

CITY OF TRINIDAD

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED SEPTEMBER 30, 2020*

City of Trinidad  
Annual Financial Report  
For The Year Ended September 30, 2020

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*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, 2020, 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, 2020, 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.

## **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 June 30, 2021 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  
June 30, 2021



P.O. Box 345  
Trinidad, Texas 75163  
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## 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, 2020. 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 \$2,060,829 on September 30, 2020.
- During the year, the City's primary government expenses on financial statement exhibit A-2 were \$59,380 less than the \$1,287,766 generated in taxes and other revenues for all activities.
- The total cost of the City's programs on financial statement exhibit A-5 decreased \$47,068 from last year. This was due primarily to decreased municipal court and capital outlay expenditures during the year.
- The general fund reported a general fund balance this year on financial statement exhibit A-3 of \$178,296. The City began the current year with a fund balance in the amount of \$(17,754).

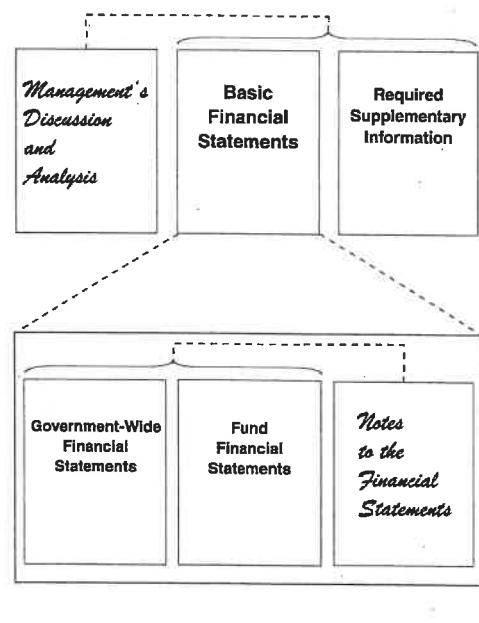
### OVERVIEW OF THE FINANCIAL STATEMENTS

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 \$2.06 million on September 30, 2020. (See Table A-1).

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

	<u>2020</u>	<u>2019</u>	Total Percentage Change <u>2020-2019</u>
<b>Current assets:</b>			
Cash and cash equivalents	.5	.4	25
Receivables	.1	.1	0
Inventories	.0	.0	**
Total current assets	<u>.6</u>	<u>.5</u>	20
<b>Noncurrent assets:</b>			
Land, furniture and equipment	6.4	6.4	0
Less accumulated depreciation	(4.0)	(3.9)	-3
Other assets	.1	.1	0
Total noncurrent assets	<u>2.5</u>	<u>2.6</u>	-4
<b>Total Assets</b>	<u>3.1</u>	<u>3.1</u>	0
 <b>Deferred Outflows of Resources</b>	 <u>.0</u>	 <u>.0</u>	 **
 <b>Current liabilities:</b>			
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
 <b>Long-term liabilities:</b>			
Noncurrent liabilities due in one year	.1	.1	0
Noncurrent liabilities due more than 1 yr	.8	.9	-11
Net pension liability	.0	.0	**
<b>Total Liabilities</b>	<u>1.0</u>	<u>1.1</u>	-9
 <b>Deferred Inflows of Resources</b>	 <u>.0</u>	 <u>.0</u>	 **
 <b>Net Position:</b>			
Net investment in capital assets	1.5	1.5	0
Restricted	.3	.4	-25
Unrestricted	.3	.1	200
<b>Total Net Position</b>	<u>2.1</u>	<u>2.0</u>	5

The City has \$103,379 in restricted net position that represents funds available for debt service, \$149,091 for a water and sewer reserve fund, and restricted net position of \$(15,061) for a pension deficit. The \$296,691 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 \$1,287,766. A portion, 35 percent, of the City's revenue comes from taxes, while 60 percent relates to charges for services.

The total cost of all programs and services was \$1,319,828; 43 percent of these costs are for governmental activities.

#### **Governmental Activities**

- Property tax revenue decreased to \$236,990.
- The City's charges for services decreased to \$766,806.

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

	<u>2020</u>	<u>2019</u>	<u>% Ch</u>
Program Revenues:			
Charges for Services	.8	.9	-11
Operating Grants and Contributions	.0	.0	**
General Revenues			
Taxes	.4	.4	0
Investment Earnings	.0	0	**
Other	.1	.0	**
Total Revenues	<u>1.3</u>	<u>1.3</u>	0
General Government	.2	.2	0
Public Safety	.1	.2	-50
Highways and Streets	.2	.2	0
Culture and Recreation	.0	.0	**
Sanitation	.0	.0	**
Water and Sewer	.8	.7	14
Grant Expenditures	.0	.0	**
Other	0	0	**
Total Expenses	<u>1.3</u>	<u>1.3</u>	0
Excess (Deficiency) Before Other Resources, Uses and Transfers:	.0	.0	**
Transfers In (Out)	.0	.0	**
Increase (Decrease) in Net Position	<u>.0</u>	<u>.0</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 \$.77 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>2020</u>	<u>2019</u>		<u>2020</u>	<u>2019</u>	
General Government	.2	.2	0	.2	.2	0
Public Safety	.1	.2	-50	.1	.1	0
Highways and Streets	.2	.2	0	.2	.2	0

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$.531 million, while the previous year it was \$.534 million. Revenues from proprietary funds totaled \$.794 million, while the previous year it was \$.744 million.

### General Fund Budgetary Highlights

Over the course of the year, the City revised its budget. Actual expenditures were still \$56,395 below final budget amounts. On the other hand, resources available were \$47,496 above the final budgeted amount due primarily to increased sales and use tax revenue.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2020, the City had invested \$6,434,308 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 \$18,604 below last year.

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

	<u>2020</u>	<u>2019</u>	Total Percentage Change <u>2020-2019</u>
Land	.092	.092	0
Construction in progress	.031	.000	**
Buildings and improvements	.057	.060	-5
Water and sewer system	5.115	5.115	0
Equipment	.699	.746	-6
Leased Assets	.000	.000	**
Infrastructure	.440	.440	0
Totals at historical cost	6.434	6.453	0
Total accumulated depreciation	(3.994)	(3.944)	-1
Net capital assets	2.440	2.509	-3

The City's fiscal year 2021 capital budget projects spending reflect future major projects of approximately \$250,000 in the coming year. 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 \$0.906 million in bonds, notes and leases payable 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>2020</u>	<u>2019</u>	Total Percentage Change <u>2020-2019</u>
Bonds payable	.887	.956	-7
Notes payable	.013	.027	-52
Capital leases payable	.006	.022	-73
Net pension liability	.000	.037	**
Total long-term liabilities	.906	1.042	-13

## 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 2020, 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>2020</u>	<u>2019</u>	<u>Total Percentage Change 2020-2019</u>
Land	.093	.093	0
Improvements	.204	.204	0
Totals at historical cost	<u>.297</u>	<u>.297</u>	0
Total accumulated depreciation	<u>(.077)</u>	<u>(.071)</u>	-8
Net capital assets	<u>.220</u>	<u>.226</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 2021. However, the COVID-19 pandemic has resulted in widespread closures of many businesses worldwide. 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, 2020

	Primary Government				Component Unit
	Governmental Activities	Business-type Activities	Total		
<b>ASSETS:</b>					
<i>Cash and Cash Equivalents</i>	\$ 199,879	\$ 245,759	\$ 445,638	\$ 192,892	
<i>Receivables ( net of allowances for uncollectibles)</i>	--	68,328	68,328	--	
<i>Property Tax Receivables</i>	36,109	--	36,109	--	
<i>Net Pension Asset</i>	9,936	--	9,936	--	
<b>Restricted Assets:</b>					
<i>Cash</i>	--	103,379	103,379	--	
<b>Capital Assets ( net of accumulated depreciation):</b>					
<i>Land</i>	65,460	26,100	91,560	92,998	
<i>Buildings &amp; Equipment, net</i>	76,953	2,240,415	2,317,368	127,417	
<i>Construction in Progress</i>	--	31,272	31,272	--	
<b>Total Assets</b>	<b>388,337</b>	<b>2,715,253</b>	<b>3,103,590</b>	<b>413,307</b>	
<b>DEFERRED OUTFLOWS OF RESOURCES</b>					
<i>Deferred Outflow Related to Pensions</i>	10,380	--	10,380	--	
<b>Total Deferred OUtflows of Resources</b>	<b>10,380</b>	<b>--</b>	<b>10,380</b>	<b>--</b>	
<b>LIABILITIES:</b>					
<i>Accounts Payable and Other Current Liabilities</i>	21,583	10,217	31,800	--	
<i>Consumer Deposits</i>	--	72,493	72,493	--	
<i>Accrued Interest Payable</i>	--	7,843	7,843	--	
<b>Noncurrent Liabilities:</b>					
<i>Due within one year</i>	9,264	78,513	87,777	--	
<i>Due in more than one year</i>	2,851	815,000	817,851	--	
<b>Total Liabilities</b>	<b>33,698</b>	<b>984,066</b>	<b>1,017,764</b>	<b>--</b>	
<b>DEFERRED INFLOWS OF RESOURCES:</b>					
<i>Deferred Inflow Related to Pensions</i>	35,377	--	35,377	--	
<b>Total Deferred Inflows of Resources</b>	<b>35,377</b>	<b>--</b>	<b>35,377</b>	<b>--</b>	
<b>NET POSITION:</b>					
Net Investment in Capital Assets	130,298	1,396,431	1,526,729	220,415	
<b>Restricted for:</b>					
<i>Debt Service</i>	--	103,379	103,379	--	
<i>Reserve Fund</i>	--	149,091	149,091	--	
<i>Pension Fund</i>	(15,061)	--	(15,061)	--	
<i>Unrestricted</i>	214,405	82,286	296,691	192,892	
<b>Total Net Position</b>	<b>\$ 329,642</b>	<b>\$ 1,731,187</b>	<b>\$ 2,060,829</b>	<b>\$ 413,307</b>	

The accompanying notes are an integral part of this statement.

**CITY OF TRINIDAD**

**STATEMENT OF ACTIVITIES**

**FOR THE YEAR ENDED SEPTEMBER 30, 2020**

Functions/Programs	Expenses	Program Revenues
		Charges for Services
<b>PRIMARY GOVERNMENT:</b>		
Governmental Activities:		
<i>General Government</i>	\$ 212,762	\$ --
<i>Public Safety</i>	147,721	64,090
<i>Highways &amp; Streets</i>	177,713	--
<i>Culture &amp; Recreation</i>	1,134	--
<i>Economic Development Assistance</i>	636	--
<i>Community Center</i>	21,282	--
<i>Interest and Fiscal Charges</i>	722	--
Total Governmental Activities	<u>561,970</u>	<u>64,090</u>
Business-type Activities:		
<i>Water &amp; Sewer</i>	757,858	702,716
Total Business-type Activities	<u>757,858</u>	<u>702,716</u>
Total Primary Government	<u>\$ 1,319,828</u>	<u>\$ 766,806</u>
<b>COMPONENT UNIT:</b>		
Economic Development Corporation	\$ 9,653	\$ --
General Revenues:		
<i>Property Taxes</i>		
<i>Sales Taxes</i>		
<i>Franchise Taxes</i>		
<i>Investment Earnings</i>		
<i>Miscellaneous</i>		
<i>Intergovernmental Revenue</i>		
<i>Gain on Sale of Assets</i>		
<i>Transfers</i>		
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
\$ (212,762)	\$ (83,631)	\$ (212,762)	
(177,713)		(177,713)	
(1,134)		(1,134)	
(636)		(636)	
(21,282)		(21,282)	
(722)		(722)	
<u>(497,880)</u>		<u>(497,880)</u>	
--	\$ (55,142)	\$ (55,142)	
--		(55,142)	
<u>(497,880)</u>	<u>(55,142)</u>	<u>(553,022)</u>	
		\$ (9,653)	
236,990	--	236,990	--
149,908	--	149,908	43,625
63,637	--	63,637	--
1,097	--	1,097	322
14,080	--	14,080	10,950
--	26,463	26,463	--
28,785	--	28,785	--
145,421	(145,421)	--	--
<u>639,918</u>	<u>(118,958)</u>	<u>520,960</u>	<u>54,897</u>
142,038	(82,658)	59,380	45,244
187,604	1,813,845	2,001,449	368,063
\$ 329,642	\$ 1,731,187	\$ 2,060,829	\$ 413,307

**CITY OF TRINIDAD**

BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2020

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Assets:			
<i>Cash and Cash Equivalents</i>	\$ 199,879	\$ --	\$ 199,879
<i>Property Taxes Receivable</i>	36,109	--	36,109
<b>Total Assets</b>	<b>\$ 235,988</b>	<b>\$ --</b>	<b>\$ 235,988</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</b>			
Liabilities:			
<i>Accounts Payable</i>	\$ 21,583	\$ --	\$ 21,583
<b>Total Liabilities</b>	<b>\$ 21,583</b>	<b>\$ --</b>	<b>\$ 21,583</b>
Deferred Inflows of Resources:			
<i>Deferred Revenue-Property Taxes</i>	36,109	--	36,109
<b>Total Deferred Inflows of Resources</b>	<b>36,109</b>	<b>--</b>	<b>36,109</b>
Fund Balances:			
<i>Unassigned</i>	178,296	--	178,296
<b>Total Fund Balance</b>	<b>178,296</b>	<b>--</b>	<b>178,296</b>
<b>Total Liabilities, Deferred Inflows of Resources and Fund Balance</b>	<b>\$ 235,988</b>	<b>\$ --</b>	<b>\$ 235,988</b>

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, 2020*

Total fund balances - governmental funds balance sheet	\$	178,296
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.		142,413
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		36,109
Payables for leases and notes which are not due in the current period are not reported in the funds.		(12,115)
Recognition of the City's proportionate share of the net pension asset is not reported in the funds.		9,936
Deferred Resource Inflows related to the pension plan are not reported in the funds.		(35,377)
Deferred Resource Outflows related to the pension plan are not reported in the funds.		10,380
Net position of governmental activities - Statement of Net Position	\$	<u>329,642</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, 2020**

	General Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenue:</b>			
General Property Taxes	\$ 237,459	\$ 331	\$ 237,790
General Sales and Use Taxes	149,908	--	149,908
Franchise Taxes	63,637	--	63,637
Fines	64,090	--	64,090
Investment Earnings	1,097	--	1,097
Miscellaneous	14,080	--	14,080
Total revenues	<u>530,271</u>	<u>331</u>	<u>530,602</u>
<b>Expenditures:</b>			
Current:			
General Government	203,606	--	203,606
Public Safety	96,720	--	96,720
Highway & Streets	168,925	--	168,925
Municipal Court	37,954	--	37,954
Community Center	21,282	--	21,282
Debt Service:			
Principal	16,521	--	16,521
Interest and Fiscal Charges	722	--	722
Capital Outlay:			
Buildings & Equipment	5,650	--	5,650
Total Expenditures	<u>551,380</u>	<u>--</u>	<u>551,380</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>(21,109)</u>	<u>331</u>	<u>(20,778)</u>
<b>Other Financing Sources (Uses):</b>			
Transfers in	188,374	--	188,374
Operating Transfers Out	--	(42,953)	(42,953)
Sale of Capital Assets	28,785	--	28,785
Total Other Financing Sources (Uses)	<u>217,159</u>	<u>(42,953)</u>	<u>174,206</u>
Net Change in Fund Balances	196,050	(42,622)	153,428
Fund Balances - Beginning	(17,754)	42,622	24,868
Fund Balances - Ending	<u>\$ 178,296</u>	<u>\$ --</u>	<u>\$ 178,296</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, 2020*

Net change in fund balances - total governmental funds	\$ 153,428
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	5,650
The depreciation of capital assets used in governmental activities is not reported in the funds.	(15,784)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(800)
Repayment of loan and lease principal is an expenditure in the funds but is not an expense in the SOA.	16,521
Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL.	(16,977)
Change in net position of governmental activities - Statement of Activities	\$ 142,038

The accompanying notes are an integral part of this statement.

**CITY OF TRINIDAD**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2020**

	Enterprise Fund	Water and Sewer Fund
<b>ASSETS:</b>		
Current Assets:		
<i>Cash and Cash Equivalents</i>	\$ 245,759	
<i>Receivables ( net of allowances for uncollectibles)</i>	68,328	
Total Current Assets	<u>314,087</u>	
Noncurrent Assets:		
Restricted Cash, Cash Equivalents and Investments-		
<i>Cash</i>	103,379	
Capital Assets:		
<i>Land</i>	26,100	
<i>Construction in Process</i>	31,272	
<i>Property, Plant and Equipment-Net</i>	2,240,415	
Total Noncurrent Assets	<u>2,401,166</u>	
Total Assets	<u>2,715,253</u>	
<b>LIABILITIES:</b>		
Current Liabilities:		
<i>Accounts payable</i>	10,217	
<i>Consumer deposits</i>	72,493	
<i>Accrued interest payable</i>	7,843	
Current Liabilities Payable from Restricted Assets-		
<i>Notes payable - current</i>	6,513	
<i>Revenue bonds payable</i>	72,000	
Noncurrent Liabilities Payable from Restricted Assets-		
<i>Revenue Bonds Payable</i>	815,000	
Total Liabilities	<u>984,066</u>	
<b>NET POSITION:</b>		
<i>Net Investment in Capital Assets</i>	1,396,431	
Restricted for:		
<i>Debt Service</i>	103,379	
<i>Reserve Fund</i>	149,091	
<i>Unrestricted</i>	82,286	
Total Net Position	<u>\$ 1,731,187</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, 2020*

	Enterprise Fund
	Water and Sewer Fund
<b>OPERATING REVENUES:</b>	
<i>Water</i>	\$ 569,094
<i>Sewer</i>	133,622
<i>Sanitation</i>	91,442
<b>Total Operating Revenues</b>	<b>794,158</b>
<b>OPERATING EXPENSES:</b>	
<i>Personal Services</i>	170,109
<i>Contractual Services</i>	93,152
<i>Supplies &amp; Materials</i>	313,853
<i>Depreciation</i>	139,373
<b>Total Operating Expenses</b>	<b>716,487</b>
<i>Operating Income</i>	<b>77,671</b>
<b>NON-OPERATING REVENUES (EXPENSES):</b>	
<i>Intergovernmental Revenue</i>	26,463
<i>Interest Expense &amp; Fees</i>	(41,371)
<b>Total Non-operating Revenues (Expenses)</b>	<b>(14,908)</b>
<i>Income before Transfers</i>	<b>62,763</b>
<i>Operating Transfers In</i>	--
<i>Operating Transfers Out</i>	(145,421)
<i>Change in Net Position</i>	(82,658)
<b>Total Net Position - Beginning</b>	<b>1,813,845</b>
<b>Total Net Position - Ending</b>	<b>\$ 1,731,187</b>

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, 2020**

	Enterprise Fund Water And Sewer Fund
<b>Cash Flows from Operating Activities:</b>	
<i>Cash Received from Customers</i>	\$ 797,109
<i>Cash Payments to Employees for Services</i>	(170,109)
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(327,053)
Net Cash Provided (Used) by Operating Activities	<u>299,947</u>
<b>Cash Flows from Non-capital Financing Activities:</b>	
<i>Transfers to other Funds</i>	(145,421)
Net Cash Provided (Used) by Non-capital Financing Activities	<u>(145,421)</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
<i>Interest Paid</i>	(41,371)
<i>Principal Paid</i>	(83,047)
<i>Intergovernmental Revenue</i>	26,463
<i>Capital Expenditures</i>	(80,591)
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(178,546)</u>
<b>Cash Flows from Investing Activities:</b>	
<i>Increase in Restricted Cash</i>	(17,845)
Net Cash Provided (Used) for Investing Activities	<u>(17,845)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(41,865)
Cash and Cash Equivalents at Beginning of Year	287,624
Cash and Cash Equivalents at End of Year	<u>\$ 245,759</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating Income (Loss)	\$ 77,671
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	139,373
Change in Assets and Liabilities:	
<i>Decrease (Increase) in Receivables</i>	2,951
<i>Decrease (Increase) in Due from Other Funds</i>	96,757
<i>Increase (Decrease) in Accounts Payable</i>	(18,170)
<i>Increase (Decrease) in Accrued Expenses</i>	(623)
<i>Increase (Decrease) in Consumer Deposits</i>	1,988
Total Adjustments	<u>222,276</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 299,947</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, 2020**

#### **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, 2019 are included in this report.

##### **2. Basis of Presentation**

###### **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, 2020**

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.

## **CITY OF TRINIDAD**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2020**

#### **b. Property Taxes**

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

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 repairs 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.

## **CITY OF TRINIDAD**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2020**

#### **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.

#### **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.

## **CITY OF TRINIDAD**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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.

#### j. Compensated Absences

On retirement or death of certain employees, the City pays any accrued vacation leave in a lump case 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 did not implement any new standards.

#### 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>
None reported	Not applicable	Not applicable

## **CITY OF TRINIDAD**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2020**

#### **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, 2020, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$549,017 and the bank balance was \$580,833. The City's cash deposits at September 30, 2020 and during the year ended September 30, 2020, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

##### 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's investments at September 30, 2020 are shown below.

<u>Investment or Investment Type</u>	<u>Maturity</u>	<u>Fair Value</u>
None	N/A	\$ --
Total Investments		\$ --

##### 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, 2020, the City's investments, other than those which are obligations of or guaranteed by the U.S. Government, have no credit risk.

## **CITY OF TRINIDAD**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2020**

#### **b. Custodial Credit Risk**

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

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

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

#### **c. Concentration of Credit Risk**

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

#### **d. Interest Rate Risk**

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

#### **e. Foreign Currency Risk**

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

#### **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.

## CITY OF TRINIDAD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2020

#### D. Capital Assets

Capital asset activity for the year ended September 30, 2020, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<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	--	(3,000)	41,417
Equipment and Vehicles	529,970	5,650	(101,845)	433,775
Park Improvements	15,851	--	--	15,851
Total capital assets being depreciated	1,030,474	5,650	(104,845)	931,279
Less accumulated depreciation for:				
Infrastructure	(434,454)	(2,460)	--	(436,914)
Buildings and improvements	(44,417)	--	3,000	(41,417)
Equipment and Vehicles	(448,665)	(13,324)	101,845	(360,144)
Park Improvements	(15,851)	--	--	(15,851)
Total accumulated depreciation	(943,387)	(15,784)	104,845	(854,326)
Total capital assets being depreciated, net	87,087	(10,134)	--	76,953
Governmental activities capital assets, net	\$ 152,547	\$ (10,134)	\$ --	\$ 142,413
 <b>Business-type activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 26,100	\$ --	\$ --	\$ 26,100
Construction in progress	--	31,272	--	31,272
Total capital assets not being depreciated	26,100	31,272	--	57,372
<i>Capital assets being depreciated:</i>				
Water and Sewer System	5,114,553	--	--	5,114,553
Equipment	216,325	49,319	--	265,644
Total capital assets being depreciated	5,330,878	49,319	--	5,380,197
Less accumulated depreciation for:				
Water and Sewer System	(2,850,123)	(122,082)	--	(2,972,205)
Equipment	(150,286)	(17,291)	--	(167,577)
Total accumulated depreciation	(3,000,409)	(139,373)	--	(3,139,782)
Total capital assets being depreciated, net	2,330,469	(90,054)	--	2,240,415
Business-type activities capital assets, net	\$ 2,356,569	\$ (58,782)	\$ --	\$ 2,297,787

## CITY OF TRINIDAD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2020

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Component Unit-EDC activities:</b>				
<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	(70,992)	(5,898)	--	(76,890)
Total accumulated depreciation	(70,992)	(5,898)	--	(76,890)
Total capital assets being depreciated, net	133,315	(5,898)	--	127,417
Component Unit-EDC activities capital assets, net	\$ 226,313	\$ (5,898)	\$ --	\$ 220,415

Governmental depreciation was charged to functions as follows:

General Government	\$ 6,080
Public Safety	2,889
Highways and Streets	5,045
Municipal Court	1,134
Community Center	636
	\$ 15,784

#### E. Interfund Balances and Activity

##### 1. Due To and From Other Funds

There are no balances due to and due from other funds at September 30, 2020.

Transfers to and from other funds at September 30, 2020, consisted of the following:

Transfers From	Transfers To	Amount	Reason
Other Governmental Funds	General Fund	\$ 42,953	Supplement other funds sources
Water & Sewer Fund	General Fund	145,421	Supplement other funds sources
	Total	\$ 188,374	

#### 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, 2020, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
Capital leases from direct borrowings and direct placements	\$ 11,094	\$ --	\$ (8,538)	\$ 2,556	\$ 1,022
Notes from direct borrowings and direct placements	17,542	--	(7,925)	9,559	8,242
Net Pension Liability*	37,325	--	(37,325)	--	--
Total governmental activities	\$ 65,961	\$ --	\$ (53,788)	\$ 12,115	\$ 9,264

## CITY OF TRINIDAD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2020

\* 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 backhoe payable in monthly payments at the rate of 3.20% with a balance at September 30, 2020 of \$9,559 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.

#### 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, 2020 of \$0 and secured with vehicles.

Lease to purchase a copier issued during the year repayable in 60 monthly payments of \$92. The balance of the lease at September 30, 2020 of \$2,556 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.

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Business-type activities:</b>					
Revenue Bonds	\$ 956,000	\$ --	\$ (69,000)	\$ 887,000	\$ 72,000
Capital leases from direct borrowings and direct placements	11,109	--	(7,790)	3,319	3,319
Notes from direct borrowings and direct placements	9,451	--	(6,257)	3,194	3,194
Total business-type activities	\$ 976,560	\$ --	\$ (83,047)	\$ 893,513	\$ 78,513

#### 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, 2020 is \$73,000.

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, 2020 is \$86,000.

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, 2020 is \$258,000.

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, 2020 is \$85,000.

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, 2020 is \$190,000.

## CITY OF TRINIDAD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2020

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, 2020 is \$195,000.

#### 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, 2020 is \$3,194. 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 jettie is payable in monthly payments of \$1,282 and the balance at September 30, 2020 is \$3,319 and secured by equipment. In the event of default, the remaining balance on the lease plus any accrued interest will become immediately due and payable.

#### 2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2020, are as follows:

Governmental Activities Notes			
Year Ending September 30,	Principal	Interest	Total
2021	\$ 8,242	\$ 81	\$ 8,323
2022	1,317	6	1,323
Totals	\$ 9,559	\$ 87	\$ 9,646

Governmental Activities Leases			
Year Ending September 30,	Principal	Interest	Total
2021	\$ 1,022	\$ 166	\$ 1,188
2022	1,022	2	1,024
2023	512	--	512
Totals	\$ 2,556	\$ 168	\$ 2,724

Business-type Activities-Bonds			
Year Ending September 30,	Principal	Interest	Total
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	76,000	20,170	96,170
2026-2030	235,000	75,908	310,908
2031-2035	160,000	44,082	204,082
2036-2040	120,000	13,257	133,257
Totals	\$ 887,000	\$ 262,572	\$ 1,149,572

Business-type Activities Notes			
Year Ending September 30,	Interest	Total	
2021	\$ 3,194	\$ 81	\$ 3,275
Totals	\$ 3,194	\$ 81	\$ 3,275

Business-type Activities Leases			
Year Ending September 30,	Interest	Total	
2021	\$ 3,319	\$ 75	\$ 3,394
Totals	\$ 3,319	\$ 75	\$ 3,394

## **CITY OF TRINIDAD**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2020**

#### **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 2020, the City purchased commercial insurance to cover general liabilities. There were no significant reductions in coverage in the past fiscal year and there were no settlements exceeding insurance coverage for 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](http://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, 2019 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	10
Active employees	5
Total covered employees	19

##### **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.

## **CITY OF TRINIDAD**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2020**

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 3.75% and 3.53% in calendar years 2019 and 2020, respectively. The City's contributions to TMRS for the year ended September 30, 2020 were \$10,108, and were equal to the required contributions.

#### **4. Net Pension Liability**

The City's Net Pension Liability (NPL) was measured as of December 31, 2019, 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, 2019 actuarial valuation was determined using the following actuarial assumptions:

Inflation

2.50% per year

Overall payroll growth

3.50% 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, 2019, 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, 2020

Asset Class	Target Allocation
Global Equities	35%
Core Fixed Income	10%
Non-Core Fixed Income	20%
Real Estate	10%
Real Return	10%
Absolute Return	10%
Private Equity	5%
<b>Total</b>	<b>100.0%</b>

#### Discount Rate

The discount rate used to measure the Total Pension Liability was 7.00%. 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 12/31/2018	\$ 481,341	\$ 444,016	\$ 37,325
Changes for the year			
Service cost	18,127	--	18,127
Interest	32,035	--	32,035
Change of benefit terms	--	--	--
Difference between expected and actual experience	(8,785)	--	(8,785)
Changes of assumptions	533	--	533
Contributions - employer	--	8,247	(8,247)
Contributions - employee	--	12,730	(12,730)
Net investment income	--	68,594	(68,594)
Benefit payments, including refunds of employee contributions	(31,628)	(31,628)	--
Administrative expense	--	(388)	388
Other changes	--	(12)	12
Net changes	10,282	57,543	(47,261)
Balance at 12/31/2019	\$ 491,623	\$ 501,559	\$ (9,936)

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

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

	1% Decrease in Discount Rate	Discount Rate	1% Increase in Discount Rate
City's net pension liability	\$ 29,812	\$ (9,936)	\$ (44,173)
Pension Plan Fiduciary Net Position		\$ 501,559	

## CITY OF TRINIDAD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2020

Detailed information about the pension plan's Fiduciary Net Position is available in a separately-issued TMRS financial report. That report may be obtained on the Internet at [www.tmrs.com](http://www.tmrs.com).

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

For the year ended September 30, 2020, the City recognized pension expense of \$27,085.

At September 30, 2020, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ --	\$ 4,479
Changes in actuarial assumptions	272	--
Difference between projected and actual investment earnings	--	30,898
Contributions subsequent to the measurement date	10,108	--
<b>Total</b>	<b>\$ 10,380</b>	<b>\$ 35,377</b>

\$10,108 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, 2021. 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:	
2021	\$ (9,098)
2022	(4,651)
2023	1,278
2024	(7,723)
2025	--
Thereafter	--

#### I. Health Care Coverage

During the year ended September 30, 2020, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$894 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, 2020, 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, 2020, 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, 2020**

#### **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. The case has since been dismissed.

##### **3. Commitments**

The City committed to purchase land in the amount of \$30,676 at September 30, 2020. This transaction was completed in October 2020.

The City has a \$261,250 grant for sewer construction and anticipates spending the remainder, \$236,786 in the coming year.

#### **K. COVID-19**

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.

#### **L. Future 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, 2020**

**EXHIBIT B-1**

	Budgeted Amounts			Variance with Final Budget	
	Original	Final	Actual	Positive (Negative)	
<b>Revenue:</b>					
<i>General Property Taxes</i>	\$ 239,300	\$ 239,300	\$ 237,459	\$ (1,841)	
<i>General Sales and Use Taxes</i>	105,000	105,000	149,908	44,908	
<i>Franchise Taxes</i>	56,000	56,000	63,637	7,637	
<i>Fines</i>	65,250	65,250	64,090	(1,160)	
<i>Investment Earnings</i>	1,300	1,300	1,097	(203)	
<i>Miscellaneous</i>	15,925	15,925	14,080	(1,845)	
<b>Total revenues</b>	<b>482,775</b>	<b>482,775</b>	<b>530,271</b>	<b>47,496</b>	
<b>Expenditures:</b>					
<b>Current:</b>					
<i>General Government</i>	226,510	226,510	203,606	22,904	
<i>Public Safety</i>	161,873	114,073	96,720	17,353	
<i>Highway &amp; Streets</i>	163,570	169,070	168,925	145	
<i>Municipal Court</i>	49,771	52,771	37,954	14,817	
<i>Community Center</i>	6,051	22,051	21,282	769	
<b>Debt Service:</b>					
<i>Principal</i>	--	16,600	16,521	79	
<i>Interest and Fiscal Charges</i>	--	1,000	722	278	
<b>Capital Outlay:</b>					
<i>Buildings &amp; Equipment</i>	--	5,700	5,650	50	
<b>Total Expenditures</b>	<b>607,775</b>	<b>607,775</b>	<b>551,380</b>	<b>56,395</b>	
<i>Excess (Deficiency) of Revenues Over (Under) Expenditures</i>	(125,000)	(125,000)	(21,109)	103,891	
<b>Other Financing Sources (Uses):</b>					
<i>Transfers in</i>	--	188,374	188,374	--	
<i>Sale of Capital Assets</i>	--	--	28,785	(28,785)	
<b>Total Other Financing Sources (Uses)</b>	<b>--</b>	<b>188,374</b>	<b>217,159</b>	<b>(28,785)</b>	
<i>Net Change in Fund Balances</i>	(125,000)	63,374	196,050	132,676	
<b>Fund Balances - Beginning</b>	<b>(17,754)</b>	<b>(17,754)</b>	<b>(17,754)</b>	<b>--</b>	
<b>Fund Balances - Ending</b>	<b>\$ (142,754)</b>	<b>\$ 45,620</b>	<b>\$ 178,296</b>	<b>\$ 132,676</b>	

**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 \***

**EXHIBIT B-2**

	2019	2018	2017	2016	Measurement Year					
					2015	2014	2013	2012	2011	
City's proportion of the net pension liability (asset)	-2.020%	7.250%	1.540%	9.370%	18.190%	11.940%	--	--	--	--
City's proportionate share of the net pension liability (asset)	\$ (9,936) \$	37,325 \$	7,217 \$	41,809 \$	85,773 \$	56,307 \$	--	\$ --	\$ --	\$ --
State's proportionate share of the net pension liability (asset) associated with the City	501,599	444,016	462,052	406,249	385,785	415,225	--	--	--	--
<b>Total</b>	<b>\$ 491,663 \$</b>	<b>481,341 \$</b>	<b>469,269 \$</b>	<b>448,058 \$</b>	<b>471,558 \$</b>	<b>471,532 \$</b>	<b>--</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>
City's covered payroll	\$ 254,597 \$	226,521 \$	260,290 \$	252,478 \$	189,597 \$	225,459 \$	--	\$ --	\$ --	\$ --
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-3.90%	16.48%	2.77%	16.56%	45.24%	24.97%	--	--	--	--
Plan fiduciary net position as a percentage of the total pension liability	102.02%	92.25%	98.46%	90.67%	81.81%	88.06%	--	--	--	--

\* 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 \***

**EXHIBIT B-3**

	Fiscal Year									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 10,108	\$ 9,420	\$ 9,874	\$ 12,459	\$ 9,635	\$ 10,172	\$ --	\$ --	\$ --	\$ --
Contributions in relation to the contractually required contribution	(10,108)	(9,420)	(9,874)	(12,459)	(9,635)	(10,172)	--	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
City's covered payroll	\$ 286,329	\$ 254,597	\$ 226,521	\$ 260,290	\$ 252,478	\$ 189,597	\$ --	\$ --	\$ --	\$ --
Contributions as a percentage of covered payroll	3.53%	3.70%	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 \***

	2019	2018	2017	2016	2015	2014	2012	2011	2010	2009
<b>Total Pension liability:</b>										
Service cost	\$ 18,127	\$ 15,947	\$ 18,559	\$ 17,270	\$ 11,964	\$ 16,307	\$ --	\$ --	\$ --	\$ --
Interest	32,035	31,422	30,027	31,492	31,790	31,604	--	--	--	--
Changes of benefit terms and actual experience	--	--	--	--	--	--	--	--	--	--
Changes of assumptions or other inputs	(8,785)	(11,825)	(2,396)	(44,969)	(9,329)	(5,620)	--	--	--	--
Benefit payments	533	--	--	--	12,355	--	--	--	--	--
Net change in total Pension liability	(31,628)	(23,472)	(24,979)	(27,293)	(46,754)	(28,182)	--	--	--	--
Total Pension liability - beginning	10,282	12,072	21,211	(23,500)	26	14,109	--	--	--	--
Total Pension liability - ending	481,341	469,269	448,058	471,558	457,423	--	--	--	--	--
	\$ 491,623	\$ 481,341	\$ 469,269	\$ 448,058	\$ 471,558	\$ 471,532	\$ --	\$ --	\$ --	\$ --
<b>Plan fiduciary net position:</b>										
Contributions-employer	\$ 8,247	\$ 8,223	\$ 11,812	\$ 9,394	\$ 7,613	\$ 12,260	\$ --	\$ --	\$ --	\$ --
Contributions-employee	12,730	11,326	13,014	12,624	9,480	11,274	--	--	--	--
Net investment income	68,594	(13,831)	56,261	26,049	613	22,722	--	--	--	--
Benefit payments, including refunds of employee contributions	(31,628)	(23,472)	(24,979)	(27,293)	(46,754)	(28,182)	--	--	--	--
Administrative expense	(388)	(267)	(292)	(294)	(373)	(237)	--	--	--	--
Other	(12)	(15)	(13)	(16)	(19)	(20)	--	--	--	--
Net change in total Pension liability	57,543	(18,036)	55,803	20,464	(29,440)	17,817	--	--	--	--
Total Pension liability - beginning	444,016	462,052	406,249	385,785	415,225	397,408	--	\$ --	\$ --	\$ --
Total Pension liability - ending	\$ 501,559	\$ 444,016	\$ 462,052	\$ 406,249	\$ 385,785	\$ 415,225	\$ --	\$ --	\$ --	\$ --
<b>Net pension liability</b>	<b>\$ (9,936)</b>	<b>\$ 37,325</b>	<b>\$ 7,217</b>	<b>\$ 41,809</b>	<b>\$ 85,773</b>	<b>\$ 56,307</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>	<b>\$ --</b>
<b>Plan fiduciary net position as percentage of the total pension liability</b>										
Covered payroll	\$ 254,597	\$ 226,521	\$ 260,290	\$ 252,478	\$ 189,597	\$ 225,489	\$ --	\$ --	\$ --	\$ --
Total pension liability as a percentage of covered payroll	-3.90%	16.48%	2.77%	16.56%	45.24%	24.97%	--	--	--	--

## **CITY OF TRINIDAD**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2020**

#### **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, 2020**

**EXHIBIT B-5**

	Budget	Actual	Variance Positive (Negative)
Revenue:			
<i>General Property Taxes</i>	\$ 400	\$ 331	\$ (69)
Total revenues	400	331	(69)
Expenditures:			
Current:			
Debt Service:			
Capital Outlay:			
Total Expenditures	--	--	--
Excess (Deficiency) of Revenues			
Over (Under) Expenditures	400	331	(69)
Other Financing Sources (Uses):			
<i>Operating Transfers Out</i>	(42,953)	(42,953)	--
Total Other Financing Sources (Uses)	(42,953)	(42,953)	--
Net Change in Fund Balances	(42,553)	(42,622)	(69)
Fund Balances - Beginning	42,622		
Fund Balances - Ending	\$ 69	\$ --	\$ (69)

### *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, 2020, 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 June 30, 2021.

### **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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **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*.

## **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.*

Anderson, Marx & Bohl, P.C.

Corsicana, Texas  
June 30, 2021

## **CITY OF TRINIDAD**

### *SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2020*

#### **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?	Yes	<input checked="" type="checkbox"/>	No
One or more significant deficiencies identified that are not considered to be material weaknesses?	Yes	<input checked="" type="checkbox"/>	None Reported
Noncompliance material to financial statements noted?	Yes	<input checked="" type="checkbox"/>	No

#### **B. Financial Statement Findings**

None Noted

**CITY OF TRINIDAD****SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2020**

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
Expenditures exceeded budget	Corrected	
Failure to post material adjustments	Corrected	

**CITY OF TRINIDAD**  
*CORRECTIVE ACTION PLAN*  
*FOR THE YEAR ENDED SEPTEMBER 30, 2020*

None noted so none required.