

CITY OF TRINIDAD

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED SEPTEMBER 30, 2019

City of Trinidad
Annual Financial Report
For The Year Ended September 30, 2019

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
FINANCIAL SECTION		
Independent Auditors' Report.....	1	
Management's Discussion and Analysis (Required Supplementary Information).....	4	
 <u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	10	A-1
Statement of Activities.....	11	A-2
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	13	A-3
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	14	A-4
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	15	A-5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	16	A-6
Statement of Net Position - Proprietary Funds.....	17	A-7
Statement of Revenues, Expenses, and Changes in		
Fund Net Position - Proprietary Funds.....	18	A-8
Statement of Cash Flows - Proprietary Funds.....	19	A-9
Notes to the Financial Statements	20	
 <u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
General Fund.....	37	B-1
Schedule of the City's Proportionate Share of the		
Net Pension Liability - Texas Municipal Retirement System Of Texas.....	38	B-2
Schedule of City's Contributions - Texas Municipal Retirement System Of Texas.....	39	B-3
Schedule of Changes in the City's Total Pension Liability		
And Related Ratios - Texas Municipal Retirement System Of Texas	40	B-4
Notes to Required Supplementary Information.....	41	
 <u>Budgetary Comparison Schedules as Supplementary Information:</u>		
Debt Service Funds:		
Budgetary Comparison Schedule:		
Debt Service Fund.....	42	B-5

City of Trinidad
Annual Financial Report
For The Year Ended September 30, 2019

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
OTHER SUPPLEMENTARY INFORMATION SECTION		
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	43	
Schedule of Findings and Questioned Costs	45	
Summary Schedule of Prior Audit Findings.....	46	
Corrective Action Plan.....	47	

Financial Section

ANDERSON, MARX & BOHL, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

**HUDSON ANDERSON, CPA
FRANK MARX, III, CPA
DORI BOHL, CPA & CFE**

Independent Auditors' Report

To the City Council
City of Trinidad
P O Box 345
Trinidad, Texas 75163

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Trinidad ("the City") as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Trinidad as of September 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Change in Accounting Principle

As described in Note A to the financial statements, in 2019, City of Trinidad adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowing and Direct Placements*. Our opinion is not modified with respect to this matter.

As described in Note A to the financial statements, in 2019, City of Trinidad adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 83, *Certain Asset Retirement Obligations*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Trinidad's basic financial statements. The other supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other supplementary information is fairly stated in all material respects in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

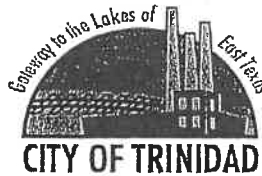
In accordance with *Government Auditing Standards*, we have also issued our report dated August 20, 2020 on our consideration of City of Trinidad's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Trinidad's internal control over financial reporting and compliance.

Respectfully submitted,

Anderson, Marx & Bohl, P.C.

Anderson, Marx & Bohl, P.C.

Corsicana, Texas
August 20, 2020



P.O. Box 345
Trinidad, Texas 75163
(903) 778-2525 Phone (903) 778-2754 Fax

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Trinidad's annual financial report presents our discussion and analysis of the City's financial performance during the year ended September 30, 2019. Please read it in conjunction with the City's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

- The City's total combined net position on financial statement exhibit A-1 was \$2,001,449 on September 30, 2019.
- During the year, the City's primary government expenses on financial statement exhibit A-2 were \$33,619 less than the \$1,281,969 generated in taxes and other revenues for all activities.
- The total cost of the City's programs on financial statement exhibit A-5 increased \$15,206 from last year. This was due primarily to increased highways and streets and municipal court expenditures during the year.
- The general fund reported a general fund balance this year on financial statement exhibit A-3 of \$(17,754). The City began the current year with a fund balance in the amount of \$46,891.

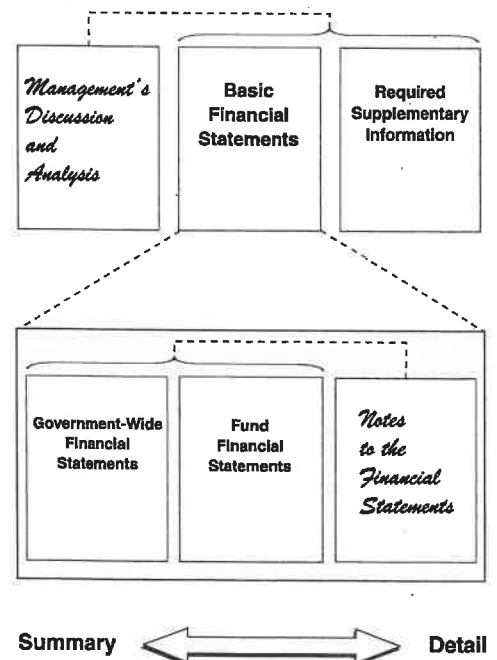
OVERVIEW OF THE FINANCIAL STATEMENTS

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

- The first two statements are *government-wide financial statements* that provide both *long-term* and *short-term* information about the City's overall financial status.
- The remaining statements are *fund financial statements* that focus on *individual parts* of the government, reporting the City's operations in more detail than the government-wide statements.
- *The governmental funds* statements tell how *general government* services were financed in the *short term* as well as what remains for future spending.
- *Proprietary fund* statements provide information about for-profit activities.

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

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



Government-wide Statements

The government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid. The two government-wide statements report the City's net position and how it has changed. Net position—the difference between the City's assets and liabilities—is one way to measure the City's financial health or *position*.

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

The government-wide financial statements of the City include the *Governmental and Business-Type activities*. Most of the City's basic services are included here, such as water services, public safety, sanitation, street maintenance and general administration. Taxes and charges for services finance most of these activities.

Fund Financial Statements

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

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

The City has the following kinds of funds:

- *Governmental funds*—Most of the City's basic services are included in governmental funds, which focus on (1) how *cash and other financial assets* that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed *short-term* view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information at the bottom of the governmental funds statement, or on the subsequent page, that explain the relationship (or differences) between them.
- *Proprietary funds*—The City provides water and sewer services to its citizens and charges fees to pay for this service. These activities are accounted for on the accrual basis of accounting.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net position. The City's combined net position was \$2.00 million on September 30, 2019. (See Table A-1).

Table A-1
City of Trinidad's Net Position
(In million dollars)

	<u>2019</u>	<u>2018</u>	<u>Total Percentage Change 2019-2018</u>
Current assets:			
Cash and cash equivalents	.4	.4	0
Receivables	.1	.1	0
Inventories	.0	.0	**
Total current assets	<u>.5</u>	<u>.5</u>	0
Noncurrent assets:			
Land, furniture and equipment	6.4	6.4	0
Less accumulated depreciation	(3.9)	(3.7)	-5
Other assets	.1	.0	**
Total noncurrent assets	<u>2.6</u>	<u>2.7</u>	-4
Total Assets	<u>3.1</u>	<u>3.2</u>	-3
Deferred Outflows of Resources	<u>.0</u>	<u>.0</u>	**
Current liabilities:			
Accounts payable and accrued liabilities	.0	.0	**
Consumer deposits	.1	.1	0
Due to other governments	.0	.0	**
Deferred revenue	.0	.0	**
Total current liabilities	<u>.1</u>	<u>.1</u>	0
Long-term liabilities:			
Noncurrent liabilities due in one year	.1	.1	0
Noncurrent liabilities due more than 1 yr	.9	1.0	-10
Net pension liability	.0	.0	**
Total Liabilities	<u>1.1</u>	<u>1.2</u>	-8
Deferred Inflows of Resources	<u>.0</u>	<u>.0</u>	**
Net Position:			
Net investment in capital assets	1.5	1.6	-6
Restricted	.4	.3	33
Unrestricted	.1	.1	0
Total Net Position	<u>2.0</u>	<u>2.0</u>	0

The City has \$128,156 in restricted net position that represents funds available for debt service, \$266,791 for a water and sewer reserve fund, and restricted net position of \$1,916 for a pension surplus. The \$109,132 of unrestricted net position represents resources to be available to fund the programs of the City next year.

Changes in net position. The City's total revenues were \$1,281,969. A portion, 32 percent, of the City's revenue comes from taxes, while 67 percent relates to charges for services.

The total cost of all programs and services was \$1,248,350; 45 percent of these costs are for governmental activities.

Governmental Activities

- Property tax revenue decreased to \$239,194.
- The City's charges for services increased to \$859,690.

Table A-2
Changes in City of Trinidad's Net Position
(In million dollars)

	<u>2019</u>	<u>2018</u>	<u>% Ch</u>
Program Revenues:			
Charges for Services	.9	.8	13
Operating Grants and Contributions	.0	.0	**
General Revenues			
Taxes	.4	.4	0
Investment Earnings	.0	0	**
Other	.0	.0	**
Total Revenues	<u>1.3</u>	<u>1.2</u>	8
General Government	.2	.2	0
Public Safety	.2	.2	0
Highways and Streets	.2	.1	100
Culture and Recreation	.0	.0	**
Sanitation	.0	.0	**
Water and Sewer	.7	.8	-13
Grant Expenditures	.0	.0	**
Other	<u>0</u>	<u>0</u>	**
Total Expenses	<u>1.3</u>	<u>1.3</u>	0
Excess (Deficiency) Before Other Resources, Uses and Transfers:	.0	(.1)	**
Transfers In (Out)	.0	.0	**
Increase (Decrease) in Net Position	<u>.0</u>	<u>(.1)</u>	**

Table A-3 presents the cost of each of the City's largest functions as well as each function's net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost reflects what was funded by state revenues as well as local tax dollars.

- The cost of all activities this year was \$1.3 million.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$.24 million.
- Some of the cost was paid by those who directly benefited from the programs \$.86 million.

Table A-3
Net Cost of Selected City Functions
(in millions of dollars)

	Total Cost of Services		% Change	Net Cost of Services		% Change
	<u>2019</u>	<u>2018</u>		<u>2019</u>	<u>2018</u>	
General Government	.20	.20	0	.20	.20	0
Public Safety	.17	.20	-15	.05	.14	-64
Highways and Streets	.17	.14	21	.17	.14	21

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$.534 million, while the previous year it was \$.465 million. Revenues from proprietary funds totaled \$.744 million, while the previous year it was \$.752 million.

General Fund Budgetary Highlights

Over the course of the year, the City revised its budget. Actual expenditures were still \$81,684 above final budget amounts. On the other hand, resources available were \$46,339 above the final budgeted amount due primarily to increased fine revenue.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2019, the City had invested \$6,452,912 in a broad range of capital assets, including land, equipment, and buildings. (See Table A-4.) This amount represents a net change (including additions and deductions) of \$24,800 over last year.

Table A-4
City's Capital Assets
(In millions of dollars)

	<u>2019</u>	<u>2018</u>	<u>Total Percentage Change 2019-2018</u>
Land	.092	.092	0
Buildings and improvements	.060	.060	0
Water and sewer system	5.115	5.115	0
Equipment	.746	.721	3
Leased Assets	.000	.000	**
Infrastructure	.440	.440	0
Totals at historical cost	<u>6.453</u>	<u>6.428</u>	0
Total accumulated depreciation	<u>(3.944)</u>	<u>(3.745)</u>	-5
Net capital assets	<u>2.509</u>	<u>2.683</u>	-6

The City's fiscal year 2020 capital budget projects spending do not reflect any major projects. More detailed information about the City's capital assets is presented in the notes to the financial statements.

Long Term Debt

At year-end, the City had \$1.042 million in bonds, notes and leases payable and net pension liability as shown in Table A-5. More detailed information about the City's debt is presented in the notes to the financial statements.

Table A-5
City's Long-Term Debt
(In millions of dollars)

	<u>2019</u>	<u>2018</u>	<u>Total Percentage Change 2019-2018</u>
Bonds payable	.956	1.025	-7
Notes payable	.027	.048	-44
Capital leases payable	.022	.045	-51
Net pension liability	<u>.037</u>	<u>.007</u>	429
Total long-term liabilities	<u>1.042</u>	<u>1.125</u>	-7

COMPONENT UNIT

The Trinidad Economic Development Corporation's primary funding source is the collection of 25% of the City's sales tax. The separately issued financial statements of the EDC may be obtained by contacting the EDC office.

Capital Assets

At the end of fiscal year 2019, the Trinidad EDC had invested \$297,305 in land and improvements. This amount represents no change from last year.

Table A-4
EDC's Capital Assets
(In millions of dollars)

	<u>2019</u>	<u>2018</u>	<u>Total Percentage Change 2019-2018</u>
Land	.093	.093	0
Improvements	.204	.204	0
Totals at historical cost	.297	.297	0
Total accumulated depreciation	<u>(.071)</u>	<u>(.065)</u>	-9
Net capital assets	<u>.226</u>	<u>.232</u>	-3

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The City's budgetary general fund fund balance is not expected to change appreciably by the close of fiscal year 2020. However, the COVID-19 pandemic has resulted in widespread closures of many businesses worldwide in 2020. The economic effects of those closures and related workforce layoffs are still unknown and could potentially affect future revenues.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, and investors and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the City of Trinidad's Business Services Department at 212 Park Street, Trinidad, Texas 75163 or phone number 903-778-2525.

Basic Financial Statements

CITY OF TRINIDAD
STATEMENT OF NET POSITION
SEPTEMBER 30, 2019

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
ASSETS:				
<i>Cash and Cash Equivalents</i>	\$ 143,096	\$ 287,624	\$ 430,720	\$ 137,598
<i>Receivables (net of allowances for uncollectibles)</i>	735	71,279	72,014	4,151
<i>Property Tax Receivables</i>	36,909	--	36,909	--
<i>Internal Balances</i>	(96,757)	96,757	--	--
Restricted Assets:				
<i>Cash</i>	--	85,534	85,534	--
Capital Assets (net of accumulated depreciation):				
<i>Land</i>	65,460	26,100	91,560	92,998
<i>Buildings & Equipment, net</i>	87,087	2,330,469	2,417,556	133,316
Total Assets	<u>236,530</u>	<u>2,897,763</u>	<u>3,134,293</u>	<u>368,063</u>
DEFERRED OUTFLOWS OF RESOURCES:				
<i>Deferred Outflow Related to Pensions</i>	45,435	--	45,435	--
Total Deferred Outflows of Resources	<u>45,435</u>	<u>--</u>	<u>45,435</u>	<u>--</u>
LIABILITIES:				
<i>Accounts Payable and Other Current Liabilities</i>	22,206	28,387	50,593	--
<i>Consumer Deposits</i>	--	70,505	70,505	--
<i>Accrued Interest Payable</i>	--	8,466	8,466	--
Noncurrent Liabilities-				
<i>Due within one year</i>	16,463	83,032	99,495	--
<i>Due in more than one year</i>	49,498	893,528	943,026	--
Total Liabilities	<u>88,167</u>	<u>1,083,918</u>	<u>1,172,085</u>	<u>--</u>
DEFERRED INFLOWS OF RESOURCES:				
<i>Deferred Inflow Related to Pensions</i>	6,194	--	6,194	--
Total Deferred Inflows of Resources	<u>6,194</u>	<u>--</u>	<u>6,194</u>	<u>--</u>
NET POSITION:				
Net Investment in Capital Assets	123,911	1,371,543	1,495,454	226,314
Restricted for:				
<i>Debt Service</i>	42,622	85,534	128,156	--
<i>Reserve Fund</i>	--	266,791	266,791	--
<i>Pension Fund</i>	1,916	--	1,916	--
Unrestricted	19,155	89,977	109,132	141,749
Total Net Position	<u>\$ 187,604</u>	<u>\$ 1,813,845</u>	<u>\$ 2,001,449</u>	<u>\$ 368,063</u>

The accompanying notes are an integral part of this statement.

CITY OF TRINIDAD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Functions/Programs	Expenses	Program Revenues
PRIMARY GOVERNMENT:		Charges for Services
Governmental Activities:		
<i>General Government</i>	\$ 200,730	\$ --
<i>Public Safety</i>	167,630	115,472
<i>Highways & Streets</i>	167,690	--
<i>Culture & Recreation</i>	3,187	--
<i>Economic Development Assistance</i>	1,079	--
<i>Library Services</i>	19,872	--
<i>Interest and Fiscal Charges</i>	1,449	--
Total Governmental Activities	<u>561,637</u>	<u>115,472</u>
Business-type Activities:		
Water & Sewer	686,713	744,218
Total Business-type Activities	<u>686,713</u>	<u>744,218</u>
Total Primary Government	<u>\$ 1,248,350</u>	<u>\$ 859,690</u>
COMPONENT UNIT:		
Economic Development Corporation	<u>\$ 22,901</u>	<u>\$ --</u>
General Revenues:		
<i>Property Taxes</i>		
<i>Sales Taxes</i>		
<i>Franchise Taxes</i>		
<i>Investment Earnings</i>		
<i>Miscellaneous</i>		
Transfers		
Total General Revenues and Transfers		
Change in Net Position		
Net Position - Beginning		
Net Position - Ending		

The accompanying notes are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-type Activities	Total	Component Unit
\$ (200,730)		\$ (200,730)	
(52,158)		(52,158)	
(167,690)		(167,690)	
(3,187)		(3,187)	
(1,079)		(1,079)	
(19,872)		(19,872)	
(1,449)		(1,449)	
(446,165)		(446,165)	
--	\$ 57,505	57,505	
--	57,505	57,505	
(446,165)	57,505	(388,660)	
			\$ (22,901)
239,194	--	239,194	--
110,846	--	110,846	25,649
58,379	--	58,379	--
3,232	--	3,232	214
10,628	--	10,628	9,998
--	--	--	--
422,279	--	422,279	35,861
(23,886)	57,505	33,619	12,960
211,490	1,756,340	1,967,830	355,103
\$ 187,604	\$ 1,813,845	\$ 2,001,449	\$ 368,063

CITY OF TRINIDAD
BALANCE SHEET - GOVERNMENTAL FUNDS
SEPTEMBER 30, 2019

	General Fund	Other Governmental Funds	Total Governmental Funds
ASSETS			
Assets:			
<i>Cash and Cash Equivalents</i>	\$ 100,474	\$ 42,622	\$ 143,096
<i>Receivables (net of allowances for uncollectibles)</i>	735	--	735
<i>Property Taxes Receivable</i>	36,909	--	36,909
Total Assets	<u>\$ 138,118</u>	<u>\$ 42,622</u>	<u>\$ 180,740</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:			
Liabilities:			
<i>Accounts Payable</i>	\$ 22,206	\$ --	\$ 22,206
<i>Due to Other Funds</i>	96,757	--	96,757
Total Liabilities	<u>118,963</u>	<u>--</u>	<u>118,963</u>
Deferred Inflows of Resources:			
<i>Deferred Revenue-Property Taxes</i>	36,909	--	36,909
Total Deferred Inflows of Resources	<u>36,909</u>	<u>--</u>	<u>36,909</u>
Fund Balances:			
Restricted for:			
Debt Service	--	42,622	42,622
Unassigned	(17,754)	--	(17,754)
Total Fund Balance	<u>(17,754)</u>	<u>42,622</u>	<u>24,868</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 138,118</u>	<u>\$ 42,622</u>	<u>\$ 180,740</u>

The accompanying notes are an integral part of this statement.

CITY OF TRINIDAD

**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
SEPTEMBER 30, 2019**

Total fund balances - governmental funds balance sheet	\$	24,868
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not reported in the funds.		152,547
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		36,909
Payables for capital leases which are not due in the current period are not reported in the funds.		(11,094)
Payables for notes which are not due in the current period are not reported in the funds.		(17,542)
Recognition of the City's proportionate share of the net pension liability is not reported in the funds.		(37,325)
Deferred Resource Inflows related to the pension plan are not reported in the funds.		(6,194)
Deferred Resource Outflows related to the pension plan are not reported in the funds.		45,435
Net position of governmental activities - Statement of Net Position	\$	<u>187,604</u>

The accompanying notes are an integral part of this statement.

CITY OF TRINIDAD

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

	General Fund	Other Governmental Funds	Total Governmental Funds
Revenue:			
<i>General Property Taxes</i>	\$ 235,246	\$ 676	\$ 235,922
<i>General Sales and Use Taxes</i>	110,846	--	110,846
<i>Franchise Taxes</i>	58,379	--	58,379
<i>Fines</i>	115,472	--	115,472
<i>Investment Earnings</i>	3,232	--	3,232
<i>Miscellaneous</i>	10,628	--	10,628
Total revenues	<u>533,803</u>	<u>676</u>	<u>534,479</u>
Expenditures:			
Current:			
<i>General Government</i>	196,372	--	196,372
<i>Public Safety</i>	106,582	--	106,582
<i>Highway & Streets</i>	160,267	--	160,267
<i>Municipal Court</i>	58,707	--	58,707
<i>Community Center</i>	19,872	--	19,872
Debt Service:			
<i>Principal</i>	30,399	--	30,399
<i>Interest and Fiscal Charges</i>	1,449	--	1,449
Capital Outlay:			
<i>Buildings & Equipment</i>	24,800	--	24,800
Total Expenditures	<u>598,448</u>	<u>--</u>	<u>598,448</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(64,645)</u>	<u>676</u>	<u>(63,969)</u>
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balances	(64,645)	676	(63,969)
Fund Balances - Beginning	46,891	41,946	88,837
Fund Balances - Ending	<u>\$ (17,754)</u>	<u>\$ 42,622</u>	<u>\$ 24,868</u>

The accompanying notes are an integral part of this statement.

CITY OF TRINIDAD

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED SEPTEMBER 30, 2019**

Net change in fund balances - total governmental funds	\$ (63,969)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	24,800
The depreciation of capital assets used in governmental activities is not reported in the funds.	(29,417)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	3,272
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	30,399
Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL.	11,029
Change in net position of governmental activities - Statement of Activities	\$ <u>(23,886)</u>

The accompanying notes are an integral part of this statement.

CITY OF TRINIDAD**STATEMENT OF NET POSITION****PROPRIETARY FUNDS****SEPTEMBER 30, 2019**

	Enterprise Fund Water and Sewer Fund
ASSETS:	
Current Assets:	
<i>Cash and Cash Equivalents</i>	\$ 287,624
<i>Receivables (net of allowances for uncollectibles)</i>	71,279
<i>Due from other funds</i>	96,757
Total Current Assets	<u>455,660</u>
Noncurrent Assets:	
Restricted Cash, Cash Equivalents and Investments-	
<i>Cash</i>	85,534
Capital Assets:	
<i>Land</i>	26,100
<i>Property, Plant and Equipment-Net</i>	2,330,469
Total Noncurrent Assets	<u>2,442,103</u>
Total Assets	<u>2,897,763</u>
LIABILITIES:	
Current Liabilities:	
<i>Accounts payable</i>	28,387
<i>Consumer deposits</i>	70,505
<i>Accrued interest payable</i>	8,466
Current Liabilities Payable from Restricted Assets-	
<i>Notes payable - current</i>	14,032
<i>Revenue bonds payable</i>	69,000
Noncurrent Liabilities Payable from Restricted Assets-	
<i>Revenue Bonds Payable</i>	887,000
<i>Notes Payable</i>	6,528
Total Liabilities	<u>1,083,918</u>
NET POSITION:	
<i>Net Investment in Capital Assets</i>	1,371,543
Restricted for:	
<i>Debt Service</i>	85,534
<i>Reserve Fund</i>	266,791
Unrestricted	89,977
Total Net Position	<u>\$ 1,813,845</u>

The accompanying notes are an integral part of this statement.

CITY OF TRINIDAD

*STATEMENT OF REVENUES, EXPENSES, AND CHANGES
IN FUND NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED SEPTEMBER 30, 2019*

	Enterprise Fund Water and Sewer Fund
OPERATING REVENUES:	
Charges for Sales and Services:	
<i>Water</i>	\$ 522,511
<i>Sewer</i>	135,588
<i>Sanitation</i>	86,119
Total Operating Revenues	<u>744,218</u>
OPERATING EXPENSES:	
<i>Personal Services</i>	127,731
<i>Supplies & Materials</i>	363,829
<i>Depreciation</i>	169,259
Total Operating Expenses	<u>660,819</u>
Operating Income	<u>83,399</u>
NON-OPERATING REVENUES (EXPENSES):	
<i>Interest Expense & Fees</i>	<u>(38,478)</u>
Total Non-operating Revenues (Expenses)	<u>(38,478)</u>
Income before Transfers	44,921
Operating Transfers In	--
Operating Transfers Out	--
Change in Net Position	<u>44,921</u>
Total Net Position - Beginning	1,768,924
Total Net Position - Ending	<u>\$ 1,813,845</u>

The accompanying notes are an integral part of this statement.

CITY OF TRINIDAD**STATEMENT OF CASH FLOWS****PROPRIETARY FUNDS**

FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Enterprise Fund Water And Sewer Fund
Cash Flows from Operating Activities:	
<i>Cash Received from Customers</i>	\$ 728,170
<i>Cash Payments to Employees for Services</i>	(127,731)
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(408,135)
Net Cash Provided (Used) by Operating Activities	<u>192,304</u>
Cash Flows from Non-capital Financing Activities:	
<i>Transfers to other Funds</i>	--
Net Cash Provided (Used) by Non-capital Financing Activities	<u>--</u>
Cash Flows from Capital and Related Financing Activities:	
<i>Interest Paid</i>	(38,478)
<i>Principal Paid</i>	(82,599)
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(121,077)</u>
Cash Flows from Investing Activities:	
<i>Increase in Restricted Cash</i>	(10,098)
Net Cash Provided (Used) for Investing Activities	<u>(10,098)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	61,129
Cash and Cash Equivalents at Beginning of Year	226,495
Cash and Cash Equivalents at End of Year	<u>\$ 287,624</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:	
Operating Income (Loss)	\$ 83,399
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
<i>Depreciation</i>	169,259
Change in Assets and Liabilities:	
<i>Decrease (Increase) in Receivables</i>	(16,048)
<i>Decrease (Increase) in Due from Other Funds</i>	(43,665)
<i>Increase (Decrease) in Accounts Payable</i>	(6,788)
<i>Increase (Decrease) in Accrued Expenses</i>	881
<i>Increase (Decrease) in Consumer Deposits</i>	5,266
Total Adjustments	<u>108,905</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 192,304</u>

The accompanying notes are an integral part of this statement.

CITY OF TRINIDAD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

A. Summary of Significant Accounting Policies

The combined financial statements of City of Trinidad (the "City") have been prepared in conformity with accounting principles applicable to governmental units which are generally accepted in the United States of America. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

1. Reporting Entity

The City's basic financial statements include the accounts of all its operations. The City evaluated whether any other entity should be included in these financial statements. The criteria for including organizations as component units within the City's reporting entity, as set forth in GASB include whether:

- the organization is legally separate (can sue and be sued in its name)
- the City holds the corporate powers of the organization
- the City appoints a voting majority of the organization's board
- the City is able to impose its will on the organization
- the organization has the potential to impose a financial benefit/burden on the City and there is fiscal dependency by the organization on the City
- the exclusion of the organization would result in misleading or incomplete financial statements

Based on these criteria, the City has one component unit, Trinidad Economic Development Corporation. Additionally, the City is not a component unit of any other reporting entity as defined by the GASB Statements. Trinidad EDC amounts for the year ended December 31, 2018 are included in this report.

2. Basis of Presentation, Basis of Accounting

a. Basis of Presentation

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

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

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

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

CITY OF TRINIDAD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

The City reports the following major governmental funds:

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

The City reports the following major enterprise funds:

Water and Sewer Fund. This fund is used to account for operations that are financed and operated in a manner similar with private business enterprises, where costs (expenses, including depreciation) of providing water and sewer services to the general public on a continuing basis are financed through user charges.

b. Measurement Focus, Basis of Accounting

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

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

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

3. Financial Statement Amounts

a. Cash and Cash Equivalents

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

b. Property Taxes

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

CITY OF TRINIDAD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Allowances for uncollectible tax receivables within the General and Debt Service Funds are based upon historical experience in collecting property taxes. Uncollectible personal property taxes are periodically reviewed and written off, but the City is prohibited from writing off real property taxes without specific statutory authority from the Texas Legislature.

c. Inventories and Prepaid Items

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

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

d. Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated fixed assets are recorded at their estimated acquisition value at the date of the donation. The cost of normal maintenance and repair that do not add to the value of the asset or materially extend assets' lives are not capitalized. A capitalization threshold of \$5,000 is used.

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

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	10-20
Buildings	40
Building improvements	4-50
Equipment	5-10

e. Receivable and Payable Balances

The City believes that sufficient detail of receivable and payable balances is provided in the financial statements to avoid the obscuring of significant components by aggregation. Therefore, no disclosure is provided which disaggregates those balances. There is an allowance for uncollectible services of \$0, and an allowance for uncollectible taxes of \$0.

There are no significant receivables which are not scheduled for collection within one year of year end.

f. Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the Fiduciary Net Position of the Texas Municipal Retirement System (TMRS) and additions to or deductions from TMRS' Fiduciary Net Position have been determined on the same basis as they are reported by TMRS. For this purpose, plan contributions are recognized in the period that compensation is reported for the employee, which is when contributions are legally due. Benefit payments and refunds are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF TRINIDAD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

g. Interfund Activity

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

h. Fund Balances - Governmental Funds

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

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

i. 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 certain estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues and expenditures, expenses, and other disclosures. Accordingly, actual results could differ from those estimates.

CITY OF TRINIDAD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

j. Compensated Absences

On retirement or death of certain employees, the City pays any accrued vacation leave in a lump sum payment to such employee or his/her estate. These payments are expensed when paid.

k. Deferred Outflows and Inflows of Resources

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

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

4. Implementation of New Standards

In the current fiscal year, the City implemented the following new standards. The applicable provisions of the new standards are summarized below. Implementation is reflected in the financial statements and the notes to the financial statements.

GASB Statement No. 88, Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements

The primary objective of this Statement is to improve the information that is disclosed in notes to government financial statements related to debt, including direct borrowings and direct placements. It also clarifies which liabilities governments should include when disclosing information related to debt. This statement requires that additional essential information related to debt be disclosed in notes to the financial statements, including unused lines of credit; assets pledged as collateral for the debt; and terms specified in debt agreements related to significant events of default with finance-related consequences, significant termination events with finance-related consequences, and significant subjective acceleration clauses. For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

For notes to financial statements related to debt, this Statement also requires that existing and additional information be provided for direct borrowings and direct placements of debt separately from other debt.

The requirements of this Statement will improve financial reporting by providing users of financial statements with essential information that currently is not consistently provided. In addition, it provides information about resources to liquidate debt and risks associated with changes in terms associated with debt on a government's future resource flows.

The City expects that implementation of the pronouncement will primarily affect some disclosures in the notes and will not have an impact on the financial statements.

CITY OF TRINIDAD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

GASB Statement No. 83, Certain Asset Retirement Obligations

This Statement establishes accounting and financial reporting requirements for determining the timing and pattern of recognition of a liability and a corresponding deferred outflow of resources for Asset Retirement Obligations (AROs). It requires the measurement of an ARO to be based on the best estimate of the current value of outlays expected to be incurred. This Statement requires that a deferred outflow of resources associated with an ARO be measured at the amount of the corresponding liability upon initial measurement. The disclosure of information about the nature of a government's AROs, the methods and assumptions used for the estimates of the liabilities, and the estimated remaining useful life of the associated tangible capital assets is also required by this Statement. This Statement also requires similar disclosures for a government's minority shares of an ARO.

The City does not currently have any AROs and does not expect that implementation of the pronouncement will have an impact on the financial statements.

B. Compliance and Accountability

1. Finance-Related Legal and Contractual Provisions

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

<u>Violation</u>	<u>Action Taken</u>
None reported	Not applicable

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

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

<u>Fund Name</u>	<u>Deficit Amount</u>	<u>Remarks</u>
General Fund	\$ (17,754)	Spending exceeded budget

With the decline of the fund balance of \$64,645 this year and the additional borrowing from the Water & Sewer Fund of \$43,665, corrective steps will be required to eliminate the deficit fund balance.

C. Deposits and Investments

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

Cash Deposits:

At September 30, 2019, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$516,254 and the bank balance was \$553,773. The City's cash deposits at September 30, 2019 and during the year ended September 30, 2019, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

CITY OF TRINIDAD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Investments:

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

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

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

The City did not have investments as of September 30, 2019. All amounts are considered cash and cash equivalents.

Analysis of Specific Deposit and Investment Risks:

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

a. Credit Risk

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

At September 30, 2019, the City's investments, other than those which are obligations of or guaranteed by the U.S. Government, have no credit risk.

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

CITY OF TRINIDAD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

e. Foreign Currency Risk

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

Investment Accounting Policy

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

D. Capital Assets

Capital asset activity for the year ended September 30, 2019, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 65,460	\$ --	\$ --	\$ 65,460
Total capital assets not being depreciated	65,460	--	--	65,460
 <i>Capital assets being depreciated:</i>				
Infrastructure	440,236	--	--	440,236
Buildings and improvements	44,417	--	--	44,417
Equipment and Vehicles	505,170	24,800	--	529,970
Park Improvements	15,851	--	--	15,851
Total capital assets being depreciated	1,005,674	24,800	--	1,030,474
Less accumulated depreciation for:				
Infrastructure	(430,401)	(4,053)	--	(434,454)
Buildings and improvements	(44,417)	--	--	(44,417)
Equipment and Vehicles	(423,301)	(25,364)	--	(448,665)
Park Improvements	(15,851)	--	--	(15,851)
Total accumulated depreciation	(913,970)	(29,417)	--	(943,387)
Total capital assets being depreciated, net	91,704	(4,617)	--	87,087
Governmental activities capital assets, net	\$ 157,164	\$ (4,617)	\$ --	\$ 152,547

CITY OF TRINIDAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Beginning Balances	Increases	Decreases	Ending Balances
Business-type activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 26,100	\$ --	\$ --	\$ 26,100
Total capital assets not being depreciated	26,100	--	--	26,100
<i>Capital assets being depreciated:</i>				
Water and Sewer System	5,114,553	--	--	5,114,553
Equipment	216,325	--	--	216,325
Total capital assets being depreciated	5,330,878	--	--	5,330,878
Less accumulated depreciation for:				
Water and Sewer System	(2,695,689)	(154,434)	--	(2,850,123)
Equipment	(135,461)	(14,825)	--	(150,286)
Total accumulated depreciation	(2,831,150)	(169,259)	--	(3,000,409)
Total capital assets being depreciated, net	2,499,728	(169,259)	--	2,330,469
Business-type activities capital assets, net	\$ 2,525,828	\$ (169,259)	\$ --	\$ 2,356,569
	Beginning Balances	Increases	Decreases	Ending Balances
Component Unit-EDC activities:				
<i>Capital assets not being depreciated:</i>				
Land	\$ 92,998	\$ --	\$ --	\$ 92,998
Total capital assets not being depreciated	92,998	--	--	92,998
<i>Capital assets being depreciated:</i>				
Improvements	204,307	--	--	204,307
Total capital assets being depreciated	204,307	--	--	204,307
Less accumulated depreciation for:				
Improvements	(65,093)	(5,898)	--	(70,991)
Total accumulated depreciation	(65,093)	(5,898)	--	(70,991)
Total capital assets being depreciated, net	139,214	(5,898)	--	133,316
Component Unit-EDC activities capital assets, net	\$ 232,212	\$ (5,898)	\$ --	\$ 226,314
Governmental depreciation was charged to functions as follows:				
General Government	\$ 9,589			
Public Safety	6,118			
Highways and Streets	9,199			
Municipal Court	3,370			
Community Center	1,141			
	\$ 29,417			

E. Interfund Balances and Activity

1. Due To and From Other Funds

Balances due to and due from other funds at September 30, 2019, consisted of the following:

Due To Fund	Due From Fund	Amount	Purpose
Water & Sewer Fund	General Fund	\$ 96,757	Short-term loans
	Total	\$ 96,757	

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

CITY OF TRINIDAD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

2. Transfers To and From Other Funds

There were no transfers to and from other funds at September 30, 2019.

F. Long-Term Obligations

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended September 30, 2019, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Notes from direct borrowings and direct placements	\$ 32,114	\$ --	\$ (14,572)	\$ 17,542	\$ 7,925
Capital leases from direct borrowings and direct placements	26,921	--	(15,827)	11,094	8,538
Net Pension Liability*	3,031	34,294	--	37,325	--
Total governmental activities	\$ 62,066	\$ 34,294	\$ (30,399)	\$ 65,961	\$ 16,463

* Other long-term liabilities

The funds typically used to liquidate other long-term liabilities in the past are as follows:

Liability	Activity Type	Fund
Net Pension Liability	Governmental	General Fund

Note Borrowings from Direct Borrowings and Direct Placements

Loan to purchase a truck payable in monthly payments at the rate of 3.95% with a balance at September 30, 2019 of \$0.

Loan to purchase a backhoe payable in monthly payments at the rate of 3.20% with a balance at September 30, 2019 of \$17,542 and secured with backhoe. In the event of default, the remaining balance on the note plus any accrued interest will become immediately due and payable.

Loan to purchase a Gravely Mower payable in monthly payments at the rate of 4.49% with a balance at September 30, 2019 of \$0.

Lease Borrowings from Direct Borrowings and Direct Placements

Lease to purchase two police vehicles due in monthly payments at the rate of 4.22% with a balance at September 30, 2019 of \$7,516 and secured with vehicles. In the event of default, the remaining balance on the lease plus any accrued interest will become immediately due and payable.

Lease to purchase a copier issued during the year repayable in 60 monthly payments of \$92. The balance of the lease at September 30, 2019 of \$3,578 and is secured with a copier. In the event of default, the remaining balance on the lease plus any accrued interest will become immediately due and payable.

CITY OF TRINIDAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2019

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Business-type activities:</u>					
Revenue Bonds	\$ 1,025,000	\$ --	\$ (69,000)	\$ 956,000	\$ 69,000
Notes from direct borrowings and direct placements	15,503	--	(6,052)	9,451	6,252
Capital leases from direct borrowings and direct placements	18,656	--	(7,547)	11,109	7,780
Net Pension Liability*	4,186	--	(4,186)	--	--
Total business-type activities	\$ 1,063,345	\$ --	\$ (86,785)	\$ 976,560	\$ 83,032

Bonds

This is an original \$285,000 Combination Tax and Waterworks System Revenue Certificates of Obligation, Series 1987, due in annual principal installments ranging from \$6,000 to \$17,000 through January 1, 2025. Interest rate is 5.75%. The balance at September 30, 2019 is \$86,000.

This is an original \$322,000 Waterworks and Sewer System Revenue Bonds, Series 1987, due in annual principal installments ranging from \$7,000 to \$18,000 through January 1, 2025; interest rate is 5.75%. The balance at September 30, 2019 is \$101,000.

This is an original \$486,000 Waterworks and Sewer System Revenue Bonds, Series 2000, due in annual principal installments ranging from \$12,000 to \$13,000 through January 1, 2040; interest rate is 4.50%. The balance at September 30, 2019 is \$270,000.

This is an original \$140,000 Waterworks and Sewer System Revenue Bonds, Series 2001, due in annual principal installments ranging from \$3,000 to \$5,000 through January 1, 2040; interest rate is 4.50%. The balance at September 30, 2019 is \$89,000.

This is an original \$250,000 Combination Tax and Revenue Certificates of Obligation, Series 2007, due in annual principal installments of \$5,000 through January 1, 2020; interest rates of 2.75% to 3.25%. Bonds of \$30,000 of the total were issued in fiscal year 2010. The balance at September 30, 2019 is \$195,000.

This is an original \$400,000 Combination Tax and Revenue Certificates of Obligation, Series 2007 A, due in principal installments ranging from \$15,000 to \$45,000 through January 1, 2027; no interest. The balance at September 30, 2019 is \$215,000.

Notes from Direct Borrowings and Direct Placements

Loans payable are comprised of bank loans for the purchase of two trucks. These loans are repayable monthly and the balance at September 30, 2019 is \$9,451. The note is secured by the vehicles. In the event of default, the remaining balance on the note plus any accrued interest will become immediately due and payable.

Leases from Direct Borrowings and Direct Placements

A lease payable for the purchase of a mongoose trailer jetter is payable in monthly payments of \$1,282 and the balance at September 30, 2019 is \$11,109 and is secured by the equipment. In the event of default, the remaining balance on the lease plus any accrued interest will become immediately due and payable.

CITY OF TRINIDAD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

Component unit amounts for the year ended December 31, 2018:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Component Unit:</u>					
Notes	\$ 17,553	\$ --	\$ (17,553)	\$ --	\$ --
Total component unit activities	\$ 17,553	\$ --	\$ (17,553)	\$ --	\$ --

Notes

A note payable secured by collateral with a balance at December 31, 2019 of \$0.

2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2019, are as follows:

	Governmental Activities Notes		
<u>Year Ending September 30,</u>	Principal	Interest	Total
2020	\$ 7,925	\$ 483	\$ 8,408
2021	8,220	188	8,408
2022	1,397	6	1,403
Totals	\$ 17,542	\$ 677	\$ 18,219

	Governmental Activities Leases		
<u>Year Ending September 30,</u>	Principal	Interest	Total
2020	\$ 8,538	\$ 836	\$ 9,374
2021	1,022	166	1,188
2022	1,022	2	1,024
2023	512	--	512
Totals	\$ 11,094	\$ 1,004	\$ 12,098

	Business-type Activities-Bonds		
<u>Year Ending September 30,</u>	Principal	Interest	Total
2020	\$ 69,000	\$ 33,779	\$ 102,779
2021	72,000	31,586	103,586
2022	73,000	28,618	101,618
2023	75,000	25,891	100,891
2024	76,000	23,060	99,060
2025-2029	279,000	83,328	362,328
2030-2034	160,000	500,641	660,641
2035-2039	134,000	16,451	150,451
2040-2044	18,000	810	18,810
Totals	\$ 956,000	\$ 744,164	\$ 1,700,164

	Business-type Activities Notes		
<u>Year Ending September 30,</u>	Interest	Total	
2020	\$ 6,252	\$ 537	\$ 6,789
2021	3,199	76	3,275
Totals	\$ 9,451	\$ 613	\$ 10,064

	Business-type Activities Leases		
<u>Year Ending September 30,</u>	Interest	Total	
2020	\$ 7,780	\$ 233	\$ 8,013
2021	3,329	75	3,404
Totals	\$ 11,109	\$ 308	\$ 11,417

CITY OF TRINIDAD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

G. Risk Management

The City is exposed to various risks of loss related to torts, theft, damage or destruction of assets, errors and omissions, injuries to employees, and natural disasters. During fiscal year 2019, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

H. Pension Plan

1. Plan Description

The City participates as one of 860 plans in the nontraditional, joint contributory, hybrid defined benefit pension plan administered by the Texas Municipal Retirement System (TMRS). TMRS is an agency created by the State of Texas and administered in accordance with the TMRS Act, Subtitle G, Title 8, Texas Government Code (the TMRS Act) as an agent multiple-employer retirement system for municipal employees in the State of Texas. The TMRS Act places the general administration and management of the System with a six-member Board of Trustees. Although the Governor, with the advice and consent of the Senate, appoints the Board, TMRS is not fiscally dependent on the State of Texas. TMRS' defined benefit pension plan is a tax-qualified plan under Section 401(a) of the Internal Revenue Code. TMRS issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.tmrs.com.

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

2. Benefits Provided

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

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

Employees covered by benefit terms:

At the December 31, 2018 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	4
Inactive employees entitled to but not yet receiving benefits	9
Active employees	5
Total covered employees	<u>18</u>

CITY OF TRINIDAD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

3. Contributions

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

Employees for the City were required to contribute 5.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 4.26% and 3.75% in calendar years 2018 and 2019, respectively. The City's contributions to TMRS for the year ended September 30, 2019 were \$9,420, and were equal to the required contributions.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2018, and the Total Pension Liability (TPL) used to calculate the Net Pension Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total Pension Liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.00% per year
Investment Rate of Return	6.75%, net of pension plan investment expense, including inflation

Salary increases were based on a service-related table. Mortality rates for active members, retirees, and beneficiaries were based on the gender-distinct RP2000 Combined Healthy Mortality Table, with male rates multiplied by 109% and female rates multiplied by 103%. The rates are projected on a fully generational basis by scale BB to account for future mortality improvements. For disabled annuitants, the gender-distinct RP2000 Disabled Retiree Mortality Table is used, with slight adjustments.

Actuarial assumptions used in the December 31, 2018, valuation were developed primarily from the actuarial investigation of the experience of TMRS over the five-year period January 1, 2010 to December 31, 2014. They were adopted in 2015 and first used in the December 31, 2015 actuarial valuation. The post-retirement mortality assumption for healthy annuitants and Annuity Purchase Rate (APRs) are based on the Mortality Experience Investigation Study covering 2009 through 2011 and dated December 31, 2013. In conjunction with these changes first used in the December 31, 2013 valuation, the System adopted the Entry Age Normal actuarial cost method and a one-time change to the amortization policy.

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

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

CITY OF TRINIDAD

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2019

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Domestic Equity	18.0%	4.80%
International Equity	15.5%	6.05%
Core Fixed Income	15.7%	1.50%
Non-Core Fixed Income	18.3%	3.50%
Real Return	10.4%	1.75%
Real Estate	9.6%	5.25%
Absolute Return	9.1%	4.25%
Private Equity	2.1%	8.50%
Total	100.0%	

Discount Rate

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2017	\$ 469,269	\$ 462,052	\$ 7,217
Changes for the year			
Service cost	15,947	--	15,947
Interest	31,422	--	31,422
Change of benefit terms	--	--	--
Difference between expected and actual experience	(11,825)	--	(11,825)
Changes of assumptions	--	--	--
Contributions - employer	--	8,223	(8,223)
Contributions - employee	--	11,326	(11,326)
Net investment income	--	(13,831)	13,831
Benefit payments, including refunds of employee contributions	(23,472)	(23,472)	--
Administrative expense	--	(267)	267
Other changes	--	(15)	15
Net changes	12,072	(18,036)	30,108
Balance at 12/31/2018	\$ 481,341	\$ 444,016	\$ 37,325

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

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

CITY OF TRINIDAD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
City's net pension liability	\$ 78,265	\$ 37,325	\$ 2,253
Pension Plan Fiduciary Net Position		\$ 444,016	

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at www.tmr.com.

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

For the year ended September 30, 2019, the City recognized pension expense of \$(1,609).

At September 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual economic experience	\$ --	\$ 6,194
Changes in actuarial assumptions	--	--
Difference between projected and actual investment earnings	36,015	--
Contributions subsequent to the measurement date	9,420	--
Total	<u>\$ 45,435</u>	<u>\$ 6,194</u>

\$9,420 reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability for the year ending September 30, 2020. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended Dec. 31:	
2020	\$ 4,970
2021	4,970
2022	4,970
2023	4,970
2024	4,970
Thereafter	4,971

I. Health Care Coverage

During the year ended September 30, 2019, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$873 per month per employee to the Plan. Employees, at their option, authorized payroll withholdings to pay premiums for dependents. All premiums were paid to a third party administrator, acting on behalf of the licensed insurer. The Plan was authorized by Article 3.51-2, Texas Insurance Code and was documented by contractual agreement.

The contract between the City and the third party administrator is renewable October 1, 2019, and terms of coverage and premium costs are included in the contractual provisions.

Latest financial statements for the Texas Municipal League are available for the year ended December 31, 2019, have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

CITY OF TRINIDAD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED SEPTEMBER 30, 2019

J. Commitments and Contingencies

1. Contingencies

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

2. Litigation

On July 14, 2020, a lawsuit was filed by a former reserve police officer for alleged breach of contract in his termination, seeking damages in the amount of \$260,000. Discovery has not yet begun and any potential liability on the part of the City can not be determined at this time.

K. Budget Overages

The City exceeded its budget in General Government by \$91,444 or 87%.

L. Subsequent Event

The COVID-19 pandemic sweeping across the country has resulted in mandatory closure of many businesses, resulting in layoffs of much of the workforce. The economic effects of those closures are not yet known but could potentially affect future revenues of the City.

The City was awarded a grant for fiscal year 2020 for the purpose of assisting with rehabilitation of water and sewer services, water and sewer improvements, and street improvements. The total grant is \$275,000, with \$13,750 of that amount provided from local source funding.

M. Recent Accounting Pronouncements

In May, 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance* to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic by postponing effective dates of several statement provisions that were originally scheduled to be effective for periods beginning after June 15, 2018. The City will evaluate the potential effects of all postponed statements once the statements are closer to implementation.

Required Supplementary Information

Required supplementary information includes financial information and disclosures required by the Governmental Accounting Standards Board but not considered a part of the basic financial statements.

CITY OF TRINIDAD
GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2019
EXHIBIT B-1

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenue:				
<i>General Property Taxes</i>	\$ 244,000	\$ 244,000	\$ 235,246	\$ (8,754)
<i>General Sales and Use Taxes</i>	92,000	92,000	110,846	18,846
<i>Franchise Taxes</i>	65,000	65,000	58,379	(6,621)
<i>Fines</i>	60,450	60,450	115,472	55,022
<i>Investment Earnings</i>	1,000	1,000	3,232	2,232
<i>Miscellaneous</i>	25,014	25,014	10,628	(14,386)
Total revenues	<u>487,464</u>	<u>487,464</u>	<u>533,803</u>	<u>46,339</u>
Expenditures:				
Current:				
<i>General Government</i>	104,928	104,928	196,372	(91,444)
<i>Public Safety</i>	156,009	110,109	106,582	3,527
<i>Highway & Streets</i>	164,400	164,400	160,267	4,133
<i>Culture & Recreation</i>	150	150	--	150
<i>Municipal Court</i>	60,443	60,443	58,707	1,736
<i>Community Center</i>	6,034	20,034	19,872	162
Debt Service:				
<i>Principal</i>	--	30,400	30,399	1
<i>Interest and Fiscal Charges</i>	--	1,500	1,449	51
Capital Outlay:				
<i>Buildings & Equipment</i>	--	24,800	24,800	--
Total Expenditures	<u>491,964</u>	<u>516,764</u>	<u>598,448</u>	<u>(81,684)</u>
Excess (Deficiency) of Revenues				
Over (Under) Expenditures	<u>(4,500)</u>	<u>(29,300)</u>	<u>(64,645)</u>	<u>(35,345)</u>
Other Financing Sources (Uses):				
Total Other Financing Sources (Uses)	<u>--</u>	<u>--</u>	<u>--</u>	<u>--</u>
Net Change in Fund Balances	<u>(4,500)</u>	<u>(29,300)</u>	<u>(64,645)</u>	<u>(35,345)</u>
Fund Balances - Beginning	46,891	46,891	46,891	--
Fund Balances - Ending	<u>\$ 42,391</u>	<u>\$ 17,591</u>	<u>\$ (17,754)</u>	<u>\$ (35,345)</u>

CITY OF TRINIDAD
SCHEDULE OF THE CITY'S PROPORTIONATE
SHARE OF THE NET PENSION LIABILITY
TEXAS MUNICIPAL RETIREMENT SYSTEM OF TEXAS
LAST TEN FISCAL YEARS *

	Measurement Year									
	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
City's proportion of the net pension liability (asset)	7.250%	1.540%	9.370%	18.190%	11.980%	--	--	--	--	--
City's proportionate share of the net pension liability (asset)	\$ 37,325	\$ 7,217	\$ 41,809	\$ 85,772	\$ 56,487	\$ --	\$ --	\$ --	\$ --	\$ --
State's proportionate share of the net pension liability (asset) associated with the City	444,016	462,052	406,249	385,786	415,045	--	--	--	--	--
Total	\$ 481,341	\$ 469,269	\$ 448,058	\$ 471,558	\$ 471,532	\$ --	\$ --	\$ --	\$ --	\$ --
City's covered-employee payroll	\$ 226,521	\$ 260,290	\$ 252,478	\$ 189,597	\$ 225,489	\$ --	\$ --	\$ --	\$ --	\$ --
City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	16.48%	2.77%	16.56%	45.24%	25.05%	--	--	--	--	--
Plan fiduciary net position as a percentage of the total pension liability	92.25%	98.46%	90.67%	81.81%	88.02%	--	--	--	--	--

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information only for those years for which information is available.

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

	Fiscal Year									
	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Contractually required contribution	\$ 9,420	\$ 9,874	\$ 12,459	\$ 9,635	\$ 10,172	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions in relation to the contractually required contribution	(9,420)	(9,874)	(12,459)	(9,635)	(10,172)	--	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
City's covered-employee payroll	\$ 250,993	\$ 226,521	\$ 260,290	\$ 252,478	\$ 189,597	\$ --	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered-employee payroll	3.75%	4.36%	4.79%	3.82%	5.37%	--	--	--	--	--

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this schedule provides the information for those years for which information is available.

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

	Measurement Year Ended									
	2018	2017	2016	2015	2014	2012	2011	2010	2009	2008
Total Pension liability:										
Service cost	\$ 15,947 \$	18,559 \$	17,270 \$	11,964 \$	16,307 \$	--	\$ --	\$ --	\$ --	--
Interest	31,422	30,027	31,492	31,790	31,604	--	--	--	--	--
Changes of benefit terms	--	--	--	--	--	--	--	--	--	--
Differences between expected and actual experience	(11,825)	(2,396)	(44,969)	(9,329)	(5,620)	--	--	--	--	--
Changes of assumptions or other inputs	--	--	--	12,355	--	--	--	--	--	--
Benefit payments	(23,472)	(24,979)	(27,293)	(46,754)	(28,182)	--	--	--	--	--
Net change in total Pension liability	12,072	21,211	(23,500)	26	14,109	--	--	--	--	--
Total Pension liability - beginning	469,269	448,058	471,558	471,532	457,423	--	--	--	--	--
Total Pension liability - ending	\$ 481,341 \$	469,269 \$	448,058 \$	471,558 \$	471,532 \$	--	\$ --	\$ --	\$ --	--
Plan fiduciary net position:										
Contributions-employer	\$ 8,223 \$	11,812 \$	9,394 \$	7,613 \$	12,260 \$	--	\$ --	\$ --	\$ --	--
Contributions-employee	11,326	13,014	12,624	9,480	11,274	--	--	--	--	--
Net investment income	(13,831)	56,261	26,049	613	22,722	--	--	--	--	--
Benefit payments, including refunds of employee contributions	(23,472)	(24,979)	(27,293)	(46,754)	(28,182)	--	--	--	--	--
Administrative expense	(267)	(292)	(294)	(373)	(237)	--	--	--	--	--
Other	(15)	(13)	(16)	(19)	(20)	--	--	--	--	--
Net change in total Pension liability	(18,036)	55,803	20,464	(29,440)	17,817	--	--	--	--	--
Total Pension liability - beginning	462,052	406,249	385,785	415,225	397,408	--	--	--	--	--
Total Pension liability - ending	\$ 444,016 \$	462,052 \$	406,249 \$	385,785 \$	415,225 \$	--	\$ --	\$ --	\$ --	--
Net pension liability	\$ 37,325 \$	7,217 \$	41,809 \$	85,773 \$	56,307 \$	--	\$ --	\$ --	\$ --	--
Plan fiduciary net position as percentage of the total pension liability	92.25%	98.46%	90.67%	81.81%	88.06%	--	--	--	--	--
Covered-employee payroll	\$ 226,521 \$	260,290 \$	252,478 \$	189,597 \$	225,489 \$	--	\$ --	\$ --	\$ --	--
Total pension liability as a percentage of covered-employee payroll	16.48%	2.77%	16.56%	45.24%	24.97%	--	--	--	--	--

CITY OF TRINIDAD

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2019

Budget

The official budget was prepared for adoption for the General Fund and Debt Service Fund. The budget was prepared in accordance with accounting practices generally accepted in the United States of America. The following procedures are followed in establishing the budgetary data:

- a. Prior to September 30 of the proceeding fiscal year, the City prepares a budget for the next succeeding fiscal year. The operating budget includes proposed expenditures and the means of financing them.
- b. A meeting of the Council is then called for the purpose of adopting the proposed budget after ten days' public notice of the meeting has been given.
- c. Prior to the beginning of the fiscal year, the budget is legally enacted through passage of a resolution by the Council.

Once a budget is approved, it can be amended at function and fund level only by approval of a majority of the members of the Council. Amendments are presented to the Board at its regular meetings.

Each amendment must have Council approval. Such amendments are made before the fact, are reflected in the official minutes of the Council and are not made after fiscal year end as required by law.

Each amendment is controlled by the budget coordinator at the revenue and expenditure function/object level. Budgeted amounts are as amended by the Council. All budget appropriations lapse at year end

Encumbrances for goods or purchased services are documented by purchase orders or contracts. Under Texas law, appropriations lapse at September 30, and encumbrances outstanding at that time are to be either cancelled or appropriately provided for in the subsequent year's budget. There were no end-of-year outstanding encumbrances that were provided for in the subsequent year's budget.

Defined Benefit Pension Plan

Changes of benefit terms

See Note H. for changes of benefit terms that affected measurement of the total pension liability during the measurement period.

Changes of assumptions

See Note H. for changes of assumptions or other inputs that affected measurement of the total pension liability during the measurement period.

CITY OF TRINIDAD
DEBT SERVICE FUND
BUDGETARY COMPARISON SCHEDULE
FOR THE YEAR ENDED SEPTEMBER 30, 2019

EXHIBIT B-5

	Budget	Actual	Variance Positive (Negative)
Revenue:			
<i>General Property Taxes</i>	\$ 700	\$ 676	\$ (24)
Total revenues	700	676	(24)
Expenditures:			
Debt Service:			
Total Expenditures	--	--	--
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	700	676	(24)
Other Financing Sources (Uses):			
Total Other Financing Sources (Uses)	--	--	--
Net Change in Fund Balances	700	676	(24)
Fund Balances - Beginning	41,946	41,946	--
Fund Balances - Ending	\$ 42,646	\$ 42,622	\$ (24)

Other Supplementary Information

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

ANDERSON, MARX & BOHL, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

**HUDSON ANDERSON, CPA
FRANK MARX, III, CPA
DORI BOHL, CPA & CFE**

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

City Council
City of Trinidad
P O Box 345
Trinidad, Texas 75163

Members of the City Council:

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of City of Trinidad, as of and for the year ended September 30, 2019, and the related notes to the financial statements, which collectively comprise City of Trinidad's basic financial statements, and have issued our report thereon dated August 20, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2019-1 and 2019-2 to be material weaknesses.

Compliance and Other Matters

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

City of Trinidad's Response to Findings

City of Trinidad's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. City of Trinidad's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Respectfully submitted,



Anderson, Marx & Bohl, P.C.

Corsicana, Texas
August 20, 2020

CITY OF TRINIDAD

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2019

A. Summary of Auditors' Results

1. Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

One or more material weaknesses identified? X Yes No

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

Noncompliance material to financial statements noted? Yes X No

B. Financial Statement Findings

2019-1

Condition: The City did not maintain proper budgeting controls over expenditures by exceeding its budget in General Government.

Criteria: The City is required to maintain proper budgeting procedures in order to ensure adequate oversight of its expenditure approvals and must approve budget amendments before approving expenditures.

Effect: The City did not amend its budget properly causing overexpenditures.

Cause: The City failed to properly amend its budget.

Recommendation: The City should ensure procedures are in place to provide for proper budget amendments.

City's Response: The City will review existing procedures and adjust its budget accordingly.

2019-2

Condition: The City failed to post material adjustments.

Criteria: The City is required to maintain proper records that accurately reflect the condition of the City.

Effect: The City's financial statements did not reflect the proper amounts.

Cause: The City failed to adjust its records to the correct amounts.

Recommendation: The City should post all required adjustments.

City's Response: The City will post all necessary adjustments.

CITY OF TRINIDAD***SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED SEPTEMBER 30, 2019***

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
The District exceeded its budget in the General Government function.	Not Corrected	Failed to amend the budget properly



P.O. Box 345
Trinidad, Texas 75163
(903) 778-2525 Phone (903) 778-2754 Fax

***CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED SEPTEMBER 30, 2019***

Terri Newhouse at phone number 903-778-2525 will be responsible for amending the budget to prevent spending in excess of the budget. This will be done by September 30, 2020.

Terri Newhouse at phone number 903-778-2525 will be responsible for posting all necessary adjusting entries. This will be done by September 30, 2020.