	298,443.71	2,328,557.37	56,446.80	1,616,419.83	59.60
TOTAL EXPENDITURES	4,047,985	302,570.75	2,362,323.16	56,446.80	1,629,215.04	59.75
REVENUE OVER/(UNDER) EXPENDITURES	0	(57,868.87) (	453,527.31) (	56,446.80)	509,974.11	0.00

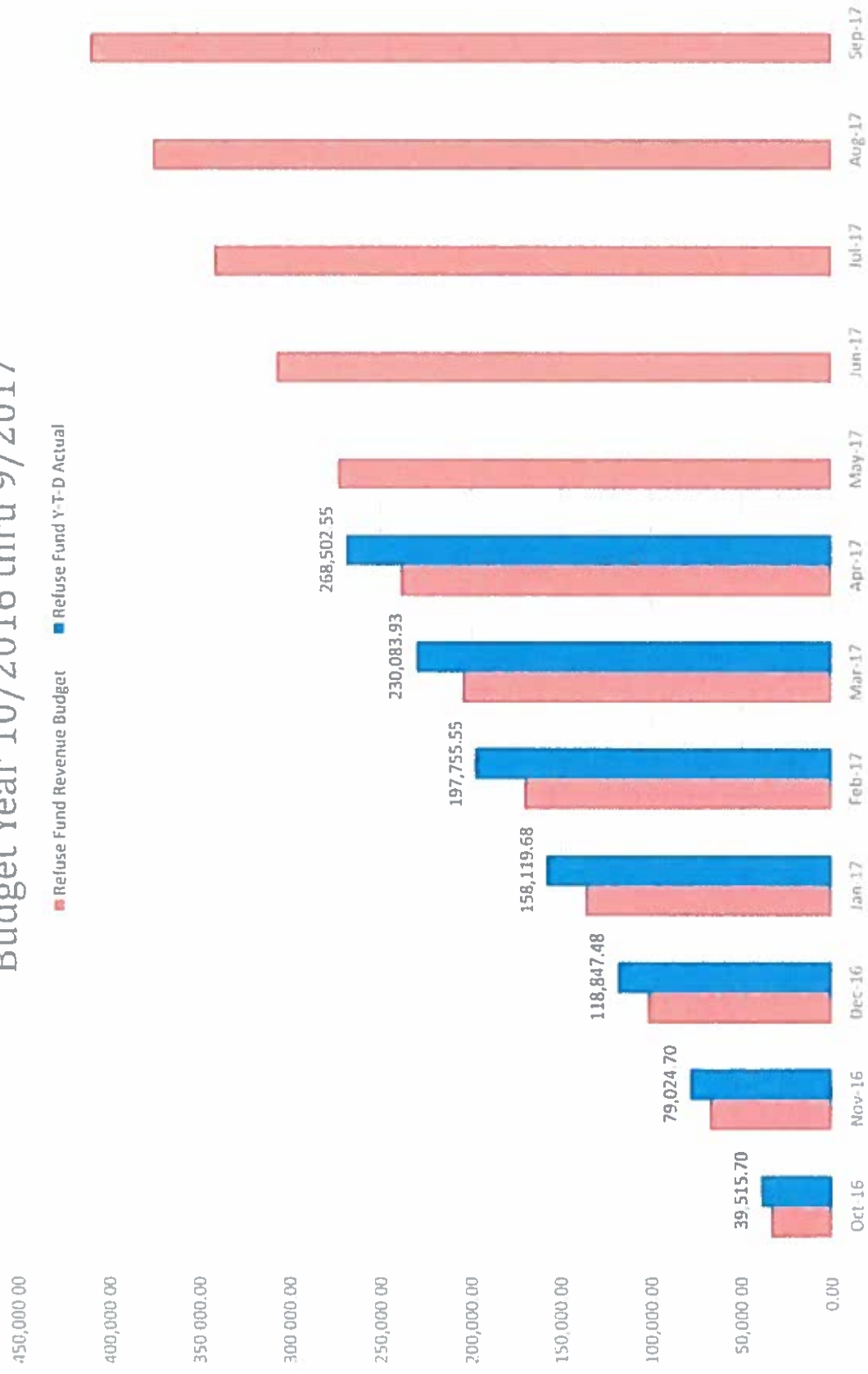
CITY OF FARMERSVILLE
REVENUE & EXPENSE REPORT (UNAUDITED)
AS OF: APRIL 30TH, 2017

715-ELECTRIC FUND

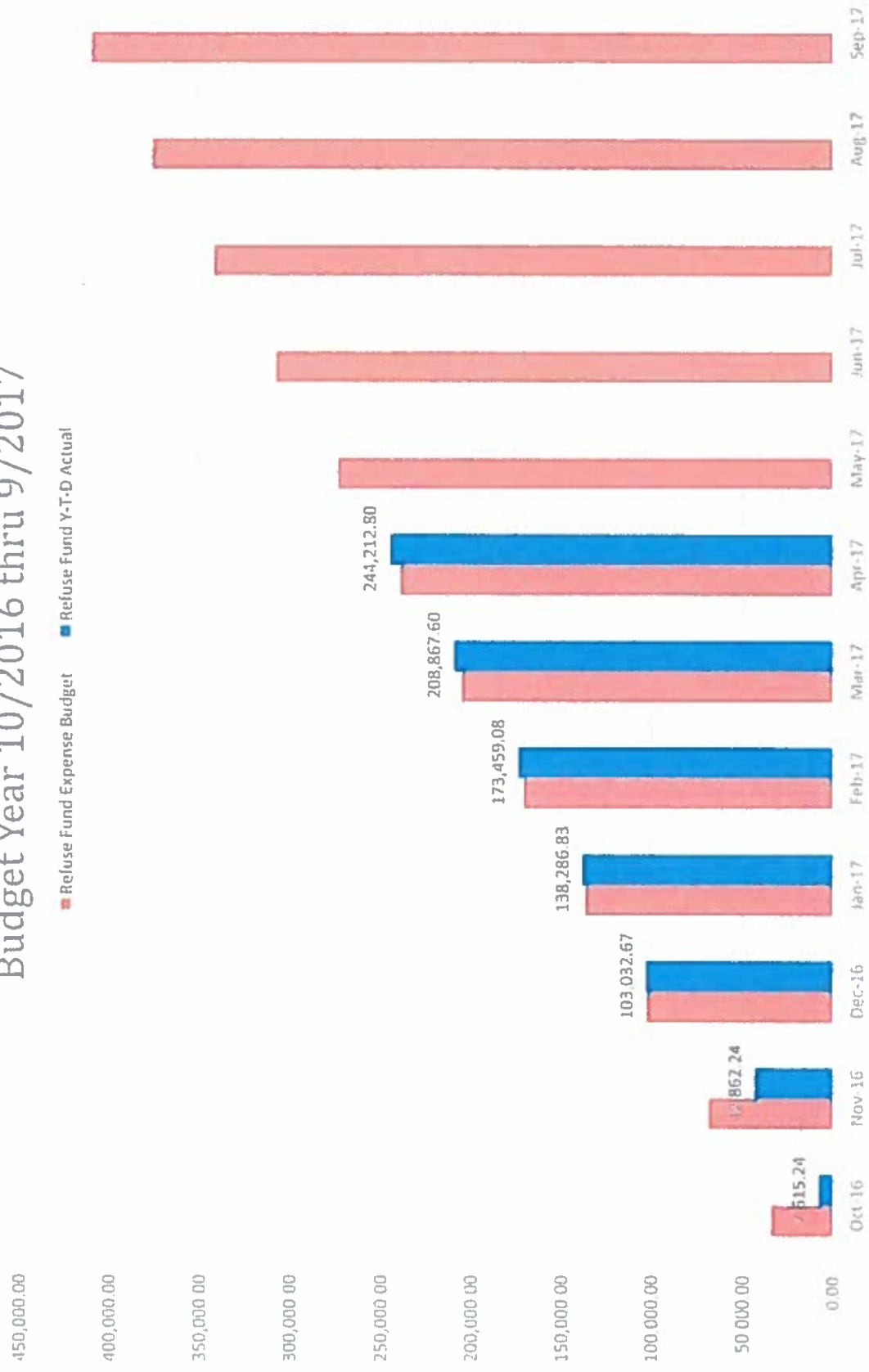
% OF YEAR COMPLETED: 58.33

REVENUES	CURRENT BUDGET	CURRENT PERIOD	YEAR TO DATE ACTUAL	TOTAL ENCUMBERED	BUDGET BALANCE	% YTD BUDGET
00-REVENUE						
715.00.5743.000 FEES	7,000	570.00	3,557.50	0.00	3,442.50	50.82
715.00.5744.000 PENALTIES	51,000	2,492.28	24,966.04	0.00	26,033.96	48.95
715.00.5745.000 AGREEMENTS AND CONTRACTS	0	0.00	0.00	0.00	0.00	0.00
715.00.5751.000 ELECTRICITY SALES	3,497,485	232,550.54	1,632,089.20	0.00	1,865,395.80	46.66
715.00.5755.000 SURCHARGE	150,000	8,800.18	69,825.43	0.00	80,174.57	46.55
715.00.5757.000 PCA (POWER COST ADJ)	341,000	0.00	176,858.54	0.00	164,141.46	51.86
715.00.5762.000 INTEREST	1,500	288.88	1,499.14	0.00	0.86	99.94
715.00.5767.000 OTHER REVENUE	0	0.00	0.00	0.00	0.00	0.00
715.00.5799.000 4A SUPPORT	0	0.00	0.00	0.00	0.00	0.00
715.00.5995.000 TRANSFER IN ELEC NOTE	0	0.00	0.00	0.00	0.00	0.00
715.00.5998.000 TRANSFER IN RESERVES	0	0.00	0.00	0.00	0.00	0.00
TOTAL 00-REVENUE	4,047,985	244,701.88	1,908,795.85	0.00	2,139,189.15	47.15
TOTAL REVENUE	4,047,985	244,701.88	1,908,795.85	0.00	2,139,189.15	47.15

Refuse Fund Revenue Progress Budget Year 10/2016 thru 9/2017



Refuse Fund Expense Budget Year 10/2016 thru 9/2017



CITY OF FARMERSVILLE
REVENUE & EXPENSE REPORT (UNAUDITED)
AS OF: APRIL 30TH, 2017

720-REFUSE FUND
FINANCIAL SUMMARY

% OF YEAR COMPLETED: 58.33

	CURRENT BUDGET	CURRENT PERIOD	YEAR TO DATE ACTUAL	TOTAL ENCUMBERED	BUDGET BALANCE	% YTD BUDGET
<u>REVENUE SUMMARY</u>						
00-REVENUE	409,160	38,418.62	268,502.96	0.00	140,657.04	65.62
TOTAL REVENUES	409,160	38,418.62	268,502.96	0.00	140,657.04	65.62
<u>EXPENDITURE SUMMARY</u>						
32-REFUSE DEPT.						
PERSONNEL SERVICES	0	0.00	0.00	0.00	0.00	0.00
CONTRACTS & PROF. SVCS	331,660	28,886.87	199,004.64	0.00	132,655.36	60.00
MISCELLANEOUS	75,100	6,258.33	43,808.31	0.00	31,291.69	58.33
MAINTENANCE	0	0.00	0.00	0.00	0.00	0.00
UTILITIES	2,400	200.00	1,400.00	0.00	1,000.00	58.33
MISCELLANEOUS	0	0.00	0.00	0.00	0.00	0.00
CAPITAL EXPENDITURES	0	0.00	0.00	0.00	0.00	0.00
TRANSFERS	0	0.00	0.00	0.00	0.00	0.00
TOTAL 32-REFUSE DEPT.	409,160	35,345.20	244,212.95	0.00	164,947.05	59.69
35-WATER DEPT.						
SUPPLIES	0	0.00	0.00	0.00	0.00	0.00
TOTAL 35-WATER DEPT.	0	0.00	0.00	0.00	0.00	0.00

TOTAL EXPENDITURES

409,160 35,345.20 244,212.95 0.00 164,947.05 59.69

REVENUE OVER/(UNDER) EXPENDITURES

0 3,073.42 24,290.01 0.00 (24,290.01) 0.00

CITY OF FARMERSVILLE
REVENUE & EXPENSE REPORT (UNAUDITED)
AS OF: APRIL 30TH, 2017

720-REFUSE FUND

% OF YEAR COMPLETED: 58.33

REVENUES	CURRENT BUDGET	CURRENT PERIOD	YEAR TO DATE ACTUAL	TOTAL ENCUMBERED	BUDGET BALANCE	% YTD BUDGET
00-REVENUE						
720.00.5743.000 FEES	0	0.00	0.00	0.00	0.00	0.00
720.00.5744.000 PENALTIES	7,500	430.90	3,294.77	0.00	4,205.23	43.93
720.00.5745.000 AGREEMENTS AND CONTRACTS	0	0.00	0.00	0.00	0.00	0.00
720.00.5751.000 RESIDENTIAL TRASH COLL	157,120	15,934.88	112,218.78	0.00	44,901.22	71.42
720.00.5752.000 COMMERCIAL TRASH COLLECT	177,820	14,831.64	102,012.43	0.00	75,807.57	57.37
720.00.5755.000 RECYCLE	66,480	6,696.70	47,269.98	0.00	19,210.02	71.10
720.00.5755.001 RECYCLE FRANCHISE FEE	0	524.50	3,707.00	0.00	3,707.00	0.00
720.00.5762.000 INTEREST EARNED	0	0.00	0.00	0.00	0.00	0.00
720.00.5767.000 OTHER REVENUE	0	0.00	0.00	0.00	0.00	0.00
720.00.5768.000 BRUSH AND CHIPPING AND P	240	0.00	0.00	0.00	240.00	0.00
720.00.5770.000 HHW	0	0.00	0.00	0.00	0.00	0.00
720.00.5995.000 TRANSFER IN RES	0	0.00	0.00	0.00	0.00	0.00
TOTAL 00-REVENUE	409,160	38,418.62	268,502.96	0.00	140,657.04	65.62
TOTAL REVENUE	409,160	38,418.62	268,502.96	0.00	140,657.04	65.62

Agenda Section	Consent Agenda
Section Number	III.C
Subject	City Manager's Verbal Report
To	Mayor and Council Members
From	Ben White, City Manager
Date	May 23, 2017
Attachment(s)	None
Related Link(s)	http://www.farmersvilletx.com/government/agendas_and_minutes/city_council_meetings.php
Consideration and Discussion	City Council discussion as required.
Action	<ul style="list-style-type: none"> • Motion/second/vote <ul style="list-style-type: none"> <input type="checkbox"/> Approve <input type="checkbox"/> Approve with Updates <input type="checkbox"/> Disapprove • Motion/second/vote to continue to a later date. _____ <ul style="list-style-type: none"> <input type="checkbox"/> Approve <input type="checkbox"/> Disapprove • Move item to another agenda. _____ • No motion, no action

IV. Reading of Ordinances

Agenda Section	Reading of Ordinances
Section Number	IV.A
Subject	Consider, discuss and act upon the 2 nd reading of Ordinance #2017-0509-001 regarding leash laws.
To	Mayor and Council Members
From	Ben White, City Manager
Date	May 23, 2017
Attachment(s)	O-2017-0509-001
Related Link(s)	http://www.farmersvilletx.com/government/agendas_and_minutes/city_council_meetings.php
Consideration and Discussion	City Council discussion as required.
Action	<ul style="list-style-type: none"> • Motion/second/vote <ul style="list-style-type: none"> <input type="checkbox"/> Approve <input type="checkbox"/> Approve with Updates <input type="checkbox"/> Disapprove • Motion/second/vote to continue to a later date. _____ <ul style="list-style-type: none"> <input type="checkbox"/> Approve <input type="checkbox"/> Disapprove • Move item to another agenda. _____ • No motion, no action

**CITY OF FARMERSVILLE
ORDINANCE O-2017-0509-001**

AN ORDINANCE OF THE CITY OF FARMERSVILLE, TEXAS, AMENDING THE CODE OF ORDINANCES OF THE CITY OF FARMERSVILLE, TEXAS, AS HERETOFORE AMENDED, THROUGH THE AMENDMENT OF CHAPTER 11, "ANIMALS," BY THE AMENDMENT OF SECTION 11-45, ENTITLED "ANIMALS AT LARGE OR RUNNING AT LARGE," BY DELETING EXISTING PARAGRAPH (b), "AT LARGE," IN ITS ENTIRETY AND REPLACING SAID PARAGRAPH WITH A NEW PARAGRAPH (b), ALSO ENTITLED "AT LARGE"; REPEALING ORDINANCES IN CONFLICT HERewith; PROVIDING FOR SEVERABILITY; PROVIDING FOR GOVERNMENTAL IMMUNITY; PROVIDING FOR INJUNCTIONS; PROVIDING FOR NOTICE AND IMPLEMENTATION; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City of Farmersville, Texas ("City") is a Type A General – Law Municipality located in Collin County having a population of less than 5,000 persons as determined by the most recent federal census, created in accordance with the provisions of Chapter 6 of the Local Government Code, and operating pursuant to the enabling legislation of the State of Texas; and

WHEREAS, the City Council of the City of Farmersville, Texas finds that all prerequisites to the adoption of this Ordinance have been met; and

WHEREAS, the City Council of the City of Farmersville, Texas finds that it is in the best interest of the public health, safety and welfare to amend the Animals Ordinance regarding animals at large or running at large;

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF FARMERSVILLE, TEXAS, THAT:

SECTION 1. INCORPORATION OF FINDINGS

All of the above premises are hereby found to be true and correct legislative and factual determinations of the City of Farmersville and they are hereby approved and incorporated into the body of this Ordinance as if copied in their entirety.

SECTION 2. AMENDMENT OF CHAPTER 11, "ANIMALS," BY THE AMENDMENT OF SECTION 11-45, ENTITLED "ANIMALS RUNNING AT LARGE," BY DELETING EXISTING PARAGRAPH (b), "AT LARGE," IN ITS ENTIRETY AND REPLACING SAID PARAGRAPH WITH A NEW PARAGRAPH (b), ALSO ENTITLED "AT LARGE"

From and after the effective date of this Ordinance, Section 11-45, entitled "Animals at large or running at large," is hereby amended by deleting existing paragraph (b), "At Large," in its entirety and replacing said paragraph with a new paragraph (b), also entitled "At Large" to read as follows:

"(b) At large. All animals shall be confined at all times. This means that any animal including, but not limited to a guard dog and a muzzled dog, must be restrained at all times in a securely fenced yard, in an enclosed pen or structure, or by a hand-held leash then in the hand of a person.

It shall be unlawful for any owner, harborer, or person in possession of any animal to:

- (1) fail to prevent their animal from being at large within the city limits of the City of Farmersville;
- (2) allow their animal to run free in any city park(s);
- (3) fail to prevent their animal from chasing vehicles or attacking or interfering with other animals or persons on public property; and
- (4) leave the animal unattended in a public place regardless of whether or not the animal is restrained by a leash, chain or muzzle."

SECTION 3. CUMULATIVE REPEALER

This Ordinance shall be cumulative of all other Ordinances and shall not repeal any of the provisions of such Ordinances except for those instances where there are direct conflicts with the provisions of this Ordinance. Ordinances or parts thereof in force at the time this Ordinance shall take effect and that are inconsistent with this Ordinance are hereby repealed to the extent that they are inconsistent with this Ordinance. Provided however, that any complaint, action, claim or lawsuit which has been initiated shall continue to be governed by the provisions of such Ordinance and for that purpose the Ordinance shall remain in full force and effect.

SECTION 4. SAVINGS

All rights and remedies of the City of Farmersville are expressly saved as to any and all violations of the provisions of any Ordinances which have accrued at the time of the effective date of this Ordinance; and, as to such accrued violations and all pending litigation, both civil and criminal, whether pending in court or not, under such Ordinances, same shall not be affected by this Ordinance but may be prosecuted until final disposition by the courts.

SECTION 5. SEVERABILITY

It is hereby declared to be the intention of the City Council of the City of Farmersville that the phrases, clauses, sentences, paragraphs, and sections of this Ordinance are severable, and if any phrase, clause, sentence, paragraph, or section of this Ordinance should be declared unconstitutional by valid judgment or final decree of any court of competent jurisdiction, such unconstitutionality shall not affect any of the remaining phrases, clauses, sentences, paragraphs, or sections of this Ordinance, since the same would have been enacted by the City Council without incorporation in this Ordinance of any such unconstitutional phrase, clause, sentence, paragraph, or section.

SECTION 6. GOVERNMENTAL IMMUNITY

All of the regulations provided in this ordinance are hereby declared to be governmental and for the health, safety and welfare of the general public. Any member of the City Council or any City official or employee charged with the enforcement of this ordinance, acting for the City of Farmersville in the discharge of his/her duties, shall not thereby render himself/herself personally liable; and he/she is hereby relieved from all personal liability for any damage that might accrue to persons or property as a result of any act required or permitted in the discharge of his/her said duties.

SECTION 7. INJUNCTIONS

Any violation of this ordinance can be enjoined by a suit filed in the name of the City of Farmersville in a court of competent jurisdiction, and this remedy shall be in addition to any penal provision in this ordinance or in the Code of the City of Farmersville.

SECTION 8. ENGROSSMENT AND ENROLLMENT

The City Secretary of the City of Farmersville is hereby directed to engross and enroll this Ordinance by copying the exact Caption and the Effective Date clause in the minutes of the City Council of the City of Farmersville and by filing this Ordinance in the Ordinance records of the City.

SECTION 9. EFFECTIVE DATE

This Ordinance shall take effect immediately from and after its passage and publication of the caption as required by law.

PASSED on first reading on the 9th day of May, 2017, and the second reading on the ____ day of _____, 2017, at properly scheduled meetings of the City Council of the City of Farmersville, Texas, there being a quorum present, and approved by the Mayor on the date set out below.

APPROVED THIS ____ DAY OF _____, 2017.

APPROVED:

Diane C. Piwko, Mayor

ATTEST:

Sandra Green, City Secretary

Agenda Section	Reading of Ordinances
Section Number	IV.B
Subject	Consider, discuss and act upon Ordinance #2017-0523-001 regarding Atmos Energy rate changes.
To	Mayor and Council Members
From	Ben White, City Manager
Date	May 23, 2017
Attachment(s)	O-2017-0523-001
Related Link(s)	http://www.farmersvilletx.com/government/agendas_and_minutes/city_council_meetings.php
Consideration and Discussion	City Council discussion as required.
Action	<ul style="list-style-type: none"> • Motion/second/vote <ul style="list-style-type: none"> <input type="checkbox"/> Approve <input type="checkbox"/> Approve with Updates <input type="checkbox"/> Disapprove • Motion/second/vote to continue to a later date. _____ <ul style="list-style-type: none"> <input type="checkbox"/> Approve <input type="checkbox"/> Disapprove • Move item to another agenda. _____ • No motion, no action

**CITY OF FARMERSVILLE
ORDINANCE O-2017-0523-001**

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FARMERSVILLE, TEXAS, APPROVING A NEGOTIATED SETTLEMENT BETWEEN THE ATMOS CITIES STEERING COMMITTEE ("ACSC") AND ATMOS ENERGY CORP., MID-TEX DIVISION REGARDING THE COMPANY'S 2017 RATE REVIEW MECHANISM FILINGS; DECLARING EXISTING RATES TO BE UNREASONABLE; ADOPTING TARIFFS THAT REFLECT RATE ADJUSTMENTS CONSISTENT WITH THE NEGOTIATED SETTLEMENT; FINDING THE RATES TO BE SET BY THE SETTLEMENT TARIFFS TO BE JUST AND REASONABLE AND IN THE PUBLIC INTEREST; REQUIRING RECONCILIATION AND RATE ADJUSTMENTS IF FEDERAL INCOME TAX RATES CHANGE; TERMINATING THE RRM PROCESS FOR 2018 PENDING RENEGOTIATION OF RRM TERMS AND CONDITIONS; REQUIRING THE COMPANY TO REIMBURSE ACSC'S REASONABLE RATEMAKING EXPENSES; DETERMINING THAT THIS ORDINANCE WAS PASSED IN ACCORDANCE WITH THE REQUIREMENTS OF THE TEXAS OPEN MEETINGS ACT; ADOPTING A SAVINGS CLAUSE; DECLARING AN EFFECTIVE DATE; AND REQUIRING DELIVERY OF THIS ORDINANCE TO THE COMPANY AND THE ACSC'S LEGAL COUNSEL.

WHEREAS, the City of Farmersville, Texas ("City") is a gas utility customer of Atmos Energy Corp., Mid-Tex Division ("Atmos Mid-Tex" or "Company"), and a regulatory authority with an interest in the rates and charges of Atmos Mid-Tex; and

WHEREAS, the City is a member of the Atmos Cities Steering Committee ("ACSC"), a coalition of similarly-situated cities served by Atmos Mid-Tex ("ACSC Cities") that have joined together to facilitate the review of, and response to, natural gas issues affecting rates charged in the Atmos Mid-Tex service area; and

WHEREAS, ACSC and the Company worked collaboratively to develop a new Rate Review Mechanism ("RRM") tariff that allows for an expedited rate review process by ACSC Cities as a substitute to the Gas Reliability Infrastructure Program ("GRIP") process instituted by the Legislature, and that will establish rates for the ACSC Cities based on the system-wide cost of serving the Atmos Mid-Tex Division; and

WHEREAS, on March 1, 2017, Atmos Mid-Tex filed its 2017 RRM rate request with ACSC Cities; and

WHEREAS, ACSC coordinated its review of the Atmos Mid-Tex 2017 RRM filing through its Executive Committee, assisted by ACSC's attorneys and consultants, to resolve issues identified in the Company's RRM filing; and

WHEREAS, the Executive Committee, as well as ACSC's counsel and consultants, recommend that ACSC Cities approve an increase in base rates for Atmos Mid-Tex of \$48 million on a system-wide basis; and

WHEREAS, the attached tariffs implementing new rates are consistent with the recommendation of the ACSC Executive Committee, are agreed to by the Company, and are just, reasonable, and in the public interest;

WHEREAS, the RRM Tariff contemplates reimbursement of ACSC's reasonable expenses associated with RRM applications;

WHEREAS, the Company and ACSC have agreed that rates should be adjusted if any change in federal income tax rates is implemented during the period that rates approved herein remain in place; and

WHEREAS, because ACSC believes that certain provisions of the current terms and conditions of the RRM tariff are inconsistent with market conditions, the City expects renegotiation of the current RRM tariff in the Summer of 2017.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF FARMERSVILLE, TEXAS:

SECTION 1. That the findings set forth in this Ordinance are hereby in all things approved.

SECTION 2. That the City Council finds that the settled amount of an increase in revenues of \$48 million on a system-wide basis represents a comprehensive settlement of gas utility rate issues affecting the rates, operations, and services offered by Atmos Mid-Tex within the municipal limits arising from Atmos Mid-Tex's 2017 RRM filing, is in the public interest, and is consistent with the City's authority under Section 103.001 of the Texas Utilities Code.

SECTION 3. That the existing rates for natural gas service provided by Atmos Mid-Tex are unreasonable. The new tariffs attached hereto and incorporated herein as Attachment A, are just and reasonable, and are designed to allow Atmos Mid-Tex to recover annually an additional \$48 million in revenue over the amount allowed under currently approved rates, as shown in the Proof of Revenues attached hereto and incorporated herein as Attachment B; such tariffs are hereby adopted.

SECTION 4. That the ratemaking treatment for pensions and other post-employment benefits in Atmos Mid-Tex's next RRM filing shall be as set forth on Attachment C, attached hereto and incorporated herein.

SECTION 5. Consistent with Texas Utilities Code Section 104.055(c), Atmos Energy's recovery of federal income tax expense through the Rider RRM has been computed using the statutory income tax rate. In the event that a change in the statutory income tax rate is implemented during the Rider RRM Rate Effective Date, Atmos Energy shall reconcile the difference between the amount of federal income tax expense included in the Rider RRM calculation for the Rate Effective Date with the amount of federal income tax expense authorized under the new statutory income tax rate. The reconciliation period shall be from the date on which any new statutory income tax rate is

implemented through the Rate Effective Date. An interest component calculated at the customer deposit interest rate then in effect as approved by the Railroad Commission of Texas shall be applied to the federal income tax expense reconciliation. Further, any required reconciliation of federal income tax expense shall be included as part of Atmos Mid-Tex's next annual RRM filing and shall be returned to or recovered from customers as a one-time credit or surcharge to the customer's bill.

SECTION 6. The City requires renegotiation of RRM tariff terms and conditions during the Summer of 2017. If an agreed renegotiated RRM tariff cannot be achieved, the City will terminate the RRM process and consider initiation of a traditional rate case to reduce the Company's authorized return on equity.

SECTION 7. That Atmos Mid-Tex shall reimburse the reasonable ratemaking expenses of the ACSC in processing the Company's 2017 RRM filing.

SECTION 8. That to the extent any resolution or ordinance previously adopted by the Council is inconsistent with this Ordinance, it is hereby repealed.

SECTION 9. That the meeting at which this Ordinance was approved was in all things conducted in strict compliance with the Texas Open Meetings Act, Texas Government Code, Chapter 551.

SECTION 10. That if any one or more sections or clauses of this Ordinance is adjudged to be unconstitutional or invalid, such judgment shall not affect, impair, or invalidate the remaining provisions of this Ordinance, and the remaining provisions of the Ordinance shall be interpreted as if the offending section or clause never existed.

SECTION 11. That consistent with the City Ordinance that established the RRM process, this Ordinance shall become effective from and after its passage with rates authorized by attached tariffs to be effective for bills rendered on or after June 1, 2017.

SECTION 12. That a copy of this Ordinance shall be sent to Atmos Mid-Tex, care of Chris Felan, Vice President of Rates and Regulatory Affairs Mid-Tex Division, Atmos Energy Corporation, 5420 LJB Freeway, Suite 1862, Dallas, Texas 75240, and to Geoffrey Gay, General Counsel to ACSC, at Lloyd Gosselink Rochelle & Townsend, P.C., 816 Congress Avenue, Suite 1900, Austin, Texas 78701.

PASSED on first and final reading on the 23rd day of May, 2017, at a properly scheduled meeting of the City Council of the City of Farmersville, Texas, there being a quorum present, and approved by the Mayor on the date set out below.

APPROVED THIS 23rd DAY OF MAY, 2017.

APPROVED:

BY: _____
Diane C. Piwko, Mayor

ATTEST:

City Secretary

APPROVED AS TO FORM:

City Attorney

2557/28/7339845

Agenda Section	Reading of Ordinances
Section Number	IV.C
Subject	Consider, discuss and act upon the 1 st reading of Ordinance #2017-0523-002 regarding placing liens on unpaid utility bills.
To	Mayor and Council Members
From	Ben White, City Manager
Date	May 23, 2017
Attachment(s)	<ul style="list-style-type: none"> • O-2017-0523-002 • Account charges for Oak Grove Apartments
Related Link(s)	http://www.farmersvilletx.com/government/agendas_and_minutes/city_council_meetings.php
Consideration and Discussion	City Council discussion as required.
Action	<ul style="list-style-type: none"> • Motion/second/vote <ul style="list-style-type: none"> <input type="checkbox"/> Approve <input type="checkbox"/> Approve with Updates <input type="checkbox"/> Disapprove • Motion/second/vote to continue to a later date. _____ <ul style="list-style-type: none"> <input type="checkbox"/> Approve <input type="checkbox"/> Disapprove • Move item to another agenda. _____ • No motion, no action

**CITY OF FARMERSVILLE
ORDINANCE #2017-0523-002**

AN ORDINANCE OF THE CITY COUNCIL OF THE CITY OF FARMERSVILLE, TEXAS, AMENDING CHAPTER 74, "UTILITIES," THROUGH THE AMENDMENT OF ARTICLE II, "WATER, SEWER AND ELECTRICAL CHARGES," THROUGH THE AMENDMENT OF DIVISION 3, "SERVICE CHARGES," BY ADDING NEW SECTIONS 74-96 THROUGH 74-99 AUTHORIZING LIENS FOR CERTAIN DELINQUENT UTILITY BILLS, BY PROVIDING AN EXEMPTION FROM SUCH LIENS FOR HOMESTEAD AND RENTAL PROPERTY, AND BY PROVIDING FOR THE APPEAL OR RELEASE OF SUCH LIENS; PROVIDING FOR SEVERABILITY; PROVIDING A REPEALER CLAUSE; PROVIDING A PENALTY; PROVIDING FOR PUBLICATION; PROVIDING ENGROSSMENT AND ENROLLMENT; PROVIDING A SAVINGS CLAUSE; AND PROVIDING AN EFFECTIVE DATE.

WHEREAS, the City of Farmersville, Texas ("City") is a Type A General – Law Municipality located in Collin County having a population of less than 5,000 persons as determined by the most recent federal census, created in accordance with the provisions of Chapter 6 of the Local Government Code, and operating pursuant to the enabling legislation of the State of Texas; and

WHEREAS, the City is authorized to operate a water utility system pursuant to Texas Local Government Code, Chapter 552; and

WHEREAS, Section 552.001 of the Texas Local Government Code, as amended, authorizes a municipality to operate a water, sewer, gas or electric utility system inside or outside the municipal boundaries and to "regulate the system in a manner that protects the interests of the municipality"; and

WHEREAS, Section 552.0025 of the Texas Local Government Code, as amended, authorizes a municipality to impose a lien against an owner's property, unless it is a homestead protected by the Texas Constitution, for delinquent bills due to municipal utility service provided at the property; and

WHEREAS, the City Council of the City of Farmersville, Texas ("City Council"), desires to amend Chapter 74 of the Farmersville Code, and the processes and policies governing the administration of the City's utility services, including delinquent utility bills, as provided herein; and

WHEREAS, the City Council of the City of Farmersville, Texas, does hereby find and determine that the adoption of this Ordinance is in the best interest of the public health, safety, morals, and general welfare of the City of Farmersville.

NOW, THEREFORE, BE IT ORDAINED BY THE CITY COUNCIL OF THE CITY OF FARMERSVILLE, TEXAS, THAT:

SECTION 1. INCORPORATION OF FINDINGS

The findings set forth above are hereby found to be true and correct and are hereby incorporated into the body of this Ordinance and made a part hereof for all purposes as if fully set forth herein.

SECTION 2. AMENDMENT OF CHAPTER 74, "UTILITIES," THROUGH THE AMENDMENT OF ARTICLE II, "WATER, SEWER AND ELECTRICAL CHARGES," THROUGH THE AMENDMENT OF DIVISION 3, "SERVICE CHARGES," BY ADDING NEW SECTIONS 74-96 THROUGH 74-99 AUTHORIZING LIENS FOR CERTAIN DELINQUENT UTILITY BILLS, BY PROVIDING AN EXEMPTION FROM SUCH LIENS FOR HOMESTEAD AND RENTAL PROPERTY, AND BY PROVIDING FOR THE APPEAL OR RELEASE OF SUCH LIENS

- A. From and after the effective date of this Ordinance, Division 3, "Service Charges," of Article II, "Water, Sewer and Electrical Charges," of Chapter 74 of the Farmersville Code is amended by adding new sections 74-96 through 74-99 authorizing liens for certain delinquent utility bills, by providing an exemption from such liens for homestead and rental property, and by providing for the appeal or release of such liens, to read as follows:

"Sec. 74-96. Liens for Delinquent Utility Bills

The City Manager or his or her designee ("City Manager") is hereby authorized to impose a lien against an owner's property for one or more delinquent bills for municipal utility services to the property, unless such property is a protected homestead as described by the Texas Constitution or the property owner(s) notifies the City that the property is used as a rental property prior to the accrual of the delinquent utility bill(s). A lien for delinquent bills for municipal utility services shall be perfected by recording in the real property records of Collin County or Hunt County, as appropriate, a notice of lien that contains (1) a legal description of the property by metes and bounds, by city lot and block description, or by any other adequate description; and (2) the utility account number for the delinquent utility services bill(s). The lien imposed shall include penalties, ten percent (10%) per annum interest, and filing fees. Any imposed lien does not satisfy the delinquent utility bills, and the City reserves the right and is authorized to file suit to seek recovery of charges and costs related to the delinquent utility bills in a foreclosure.

Sec. 74-97. Exemption from Lien for Homestead and Rental Property; Declaration of Rental Property

A lien shall not be imposed against an owner's property if such property is a protected homestead or the property owner(s) provides the City with notice that the property is a rental property through a declaration filed with the City prior to the accrual of the delinquent utility bills.

The property owner(s) must provide the City with a declaration of rental property identifying the location of the property, indicating that the property is being used as a rental property, the tenant is responsible for payment of utility services provided at the property during the period covered by the lease, and the utility services account has been established in the tenant's name. The declaration must be provided to the City before the tenant begins to receive utility services at the property. Upon payment of the applicable deposit, a property owner(s) can file a declaration of rental property in connection with a tenant already receiving services at a particular property. The declaration of rental property is valid if the tenant has opened a utility account for the water and/or garbage collection services being provided to the property.

Sec. 74-98. Appeal of Lien for Delinquent Utility Bills

After the filing of a lien pursuant to this Ordinance, the City Manager shall within thirty (30) days of the filing of that lien give the property owner(s) notice in writing that a lien has been filed on the property and inform the owner(s) and account holder of the right to appeal. The property owner(s) or account holder may appeal the decision to impose the lien on that property to the City Manager by filing a written appeal within thirty (30) calendar days from the date notice was sent to the property owner(s) or account holder. The City Manager shall release the lien if the property owner(s) or account holder provides documentation that the property is a homestead as defined by the Texas Constitution, the property is used as a rental property and the property owner(s) has provided the City with a declaration of rental property prior to the accrual of the delinquent utility bills, or the delinquent utility bill has been paid. The City Manager may modify or release the lien to reflect the true amount of the delinquency in payment for services to the property if the

owner or account holder provides documentation of the correct amount due to the City. The individual or entity listed on the Collin Central Appraisal District tax records or the Hunt Central Appraisal District tax records, as appropriate, as the owner of the property is presumed to be the owner for purposes of this Ordinance, and the address listed for the owner on the Collin Central Appraisal District tax records or the Hunt Central Appraisal District tax records, as appropriate, shall be presumed to be the address of the property owner.

Sec. 74-99. Release of Lien for Delinquent Utility Bills

When an individual or entity pays all principal, interest, penalties, and the filing fee of a lien validly filed pursuant to this Ordinance, the City Manager shall execute a release of that lien and provide it to the property owner(s). The City Manager is not responsible for filing that release with the Collin County property records or the Hunt County property records, as appropriate."

SECTION 3. SEVERABILITY

It is hereby declared to be the intention of the City Council that the several provisions of this Ordinance are severable, and if any court of competent jurisdiction shall judge any provisions of this Ordinance to be illegal, invalid, or unenforceable, such judgment shall not affect any other provisions of this Ordinance which are not specifically designated as being illegal, invalid or unenforceable.

SECTION 4. REPEALER

This Ordinance shall be cumulative of all other Ordinances, resolutions, and/or policies of the City, whether written or otherwise, and shall not repeal any of the provisions of those ordinances except in those instances where the provisions of those ordinances are in direct conflict with the provisions of this Ordinance. Any and all ordinances, resolutions, and/or policies of the City, whether written or otherwise, which are in any manner in conflict with or inconsistent with this Ordinance shall be and are hereby repealed to the extent of such conflict and/or inconsistency.

SECTION 5. PENALTY

Any person, firm, partnership, corporation, or other entity violating any provision contained in this Ordinance shall, upon conviction, be fined an amount not more than \$500.00; and each day a violation exists shall be deemed a separate offense. A culpable mental state is not required.

SECTION 6. PUBLICATION

The City Secretary of the City of Farmersville is hereby directed to publish in the Official Newspaper of the City of Farmersville the Caption, Penalty and Effective Date Clause of this Ordinance as required by Section 52.011 of the Local Government Code.

SECTION 7. ENGROSSMENT AND ENROLLMENT

The City Secretary of the City of Farmersville is hereby directed to engross and enroll this Ordinance by copying the exact Caption and the Effective Date clause in the minutes of the City Council of the City of Farmersville and by filing this Ordinance in the Ordinance records of the City.

SECTION 8. SAVINGS

All rights and remedies of the City of Farmersville are expressly saved as to any and all violations of the provisions of any Ordinances which have accrued at the time of the effective date of this Ordinance; and, as to such accrued violations and all pending litigation, both civil and criminal, whether pending in court or not, under such Ordinances, same shall not be affected by this Ordinance but may be prosecuted until final disposition by the courts.

SECTION 9. EFFECTIVE DATE

This Ordinance shall take effect immediately upon its adoption and publication in accordance with and as provided by Texas law.

PASSED on first reading on the ____ day of _____, 2017, and second reading on the ____ day of _____, 2017 at properly scheduled meetings of the City Council of the City of Farmersville, Texas, there being a quorum present, and approved by the Mayor on the date set out below.

APPROVED THIS ____ DAY OF _____, 2017.

APPROVED:

BY: _____
Diane C. Piwko
Mayor

ATTEST:

Sandra Green
City Secretary

APPROVED AS TO FORM AND LEGALITY:

Alan D. Lathrom
City Attorney

Oak Grove Apartments Account Balances 2017	
04-3420-15	\$19.40
04-3640-00	\$13,057.10
04-3510-12	\$31.38
04-3520-13	\$23.57
04-3540-18	\$25.83
04-3590-25	\$23.44
04-3600-07	\$28.94
04-3560-07	\$27.53
Total:	\$13,237.19

V. Regular Agenda

Agenda Section	Regular Agenda
Section Number	V.A
Subject	Swear in newly elected Council members and presentation of award for departing Council members.
To	Mayor and Council Members
From	Ben White, City Manager
Date	May 23, 2017
Attachment(s)	None
Related Link(s)	http://www.farmersvilletx.com/government/agendas_and_minutes/city_council_meetings.php
Consideration and Discussion	City Council discussion as required
Action	<ul style="list-style-type: none"> • Motion/second/vote <ul style="list-style-type: none"> <input type="checkbox"/> Approve <input type="checkbox"/> Approve with Updates <input type="checkbox"/> Disapprove • Motion/second/vote to continue to a later date. _____ <ul style="list-style-type: none"> <input type="checkbox"/> Approve <input type="checkbox"/> Disapprove • Move item to another agenda. _____ • No motion, no action

Agenda Section	Regular Agenda
Section Number	V.B
Subject	Possible motion to reconsider award of bank contract made on May 9, 2017.
To	Mayor and Council Members
From	Ben White, City Manager
Date	May 23, 2017
Attachment(s)	<ol style="list-style-type: none"> 1. Minutes showing May 9, 2017 vote granting of contract 2. RFP for banking services
Related Link(s)	http://www.farmersvilletx.com/government/agendas_and_minutes/city_council_meetings.php
Consideration and Discussion	City Council discussion as required.
Action	<ul style="list-style-type: none"> • Provide staff direction for future action • Motion/second/vote <ul style="list-style-type: none"> <input type="checkbox"/> Approve <input type="checkbox"/> Disapprove • Motion/second/vote to continue to a later date. _____ <ul style="list-style-type: none"> <input type="checkbox"/> Approve <input type="checkbox"/> Disapprove • Move item to another agenda. _____ • No motion, no action

asset to the City and staff should make sure that any deals regarding the trail is crafted well.

- Michael Hesse also brought up the Spain Complex and how it is overrun because of the lack of parking. Is there any way the City could fix the problem and maybe mow the land next to it and allow people to park there.
- Ben White indicated that right now that area has no improved surface and it would be a mess. The City would have to make an investment and pull money away from somewhere else.
- Leaca Caspari asked if the City could use the open space grant for the improvements.
- Ben White stated he had released Halff & Associates to start bidding and the City could only go as far as \$100,000 would go.
- Leaca Caspari stated the City had been working a lot on improvements there the past year and 4B had moved money to help and it needs to be used.
- Michael Hesse asked if the City could place a temporary sign to prevent people from parking in non-designated areas.
- Mayor Piwko indicated if the City would stripe the parking lot that would make the parking more efficient.
- Ben White explained that the parking lot could get stripped as part of the work the grant will cover. The City would contract the work because staff could be used on something else. He indicated he would get Eddy Brock from Public Works to mow it more often.

F. Consider, discuss and act upon awarding banking contract.

- Mayor Piwko explained this was an annual renewal and staff recommended staying with First National Bank of Trenton.
- Ben White indicated he spoke to Daphne Hamlin, Finance Director, and that was staff's recommendation. The difference in the banks was about \$1,200 a year based on rates. Independent Bank did have better rates. If the City changed banks it would take over 24 hours of staff time to change over the INCODE system. Unfortunately, we are human and mistakes would happen.
- Mayor Piwko added that staff and Council would have to go back and create and reapprove the Resolutions for signatures and other necessary bank documents.
- Ben White explained that Independent Bank had a great bid, but in deciding it also came down to the time it would take to change banks. He added that he spoke with Daphne in detail about it and she indicated that she has enjoyed the service she has received with The First National Bank of Trenton.
- Donny Mason suggested to leave it as it is.

- Motion to award banking contract to The First National Bank of Trenton made by Donny Mason
- 2nd to approve was made by Michael Hesse
- All council members voted in favor

G. Consider, discuss and act regarding the renegotiation of the North Farmersville Water Contract minimums.

- Glenn McClain, from North Farmersville Water Corporation, addressed Council and passed out a packet of information. He referenced the paper he passed out. In the winter months their customers are using less than half of the minimum they are required to buy. He explained they are paying for more water than they use. If the City could provide any relief and maybe drop their minimum it would be helpful. They recently released 37 meters to Frognot, and now they currently have 214 meter.
- Mike Hurst inquired about the reason they gave up 37 meters.
- Glenn McClain explained there was a TCEQ requirement that when you hit 250 meters you have to have storage facilities, two pumps, a generator, a full time Class C operator and it would cost a lot of money. Frognot joined them and extended their lines to take the 37 meters. People have more water pressure now and we were have trouble keeping chlorine levels stable.
- Mayor Piwko asked if he could provide any information concerning what the average customer pays for service.
- Glenn McClain indicated they just recently had to increase their rates. He stated the minimum was \$30, and that was up from \$25.00. The amount they charge now was comparable to what other water districts are charging.
- Mayor Piwko asked Ben White what our minimum charge was.
- Ben White stated he was not sure of the rates off the top of his head. The City does supply wholesale water to North Farmersville Water Corporation because we are their only interconnect. Staff would have to look at the last year or two and then calculate what the anticipated loss of revenue would be, because peak rates set the parameters. He suggested coming back to Council after running the numbers and calculate what the loss to the City would be.
- Glenn McClain stated if the City cut them a deal they would have the money to upgrade lines. He indicated they are gradually increasing the size of their pipes. The bigger the line you have the more volume you have, which means more pressure.

**CITY OF FARMERSVILLE
REQUEST FOR PROPOSAL FOR BANKING SERVICES**

I. INTRODUCTION

The City of Farmersville is requesting proposals for a banking services contract to be awarded May 9th, 2017 with service to begin June 1, 2017 and extend through June 30, 2022. Through this contract the City intends to minimize banking costs, improve operational efficiency, and maximize investment capabilities. This Request for Proposal (RFP) represents the cash management goals, specifies all banks' required qualifications, the banking services required, the estimated activity volumes on all accounts, the method and terms of compensation, submission instructions and the contract award provisions.

II. PROPOSAL INSTRUCTIONS AND QUALIFICATIONS

A. MINIMUM QUALIFICATIONS

To assure a close working relationship, to facilitate available services, and to support local business, the entity may give priority to those banks with full service capabilities within the City limits. Any required statement regarding equal opportunity and affirmative action should be included if required/desired. The proposal submitted will become part of the final contract.

B. PROPOSAL SUBMISSION INSTRUCTIONS

1. Proposal Format

In order to fully and equitably evaluate each bank's ability to meet the banking services needs of the City, a standard reply format is required. Each proposal must include a response to each item in the RFP in the order given. Only proposals submitted in the prescribed format and using the exhibit forms provided will be evaluated for contract award.

2. Submission Requirements

The City of Farmersville is soliciting separate, sealed proposals for banking services. It is the City's intent to provide the best possible pricing and service for the citizens of Farmersville. The bidders shall provide, in a good workmanlike manner, the services called for and described herein. The RFP shall be received in a sealed envelope to include all material regarding the services as described herein.

The RFP shall be submitted to:

Daphne Hamlin, Finance Director
City of Farmersville
205 S. Main Street
Farmersville, TX 75442

3. RFP Questions

Questions regarding this RFP or the service requested will be accepted in written form at the address below on or before 5:00 pm, April 28th, 2017. Responses to all material questions submitted will be communicated to each prospective bidder.

Daphne Hamlin, Finance Director
City of Farmersville
205 S. Main Street
Farmersville, TX 75442
Office: (972) 972-6151
Fax: (972) 972-6604
E-mail: d.hamlin@farmersville.tx.com

4. Request for Proposal Amendments

Modifications or additions may be made as a result of questions submitted. Written notification of any such change will be made in writing to all known bidders.

5. Selection Criteria

Evaluation of proposals will be made on the basis of the following objectives:

Time deposit interest rates
Cost of Service
Service availability
Safety and creditworthiness of bank

6. Award of Bid and Service Initiation

The contract is to be awarded by City Council at its meeting May 9, 2017.

III. REQUIRED FINANCIAL INSTITUTION INFORMATION

All banks must provide, as part of the proposal:

- audited financial statements for the most recent fiscal year,
- a copy of the current call report, and
- a statement regarding any recent or foreseen merger or acquisition.

IV. REQUIRED BANKING SERVICES

This section lists all the services to be provided by the bank under this agreement. Attachment A lists each of these services. The bank should use this Attachment to provide the specific price for each service.

A. Consolidated Account Structure

The bank is to provide a master consolidation account and zero balance accounts from which daily balance and detail reporting is available. The City's current account structure contains the following accounts:

- Account Title
- City of Farmersville Operating Account
- City of Farmersville Money Market Account
- City of Farmersville Interest and Sinking Account

B. Wire Transfer Services

The City currently generates approximately 100 incoming and 25 outgoing wires each month. A standard wire transfer agreement will be executed with the bank. This proposal should include a copy of your standard transfer procedures and wire transfer agreement. The City requires adequate security provisions and procedures. If the wire transfer requests are available on line, full information should be submitted detailing the use.

C. Automated Daily Balance Reporting

The City requires an automated PC-based reporting system for access to the closing ledger and available balances. Stipulate the time at which the access is available and describe the system to be used. Reporting should include balance and detail reporting. Samples of the reports are to be included in the proposal.

D. Investment of Idle Funds and Safekeeping of City Securities

All certificates of deposit bought by the City will be bought on a competitive basis. The City has no obligation to invest its funds with or through the bank. If the bank is proposing overnight repurchase agreements, an executed Master Repurchase Agreement is required. In order to fulfill GASB III requirements for reporting, if a repurchase agreement is executed with the bank itself, the collateral must be held in the trust department of the bank in a separate account

All securities will be handled on a delivery versus payment (DVP) basis as they are cleared into and out of the account. There will be approximately ten securities in safekeeping at any time. All clearing and safekeeping will be in the bank or its correspondent. All correspondent and safekeeping arrangement will be stipulated in the proposal.

E. Standard Disbursing Services

Standard disbursing services for all accounts are required to include the payment of all checks upon presentation.

F. Standard Deposit Services

The bank must guarantee immediate credit on all incoming wire transfers and U.S. Treasury checks upon

receipt and all other checks based on the bank's published availability schedule. The Bank should specify in their proposal their deposit requirements and commercial and retail deposit locations, including night deposit services and procedures.

G. Reporting and Account Analysis

Monthly account analysis reports must be provided by the bank on a timely basis for each account and on a total account basis. A sample account analysis format must be provided as part of the proposal. Samples of monthly statements should also be provided. The monthly statements are to be received within ten business days of the next month.

H. Account Executive

An account executive must be assigned to the account to coordinate the account services and expedite the solution of any problem. A trained and competent backup for the account executive, familiar with the account, should be assigned in the proposal. Stipulate the name and a brief biography of the account executive to be assigned to the City's account.

I. Direct Deposit

Describe the requirements and deadlines for computer tap for ACH transactions. The proposal should indicate when funds will be available in participating banks.

Daylight Overdraft Provisions: Every effort will be made to eliminate daylight overdraft situations on the account. However, in case this situation does arise, the proposal should include any and all bank policies regarding daylight overdrafts charges or handling procedures.

J. Stop Payments

The proposal must include a statement on the proposed stop payment process on an automated or manual basis.

K. Collateralization of Deposits

The bank must agree to obtain and maintain acceptable collateral sufficient to cover all anticipated time and demand deposits, above the FDIC insured limit of \$250,000. Securities used to pledge against time and demand deposits must be held in an independent third-party safekeeping institution outside the bank's holding company. The bank will execute a tri-party safekeeping agreement with the City and the Safekeeping bank for safekeeping of these securities. Collateral will be maintained at a minimum of 102% and marked to market at least once a month. Control will be shared jointly between the bank and the entity. Substitution will be approved by the City and not unduly withheld. Substitutions of collateral will be requested in writing and new collateral will be received before the existing collateral is released. The proposal will name the safekeeping bank for collateral.

L. Additional Services

If new services become available and are provided during the period of this contract, they will be charged at the banks then published rate.

V. **OTHER SERVICES**

The City is interested in obtaining service and cost information on additional services for possible use during the contract period. These services are not required but will be evaluated in terms of availability, feasibility, service levels, service providers and cost. The City will make its determination after receipt of proposals as to whether a service will be used. If the service is accepted later in the contract period the services and charges stipulated in the proposal will be applied.

A. Lockbox Services

The City may choose to utilize lockbox services for certain revenue collections. Describe the service including the lockbox location and a full description of the service.

VI. **BANK COMPENSATION**

Any net settlement on compensating balances will be made annually. If fees are chosen as the payment methodology, fees will be paid monthly after receipt of the account analysis.

ATTACHMENT A - BANKING SERVICES CHARGES

*Any and all anticipated service charges must be shown on this form
to be applicable under the agreement. Add additional lines as required.*

Service Unit	Unit Charge	Cost of Service
Account Maintenance	Per month	
Daily Balance Reporting	Per month	
Zero Balanced Accounts		
Master Account	Per month	
Subsidiary Accounts	Per month	
Credits Posted	Per transaction	
Debits Posted	Per transaction	
Encoding charge	Per transaction	
ACH Processing	Per transaction	
Origination of file	Per tape	
ACH deletions	Per transaction	
ACH entries	Per transaction	
Returned checks	Per transaction	
Controlled Disbursement	Per account/per month	
Reconciliation	Per month	
Sort list tape	Per transaction	
Sort and list	Per transaction	
Items Deposited		
Deposits	Per transaction	
Commercial deposits	Per transaction	
Group I items	Per transaction	
Group II items	Per transaction	
Group I11 items	Per transaction	
Group IV items	Per transaction	
Stop payments	Per transaction	
Wire Transfers		
Incoming	Per transaction	
Outgoing	Per transaction	
Investment Safekeeping		
S/keeping interest/credit	Per transaction	
S/keeping receipt deposit	Per transaction	
S/keeping outgoing	Per transaction	
Securities DVP FRB	Per transaction	
Securities DVP NY	Per transaction	
Check Printing	Per transaction	
Extra Statements	Per transaction	
Disposable Bank Bags	Per Item	
Lockbox	Per month	
Cutbacks	Per transaction	
Special handling		

Agenda Section	Regular Agenda
Section Number	V.C
Subject	Consider, discuss and act on award of bank contract subject to approval of a motion to reconsider.
To	Mayor and Council Members
From	Ben White, City Manager
Date	May 23, 2017
Attachment(s)	1. Bank Bid Talley Sheet 2. First National Bank of Trenton RFP Submittal 3. Independent Bank RFP Submittal
Related Link(s)	http://www.farmersvilletx.com/government/agendas_and_minutes/city_council_meetings.php
Consideration and Discussion	City Council discussion as required.
Action	<ul style="list-style-type: none"> • Provide staff direction for future action • Motion/second/vote <ul style="list-style-type: none"> <input type="checkbox"/> Approve <input type="checkbox"/> Disapprove • Motion/second/vote to continue to a later date. _____ <ul style="list-style-type: none"> <input type="checkbox"/> Approve <input type="checkbox"/> Disapprove • Move item to another agenda. _____ • No motion, no action

Bank Bid Talley Sheet

Banking Requirements		Independent Bank	First National Bank Trenton
Consolidated account structure	Offer the Now Account free of service charges Now account .05 x 60bp=.65%. (Ex. April \$103.12)	Available free of charge Now Account .05% (Ex. April \$8.04).	
Wire transfer service	Wire transfer agreement on file	Wire transfer agreement on File	
Automated daily balance report	Online Banking service available	PC based internet and telephone report	
Investment of idle funds and safekeeping of City Securities	Does not offer repurchase. Offer CD exceeding FDIC coverage. Time deposit rate negotiated at time of investment need. Offer a minimum of 10 bps above current rate. Safekeeping service through TIB. Pricing structure is listed. Please see attached	Does not offer repurchase. Uses TIB for safekeeping. Provided free of charge	
Standard disbursing services	Payment upon presentation	Payment upon presentation	
Standard deposit services	See Bank Funds availability policy (attached)	See Bank Funds availability policy (attached)	
Reporting and Account Analysis	Monthly statements activity and images are available in online banking for a minimum of twelve moths. E-statements containing images are available for 60 days	Monthly account analysis statement available for each account. Monthly statements available including images of both front and back of all checks written. E statements containing images available for 12 months	
Account Executive	Shannon Palmer/Branch Services Supervisor started banking 2009. Johnny Bratcher banking since 1975	Terri Lowe/Vice President with FNB since 2006	
Direct Deposit	ACH must be submitted and approved by 5:00 pm on one business day processing	ACH must be submitted and approved by Noon to be processed on the same day	

Bank Bid Talley Sheet

Banking Requirements		Independent Bank	First National Bank Trenton
Stop Payments	Manually or online no service fee	Manually or online no service fee	
Collateralization of Deposits	Agrees to collateralize deposits	Agrees to collateralize deposits	
Lockbox Services	Applicable pricing from the vendor will be assessed	Service free of charge	
Checks and Deposit slips	Free of Charge	Free of Charge	
Bank Transition Process		Employee Time	
Update banking information in the Incode Software Systems			
Accounts Payable-vendors who are ach, Payroll system, Court, and Utility Billing			4 hours
Reconcile with both bank statements until all transactions are complete in old bank system (could set up new cash account in software system to keep separate until all transactions in old bank system are cleared (approx. 2 months to clear all transactions)			48 hours
Complete documents at new bank for check signers, ach agreement, wire agreement, depository agreement and attorney review. Prepare agenda to go before council for approval			8 hours
Staff training on new on-line banking system			2 hours
Contact State Comptroller and complete documents to reflect new banking information			1 hour
Contact Texpool and complete documents to reflect new banking information			1 hour
Contact Texstar and complete documents to reflect new banking information			1 hour
Contact Collin County Tax Assessor and complete documents to reflect new banking information			1 hour
Contact Grants and complete documents to reflect new banking information			1-2 hours

Bank Bid Talley Sheet

[illegible]



First National Bank

of Trenton

April 28, 2017

Daphne Hamlin
Finance Director
City of Farmersville
205 S. Main Street
Farmersville, TX 75442

Dear Ms. Hamlin:

Thank you very much for giving our Bank the opportunity to present a bid to provide the City of Farmersville with its banking services. The bank's 2016 audited financial statements are enclosed. In addition, the bank's most recent call report as of December 31, 2016 is also enclosed with the bid.

To my knowledge, the bank has no plans to engage in a merger or acquisition of another bank in the foreseen future. However, the bank's holding company, Trenton Bankshares, Inc. is being acquired by Captex Bancshares, Inc. A definitive agreement was signed between the two parties on July 27, 2016. Captex Bancshares, Inc. is a brand new holding company and is having to raise capital and go through regulatory approval before the transaction can close. Currently, they are awaiting final approval from the Federal Reserve. Once that approval is received, the transaction should close within 30 days. First National Bank of Trenton will continue to operate as a national bank but under a new holding company and ownership. This transaction should not affect the bank's Farmersville Branch or its ability to service the City, business as usual, and to the very best of its ability.

REQUIRED BANKING SERVICES:

- A. **Consolidated Account Structure:** Available free of charge.
- B. **Wire Transfer Services:** A standard Wire Transfer Agreement is on file with the City of Farmersville. Since the bank is the current depository for the City, the standard transfer procedures are already being followed by the City. Wire transfers are available in person, via telephone, and via facsimile free of charge.
- C. **Automated Daily Balance Reporting:** The Bank has both PC-based internet reporting, as well as telephone reporting. Both systems are available 24 hours a day, 7 days a week. Both are free of charge. Again, since the bank is the current depository of the City, the City is aware of the types of reporting available with both the PC-based internet reporting and the telephone reporting.
- D. **Investment of Idle Funds and Safekeeping of City Securities:** The Bank does not offer overnight repurchase agreements. The Bank does not have a trust department however, uses TIB for its safekeeping needs. TIB has been contacted, and it will not be a problem for the Bank to safe keep the City's securities there. The safekeeping receipts will be in the Bank's name in care of the City of Farmersville. The Bank will receive all the necessary correspondence for the City and will make the necessary entries as needed. This service is provided free of charge.

- E. **Standard Disbursing Services:** Standard disbursing services for all accounts will include the payment of all checks upon presentation. This service is provided free of charge.
- F. **Standard Deposit Services:** Enclosed is a copy of the Bank's Funds Availability Policy. The Bank has a full-service branch located in Farmersville at 201 South Highway 78. The bank's drive-thru hours are as follows: Monday-Thursday 8:00 a.m. to 5:30 p.m., Friday 8:00 a.m. to 6:00 p.m., and Saturday 8:30 a.m. to 12:00 p.m. The bank's lobby is open Monday-Thursday 9:00 a.m. to 5:00 p.m. and Friday 9:00 a.m. to 6:00 p.m. Terri Lowe is the branch manager and will be in charge of servicing the City's accounts. The phone number is 972-782-7054. The Bank does have night deposit services, which are accessible 24 hours a day, 7 days a week. All night deposit transactions are processed under dual control in the morning before the branch opens each business day. Locked bags are available. A Night Deposit Services Agreement must be signed to receive keys. Any item larger than a normal envelope size will require a key to deposit. These services are free of charge.
- G. **Reporting and Account Analysis:** The Bank has monthly account analysis statements available for each account and on a total account basis if service charges are assessed. However, the Bank is not charging the City for any services rendered. Therefore, there is no need for a monthly account analysis statement. However, the normal monthly statements will be sent on a timely basis and will include images of both front and back of all checks written.
- H. **Account Executive:** Terri Lowe will be the assigned account executive for the City's accounts. She will coordinate the account services and expedite solutions to any problems. She is a Vice President of the bank. She has been with the bank since 2006. The bank was originally awarded the City of Farmersville depository contract in November of 2007. Terri is very familiar with the City and their account services. Terri can be reached at the Farmersville location, phone number 972-782-7054. Kathy Lance, Executive VP and Chief Operations Officer of the bank, can also assist with any needs of the City, including expediting solutions to any problems that may arise. Kathy can be reached at the Melissa location, phone number 972-837-4915. For questions about wire transfers or ACH origination (payroll), Anna Morse, Bookkeeping Supervisor, can also assist. Anna can be reached at the Trenton location, phone number 903-989-2235. Last, Angela Sadler will be the contact for the request for proposal for banking services and if awarded, the depository contract. In addition, Angela will be the contact for any questions regarding safekeeping of the City's securities or pledging for the City's deposits. Angela is the Chief Financial Officer of First National Bank of Trenton and can also be reached at the Trenton location, phone number 903-989-2235.
- I. **Direct Deposit:** Direct deposit is available through the Bank and requires you to be set up to generate ACH transactions over the computer. This service is provided at no charge. ACH files must be received by noon to be processed on the same day.

Daylight Overdraft Provision: The Bank does not allow daylight overdrafts.
- J. **Stop Payments:** This service is provided on an automated and manual basis and is provided free of charge.
- K. **Collateralization of Deposits:** The Bank agrees to obtain and maintain acceptable collateral sufficient to cover all anticipated time and demand deposits, above the FDIC insured limit. Bank investment securities are used to pledge against time and demand deposits of the City. These securities are held in an independent, third party safekeeping institution outside the bank's holding company. The bank uses TIB for its

safekeeping needs. The bank executes a tri-party safekeeping agreement with the City and TIB for safekeeping these securities. All requirements of the City related to this collateral will be maintained. In addition, the bank would like approval from the City to use a letter of credit from the Federal Home Loan Bank of Dallas as sufficient collateral to cover the City's deposits. The bank plans to continue to use pledged securities as long as the securities are available to pledge. Receiving approval from the City for this alternative method just gives the bank more flexibility if securities are not available to pledge.

- L. **Additional Services:** New services will be addressed at the time they become needed or available and will be charged at the bank's then published rate.

OTHER SERVICES:

Other services not requested in this proposal will be addressed at the time they become needed or available and will be charged at the bank's then published rate if applicable.

- A. **Lockbox Services:** The Bank does have lockbox services, which are accessible 24 hours a day, 7 days a week. All lockbox transactions are processed under dual control in the morning before the branch opens each business day. Locked bags are available. A Lockbox Services Agreement must be signed to receive keys. Any item larger than a normal envelope size will require a key to deposit. These services are free of charge.

BANK COMPENSATION:

The bank will not require net settlement on compensating balances nor will fees need to be paid monthly after receipt of the account analysis. The bank will not charge the City for its depository services.

BANK DEPOSIT ACCOUNT STRUCTURE AND RATES:

The bank offers two interest bearing checking accounts for the Depository: the NOW account and the Money Market account. The Depository recommends that the District use the NOW account for its operating accounts, as the transactions are unlimited, and use the Money Market account for its investment funds, as these transactions are limited to six withdrawals each statement cycle. Sweep accounts are available so that the District can sweep its excess funds from the NOW accounts into the Money Market accounts daily if needed. The current, posted **NOW account rate is 0.05%**. The current, posted Money Market account rates are based on average daily balances and are as follows: **\$0.01 thru \$24,999.99 is 0.10%, \$25,000.00 thru \$199,999.99 is 0.15%, and \$200,000.00 and over is 0.30%**. The City's rates will be based on the current posted rates and changed during the contract as posted rates change. Attached is the complete rate sheet for the bank's current deposit rates, including CD rates and savings account rates.

If you have any questions or need additional information, please do not hesitate to contact me. I can be reached by phone at 903-989-2235 or by email at asadler@fnbtrenton.com. Thank you again for allowing First National Bank of Trenton – Farmersville Branch the opportunity to bid on the City's banking services.

Angela Sadler
CFO

Terri Lowe
VP/Branch Manager

First National Bank of Trenton

106 Hamilton
P. O. Box 4
Trenton, Texas 75490
903-989-2235

Regulation CC Funds Availability Disclosure

Funds Availability Disclosure

PURPOSE OF THIS DISCLOSURE

The information here describes our policy of holding deposited items in a transaction account before funds are made available to you for withdrawal. This is our Funds Availability Policy. In summary our policy is to make your funds available on the first Business Day after the day of deposit. Please refer to the section DETERMINING THE AVAILABILITY OF YOUR DEPOSIT for the complete policy.

For purposes of this disclosure, the terms "you"/"your" refer to the customer and the terms "our"/"we"/"us" refer to First National Bank of Trenton.

Generally, transaction accounts are accounts which would permit an unlimited number of payments by check to third persons, and also an unlimited number of telephonic and preauthorized transfers to third persons or other accounts you may have with us.

DETERMINING THE AVAILABILITY OF YOUR DEPOSIT

The length of the delay varies depending on the type of deposit and is explained below. When we delay your ability to withdraw funds from a deposit, you may not withdraw the funds in cash, and we will not pay checks you have written on your account by using these funds. Even after we have made funds available to you and you have withdrawn the funds, you are still responsible for checks you deposit that are returned to us unpaid and for any other problems involving your deposit.

When we delay your ability to withdraw funds, the length of the delay is counted in Business Days from the day of your deposit. The term "Business Day" means any day other than Saturday, Sunday or federally declared legal holiday, and the term "Banking Day" means that part of any Business Day on which we are open to the public for carrying on substantially all of our banking functions.

If you make a deposit before 2:00 pm on a Business Day that we are open, we will consider that day to be the day of your deposit. However, if you make a deposit after 2:00 pm or on a day that we are not open, we will consider the deposit made on the next Business Day we are open.

AVAILABILITY SCHEDULE

Same Day Availability. Funds from electronic direct deposits to your account will be available on the day we receive the deposit. In addition, funds from deposits of wire transfer will also be available on the day of deposit.

Next Day Availability. Funds from deposits of cash (if made in person to an employee of the Bank*), U. S. Treasury checks (if payable to you and deposited into your account), U. S. Postal Service Money Orders (if payable to you and deposited into your account, and the deposit is made in person to an employee of the Bank*), Federal Reserve Bank or Federal Home Loan Bank checks (if payable to you and deposited into your account, and the deposit is made in person to an employee of the Bank*), State or Local Government checks (if payable to you and deposited into your account, and the deposit is made in person to an employee of the Bank*), cashier's checks, certified, or teller's check (if payable to you and deposited into your account, and the deposit is made in person to an employee of the Bank*) and checks drawn on us unless, are available on the first Business Day after the day of your deposit.

Other Check Deposits. All other check deposits than those indicated above will be available on the 2nd Business Day after the day of deposit.

HOLDS ON OTHER FUNDS FOR CHECK CASHING

If we cash a check for you that is drawn on another financial institution, we may withhold the availability of a corresponding amount of funds that are already in your account. Those funds will be available at the time funds from the check we cashed would have been available if you had deposited it and we decided to delay availability on the deposit.

HOLDS ON OTHER FUNDS IN ANOTHER ACCOUNT

If we accept for deposit a check that is drawn on another financial institution, we may make funds from the deposit available for withdrawal immediately but delay your availability to withdraw a corresponding amount of funds that you have on deposit in another account with us. The funds in the other account would then not be available for withdrawal until the time periods that are described elsewhere in this disclosure for the type of check that you deposited and we decided to delay availability on the deposit.

LONGER DELAYS MAY APPLY

In some cases, we will not make all of the funds that you deposit by check available to you according to the previously stated availability schedule. Depending on the type of check that you deposit, funds may not be available until the 7th Business Day after the day of your deposit. The first \$200.00 of your deposits, however, may be available on the first Business Day.

If we are not going to make all of the funds from your deposit available to you according to the previously stated availability schedule, we will notify you at the time you make the deposit. We will also tell you when the funds will be available. If your deposit is not made directly to one of our employees, or if we decide to take this action after you have left the premises, we will mail you the notice by the day after we receive your deposit. If you will need the funds from a deposit right away, you should ask us when the funds will be available.

Funds you deposit by check may be delayed for a longer period under the following circumstances: (a) if we believe a check you deposit will not be paid; (b) if you deposit checks totaling more than \$5,000 on any one day; (c) if you redeposit a check that has been returned unpaid; (d) if you have overdrawn your account repeatedly in the last six months; or (e) if an emergency condition arises that would not enable us to make the funds available to you, such as the failure of computer or communications equipment.

First National Bank of Trenton Rate Sheet

1-Oct-14

Account Product Name	Minimum Opening Deposit	Interest Rate	Annual Percentage Yield
03 Month Certificate of Deposit	\$1,000.00	0.10%	0.10%
06 Month Certificate of Deposit	\$1,000.00	0.20%	0.20%
12 Month Certificate of Deposit	\$1,000.00	0.35%	0.35%
18 Month Certificate of Deposit	\$1,000.00	0.45%	0.45%
24 Month Certificate of Deposit	\$1,000.00	0.50%	0.50%
36 Month Certificate of Deposit	\$1,000.00	0.80%	0.80%
48 Month Certificate of Deposit	\$1,000.00	0.95%	0.95%
60 Month Certificate of Deposit	\$1,000.00	1.10%	1.11%
18 Month Variable Rate CD	\$500.00	0.30%	0.30%

Minimum opening deposit of \$1,000 required. Special Rate applicable to initial term only. At maturity, CD will automatically renew for the Renewal Term stated above, at the interest rate and APY in effect for CDs not subject to a Special Rate, unless the Bank has notified you otherwise. The balance tiers for the accounts listed on this page are as follows: \$0 - \$9,999.99; \$10,000-\$24,999.99; \$25,000-\$199,999.99; \$200,000-and up. Annual Percentage Yields offered within two or more consecutive tiers may be the same. When this is the case, this screen will show those multiple tiers as a single tier. Each tier shown reflects the current minimum balance required to obtain the applicable Annual Percentage Yield. Rates subject to change at any time and are not guaranteed until CD is opened.

Penalty may be imposed for early withdrawal. Fees may reduce earning on the account.

Interest cannot remain on deposit and must be paid out when the following conditions are met:

- 1) the account has a maturity greater than 1 year
- 2) interest is not compounded at least annually
- 3) interest must be withdrawn at least annually, and
- 4) the APY disclosed is equal to the interest rate

Savings Account	\$100.00	0.10%	0.10%
------------------------	-----------------	--------------	--------------

The Annual Percentage Yields (APY) and Interest Rates shown are offered on accounts accepted by the Bank and effective for the date shown above, unless otherwise noted. Rates are subject to change without notice.

Interest Rate vs. APY: The APY (Annual Percentage Yield) is a percentage rate that reflects the total amount of interest paid on the account, based on the interest rate and the frequency of compounding for a 365-day period. If you receive a periodic statement, that statement will include the APY earned on your account for the period covered by the statement.

Penalty may be imposed for early withdrawal. Fees may reduce earning on the account.

Member FDIC

NOW Account	\$1,500.00	0.05%	0.05%
FNB Select	\$1,500.00	0.05%	0.05%
Money Market Account			
Average Daily Balances of:	\$2,500.00	\$.00 - \$ 9,999.99	0.10%
		\$10,000.00 - \$ 24,999.99	0.10%
		\$25,000.00 - \$199,999.99	0.15%
		\$200,000.00 and up	0.30%

The Annual Percentage Yields (APY) and Interest Rates shown are offered on accounts accepted by the Bank and effective for the date shown above, unless otherwise noted. Rates are subject to change without notice.

Interest Rate vs. APY: The APY (Annual Percentage Yield) is a percentage rate that reflects the total amount of interest paid on the account, based on the interest rate and the frequency of compounding for a 365-day period. If you receive a periodic statement, that statement will include the APY earned on your account for the period covered by the statement.

The balance tiers for the accounts listed above are as follows: \$0-\$20,000.00; \$20,000.01-and up. Rates and Annual Percentage Yields offered within two or more consecutive tiers may be the same. When this is the case, this screen will show those multiple tiers as a single tier. Each tier shown reflects the current minimum balance required to obtain the applicable Annual Percentage Yield. Penalty may be imposed for early withdrawal. Fees may reduce earning on the account.

Member FDIC

For current rate information call (903)989-2235.



TRENTON BANKSHARES, INC. AND SUBSIDIARY

Trenton, Texas

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORT THEREON**

DECEMBER 31, 2016 AND 2015

McClanahan and Holmes, LLP
CERTIFIED PUBLIC ACCOUNTANTS

STEVEN W. MOHUNDRO, CPA
GEORGE H. STRUVE, CPA
ANDREW B. REICH, CPA
RUSSELL P. WOOD, CPA
DEBRA J. WILDER, CPA
TEFFANY A. KAVANAUGH, CPA

228 SIXTH STREET S.E.
PARIS, TEXAS 75460
903-784-4318
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 903-583-0453

INDEPENDENT AUDITORS' REPORT

Board of Directors
Trenton Bankshares, Inc. and Subsidiary
Trenton, Texas

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Trenton Bankshares, Inc. and Subsidiary, which comprise the consolidated statements of financial condition as of December 31, 2016 and 2015, and the related consolidated statements of comprehensive income, changes in shareholders' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Trenton Bankshares, Inc. and Subsidiary as of December 31, 2016 and 2015, and the results of its operations and its cash flows for the years then ended accordance with accounting principles generally accepted in the United States of America.

Report on Consolidating Information

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying consolidating information is presented for purposes of additional analysis of the consolidated financial statements rather than to present the financial position, results of operations, and cash flows of the individual companies, and it is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The consolidating information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the consolidating information is fairly stated in all material respects in relation to the consolidated financial statements as a whole.

McClanahan and Holmes, LLP
Certified Public Accountants

Bonham, Texas
March 28, 2017

TRENTON BANKSHARES, INC. AND SUBSIDIARY
Consolidated Statements of Financial Condition
December 31, 2016 and 2015

ASSETS

	<u>2016</u>	<u>2015</u>
Cash and Due from Banks	\$ 6,688,253	\$ 2,616,013
Interest Bearing Deposits in Other Banks	72,983	233,176
Federal Funds Sold	4,295,000	451,000
Total Cash and Cash Equivalents	<u>11,056,236</u>	<u>3,300,189</u>
Securities Available-for-Sale	77,443,907	56,473,513
Loans, Net of Unearned Interest and Allowance for Loan Losses	66,596,893	60,763,586
Mortgage Loans Held for Sale (at Fair Value)	29,935,672	27,945,592
Accrued Interest Receivable	451,477	384,392
Property and Equipment, Net	3,008,028	3,157,542
Other Real Estate Owned	131,660	131,660
Federal Home Loan Bank Stock, at Cost	1,097,600	390,700
Cash Value of Life Insurance Policies	4,393,663	4,295,237
Deferred Tax Assets	1,263,775	1,122,635
Investment in Trenton Statutory Trust I	186,000	186,000
Derivative Instruments	701,591	792,970
Mortgage Servicing Rights	134,872	7,385
Other Assets	<u>1,012,163</u>	<u>348,601</u>
Total Assets	<u>\$ 197,413,537</u>	<u>\$ 159,300,002</u>

LIABILITIES AND SHAREHOLDERS' EQUITY

Liabilities		
Deposits	\$ 172,281,128	\$ 132,684,970
Federal Home Loan Bank Advances	5,193,417	6,376,657
Accrued Interest Payable	34,596	39,455
Accrued Expenses and Other Liabilities	1,525,128	1,550,690
Derivative Instruments	-	33,108
Subordinated Debentures Subject to Mandatory Redemption	6,186,000	6,186,000
Total Liabilities	<u>185,220,269</u>	<u>146,870,880</u>
Shareholders' Equity		
Common Stock, \$20 Par Value, 1,000,000 Shares		
Authorized; 20,000 Shares Issued; 20,000 Shares Outstanding	400,000	400,000
Additional Paid-In Capital	738,950	738,950
Retained Earnings	11,758,990	11,664,572
Accumulated Other Comprehensive Income (Loss), Net of Tax	(704,672)	(374,400)
Total Shareholders' Equity	<u>12,193,268</u>	<u>12,429,122</u>
Total Liabilities and Shareholders' Equity	<u>\$ 197,413,537</u>	<u>\$ 159,300,002</u>

The accompanying notes are an integral part of these consolidated financial statements.

TRENTON BANKSHARES, INC. AND SUBSIDIARY
Consolidated Statements of Comprehensive Income
Years Ended December 31, 2016 and 2015

	2016	2015
Interest Income		
Interest and Fees on Loans	\$ 3,513,898	\$ 3,191,647
Interest and Fees on Mortgage Loans Held for Sale	1,127,975	976,459
Interest on Investment Securities	976,926	1,174,962
Total Interest Income	<u>5,618,799</u>	<u>5,343,068</u>
Interest Expense		
Interest on Deposits	302,919	284,030
Interest on Federal Home Loan Bank Advances	323,861	388,959
Interest on Long-Term Debt	148,552	124,408
Total Interest Expense	<u>775,332</u>	<u>797,397</u>
Net Interest Income	4,843,467	4,545,671
Provision for Loan Losses	<u>(75,640)</u>	<u>3,995</u>
Net Interest Income After Provision for Loan Losses	<u>4,767,827</u>	<u>4,549,666</u>
Non-Interest Income		
Service Charges and Fees	1,091,571	1,127,508
Earnings on Cash Surrender Value of Life Insurance	139,471	287,860
Gain on Sales of Loans	2,913,666	3,049,806
Gain on Sales of Other Real Estate Owned	-	111,873
Gain on Sales of Securities Available-for-Sale	99,032	175,405
Other	226,378	265,865
Total Non-Interest Income	<u>4,470,118</u>	<u>5,018,317</u>
Non-Interest Expense		
Salaries and Directors' Fees	4,673,581	4,487,054
Employee Benefits	141,853	172,298
Loan Administration Expense	833,342	1,042,924
Occupancy	1,459,281	1,335,677
Computer Expense and Supplies	692,079	658,669
Office Supplies and Expense	140,577	139,899
Examination and Professional Fees	441,508	473,774
Insurance (FDIC and Other)	140,208	149,286
Other Real Estate Owned Expense	4,893	6,783
Other	389,531	478,677
Total Non-Interest Expense	<u>8,916,853</u>	<u>8,945,041</u>
Net Income Before Provision for Income Taxes	<u>321,092</u>	<u>622,942</u>
Provision for Income Taxes		
Current Expense (Benefit)	52,380	156,204
Deferred Expense (Benefit)	24,294	(54,416)
Total Provision for Income Taxes	<u>76,674</u>	<u>101,788</u>
Net Income	<u>244,418</u>	<u>521,154</u>
Other Comprehensive Income (Loss)		
Increase (Decrease) in Market Value of Investment Securities		
Available-for-Sale, Net of Deferred Tax of \$211,236 and \$158,817	(410,047)	(308,291)
Reclassification Adjustment for Gains (Losses) Included in Net Income, Net of Tax of \$41,096 and \$49,826	79,775	(96,721)
Total Other Comprehensive Income (Loss)	<u>(330,272)</u>	<u>(405,012)</u>
Total Comprehensive Income	<u>\$ (85,854)</u>	<u>\$ 116,142</u>

The accompanying notes are an integral part of these consolidated financial statements.

TRENTON BANKSHARES, INC. AND SUBSIDIARY
Consolidated Statements of Changes in Shareholders' Equity
Years Ended December 31, 2016 and 2015

	Common Stock Shares	Par Value	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Total Shareholders' Earnings
Balance, December 31, 2014	20,000	\$ 400,000	\$ 738,950	\$ 11,298,418	\$ 30,612	\$ 12,467,980
Net Income for 2015	-	-	-	521,154	-	521,154
Other Comprehensive Income (Loss)	-	-	-	-	(405,012)	(405,012)
Cash Dividends	-	-	-	(155,000)	-	(155,000)
Balance, December 31, 2015	20,000	400,000	738,950	11,664,572	(374,400)	12,429,122
Net Income for 2016	-	-	-	244,418	-	244,418
Other Comprehensive Income (Loss)	-	-	-	-	(330,272)	(330,272)
Cash Dividends	-	-	-	(150,000)	-	(150,000)
Balance, December 31, 2016	20,000	\$ 400,000	\$ 738,950	\$ 11,758,990	\$ (704,672)	\$ 12,193,268

The accompanying notes are an integral part of these consolidated financial statements.

TRENTON BANKSHARES, INC. AND SUBSIDIARY
Consolidated Statements of Cash Flows
Years Ended December 31, 2016 and 2015

	<u>2016</u>	<u>2015</u>
Cash Flows from Operating Activities		
Net Income	\$ 244,418	\$ 521,154
Adjustments to Reconcile Net Income to		
Net Cash Used In Operating Activities		
Depreciation	309,702	309,203
Provision for Loan Losses	75,640	-
Net Increase (Decrease) in Cash Value of Life Insurance	(98,426)	126,209
Net Change in Loans Held for Sale	(2,059,296)	(5,445,903)
Change in Accrued Income and Other Assets	(701,647)	279,311
Change in Accrued Expenses and Other Liabilities	(30,421)	3,176
Investment Securities Amortization	926,728	1,109,950
Gain on Sales of Other Real Estate Owned	-	(111,873)
Gain on Sales of Securities Available-for-Sale	(99,032)	(175,405)
Total Adjustments	<u>(1,676,752)</u>	<u>(3,905,332)</u>
Net Cash Used in Operating Activities	<u>(1,432,334)</u>	<u>(3,384,178)</u>
Cash Flows from Investing Activities		
Purchases of Property and Equipment	(160,188)	(293,513)
Purchases of Securities Available-for-Sale	(46,498,700)	(26,439,356)
Purchases of Federal Home Loan Bank Stock	(706,900)	(1,065,500)
Proceeds from Maturities of Available-for-Sale Securities	10,926,664	13,340,204
Proceeds from Sales of Available-for-Sale Securities	13,273,534	26,305,183
Proceeds from Redemption of Federal Home Loan Bank Stock	-	1,130,700
Net Change in Loans	(5,908,947)	(11,391,528)
Proceeds from Sales of Other Real Estate Owned	-	209,273
Net Cash Provided by Investing Activities	<u>(29,074,537)</u>	<u>1,795,463</u>
Cash Flows from Financing Activities		
Net Increase in Demand Deposits	36,603,766	644,201
Net Increase in Savings Deposits	2,214,377	2,459,087
Net Decrease in Time Deposits	778,015	(2,742,190)
Proceeds from Federal Home Loan Bank Advances	141,750,000	74,650,000
Repayment of Federal Home Loan Bank Advances	(142,933,240)	(76,104,127)
Dividends Paid to Shareholders	(150,000)	(155,000)
Net Cash Provided by (Used In) Financing Activities	<u>38,262,918</u>	<u>(1,248,029)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	7,756,047	(2,836,744)
Cash and Cash Equivalents at Beginning of Year	<u>3,300,189</u>	<u>6,136,933</u>
Cash and Cash Equivalents at End of Year	<u>\$ 11,056,236</u>	<u>\$ 3,300,189</u>
Supplemental Disclosures of Cash Flow Information		
Cash Paid During the Year for Interest	\$ 780,191	\$ 805,126
Cash Paid During the Year for Income Taxes	124,307	13,100
Supplemental Information about Noncash Investing Activities		
Increase (Decrease) in Unrealized Gain on Securities Available-for-Sale	(500,412)	(613,655)

The accompanying notes are an integral part of these consolidated financial statements.

TRENTON BANKSHARES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
Years Ended December 31, 2016 and 2015

Note 1: Summary of Significant Accounting Policies

The accounting and reporting policies of Trenton Bankshares, Inc., Trenton, Texas and subsidiary conform to accounting principles generally accepted in the United States of America and the general practices within the banking industry. Those policies which materially affect the determination of consolidated financial position, results of operations and cash flows are summarized below.

Nature of Operations

Trenton Bankshares, Inc. (the Corporation) is a bank holding company whose principal activity is the ownership and management of its wholly-owned subsidiary The First National Bank of Trenton (the Bank). The Bank generates commercial, mortgage, and consumer loans and receives deposits from customers located primarily in Fannin County and Collin County, Texas, and the surrounding areas. The Bank operates under a national bank charter and provides full banking services. As a national bank, the Bank is subject to regulation by the Office of the Comptroller of the Currency and the Federal Deposit Insurance Corporation. The Corporation is subject to regulation by the Federal Reserve Bank.

Junior Subordinated Deferrable Interest Debentures

The Corporation owns 100% of the common securities of Trenton Statutory Trust I (the "Trust"), a Delaware statutory trust formed by the Corporation for the sole purpose of issuing mandatorily redeemable preferred securities ("trust preferred securities") and investing the proceeds thereof in floating rate junior subordinated deferrable interest debentures issued by the Corporation ("junior subordinated debentures"). The trust preferred securities represent preferred undivided beneficial interests in the assets of the Trust and are subject to mandatory redemption upon repayment of the junior subordinated debentures. The Corporation's obligations under the junior subordinated debentures and related agreements, taken together, constitute a full and unconditional guarantee by the Corporation of the trust preferred securities.

The Corporation has the right to defer payment of interest on the junior subordinated debentures at any time or from time to time for a period not to exceed five years, provided that no deferral period may extend beyond the stated maturity date of the junior subordinated debentures, and further provided that the Corporation may not declare or pay any dividends or enter into certain other debt and equity transactions during such deferral period. As provided in the securities agreement, the Corporation can redeem the securities at certain dates. If settlement had occurred at December 31, 2016, the amount that would have been paid was \$6,186,000. The maximum amount the Corporation could be required to pay for redemption is \$6,186,000.

The Trust issued \$6,000,000 aggregate liquidation amount of trust preferred securities on June 15, 2006. The sole asset of the Trust is \$6,186,000 principal amount of junior subordinated debentures that will mature on June 15, 2036, and are redeemable at the option of the Corporation after June 15, 2011. Distributions on the trust preferred securities and interest on the junior subordinated debentures are payable quarterly at three month LIBOR plus 1.70%.

The trust preferred securities qualify as Tier I capital for regulatory reporting purposes.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of Trenton Bankshares, Inc. and its wholly-owned subsidiary bank. All significant intercompany balances and transactions between the Corporation and its wholly-owned subsidiary have been eliminated.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, the Bank considers cash on hand, demand accounts with other financial institutions, and daily investment deposit accounts (withdrawable upon demand) to be cash and cash equivalents.

TRENTON BANKSHARES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
Years Ended December 31, 2016 and 2015

Note 1: Summary of Significant Accounting Policies (Continued)

Investment Securities

Debt securities are classified as held-to-maturity when the Bank has the positive ability and intent to hold the securities to maturity. These securities are stated at cost adjusted for amortization of premiums and accretion of discounts using methods that approximate the interest method over the period to maturity or call date. Debt securities classified as available-for-sale are those securities not classified as held-to-maturity. At December 31, 2016 and 2015, the Bank had no securities classified as held-to-maturity. Available-for-sale securities consist of government, federal agency, and mortgage pool securities. These securities are stated at fair value, and unrealized gains or losses are reported in other comprehensive income. Realized gains or losses on the sale of available-for-sale securities are recognized using the specific identification method. The amortization of premiums and accretion of discounts are recognized in interest income using methods that approximate the interest method over the period to maturity or call date.

Federal Home Loan Bank Stock

Federal Home Loan Bank (FHLB) stock is considered a restricted investment security and is carried at cost. Purchases and sales of FHLB stock are made directly with the FHLB at par value.

Loans and Allowances for Loan Losses

Loans are stated at the amount of unpaid principal, reduced by unearned interest and an allowance for loan losses. Interest on loans is recognized over the term of the loan and is calculated using the simple-interest method on principal amounts outstanding. Loan origination fees and costs are immaterial and, as such, are recognized in net income in the period in which they arise.

The allowance for loan losses is maintained at a level which, in management's judgment, is adequate to absorb credit losses inherent in the loan portfolio. The amount of the allowance is based on management's evaluation of the collectability of the loan portfolio, including the nature of the portfolio, credit concentrations, trends in historical loss experience, specific impaired loans, current economic conditions, and other risks inherent in the portfolio. Allowances for impaired loans are generally determined based on collateral values or the present value of estimated cash flows. The allowance is increased by a provision for loan losses, which is charged to expense, and reduced by charge-offs, net of recoveries. Loans are placed on non-accrual when a loan is specifically determined to be impaired or when principal or interest is delinquent for 90 days or more. Any unpaid interest previously accrued on those loans is reversed from income. Interest income on non-accrual loans is recognized only to the extent of cash payments received. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

The Bank's practice is to charge off any loan or portion of a loan when the loan is determined by management to be uncollectible due to the borrower's failure to meet repayment terms, the borrower's financial condition, deterioration of collateral, or the loan's classification as a loss by regulatory examiners.

Mortgage Loans Held for Sale

As further described in Note 4, mortgage loans held for sale and associated interest rate lock commitments are carried at fair value. Fair value is typically calculated using observable market information including pricing from actual market transactions, investor commitment prices, or broker quotations. Fair value for mortgage loans covered by investor commitments is generally based on commitment prices. Fair value for uncommitted loans is generally based on current delivery prices.

Gains or losses from the sale of mortgages are recognized based upon the difference between the selling price and carrying value of the related loans upon sale. Interest income is accrued based on the principal amount outstanding.

TRENTON BANKSHARES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
Years Ended December 31, 2016 and 2015

Note 1: Summary of Significant Accounting Policies (Continued)

Mortgage Loans Held for Sale (Continued)

Loans are considered sold when the Institution surrenders control over the financial assets. Control is considered to have been surrendered when the transferred assets have been isolated from the Institution, beyond the reach of the Institution and its creditors; the purchaser obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets; and the Institution does not maintain effective control over the transferred assets through an agreement that both entitles and obligates the Institution to repurchase or redeem the transferred assets before their maturity. The Institution typically considers the above criteria to have been met upon acceptance and receipt of sales proceeds from the purchaser. Management has elected the fair value option to account for these assets to better match revenues and expenses associated with mortgage loans held for sale.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed by the straight line method over the estimated useful lives of the assets (10-60 years for buildings and improvements and 3-25 years for equipment and fixtures). Maintenance and repairs are expensed as incurred. Major additions and improvements over \$1,000 are capitalized. When assets are retired or otherwise disposed of, the cost and related accumulated depreciation is removed, and any resulting gain or loss is recorded net of consideration received, if any.

Other Real Estate Owned

Real estate properties acquired through or in lieu of loan foreclosure are initially recorded at fair value less estimated selling costs at the date of foreclosure. Any write-downs based on the asset's fair value at the date of acquisition are charged to the allowance for loan losses. Impairment losses on property to be held and used are measured at the amount by which the carrying amount of a property exceeds its fair value. Costs of significant property improvements are capitalized, whereas costs relating to holding property are expensed. Valuations are periodically performed by management, and any subsequent write-downs are recorded as a charge to operations, if necessary, to reduce the carrying value of a property to the lower of its cost or fair value less cost to sell.

Mortgage Servicing Rights

Servicing assets are recognized as separate assets when rights are acquired through the sale of originated residential mortgage loans. When mortgage loans are sold with servicing retained, servicing rights are initially recorded at fair value with the income statement effect recorded in gains on sales of loans. Fair value is based on market prices for comparable mortgage servicing contracts, when available, or on a valuation model that calculates the present value of estimated future net servicing income using market based assumptions. Capitalized servicing rights are subsequently measured using the amortization method which requires servicing rights to be amortized against non-interest income in proportion to, and over the period of, the estimated future net servicing income of the underlying loans.

Under the amortization measurement method, the Bank subsequently measures servicing rights at fair value at each reporting date and records any impairment in value of servicing assets in earnings in the period in which the impairment occurs. Impairment is determined by stratifying rights into categories based on predominant characteristics, such as interest rate, loan type, and investor type. Temporary impairment is recognized through a valuation allowance to the extent that fair value is less than the capitalized amount. If it is later determined that all or a portion of the temporary impairment no longer exists, the valuation allowance is reduced through a recovery of income. An other-than-temporary impairment results in a permanent reduction to the carrying value of the servicing asset. Management has determined that no provision for impairment was necessary for 2016.

Servicing fee income, which is reported in the statement of comprehensive income in other income, is recorded for fees earned for servicing loans. The fees are based on a contractual percentage of the outstanding principal, or a fixed amount per loan and are recorded as income when earned. Servicing fee income totaled \$25,703 and \$412,561 for the years ended December 31, 2016 and 2015, respectively. Late fees and ancillary fees related to loan servicing are not material. The amortization of mortgage servicing rights is netted against loan servicing fee income.

TRENTON BANKSHARES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
Years Ended December 31, 2016 and 2015

Note 1: Summary of Significant Accounting Policies (Continued)

Income Taxes

The Bank accounts for income taxes in accordance with FASB ASC 740, *Income Taxes*, which requires the recognition of deferred income taxes for differences between the basis of assets and liabilities for financial statement and income tax purposes. The differences relate primarily to net operating losses and to differences between the basis of the allowance for losses on loans, Federal Home Loan Bank stock, mortgage servicing rights, accumulated depreciation, deferred compensations plans, and available-for-sale securities. Deferred tax assets and liabilities are reflected at currently enacted income tax rates applicable to the period in which the deferred tax assets or liabilities are expected to be realized or settled. As changes in tax laws or rates are enacted, deferred tax assets and liabilities are adjusted through the provision for income taxes. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized.

The provisions of FASB ASC 740-10-25 provide a recognition threshold and measurement attribute for the recognition and measurement of tax positions taken or expected to be taken in income tax returns. Guidance is also provided for de-recognition of income tax assets and liabilities, classification of current and deferred income tax assets and liabilities, and accounting for interest and penalties associated with tax positions. The Bank does not have any accruals for uncertain tax positions as of December 31, 2016 and 2015. It is not anticipated that unrecognized tax benefits would significantly increase or decrease within 12 months of the reporting date.

Concentration of Credit Risk

The Bank regularly maintains interest bearing deposits in other banks that exceed Federal Deposit Insurance Corporation limits. The Bank has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk from cash.

Off-Balance-Sheet Financial Instruments

In the ordinary course of business, the Bank has entered into off-balance-sheet financial instruments consisting of commitments to extend credit and standby letters of credit. Such financial instruments are recorded in the financial statements when they are funded.

Accumulated Other Comprehensive Income

Accumulated other comprehensive income is reported in the shareholders' equity section of the statement of financial condition. It consists of unrealized gains and losses, net of deferred income tax, on available-for-sale securities.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses and mortgage servicing rights. A majority of the Bank's loan portfolio consists of first mortgage loans in the North and Northeast Texas area (see Note 3). Accordingly, the ultimate collectability of a substantial portion of the Bank's loan portfolio and the recovery of a substantial portion of the carrying amount of foreclosed real estate are susceptible to changes in local market conditions.

TRENTON BANKSHARES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
Years Ended December 31, 2016 and 2015

Note 1: Summary of Significant Accounting Policies (Continued)

While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans. Such agencies may require the Bank to recognize additional losses based on their judgments about information available to them at the time of their examination. Because of these factors, it is reasonably possible that the estimated losses on loans may change materially in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

Note 2: Investment Securities

Investments in securities are classified in the statement of financial condition according to management's intent. The carrying amount of securities and their approximate fair values at December 31, 2016 and 2015, are as follows:

As of December 31, 2016				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available-for-Sale:				
Debt Securities				
Municipal	\$ 559,644	\$ 493	\$ (3,064)	\$ 557,073
Collateralized Mortgage Obligations	1,045,347	-	(19,547)	1,025,800
Mortgage Pools	46,600,992	12,939	(924,383)	45,689,548
Agency Bonds	30,095,874	-	(134,124)	29,961,750
Total Debt Securities	78,301,857	13,432	(1,081,118)	77,234,171
Equity Securities	209,736	-	-	209,736
Totals	\$ 78,511,593	\$ 13,432	\$ (1,081,118)	\$ 77,443,907
As of December 31, 2015				
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Securities Available-for-Sale:				
Debt Securities				
Municipal	\$ 4,585,744	\$ 1,587	\$ (77,286)	\$ 4,510,045
Collateralized Mortgage Obligations	3,003,369	1,971	(14,674)	2,990,666
Mortgage Pools	49,237,712	2,262	(481,135)	48,758,839
Total Debt Securities	56,826,825	5,820	(573,095)	56,259,550
Equity Securities	213,963	-	-	213,963
Totals	\$ 57,040,788	\$ 5,820	\$ (573,095)	\$ 56,473,513

TRENTON BANKSHARES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
Years Ended December 31, 2016 and 2015

Note 2: Investment Securities (Continued)

The amortized cost and fair value of debt securities as of December 31, 2016, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Fair Value
Due in one year or less	\$ 258,319	\$ 258,812
Due after one year through five years	30,397,198	30,260,010
Due after five years through ten years	-	-
Due after ten years	-	-
Mortgage Backed Securities	<u>47,646,340</u>	<u>46,715,349</u>
Totals	<u><u>\$ 78,301,857</u></u>	<u><u>\$ 77,234,171</u></u>

Information pertaining to securities with gross unrealized losses at December 31, 2016 and 2015, aggregated by investment category and length of time that individual securities have been in a continuous loss position is as follows:

December 31, 2016									
	Less Than 12 Months			12 Months or Greater			Total		
	Qty	Fair Value	Losses	Qty	Fair Value	Losses	Qty	Fair Value	Losses
Municipal	1	\$ 298,260	\$ 3,064	-	\$ -	\$ -	1	\$ 298,260	\$ 3,064
Agency	2	29,961,750	134,124	-	-	-	2	29,961,750	134,124
Mtg.- Backed Securities	35	39,912,923	851,817	5	4,991,206	92,113	40	44,904,129	943,930
	<u>38</u>	<u>\$ 70,172,933</u>	<u>\$ 989,005</u>	<u>5</u>	<u>\$ 4,991,206</u>	<u>\$ 92,113</u>	<u>43</u>	<u>\$ 75,164,139</u>	<u>\$ 1,081,118</u>
December 31, 2015									
	Less Than 12 Months			12 Months or Greater			Total		
	Qty	Fair Value	Losses	Qty	Fair Value	Losses	Qty	Fair Value	Losses
Municipal	3	\$ 1,861,185	\$ 36,613	3	\$ 2,379,052	\$ 40,673	6	\$ 4,240,237	\$ 77,286
Mtg.- Backed Securities	33	46,074,387	472,768	2	1,631,564	23,040	35	47,705,951	495,808
	<u>36</u>	<u>\$ 47,935,572</u>	<u>\$ 509,381</u>	<u>5</u>	<u>\$ 4,010,616</u>	<u>\$ 63,713</u>	<u>41</u>	<u>\$ 51,946,188</u>	<u>\$ 573,094</u>

TRENTON BANKSHARES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
Years Ended December 31, 2016 and 2015

Note 2: Investment Securities (Continued)

Management evaluates securities for other-than-temporary impairment at least on a quarterly basis, and more frequently when economic or market conditions warrant such evaluation. Consideration is given to (1) the length of time and extent to which fair value has been less than cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Bank to retain its investment for a period of time sufficient to allow for any anticipated recovery in fair value.

At December 31, 2016, the debt securities with unrealized losses have depreciated 1.44% from the Bank's amortized cost. These realized losses relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government, its agencies, or other governments, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition. As management has the ability to hold securities for the foreseeable future, no declines are deemed to be other than temporary.

Proceeds from sales of available-for-sale securities amounted to \$13,273,534 in 2016 resulting in gross realized gains of \$104,944 and gross realized losses of \$5,912. In 2015, proceeds from sales of available-for-sale securities amounted to \$26,305,183, resulting in gross realized gains of \$211,756 and gross realized losses of \$36,351.

At December 31, 2016 and 2015, securities with a book value of \$45,343,916 and \$12,119,855, respectively, were pledged to secure public deposits.

Note 3: Loans

Major classifications of loans at December 31, 2016 and 2015, are as follows:

	2016	2015
Non-Commercial Real Estate	\$ 58,232,675	\$ 51,907,587
Commercial Real Estate	4,902,926	5,789,597
Commercial	1,237,324	1,374,795
Consumer Installment and Other	3,003,868	2,452,454
	<u>67,376,793</u>	<u>61,524,433</u>
Unearned Interest	(2,264)	(2,264)
Loans, Net of Unearned Interest	<u>67,374,529</u>	<u>61,522,169</u>
Allowance for Loan Losses	<u>(777,636)</u>	<u>(758,583)</u>
Loans, Net	<u><u>\$ 66,596,893</u></u>	<u><u>\$ 60,763,586</u></u>

(The remainder of this page is intentionally left blank.)

TRENTON BANKSHARES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
Years Ended December 31, 2016 and 2015

Note 3: Loans (Continued)

The Bank has an established methodology to determine the adequacy of the allowance for loan losses that assesses the risks and losses inherent in the Bank's portfolio. For purposes of determining the allowance for loan losses, the Bank segments certain loans in its portfolio by product type. The Bank's loans are segmented into the following pools: non-commercial real estate, commercial real estate, commercial, and consumer and other. Non-commercial real estate loans are divided into the following four classes: farmland, other land loans, 1-4 family homes first lien, and 1-4 family homes junior lien. The consumer and other loans category consists of consumer, agricultural, fresh start, and state and political subdivision loans. The allowance also includes estimated losses relating to loans held for sale and loans that were originated as held for sale, but were subsequently moved in-house. Each class of loan requires significant judgment to determine the estimation method that fits the credit risk characteristics of its portfolio segment. The Bank uses an internally developed model in this process. Management must use judgment in establishing additional input metrics for the modeling process. The models and assumptions the Bank uses to determine the allowance are reviewed to ensure that their theoretical foundation, assumptions, data integrity, computational processes, reporting practices, and end-user controls are appropriate and properly documented.

A historical loss percentage is applied to each class of loans based on five year and three year historical averages of each class. Based on credit risk assessment and the Bank's analysis of leading predictors of losses, the Bank applies additional loss multipliers to loan balances. The following qualitative factors are considered in the methodology: policies, economic conditions, past due loans, criticized assets, secondary mortgage loans moved in-house, management performance, loan review results, and commercial market factors. The inherent risk of commercial land development loans is higher than other types of loans and therefore, a higher economic condition factor is applied to these loans. A moderate economic condition factor is applied to non-farm non-residential, commercial, and consumer and other loans because of slightly improved unemployment, stabilized current inflation and a moderate increase in home values. A lower economic condition factor is applied to farmland and 1-4 family homes as the economic conditions are more favorable and the Bank has experienced minimal loss with these types of loans. The trend in past due loans is stable and therefore a conservative factor has been chosen. Criticized assets are currently at the high end of the qualitative factor range; however, the levels are stable and the trend is improving. The non-farm non-residential, commercial land development and 1-4 family loan classes have a fairly high commercial market factor due to weaknesses in collateral valuations as well as limited sources of income.

The total allowance reflects management's estimate of loan losses inherent in the loan portfolio at the balance sheet date. At December 31, 2016 and 2015, the Bank considers the allowance for loan losses of \$777,636 and \$758,583 adequate to cover loan losses inherent in the portfolio. The following tables present by portfolio segment, the changes in the allowances for loan losses and the recorded investment in loans.

(The remainder of this page is intentionally left blank.)

TRENTON BANKSHARES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
Years Ended December 31, 2016 and 2015

Note 3: Loans (Continued)

	2016				
	Non- Commercial Real Estate	Commercial Real Estate	Commercial	Consumer and Other	Total
<i>Allowance for Loan Losses:</i>					
Beginning Balance	\$ 481,493	\$ 201,018	\$ 74,320	\$ 1,752	\$ 758,583
Charge-offs	(102,002)	-	-	(16,090)	(118,092)
Recoveries	41,693	-	13,750	6,063	61,506
Provision	58,886	3,808	577	12,368	75,639
Ending Balance	<u>\$ 480,070</u>	<u>\$ 204,826</u>	<u>\$ 88,647</u>	<u>\$ 4,093</u>	<u>\$ 777,636</u>
Ending Balance Individually Evaluated	\$ 52,000	\$ 46,028	\$ -	\$ -	\$ 98,028
Ending Balance Collectively Evaluated	<u>428,070</u>	<u>158,798</u>	<u>88,647</u>	<u>4,093</u>	<u>679,608</u>
	<u>\$ 480,070</u>	<u>\$ 204,826</u>	<u>\$ 88,647</u>	<u>\$ 4,093</u>	<u>\$ 777,636</u>
<i>Loans Receivable:</i>					
Ending Balance Individually Evaluated	\$ 1,189,216	\$ 441,641	\$ -	\$ -	\$ 1,630,857
Ending Balance Collectively Evaluated	<u>57,043,459</u>	<u>4,461,285</u>	<u>1,237,324</u>	<u>3,003,868</u>	<u>65,745,936</u>
Ending Balance	<u>\$ 58,232,675</u>	<u>\$ 4,902,926</u>	<u>\$ 1,237,324</u>	<u>\$ 3,003,868</u>	<u>\$ 67,376,793</u>

(The remainder of this page is intentionally left blank.)

TRENTON BANKSHARES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
Years Ended December 31, 2016 and 2015

Note 3: Loans (Continued)

	2015				
	Non- Commercial Real Estate	Commercial Real Estate	Commercial	Consumer and Other	Total
<i>Allowance for Loan Losses:</i>					
Beginning Balance	\$ 587,832	\$ 186,018	\$ 74,320	\$ 8,926	\$ 857,096
Charge-offs	(42,415)	-	-	(8,061)	(50,476)
Recoveries	54,755	15,000	-	4,882	74,637
Provision	-	-	-	(3,995)	(3,995)
Adjustment	(118,679)	-	-	-	(118,679)
Ending Balance	<u>\$ 481,493</u>	<u>\$ 201,018</u>	<u>\$ 74,320</u>	<u>\$ 1,752</u>	<u>\$ 758,583</u>
Ending Balance Individually Evaluated	\$ 52,000	\$ 46,028	\$ -	\$ -	\$ 98,028
Ending Balance Collectively Evaluated	<u>429,493</u>	<u>154,990</u>	<u>74,320</u>	<u>1,752</u>	<u>660,555</u>
	<u>\$ 481,493</u>	<u>\$ 201,018</u>	<u>\$ 74,320</u>	<u>\$ 1,752</u>	<u>\$ 758,583</u>
<i>Loans Receivable:</i>					
Ending Balance Individually Evaluated	\$ 1,161,990	\$ 590,407	\$ -	\$ -	\$ 1,752,397
Ending Balance Collectively Evaluated	<u>50,745,597</u>	<u>5,199,190</u>	<u>1,374,795</u>	<u>2,452,454</u>	<u>59,772,036</u>
Ending Balance	<u>\$ 51,907,587</u>	<u>\$ 5,789,597</u>	<u>\$ 1,374,795</u>	<u>\$ 2,452,454</u>	<u>\$ 61,524,433</u>

The Bank uses the following credit quality risk ratings to internally grade loans to assess collectability of specific loans:

Pass – Loans in this category include loans to borrowers that have an average to strong financial strength. Collateral margins and cash flow to service long-term debt are adequate. Financial projections indicate continued profitability into the foreseeable future. This category also includes closely held corporations or businesses where a majority of profits are withdrawn by the owners or paid in dividends. The loans in the category are basically sound.

Pass - Watch – Loans are characterized by borrowers who have marginal cash flow, marginal profitability, or have experienced an unprofitable year and a declining financial condition. The borrower has in the past satisfactorily handled debts with the Bank, but in recent months has either been late, delinquent in making payments, or made sporadic payments. While the Bank continues to be adequately secured, margins have decreased or are decreasing, despite the borrower's continued satisfactory condition. Other characteristics of borrowers in this class include inadequate credit information, weakness of financial statement and repayment capacity, but with collateral that appears to limit exposure. This classification includes loans to established borrowers that are reasonably secured by collateral, but where potential for improvement in financial capacity appears limited.

TRENTON BANKSHARES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
Years Ended December 31, 2016 and 2015

Note 3: Loans (Continued)

Special Mention – Loans in this category have potential weaknesses that deserve management's close attention. If left uncorrected, these potential weaknesses may result in deteriorating prospects for the asset or in the institution's credit position at some future date. Special mention loans are not adversely classified and do not expose an institution to sufficient risk to warrant adverse classification. The Bank should not use a special mention classification as a compromise between a loan rated pass-watch or higher and substandard.

Substandard – A loan classified as substandard is inadequately protected by the sound worth and paying capacity of the borrower or the collateral pledged. Loss potential, while existing in the aggregate amount of substandard loans, does not have to exist in individual assets.

Doubtful – A loan classified as doubtful has all the weaknesses inherent in a loan classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable. These are poor quality loans in which neither the collateral, if any, nor the financial condition of the borrower presently ensure collectability in full in a reasonable period of time; in fact, there is permanent impairment in the collateral securing the Bank's loan. These loans are in a work-out status and have a defined work-out strategy.

Loss – Loans classified as loss are considered uncollectible and of such little value that their continuance as bankable assets is not warranted. The Bank takes losses in the period in which they become uncollectible.

The Bank informally reviews loans annually for those in the pass category. The loan officer continuously monitors the credit worthiness and collateral of their customers so any credit or collateral deterioration can be detected as early as possible.

The Bank reviews loans in the pass-watch through loss categories at least quarterly to ensure that appropriate progress is being made by the borrower or, where appropriate, work-out objectives and strategies have been established and are being achieved. The Bank will review loans in the doubtful and loss classes and loans previously charged off semi-annually for possible recoveries.

The following tables represent the Bank's credit risk profile by internally assigned grade, performing and non-performing loans, and an aging analysis of the recorded investment of past due loans receivable as of December 31, 2016 and 2015. Also included are loans that are 90 days or more past due as to interest and principal and still accruing, because they are well-secured and in the process of collection. Payment activity on loans is reviewed by management on an ongoing basis to determine how loans are performing. Non-performing loans include non-accrual loans and loans that are 90 days or more past due.

TRENTON BANKSHARES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
Years Ended December 31, 2016 and 2015

Note 3: Loans (Continued)

Credit Risk Profile by Internally Assigned Grade

	Non-Commercial Real Estate		Commercial Real Estate		Commercial		Consumer and Other	
	2016	2015	2016	2015	2016	2015	2016	2015
Grade:								
Pass	\$ 57,043,459	\$ 50,745,597	\$ 4,461,285	\$ 5,199,190	\$ 1,237,324	\$ 1,374,795	\$ 3,003,868	\$ 2,452,454
Pass - Watch	-	-	-	-	-	-	-	-
Special Mention	-	-	-	-	-	-	-	-
Substandard	1,189,216	1,161,990	441,641	590,407	-	-	-	-
Total	<u>\$ 58,232,675</u>	<u>\$ 51,907,587</u>	<u>\$ 4,902,926</u>	<u>\$ 5,789,597</u>	<u>\$ 1,237,324</u>	<u>\$ 1,374,795</u>	<u>\$ 3,003,868</u>	<u>\$ 2,452,454</u>

Credit Risk Profile Based on Payment Activity

	Non-Commercial Real Estate		Commercial Real Estate		Commercial		Consumer and Other	
	2016	2015	2016	2015	2016	2015	2016	2015
Performing	\$ 57,706,543	\$ 51,386,201	\$ 4,582,097	\$ 5,429,855	\$ 1,237,324	\$ 1,374,795	\$ 3,003,868	\$ 2,451,897
Nonperforming	526,132	521,386	320,829	359,742	-	-	-	557
Total	<u>\$ 58,232,675</u>	<u>\$ 51,907,587</u>	<u>\$ 4,902,926</u>	<u>\$ 5,789,597</u>	<u>\$ 1,237,324</u>	<u>\$ 1,374,795</u>	<u>\$ 3,003,868</u>	<u>\$ 2,452,454</u>

TRENTON BANKSHARES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
Years Ended December 31, 2016 and 2015

Note 3: Loans (Continued)

Analysis of Past Due Loans

	30-59 Days Past Due	60-89 Days Past Due	Greater Than 90 Days	Total Past Due	Current	Total Loans	Recorded Investment > 90 Days and Still Accruing
December 31, 2016							
Non-Commercial Real Estate	\$ 755,465	\$ 344,331	\$ 337,358	\$ 1,437,154	\$ 56,795,521	\$ 58,232,675	\$ 417
Commercial Real Estate	-	-	-	-	4,902,926	4,902,926	-
Commercial	-	-	-	-	1,237,324	1,237,324	-
Consumer and Other	2,644	6,567	-	9,211	2,994,657	3,003,868	-
Total	<u>\$ 758,109</u>	<u>\$ 350,898</u>	<u>\$ 337,358</u>	<u>\$ 1,446,365</u>	<u>\$ 65,930,428</u>	<u>\$ 67,376,793</u>	<u>\$ 417</u>
December 31, 2015							
Non-Commercial Real Estate	\$ 298,402	\$ 30,703	\$ 306,055	\$ 635,160	\$ 51,272,427	\$ 51,907,587	\$ 1,638
Commercial Real Estate	57,990	-	-	57,990	5,731,607	5,789,597	-
Commercial	3,323	-	-	3,323	1,371,472	1,374,795	-
Consumer and Other	277	-	557	834	2,451,620	2,452,454	557
Total	<u>\$ 359,992</u>	<u>\$ 30,703</u>	<u>\$ 306,612</u>	<u>\$ 697,307</u>	<u>\$ 60,827,126</u>	<u>\$ 61,524,433</u>	<u>\$ 2,195</u>

TRENTON BANKSHARES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
Years Ended December 31, 2016 and 2015

Note 3: Loans (Continued)

The Bank sold loans to investors of approximately \$271,998,000 and \$252,181,000 for the year ended December 31, 2016 and 2015, respectively.

In situations where, for economic or legal reasons related to a borrower's financial difficulties, the Bank grants a concession for other than an insignificant period of time to the borrower that the Bank would not otherwise consider, the related loan is classified as a troubled debt restructuring (TDR). The Bank strives to identify borrowers in financial difficulty early and work with them to modify to more affordable terms before the loan reaches non-accrual status. These modified terms may include rate reductions, principal forgiveness, payment forbearance and other actions intended to minimize the economic loss and to avoid foreclosure or repossession of the collateral. Loans that are classified as troubled debt restructurings are included in the impaired loans for the calculation of the allowance for loan loss.

In addition to the allowance for the pooled portfolios, the Bank develops a separate allowance for loans that are identified as impaired through a TDR. After a period of time, usually 6 months, if the loan is performing under the restructured payment amount, and after review, the Bank believes the status will continue, the loan is moved back into the respective segment or class and the allowance is calculated using the pooling method for the respective pool. There were no loans restructured during 2016 or 2015.

The Bank considers a loan to be impaired when, based on current information and events, the Bank determines that it will not be able to collect all amounts due according to the loan contract, including scheduled interest payments. Determination of impairment is treated the same across all classes of loans. When the Bank identifies a loan as impaired, the Bank measures the impairment based on the present value of expected future cash flows, discounted at the loan's effective interest rate, except when the sole remaining source of repayment for the loan is the operation or liquidation of the collateral. In these cases, the Bank uses the current fair value of the collateral, less selling costs when foreclosure is probable, instead of discounted cash flows. If the Bank determines that the value of the impaired loan is less than the recorded investment in the loan (net of previous charge-offs), the Bank recognizes impairment through an allowance estimate or a charge-off to the allowance. All loans classified as troubled debt restructurings and all non-accrual loans are considered impaired.

The following table includes the recorded investment and unpaid principal balances for impaired loan receivables with the associated allowance amount, if applicable. The Bank determined the specific allowance based on the present value of expected future cash flows, discounted at the loan's effective interest rate, except when the remaining source of repayment for the loan is the operation or liquidation of the collateral. In those cases, the current fair value of the collateral, less selling costs was used to determine the specific allowance recorded.

Also presented is the average recorded investment of the impaired loans and the related amount of interest recognized during the time within the period that the impaired loans were impaired. When the ultimate collectability of the total principal of an impaired loan is in doubt and the loan is on non-accrual status, all payments are applied to principal, under the cost recovery method. When the ultimate collectability of the total principal of an impaired loan is not in doubt and the loan is on non-accrual status, contractual interest is credited to interest income when received, under the cash basis method. The average balances are calculated based on the month-end balances of the financing receivables of the period reported.

TRENTON BANKSHARES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
Years Ended December 31, 2016 and 2015

Note 3: Loans (Continued)

2016					
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With No Related Allowance:					
Non-Commercial Real Estate	\$ 566,289	\$ 616,732	\$ -	\$ 571,767	\$ 17,245
Commercial Real Estate	54,319	100,871	-	73,274	1,092
With a Related Allowance:					
Non-Commercial Real Estate	187,047	246,832	52,000	197,702	-
Commercial Real Estate	320,829	390,960	46,028	340,285	-
Total:					
Non-Commercial Real Estate	753,336	863,564	52,000	769,469	17,245
Commercial Real Estate	375,148	491,831	46,028	413,559	1,092
	<u>\$ 1,128,484</u>	<u>\$ 1,355,395</u>	<u>\$ 98,028</u>	<u>\$ 1,183,028</u>	<u>\$ 18,337</u>

2015					
	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
With No Related Allowance:					
Non-Commercial Real Estate	\$ 563,522	\$ 615,780	\$ -	\$ 577,359	\$ 2,664
Commercial Real Estate	92,229	138,782	-	111,064	9,270
With a Related Allowance:					
Non-Commercial Real Estate	208,357	252,092	52,000	219,397	-
Commercial Real Estate	359,742	415,845	46,028	382,093	-
Total:					
Non-Commercial Real Estate	771,879	867,872	52,000	796,756	2,664
Commercial Real Estate	451,971	554,627	46,028	493,157	9,270
	<u>\$ 1,223,850</u>	<u>\$ 1,422,499</u>	<u>\$ 98,028</u>	<u>\$ 1,289,913</u>	<u>\$ 11,934</u>

TRENTON BANKSHARES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
Years Ended December 31, 2016 and 2015

Note 3: Loans (Continued)

The Bank generally places loans on non-accrual status when the full and timely collection of interest and principal becomes uncertain, part of the principal balance has been charged off or the loans are 90 days or more past due. At December 31, 2016 and 2015, the Bank had non-accrual loans of approximately \$846,543 and \$879,490. If interest on these loans was recognized at the original interest rates, interest income would not differ materially from amounts recorded. The Bank is not committed to lend additional funds to the borrowers of non-accrual loans or to borrowers whose loans have been modified. The following table presents the non-accrual loans as of December 31, 2016 and 2015.

Loans on Non-Accrual Status:

	2016	2015
Non-Commercial Real Estate	\$ 525,714	\$ 519,748
Commercial Real Estate	320,829	359,742
Total	\$ 846,543	\$ 879,490

The recorded investment in consumer mortgage loans secured by residential real estate where formal foreclosure procedures are in process amounted to \$333,202 and \$300,983 at December 31, 2016 and 2015, respectively.

The Bank grants agriculture, real estate, commercial, and consumer loans to customers throughout the Bank's market area which includes the Texas counties of Fannin, Hunt, Collin, and Grayson. At December 31, 2016, the major collateral concentration was in non-commercial real estate with \$58,232,675 being owed to the Bank on real estate loans.

Note 4: Derivative Instruments

FASB ASC 815-25 requires that all derivatives be recognized as assets or liabilities on the balance sheet and measured at fair value. The Institution's policy is to not offset fair value amounts recognized for derivative instruments. The Institution enters into derivative instruments to serve the financial needs of its customers and to reduce its risk exposure to fluctuations in interest rates. The Institution enters into commitments to originate residential mortgage loans, at specified interest rates and within a specified period of time, with customers who have applied for a loan and meet certain credit and underwriting criteria (interest rate lock commitments). Interest rate lock commitments on mortgage loans that are intended to be sold are considered to be derivatives with changes in fair value recorded in the statement of operations as part of the gain or loss on sale of mortgage loans (See Note 1). Fair value is based upon changes in the fair value of the underlying mortgages, estimated to be realizable upon sale in the secondary market. Fair value estimates also take into account loan commitments not expected to be exercised by customers for whatever reason, commonly referred to as fallout.

The Institution manages the interest rate price risk associated with its outstanding interest rate lock commitments and loans held for sale by entering into derivative loan instruments such as forward loan sales commitments, mandatory delivery commitments, options, and futures contracts. Management expects these derivatives will experience changes in fair value opposite to changes in fair value of the derivative loan commitments and loans held for sale, thereby reducing earnings volatility. The Institution takes into account various factors and strategies in determining the portion of the mortgage pipeline (derivative loan commitments) and loans held for sale it wants to economically hedge.

Interest earned on mortgage loans held for sale is included in income and is reported as interest and fees on mortgage loans held for sale in the consolidated statements of comprehensive income.

TRENTON BANKSHARES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
Years Ended December 31, 2016 and 2015

Note 4: Derivative Instruments (Continued)

Total gains included in earnings attributable to fair value changes for the years ended December 31, 2016 and 2015, was \$2,913,666 and \$3,049,806, respectively. The amounts are shown in the non-interest income section of the consolidated statements of comprehensive income. At December 31, 2016 and 2015, the Bank has approximately \$34,413,000 and \$32,157,000 in net outstanding mortgage loan interest rate lock commitments and the notional amount of outstanding forward contracts and mandatory sell forward commitments amounted to \$32,857,000 and \$31,043,000, respectively. At December 31, 2016, the derivative fair value of interest lock commitments and the derivative fair value of forward contracts and commitments was \$701,591, of which \$701,591 has been included in earnings.

At December 31, 2016 and 2015, the aggregate fair value of loans that have contractual principal amounts and for which the fair value option has been elected totaled \$29,935,672 and \$27,945,592, respectively. The aggregate unpaid principal balance on these loans was \$29,500,683 and \$27,018,536 at December 31, 2016 and 2015, resulting in differences of \$434,989 and \$927,056, respectively. At December 31, 2016, there was one loan for \$417 that was 90 days or more past due for which the fair value option has been elected (none at December 31, 2015).

Note 5: Property and Equipment

Major classifications of property and equipment at December 31, 2016 and 2015, are as follows:

	<u>2016</u>	<u>2015</u>
Land	\$ 883,254	\$ 883,254
Buildings and Improvements	3,310,943	3,267,385
Equipment and Fixtures	4,546,869	4,430,238
	<u>8,741,066</u>	<u>8,580,877</u>
Accumulated Depreciation	<u>(5,733,038)</u>	<u>(5,423,335)</u>
	<u><u>\$ 3,008,028</u></u>	<u><u>\$ 3,157,542</u></u>

(The remainder of this page is intentionally left blank.)

TRENTON BANKSHARES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
Years Ended December 31, 2016 and 2015

Note 6: Mortgage Servicing Rights

Loans serviced for others are not included in the accompanying consolidated statement of financial condition. The unpaid principal balances of mortgage loans serviced for others were approximately \$18,115,700 and \$32,556,100 at December 31, 2016 and 2015, respectively. Effective December 31, 2016, the servicing rights of loans in the amount of approximately \$31,554,000 were contractually agreed upon to be sold to a financial services company. The funding of this transaction occurred subsequent to December 31, 2016.

The Bank utilizes the amortization method to subsequently measure the carrying value of its servicing rights. In accordance with FASB ASC Topic 860 – *Transfers and Servicing*, the Bank must record impairment charges on a non-recurring basis, when the carrying value exceeds the estimated fair value. To estimate fair value of servicing rights, the Bank utilizes a third-party, which on a quarterly basis, considers the market prices for similar assets and the present value of the expected future cash flows associated with the servicing rights. Assumptions utilized include estimates of the cost of servicing, loan default rates, an appropriate discount rate, and prepayment speeds. The determination of fair value of servicing rights relies upon Level 3 inputs.

The fair value of the mortgage servicing rights was estimated to be \$134,872 and \$7,385 at December 31, 2016 and 2015, respectively, with no valuation allowance deemed necessary. Changes in the carrying amount of mortgage servicing rights are reported in the statement of comprehensive income in the gain on sales of loans.

The following table summarizes mortgage servicing rights capitalized and amortized:

	<u>2016</u>	<u>2015</u>
Balance - Beginning of Period	\$ 7,385	\$ 1,225,779
Originated Mortgage Servicing Rights Capitalized	138,892	572,179
Change in Fair Value Due to Changes in Valuation	314	(314)
Disposals	(5,706)	(1,573,758)
Amortization of Mortgage Servicing Rights	<u>(6,013)</u>	<u>(216,501)</u>
Balance - End of Period	<u>\$ 134,872</u>	<u>\$ 7,385</u>

Note 7: Deposits

Deposits at December 31, 2016 and 2015, consist of the following:

	<u>2016</u>	<u>2015</u>
Fixed-Maturity Deposits	\$ 30,032,531	\$ 29,254,516
Savings Accounts	20,987,523	18,773,146
Demand Deposit Accounts		
NOW Accounts	16,944,715	15,511,875
Reward Accounts	9,669,384	9,542,739
Money Market Demand Accounts	52,926,110	21,045,857
Non-Interest Bearing Accounts	<u>41,720,865</u>	<u>38,556,837</u>
	<u>\$ 172,281,128</u>	<u>\$ 132,684,970</u>

TRENTON BANKSHARES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
Years Ended December 31, 2016 and 2015

Note 7: Deposits (Continued)

Time deposits of \$250,000 or more totaled \$5,067,572 and \$2,663,350 at December 31, 2016 and 2015, respectively.

Interest expense related to deposits of \$250,000 or more amounted to \$30,301 and \$17,957 for the years ended December 31, 2016 and 2015, respectively.

At December 31, 2016, scheduled maturities of time deposits are:

2017	\$ 18,596,454
2018	5,589,195
2019	1,896,384
2020	1,609,121
2021	2,341,377
	<u>\$ 30,032,531</u>

Overdrafts of \$11,036 and \$17,295 as of December 31, 2016 and 2015, respectively, have been reclassified as loans.

Note 8: Long-Term Debt

Federal Home Loan Bank (FHLB) advances outstanding as of December 31, 2016 and 2015, consisted of long-term advances with fixed interest rates ranging from 5.316% to 5.586% of \$5,193,417 and \$6,376,657 respectively. During the current fiscal year, the Bank obtained several short-term advances. As of December 31, 2016, there were no short-term advances outstanding.

The contractual maturities (using the earlier call date where applicable) of long-term advances outstanding as of December 31, 2016, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 1,102,747	\$ 251,137	\$ 1,353,884
2018	994,785	194,486	1,189,271
2019	805,662	146,027	951,689
2020	564,840	109,383	674,223
2021	1,725,383	40,158	1,765,541
	<u>\$ 5,193,417</u>	<u>\$ 741,191</u>	<u>\$ 5,934,608</u>

In June 2011, and October 2012, the Bank obtained a Federal Funds advancing line of credit from The Independent BankersBank (TIB) in the amount of \$6,900,000 and \$3,100,000, respectively. The daily rate of interest on each Federal Funds Advance will be quoted at the time of the advance. The line of credit obtained in 2011 is unsecured. The 2012 line of credit is secured by specific available-for-sale securities with book values of approximately \$4,189,720 and \$3,527,631 at December 31, 2016 and 2015. At December 31, 2016 and 2015, there was no balance owed on the line of credit.

TRENTON BANKSHARES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
Years Ended December 31, 2016 and 2015

Note 8: Long-Term Debt (Continued)

In 2006, the Corporation formed the Trenton Statutory Trust I (see Note 1 and Note 9). The trust preferred securities issued that are subject to mandatory redemption were \$6,000,000.

Note 9: Investment in Trenton Statutory Trust I

The Corporation's interest in Trenton Statutory Trust I, a trust formed for the purpose of issuing trust preferred securities, is accounted for using the equity method and the assets and liabilities are not consolidated into the financial statements due to the determination that Trenton Statutory Trust I is a variable interest entity in which the Corporation is not the primary beneficiary. The investment in the common stock of the trust was \$186,000 at December 31, 2016 and 2015.

Note 10: Income Taxes

The Corporation and Subsidiary file consolidated federal income tax returns on a calendar-year basis. Taxes provided on consolidated income are less than the amount computed using the statutory Federal income tax rate for the following reasons:

	2016		2015	
	Amount	%	Amount	%
Tax Provision at Statutory Rate	\$ 109,171	34.0%	\$ 211,800	34.0%
Increase (Decrease) in Provision Resulting from Tax-exempt Interest and Dividends, Income on Life Insurance, Non-deductible Expenses, and Other	(32,497)	(10.1%)	(110,012)	(17.7%)
	<u>\$ 76,674</u>	<u>23.9%</u>	<u>\$ 101,788</u>	<u>16.3%</u>

(The remainder of this page is intentionally left blank.)

TRENTON BANKSHARES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
Years Ended December 31, 2016 and 2015

Note 10: Income Taxes (Continued)

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes. Significant components of the Bank's deferred tax assets and liabilities as of December 31, 2016 and 2015, are as follows:

	<u>2016</u>	<u>2015</u>
Deferred Tax Assets		
Net Unrealized Loss on Available-for-Sale Securities	\$ 363,013	\$ 192,873
Allowance for Loan Losses	261,694	256,879
Deferred Compensation Expense	299,073	339,942
Deferred Loss on Sale of Land	71,614	71,614
Minimum Tax Credit	395,808	350,487
Net Operating Loss Carryforward	22,000	15,000
Other	46,934	40,597
	<u>1,460,136</u>	<u>1,267,392</u>
Valuation Allowance	-	-
Total Deferred Tax Assets	<u>1,460,136</u>	<u>1,267,392</u>
 Deferred Tax Liabilities		
Federal Home Loan Bank Stock	(1,938)	(374)
Property and Equipment	(148,567)	(141,872)
Mortgage Servicing Rights	(45,856)	(2,511)
Total Deferred Tax Liabilities	<u>(196,361)</u>	<u>(144,757)</u>
 Net Deferred Tax Assets	<u><u>\$ 1,263,775</u></u>	<u><u>\$ 1,122,635</u></u>

The net operating loss carryforward of approximately \$22,000 is available to offset future income through December 31, 2036. The minimum tax credit carryforward of \$395,808 does not expire.

Note 11: Employee and Director Benefit Plans

Employee Stock Ownership Plan

The Bank has an employee stock ownership plan with Code Section 401(k) provisions ("KSOP") covering substantially all full-time employees. Employee contributions may not exceed a certain percentage of their compensation subject to certain limits based on federal tax laws. The Bank's contributions vest to the employee over a six year period. The plan provides for discretionary contributions by the Bank up to the maximum amount allowed by the Internal Revenue Code, with such amount to be determined annually by the Board of Directors. The Bank's expense for the plan was \$60,914 and \$51,005 for 2016 and 2015, respectively. The KSOP held 2,426 shares of the Corporation's stock at December 31, 2016 and 2015.

TRENTON BANKSHARES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
Years Ended December 31, 2016 and 2015

Note 11: Employee and Director Benefit Plans (Continued)

Deferred Compensation Arrangements

The Bank adopted a non-qualified deferred compensation arrangement for its directors. A contractually determined charge is made based on the deferred fees to be paid to the participants under the plan. Deferred compensation expense was \$29,730 and \$34,270 at December 31, 2016 and 2015, respectively. The total amount accrued under this arrangement, which is not deductible for tax purposes until distributions are made to participants, was \$286,713 and \$331,930 as of December 31, 2016 and 2015, respectively.

The Bank adopted a non-qualified deferred compensation arrangement for the benefit of certain executives. An actuarially determined charge is made based on the future benefits to be paid to the employees under the plan. Deferred compensation expense was \$56,841 and \$68,761 at December 31, 2016 and 2015, respectively. The total amounts accrued under this arrangement, which are not deductible for tax purposes until distributions are made to participants, were \$588,652 and \$657,245 as of December 31, 2016 and 2015, respectively.

Note 12: Related Party Transactions

In the ordinary course of business, the Bank has and expects to continue to have transactions, including the making of loans and accepting of deposits, with its officers and directors, and their affiliates. Such transactions are on terms similar to those prevailing at the time for comparable transactions with unaffiliated persons. Such loans do not, in the opinion of management, involve more than normal credit risk or present other unfavorable features.

The aggregate amount of loans to related parties at December 31, 2016, was \$1,400,909. During 2016, new loans made to related parties amounted to \$458,801, and payments amounted to \$507,913. The Bank held related party deposits of \$4,566,522 and \$4,491,017 at December 31, 2016 and 2015, respectively.

Note 13: Commitments and Contingencies

The Bank had outstanding commitments to extend credit on loans of approximately \$11,340,000 and \$11,644,000 as of December 31, 2016 and 2015, respectively (see Note 16). Commitments under standby letters of credit totaled approximately \$20,000 at December 31, 2016 and 2015 (see Note 16).

The Bank had outstanding commitments to sell loans held for sale of \$29,935,672 and \$27,945,592 as of December 31, 2016 and 2015, respectively.

The Bank is subject to claims and lawsuits which arise primarily in the ordinary course of business. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the consolidated financial position of the Corporation.

Note 14: Definitive Agreement

During the fiscal year, the Corporation entered into a definitive agreement to be acquired by another entity. The transaction date is planned for March 31, 2017.

TRENTON BANKSHARES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
Years Ended December 31, 2016 and 2015

Note 15: Restriction on Dividends

The Bank is subject to certain restrictions on the amount of dividends that it may pay without prior regulatory approval. The total amount of dividends which may be paid at any date is generally limited to the retained earnings of the Bank. The Bank normally restricts dividends to a portion of current year earnings. In addition, dividends paid by the Bank to the Corporation would be prohibited if the effect thereof would cause the Bank's capital to be reduced below applicable minimum capital requirements. As described in Note 1, the Corporation may not declare or pay any dividends if it defers or fails to pay interest payments on its junior subordinated debentures.

Note 16: Financial Instruments With Off-Balance-Sheet Risk

The Bank is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit and standby letters of credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk of the amount recognized in the statement of financial position. The contract or notional amounts of those instruments reflect the extent of the Bank's involvement in particular classes of financial instruments (see Note 13). The Bank uses the same credit policies in making commitments and conditional obligations as it does for on-balance-sheet instruments.

Commitments to extend credit are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Since some of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Bank evaluates each customer's credit worthiness on a case-by-case basis. The amount of collateral obtained, if it is deemed necessary by the Bank upon extension of credit, is based on management's credit evaluation of the counter party. Collateral held varies but may include accounts receivable, inventory, property, plant, and equipment, and income-producing commercial properties.

Standby letters of credit are conditional commitments issued by the Bank to guarantee the performance of a customer to a third party. Standby letters of credit generally have fixed expiration dates or other termination clauses and may require payment of a fee. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers.

Note 17: Regulatory Matters

The Bank is subject to various regulatory capital requirements administered by its primary federal regulator, the Office of the Comptroller of the Currency (OCC). Failure to meet the minimum regulatory requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under the regulatory capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines involving quantitative measures of the Bank's assets, liabilities, and certain off-balance-sheet items as calculated under regulatory accounting practices. The Bank's capital amounts and classification under the prompt corrective action guidelines are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Bank to maintain minimum amounts and ratios of: total capital to risk-weighted assets, common equity Tier 1 capital to risk-weighted assets (as defined), Tier 1 capital to risk-weighted assets (as defined in the regulations), and Tier 1 leverage to adjusted total assets (as defined). Management believes that, as of December 31, 2016, the Bank meets all capital adequacy requirements to which it is subject.

TRENTON BANKSHARES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
Years Ended December 31, 2016 and 2015

Note 17: Regulatory Matters (Continued)

At December 31, 2016, the Bank met all the capital requirements to be categorized as well-capitalized under the regulatory framework set forth by the OCC for prompt corrective action. To be categorized as adequately capitalized or well-capitalized, the Bank must maintain ratios as disclosed in the table below. There are no conditions or events since December 31, 2016, that management believes have changed the Bank's category.

Amounts in thousands:

	Actual		For Capital Adequacy Purposes		To Be Well Capitalized Under Prompt Corrective Action Provisions	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of, December 31, 2016						
Total Capital (To Risk-Weighted Assets)	\$ 17,383	18.5%	\$ 7,510	≥8.0%	\$ 9,388	≥10.0%
Common Equity Tier 1 (To Risk-Weighted Assets)	\$ 16,605	17.7%	\$ 4,224	≥4.5%	\$ 6,102	≥6.5%
Tier 1 Capital (To Risk-Weighted Assets)	\$ 16,605	17.7%	\$ 5,633	≥6.0%	\$ 7,510	≥8.0%
Tier 1 Leverage (To Adjusted Total Assets)	\$ 16,605	8.3%	\$ 7,971	≥4.0%	\$ 9,964	≥5.0%
As of, December 31, 2015						
Total Capital (To Risk-Weighted Assets)	\$ 17,320	20.8%	\$ 6,671	≥8.0%	\$ 8,339	≥10.0%
Common Equity Tier 1 (To Risk-Weighted Assets)	\$ 16,451	19.7%	\$ 3,753	≥4.5%	\$ 5,421	≥6.5%
Tier 1 Capital (To Risk-Weighted Assets)	\$ 16,451	19.7%	\$ 5,004	≥6.0%	\$ 6,671	≥8.0%
Tier 1 Leverage (To Adjusted Total Assets)	\$ 16,451	10.0%	\$ 6,568	≥4.0%	\$ 8,210	≥5.0%

TRENTON BANKSHARES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
Years Ended December 31, 2016 and 2015

Note 18: Fair Value Measurements

FASB ASC 820, *Fair Value Measurements*, provides a framework for measuring fair value that requires an entity to determine fair value based on exit price in the principal market for the asset or liability being measured. Fair value is defined as the exchange price that would be received on the measurement date to sell an asset or the price paid to transfer a liability in the principal or most advantageous market available to the entity in an orderly transaction between market participants. The guidance also establishes a three level fair value hierarchy that describes the inputs that are used to measure assets and liabilities.

- Level 1 asset and liability fair values are based on quoted prices in active markets for identical assets and liabilities.
- Level 2 asset and liability fair values are based on observable inputs that include: quoted market prices for similar assets or liabilities; quoted market prices that are not in an active market; or other inputs that are observable in the market and can be corroborated by observable market data for substantially the full term of the assets or liabilities.
- Level 3 assets and liabilities are financial instruments whose value is calculated by the use of pricing models and/or discounted cash flow methodologies, as well as financial instruments for which the determination of fair value requires significant management judgment or estimation.

Generally accepted accounting principles exclude certain financial instruments and all non-financial instruments from its disclosure requirements. Accordingly, the aggregate fair value amounts presented do not represent the underlying fair value of the Bank. The following methods and assumptions were used by the Bank in estimating fair value disclosures for financial instruments:

Cash and Cash Equivalents

The carrying amounts of cash and short-term instruments approximate fair values.

Investment Securities

Fair values for investment securities are based on quoted market prices or dealer quotes using level 2 inputs. If a quoted market price is not available, fair values are based on quoted market prices of comparable instruments.

Loans Held for Sale

Mortgage loans held for sale are reported at fair value using level 2 inputs.

Loans Receivable, Net

Fair values of loans are estimated using level 3 inputs, by discounting the future cash flows using the current rates at which similar loans would be made to borrowers with similar credit ratings and for the same remaining maturities. Loan fair value estimates include judgments regarding future expected loss experience and risk characteristics. Fair values for impaired loans are estimated using discounted cash flow analysis or underlying collateral values, where applicable.

Unsaleable Loans and Loans Repurchased

Unsaleable loans and loans repurchased are reported at the lower of cost or fair value on the date of the transfer.

Derivative Financial Instruments

Derivative financial instruments are reported at fair value at their quoted market prices using level 2 inputs.

Deposits

The fair values for passbook and checking accounts are equal to the amount payable on demand at the reporting date using level 2 inputs. The fair values for fixed-maturity, fixed-rate certificates of deposit are estimated using level 3 inputs and a discounted cash flow calculation that applies interest rates currently being offered on certificates of similar remaining maturities. Variable rate deposits that reprice frequently, entailing no significant change in interest rate risk, are valued based on the carrying values.

TRENTON BANKSHARES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
Years Ended December 31, 2016 and 2015

Note 18: Fair Value Measurements (Continued)

Federal Home Loan Bank Advances

The fair values of fixed-maturity, fixed-rate advances are estimated using level 3 inputs and a discounted cash flow calculation that applies interest rates currently offered on advances on similar remaining maturities. Variable rate advances that reprice frequently, entailing no significant change in interest rate risk, are valued based on the carrying values.

Federal Funds Purchased or Sold

The carrying amount of federal funds purchased and federal funds sold approximates fair value.

Accrued Interest

The carrying amounts of accrued interest receivable and accrued interest payable approximates fair value.

Off-Balance-Sheet Instruments

Substantially all commitments to extend credit are for fixed rate loans which mature in six months or less. Fair values of these commitments are based on the carrying value because there is no significant risk of change in interest rates.

The estimated fair values, and related carrying amounts, of the Corporation's financial instruments are as follows:

	<u>December 31, 2016</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial Assets:		
Level 2 Inputs:		
Cash and Cash Equivalents	\$ 11,056,236	\$ 11,056,236
Securities Available-for-Sale	77,443,907	77,443,907
Accrued Interest Receivable	451,477	451,477
Loans Held for Sale	29,935,672	29,935,672
Derivative Instruments	701,591	701,591
Level 3 Inputs:		
Loans Receivable, Net of Allowance for Loan Losses	66,596,893	68,906,000
Financial Liabilities:		
Level 2 Inputs:		
Demand Deposits	121,261,074	115,104,000
Accrued Interest Payable	34,596	34,596
Subordinated Debentures	6,186,000	6,186,000
Level 3 Inputs:		
Savings Deposits	20,987,523	19,818,000
Fixed Maturity Deposits	30,032,531	29,856,000
Federal Home Loan Bank Advances	5,193,417	5,480,000
Unrecognized Financial Instruments:		
Commitments to Extend Credit	11,340,387	11,340,387
Commitments under Standby Letters of Credit	20,000	20,000

TRENTON BANKSHARES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
Years Ended December 31, 2016 and 2015

Note 18: Fair Value Measurements (Continued)

	<u>December 31, 2015</u>	
	<u>Carrying Amount</u>	<u>Fair Value</u>
Financial Assets:		
Level 2 Inputs:		
Cash and Cash Equivalents	\$ 3,300,189	\$ 3,300,189
Securities Available-for-Sale	56,473,513	56,473,513
Accrued Interest Receivable	384,392	384,392
Loans Held for Sale	27,945,592	27,945,592
Derivative Instruments	792,970	792,970
Level 3 Inputs:		
Loans Receivable, Net of Allowance for Loan Losses	60,763,586	63,534,000
Financial Liabilities:		
Level 2 Inputs:		
Savings and Demand Deposits	84,657,308	81,447,000
Accrued Interest Payable	39,455	39,455
Derivative Instruments	33,108	33,108
Subordinated Debentures	6,186,000	6,186,000
Level 3 Inputs:		
Savings Deposits	18,773,146	18,023,000
Fixed Maturity Deposits	29,254,516	29,139,000
Federal Home Loan Bank Advances	6,376,657	6,894,000
Unrecognized Financial Instruments:		
Commitments to Extend Credit	11,643,649	11,643,649
Commitments under Standby Letters of Credit	20,000	20,000

Fair values of assets and liabilities measured on a recurring basis at December 31, 2016 and 2015, are as follows:

	<u>Fair Value Measurements at Reporting Date Using</u>			
	<u>Fair Value</u>	<u>Level 1 Inputs</u>	<u>Level 2 Inputs</u>	<u>Level 3 Inputs</u>
<u>December 31, 2016</u>				
Available-for-Sale Securities	\$ 77,443,907	\$ -	\$ 77,443,907	\$ -
Derivative Instruments-Asset	701,591	-	701,591	-
<u>December 31, 2015</u>				
Available-for-Sale Securities	\$ 56,473,513	\$ -	\$ 56,473,513	\$ -
Derivative Instruments-Asset	792,970	-	792,970	-
Derivative Instruments-Liability	33,108	-	33,108	-

TRENTON BANKSHARES, INC. AND SUBSIDIARY
Notes to Consolidated Financial Statements
Years Ended December 31, 2016 and 2015

Note 18: Fair Value Measurements (Continued)

Fair values of assets and liabilities measured on a non-recurring basis as of December 31, 2016 and 2015, are as follows:

		<u>Fair Value Measurements at Reporting Date Using</u>		
		Level 1	Level 2	Level 3
<u>December 31, 2016</u>	<u>Fair Value</u>	<u>Inputs</u>	<u>Inputs</u>	<u>Inputs</u>
Other Real Estate Owned	\$ 131,660	\$ -	\$ 131,660	\$ -
Impaired Loans	1,030,456	-	1,030,456	-
Mortgage Servicing Rights	134,872	-	-	134,872
Total Assets	<u>\$ 1,296,988</u>	<u>\$ -</u>	<u>\$ 1,162,116</u>	<u>\$ 134,872</u>
 <u>December 31, 2015</u>				
Other Real Estate Owned	\$ 131,660	\$ -	\$ 131,660	\$ -
Impaired Loans	1,125,822	-	1,125,822	-
Mortgage Servicing Rights	7,385	-	-	7,385
Total Assets	<u>\$ 1,264,867</u>	<u>\$ -</u>	<u>\$ 1,257,482</u>	<u>\$ 7,385</u>

As of December 31, 2016, impaired loans with a carrying amount of \$1,128,484 were written down to their fair value of \$1,030,456, resulting in an impairment charge of \$98,028, which was included in the allowance for loan losses. As of December 31, 2015, impaired loans with a carrying amount of \$1,171,850 were written down to their fair value of \$1,125,822, resulting in an impairment charge of \$46,028, which was included in the allowance for loan losses. There were no write downs on foreclosed assets during 2016 or 2015.

The fair value of impaired loans is estimated using quoted market prices or similar loans sold in conjunction with securitizations transactions, adjusted for differences in loan characteristics. Foreclosed real estate assets have been valued using a market approach. The values were determined using market prices of similar real estate assets.

Refer to Note 6 for fair value related information regarding mortgage servicing rights.

Note 19: Reclassification

Certain amounts in the 2015 financial statements have been reclassified to conform to the 2016 presentation. Equity and net income were not changed as a result of the reclassifications.

Note 20: Subsequent Events

Management has evaluated subsequent events through March 28, 2017, the date on which the financial statements were available to be issued. There are no events that occurred after December 31, 2016, that require disclosure in the notes to the financial statements.