

CITY OF TRINIDAD

*ANNUAL FINANCIAL REPORT*

*FOR THE YEAR ENDED SEPTEMBER 30, 2021*

City of Trinidad  
Annual Financial Report  
For The Year Ended September 30, 2021

TABLE OF CONTENTS

	<u>Page</u>	<u>Exhibit</u>
 <b>FINANCIAL SECTION</b>		
Independent Auditors' Report.....	1	
Management's Discussion and Analysis (Required Supplementary Information).....	4	
 <u>Basic Financial Statements</u>		
Government-wide Financial Statements:		
Statement of Net Position.....	10	A-1
Statement of Activities.....	11	A-2
Fund Financial Statements:		
Balance Sheet - Governmental Funds.....	13	A-3
Reconciliation of the Governmental Funds		
Balance Sheet to the Statement of Net Position.....	14	A-4
Statement of Revenues, Expenditures, and Changes in		
Fund Balances - Governmental Funds.....	15	A-5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in		
Fund Balances of Governmental Funds to the Statement of Activities.....	16	A-6
Statement of Net Position - Proprietary Funds.....	17	A-7
Statement of Revenues, Expenses, and Changes in		
Fund Net Position - Proprietary Funds.....	18	A-8
Statement of Cash Flows - Proprietary Funds.....	19	A-9
Notes to the Financial Statements .....	20	
 <u>Required Supplementary Information</u>		
Budgetary Comparison Schedules:		
General Fund.....	35	B-1
Schedule of the City's Proportionate Share of the		
Net Pension Liability - Texas Municipal Retirement System Of Texas.....	36	B-2
Schedule of City's Contributions - Texas Municipal Retirement System Of Texas.....	37	B-3
Schedule of Changes in the City's Net Pension Liability		
And Related Ratios -Texas Municipal Retirement System Of Texas .....	38	B-4
Notes to Required Supplementary Information.....	39	
 <b>OTHER SUPPLEMENTARY INFORMATION SECTION</b>		
Report on Internal Control over Financial Reporting and on Compliance and		
Other Matters Based on an Audit of Financial Statements Performed		
in Accordance with <i>Government Auditing Standards</i> .....	40	
Schedule of Findings and Questioned Costs .....	42	
Summary Schedule of Prior Audit Findings.....	43	
Corrective Action Plan.....	44	

## *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 Audit of the Financial Statements**

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the City of Trinidad ("the City") as of and for the year ended September 30, 2021, 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' Responsibilities for the Audit of the Financial Statements**

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, and each major fund of City of Trinidad as of September 30, 2021, 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.

## ***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 is the responsibility of management and, 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 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 February 28, 2022 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 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  
February 28, 2022



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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the City of Trinidad's annual financial report presents our discussion and analysis of the City's financial performance during the year ended September 30, 2021. 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 \$2,507,276 on September 30, 2021.
- During the year, the City's primary government expenses on financial statement exhibit A-2 were \$446,447 less than the \$1,786,355 generated in taxes and other revenues for all activities.
- The total cost of the City's programs on financial statement exhibit A-5 increased \$248,895 from last year. This was due primarily to increased capital outlay expenditures during the year.
- The general fund reported a general fund balance this year on financial statement exhibit A-3 of \$316,857. The City began the current year with a fund balance in the amount of \$178,296.

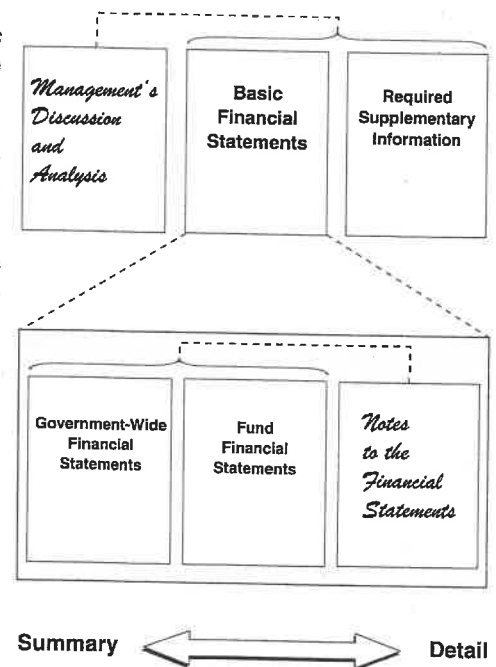
### OVERVIEW OF THE FINANCIAL STATEMENTS

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 \$2.51 million on September 30, 2021. (See Table A-1).



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

	<u>2021</u>	<u>2020</u>	<u>Total Percentage Change 2021-2020</u>
Current assets:			
Cash and cash equivalents	.5	.5	0
Receivables	.1	.1	0
Inventories	.0	.0	**
Total current assets	<u>.6</u>	<u>.6</u>	0
Noncurrent assets:			
Land, furniture and equipment	6.8	6.4	6
Less accumulated depreciation	(4.0)	(4.0)	0
Other assets	.1	.1	0
Total noncurrent assets	<u>2.9</u>	<u>2.5</u>	16
Total Assets	<u>3.5</u>	<u>3.1</u>	13
Deferred Outflows of Resources	<u>.0</u>	<u>.0</u>	**
Current liabilities:			
Accounts payable and accrued liabilities	.0	.0	**
Consumer deposits	.1	.1	0
Due to other governments	.0	.0	**
Deferred revenue	.0	.0	**
Total current liabilities	<u>.1</u>	<u>.1</u>	0
Long-term liabilities:			
Noncurrent liabilities due in one year	.1	.1	0
Noncurrent liabilities due more than 1 yr	.8	.8	0
Net pension liability	.0	.0	**
Total Liabilities	<u>1.0</u>	<u>1.0</u>	0
Deferred Inflows of Resources	<u>.0</u>	<u>.0</u>	**
Net Position:			
Net investment in capital assets	1.8	1.5	20
Restricted	.4	.3	33
Unrestricted	.3	.3	0
Total Net Position	<u>2.5</u>	<u>2.1</u>	19

The City has \$339,214 in restricted net position that represents \$107,787 for federal and state programs, \$113,333 funds available for debt service, \$88,630 for a water and sewer reserve fund, and restricted net position of \$29,464 nonexpendable for other purposes. The \$333,657 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 \$1,786,355. A portion, 23 percent, of the City's revenue comes from taxes, while 61 percent relates to charges for services.

The total cost of all programs and services was \$1,339,908; 43 percent of these costs are for governmental activities.

#### **Governmental Activities**

- Property tax revenue increased to \$240,923.
- The City's charges for services increased to \$1,098,129.

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

	<u>2021</u>	<u>2020</u>	<u>% Ch</u>
Program Revenues:			
Charges for Services	1.1	.8	38
Operating Grants and Contributions	.0	.0	**
General Revenues			
Taxes	.4	.4	0
Investment Earnings	.0	0	**
Other	.2	.1	100
Total Revenues	<u>1.7</u>	<u>1.3</u>	31
General Government	.1	.2	-50
Public Safety	.2	.1	100
Highways and Streets	.2	.2	0
Culture and Recreation	.0	.0	**
Sanitation	.0	.0	**
Water and Sewer	.8	.8	0
Grant Expenditures	.0	.0	**
Other	<u>0</u>	<u>0</u>	**
Total Expenses	<u>1.3</u>	<u>1.3</u>	0
Excess (Deficiency) Before Other Resources, Uses and Transfers:	.4	.0	**
Transfers In (Out)	.0	.0	**
Increase (Decrease) in Net Position	<u>.4</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 \$1.10 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>2021</u>	<u>2020</u>		<u>2021</u>	<u>2020</u>	
General Government	.1	.2	-50	.1	.2	-50
Public Safety	.2	.1	100	.0	.1	**
Highways and Streets	.2	.2	0	.2	.2	0

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$.845 million, while the previous year it was \$.531 million. The increase was mainly a result of increased fine revenue and grant revenue. Revenues from proprietary funds totaled \$.860 million, while the previous year it was \$.794 million.

### General Fund Budgetary Highlights

Over the course of the year, the City revised its budget. Actual expenditures were still \$34,937 above final budget amounts. On the other hand, resources available were \$168,715 above the final budgeted amount due primarily to increased fine revenue.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of 2021, the City had invested \$6,767,391 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 \$333,083 above last year.

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

	<u>2021</u>	<u>2020</u>	<u>Total Percentage Change 2021-2020</u>
Land	.122	.092	33
Construction in progress	.138	.031	345
Buildings and improvements	.057	.057	0
Water and sewer system	5.249	5.115	3
Equipment	.761	.699	9
Leased Assets	.000	.000	**
Infrastructure	.440	.440	0
Totals at historical cost	6.767	6.434	5
Total accumulated depreciation	(4.023)	(3.994)	-1
Net capital assets	<u>2.744</u>	<u>2.440</u>	12

The City's fiscal year 2022 capital budget projects spending reflect future major projects of approximately \$150,000 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 \$0.903 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>2021</u>	<u>2020</u>	<u>Total Percentage Change 2021-2020</u>
Bonds payable	.815	.887	-8
Notes payable	.086	.013	562
Capital leases payable	.002	.006	-67
Net pension liability	.000	.000	**
Total long-term liabilities	<u>.903</u>	<u>.906</u>	0

The City has applied for a \$500,000 loan to assist with the new City Hall construction, but the loan has not yet been approved.

## 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 2021, the Trinidad EDC had invested \$309,805 in land and improvements. This amount represents an increase of \$12,500 from last year.

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

	<u>2021</u>	<u>2020</u>	<u>Total Percentage Change 2021-2020</u>
Land	.105	.093	13
Improvements	.204	.204	0
Totals at historical cost	.309	.297	4
Total accumulated depreciation	<u>(.081)</u>	<u>(.077)</u>	-5
Net capital assets	<u>.228</u>	<u>.220</u>	4

## 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 2022. However, the COVID-19 pandemic continues to negatively impact economic activity nationwide. The economic effects are still unknown but 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, 2021**

	Primary Government			
	Governmental Activities	Business-type Activities	Total	Component Unit
<b>ASSETS:</b>				
<i>Cash and Cash Equivalents</i>	\$ 346,355	\$ 186,397	\$ 532,752	\$ 169,470
<i>Receivables ( net of allowances for uncollectibles)</i>	--	86,634	86,634	2,894
<i>Property Tax Receivables</i>	35,822	--	35,822	--
<i>Prepaid Expenses</i>	--	--	--	400
<i>Net Pension Asset</i>	29,619	--	29,619	--
<b>Restricted Assets:</b>				
<i>Cash</i>	--	113,333	113,333	--
<b>Capital Assets ( net of accumulated depreciation):</b>				
<i>Land</i>	96,136	26,100	122,236	105,498
<i>Buildings &amp; Equipment, net</i>	191,735	2,291,156	2,482,891	122,784
<i>Infrastructure</i>	1,424	--	1,424	--
<i>Construction in Progress</i>	19,790	117,933	137,723	--
<b>Total Assets</b>	<b>720,881</b>	<b>2,821,553</b>	<b>3,542,434</b>	<b>401,046</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
<i>Deferred Outflow Related to Pensions</i>	8,551	--	8,551	--
<b>Total Deferred Outflows of Resources</b>	<b>8,551</b>	<b>--</b>	<b>8,551</b>	<b>--</b>
<b>LIABILITIES:</b>				
<i>Accounts Payable and Other Current Liabilities</i>	29,498	21,519	51,017	--
<i>Consumer Deposits</i>	--	74,117	74,117	--
<i>Accrued Interest Payable</i>	--	7,321	7,321	--
<b>Noncurrent Liabilities-</b>				
<i>Due within one year</i>	25,023	73,000	98,023	--
<i>Due in more than one year</i>	62,525	742,000	804,525	--
<b>Total Liabilities</b>	<b>117,046</b>	<b>917,957</b>	<b>1,035,003</b>	<b>--</b>
<b>DEFERRED INFLOWS OF RESOURCES:</b>				
<i>Deferred Inflow Related to Pensions</i>	8,706	--	8,706	--
<b>Total Deferred Inflows of Resources</b>	<b>8,706</b>	<b>--</b>	<b>8,706</b>	<b>--</b>
<b>NET POSITION:</b>				
<b>Net Investment in Capital Assets</b>	<b>221,537</b>	<b>1,612,868</b>	<b>1,834,405</b>	<b>228,282</b>
<b>Restricted For:</b>				
<b>Federal and State Programs</b>	<b>107,787</b>	<b>--</b>	<b>107,787</b>	<b>--</b>
<b>Debt Service</b>	<b>--</b>	<b>113,333</b>	<b>113,333</b>	<b>--</b>
<b>Reserve</b>	<b>--</b>	<b>88,630</b>	<b>88,630</b>	<b>--</b>
<b>Other Purposes</b>				
<b>Nonexpendable - Pension</b>	<b>29,464</b>	<b>--</b>	<b>29,464</b>	<b>--</b>
<b>Unrestricted</b>	<b>244,892</b>	<b>88,765</b>	<b>333,657</b>	<b>172,764</b>
<b>Total Net Position</b>	<b>\$ 603,680</b>	<b>\$ 1,903,596</b>	<b>\$ 2,507,276</b>	<b>\$ 401,046</b>

The accompanying notes are an integral part of this statement.

**CITY OF TRINIDAD**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Functions/Programs	Expenses	Program Revenues
		Charges for Services
<b>PRIMARY GOVERNMENT:</b>		
Governmental Activities:		
<i>General Government</i>	\$ 137,850	\$ --
<i>Public Safety</i>	206,235	241,806
<i>Highways &amp; Streets</i>	197,720	--
<i>Economic Development Assistance</i>	898	--
<i>Community Center</i>	26,351	--
<i>Interest and Fiscal Charges</i>	2,008	--
Total Governmental Activities	<u>571,062</u>	<u>241,806</u>
Business-type Activities:		
Water & Sewer	768,846	856,323
Total Business-type Activities	<u>768,846</u>	<u>856,323</u>
Total Primary Government	<u>\$ 1,339,908</u>	<u>\$ 1,098,129</u>
<b>COMPONENT UNIT:</b>		
Economic Development Corporation	<u>\$ 71,029</u>	<u>\$ --</u>
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>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
\$ (137,850)		\$ (137,850)	
35,571		35,571	
(197,720)		(197,720)	
(898)		(898)	
(26,351)		(26,351)	
(2,008)		(2,008)	
<u>(329,256)</u>		<u>(329,256)</u>	
--	\$ 87,477	87,477	
--	87,477	87,477	
<u>(329,256)</u>	<u>87,477</u>	<u>(241,779)</u>	
			\$ (71,029)
240,923	--	240,923	--
122,746	--	122,746	46,504
56,099	--	56,099	--
--	--	--	149
26,734	3,317	30,051	12,115
156,792	81,615	238,407	--
--	--	--	--
<u>603,294</u>	<u>84,932</u>	<u>688,226</u>	<u>58,768</u>
274,038	172,409	446,447	(12,261)
329,642	1,731,187	2,060,829	413,307
<u>\$ 603,680</u>	<u>\$ 1,903,596</u>	<u>\$ 2,507,276</u>	<u>\$ 401,046</u>



**CITY OF TRINIDAD**

*BALANCE SHEET - GOVERNMENTAL FUNDS  
SEPTEMBER 30, 2021*

	General Fund
<b>ASSETS</b>	
Assets:	
<i>Cash and Cash Equivalents</i>	\$ 346,355
<i>Property Taxes Receivable</i>	35,822
<b>Total Assets</b>	<u>\$ 382,177</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES:</b>	
Liabilities:	
<i>Accounts Payable</i>	\$ 29,498
<b>Total Liabilities</b>	<u>29,498</u>
<b>DEFERRED INFLOWS OF RESOURCES:</b>	
<i>Deferred Revenue-Property Taxes</i>	35,822
<b>Total Deferred Inflows of Resources</b>	<u>35,822</u>
<b>Fund Balances:</b>	
Restricted Fund Balances:	
<i>Federal and State Programs</i>	107,787
Unassigned	209,070
<b>Total Fund Balance</b>	<u>316,857</u>
<b>Total Liabilities, Deferred Inflows of Resources, and Fund Balances</b>	<u>\$ 382,177</u>

The accompanying notes are an integral part of this statement.

**CITY OF TRINIDAD**

*RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
SEPTEMBER 30, 2021*

Total fund balances - governmental funds balance sheet	\$	316,857
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.		309,085
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.		35,822
Payables for notes which are not due in the current period are not reported in the funds.		(87,548)
Recognition of the City's proportionate share of the net pension liability is not reported in the funds.		29,619
Deferred Resource Inflows related to the pension plan are not reported in the funds.		(8,706)
Deferred Resource Outflows related to the pension plan are not reported in the funds.		8,551
Net position of governmental activities - Statement of Net Position	\$	<u>603,680</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, 2021**

	General Fund
Revenue:	
<i>General Property Taxes</i>	\$ 241,210
<i>General Sales and Use Taxes</i>	122,746
<i>Franchise Taxes</i>	56,099
<i>Intergovernmental-Grants</i>	156,792
<i>Fines</i>	241,806
<i>Miscellaneous</i>	26,734
Total revenues	<u>845,387</u>
Expenditures:	
Current:	
<i>General Government</i>	150,948
<i>Public Safety</i>	103,496
<i>Highway &amp; Streets</i>	198,827
<i>Municipal Court</i>	106,312
<i>Economic Development and Assistance</i>	898
<i>Community Center</i>	25,229
Debt Service:	
<i>Principal</i>	18,016
<i>Interest and Fiscal Charges</i>	2,008
Capital Outlay:	
<i>Buildings &amp; Equipment</i>	194,541
Total Expenditures	<u>800,275</u>
Excess (Deficiency) of Revenues	
Over (Under) Expenditures	<u>45,112</u>
Other Financing Sources (Uses):	
<i>Loan Proceeds</i>	93,449
Total Other Financing Sources (Uses)	<u>93,449</u>
Net Change in Fund Balances	138,561
Fund Balances - Beginning	178,296
Fund Balances - Ending	<u>\$ 316,857</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, 2021*

Net change in fund balances - total governmental funds	\$	138,561
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:		
Capital outlays are not reported as expenses in the SOA.		194,541
The depreciation of capital assets used in governmental activities is not reported in the funds.		(27,869)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.		(287)
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.		18,016
Proceeds of notes do not provide revenue in the SOA, but are reported as current resources in the funds.		(93,449)
Pension contributions made after the measurement date but in current FY were de-expended & reduced NPL.		<u>44,525</u>
Change in net position of governmental activities - Statement of Activities	\$	<u>274,038</u>

The accompanying notes are an integral part of this statement.

**CITY OF TRINIDAD**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2021**

	Enterprise Fund Water and Sewer Fund
<b>ASSETS:</b>	
Current Assets:	
<i>Cash and Cash Equivalents</i>	\$ 186,397
<i>Receivables ( net of allowances for uncollectibles)</i>	86,634
Total Current Assets	273,031
Noncurrent Assets:	
Restricted Cash, Cash Equivalents and Investments-	
<i>Cash</i>	113,333
Capital Assets:	
<i>Land</i>	26,100
<i>Construction in Process</i>	117,933
<i>Property, Plant and Equipment-Net</i>	2,291,156
Total Noncurrent Assets	2,548,522
Total Assets	2,821,553
<b>LIABILITIES:</b>	
Current Liabilities:	
<i>Accounts payable</i>	21,519
<i>Consumer deposits</i>	74,117
<i>Accrued interest payable</i>	7,321
Current Liabilities Payable from Restricted Assets-	
<i>Revenue bonds payable</i>	73,000
Noncurrent Liabilities Payable from Restricted Assets-	
<i>Revenue bonds payable</i>	742,000
Total Liabilities	917,957
<b>NET POSITION:</b>	
<i>Net Investment in Capital Assets</i>	1,612,868
<i>Restricted for Debt Service</i>	113,333
<i>Restricted for Reserve Fund</i>	88,630
<i>Unrestricted</i>	88,765
Total Net Position	\$ 1,903,596

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, 2021**

	Enterprise Fund Water and Sewer Fund
OPERATING REVENUES:	
<i>Water</i>	\$ 626,600
<i>Sewer</i>	136,872
<i>Sanitation</i>	92,851
<i>Miscellaneous</i>	3,317
Total Operating Revenues	<u>859,640</u>
OPERATING EXPENSES:	
<i>Personal Services</i>	190,159
<i>Contractual Services</i>	80,752
<i>Supplies &amp; Materials</i>	356,788
<i>Depreciation</i>	109,968
Total Operating Expenses	<u>737,667</u>
Operating Income	<u>121,973</u>
NON-OPERATING REVENUES (EXPENSES):	
<i>Intergovernmental Revenue</i>	81,615
<i>Interest Expense &amp; Fees</i>	(31,179)
Total Non-operating Revenues (Expenses)	<u>50,436</u>
Income before Transfers	<u>172,409</u>
Operating Transfers In	--
Operating Transfers Out	--
Change in Net Position	<u>172,409</u>
Total Net Position - Beginning	1,731,187
Total Net Position - Ending	<u>\$ 1,903,596</u>

The accompanying notes are an integral part of this statement.

**CITY OF TRINIDAD****STATEMENT OF CASH FLOWS****PROPRIETARY FUNDS****FOR THE YEAR ENDED SEPTEMBER 30, 2021**

	Enterprise Fund Water And Sewer Fund
<b>Cash Flows from Operating Activities:</b>	
<i>Cash Received from Customers</i>	\$ 841,334
<i>Cash Payments to Employees for Services</i>	(190,159)
<i>Cash Payments to Other Suppliers for Goods and Services</i>	(425,136)
Net Cash Provided (Used) by Operating Activities	226,039
<b>Cash Flows from Non-capital Financing Activities:</b>	
<i>Transfers to other Funds</i>	--
Net Cash Provided (Used) by Non-capital Financing Activities	--
<b>Cash Flows from Capital and Related Financing Activities:</b>	
<i>Interest Paid</i>	(31,179)
<i>Principal Paid</i>	(78,513)
<i>Intergovernmental Revenue</i>	81,615
<i>Capital Expenditures</i>	(247,370)
Net Cash Provided (Used) for Capital & Related Financing Activities	(275,447)
<b>Cash Flows from Investing Activities:</b>	
<i>Increase in Restricted Cash</i>	(9,954)
Net Cash Provided (Used) for Investing Activities	(9,954)
Net Increase (Decrease) in Cash and Cash Equivalents	(59,362)
Cash and Cash Equivalents at Beginning of Year	245,759
Cash and Cash Equivalents at End of Year	\$ 186,397
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>	
Operating Income (Loss)	\$ 121,973
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities	
<i>Depreciation</i>	109,968
Change in Assets and Liabilities:	
<i>Decrease (Increase) in Receivables</i>	(18,306)
<i>Decrease (Increase) in Due from Other Funds</i>	--
<i>Increase (Decrease) in Accounts Payable</i>	11,302
<i>Increase (Decrease) in Accrued Expenses</i>	(522)
<i>Increase (Decrease) in Consumer Deposits</i>	1,624
Total Adjustments	104,066
Net Cash Provided (Used) by Operating Activities	\$ 226,039

The accompanying notes are an integral part of this statement.

**CITY OF TRINIDAD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**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 GASB Statements. Trinidad EDC financial statement amounts for the year ended December 31, 2020 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, except for fiduciary activities. 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.

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.



**CITY OF TRINIDAD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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. They are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

3. Financial Statement Amounts

a. Cash and Cash Equivalents

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

b. Property Taxes

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

**CITY OF TRINIDAD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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.

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.

## **CITY OF TRINIDAD**

### **NOTES TO THE FINANCIAL STATEMENTS**

**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**h. Fund Balances - Governmental Funds**

Fund balances of the governmental funds are classified as follows:

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

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

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

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

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

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

**i. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of certain assets, liabilities, revenues and expenditures, expenses, and other disclosures. Accordingly, actual results could differ from those estimates.

**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.

**CITY OF TRINIDAD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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

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, 2021, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$646,085 and the bank balance was \$680,026. The City's cash deposits at September 30, 2021 and during the year ended September 30, 2021, were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

**CITY OF TRINIDAD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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, 2021 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, 2021, the City's investments, other than those which are obligations of or guaranteed by the U.S. Government, have no credit risk.

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

# CITY OF TRINIDAD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2021

### 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.

### D. Capital Assets

Capital asset activity for the year ended September 30, 2021, were as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<u>Governmental activities:</u>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 65,460	\$ 30,676	\$ --	\$ 96,136
Construction in progress	--	19,790	--	19,790
Total capital assets not being depreciated	65,460	50,466	--	115,926
<i>Capital assets being depreciated:</i>				
Infrastructure	440,236	--	--	440,236
Park Improvements	15,851	--	--	15,851
Buildings and improvements	41,417	--	--	41,417
Equipment and Vehicles	433,775	144,075	(108,828)	469,022
Total capital assets being depreciated	931,279	144,075	(108,828)	966,526
Less accumulated depreciation for:				
Infrastructure	(436,914)	(1,898)	--	(438,812)
Park Improvements	(15,851)	--	--	(15,851)
Buildings and improvements	(41,417)	--	--	(41,417)
Equipment and Vehicles	(360,144)	(25,971)	108,828	(277,287)
Total accumulated depreciation	(854,326)	(27,869)	108,828	(773,367)
Total capital assets being depreciated, net	76,953	116,206	--	193,159
Governmental activities capital assets, net	\$ 142,413	\$ 166,672	\$ --	\$ 309,085

# CITY OF TRINIDAD

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2021

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 26,100	\$ --	\$ --	\$ 26,100
Construction in progress	31,272	86,661	--	117,933
Total capital assets not being depreciated	57,372	86,661	--	144,033
<i>Capital assets being depreciated:</i>				
Water and Sewer System	5,114,553	134,811	--	5,249,364
Equipment	265,644	25,898	--	291,542
Total capital assets being depreciated	5,380,197	160,709	--	5,540,906
Less accumulated depreciation for:				
Water and Sewer System	(2,972,205)	(91,978)	--	(3,064,183)
Equipment	(167,577)	(17,990)	--	(185,567)
Total accumulated depreciation	(3,139,782)	(109,968)	--	(3,249,750)
Total capital assets being depreciated, net	2,240,415	50,741	--	2,291,156
Business-type activities capital assets, net	\$ 2,297,787	\$ 137,402	\$ --	\$ 2,435,189
	Beginning Balances	Increases	Decreases	Ending Balances
<b>Component Unit-EDC activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 92,998	\$ 12,500	\$ --	\$ 105,498
Total capital assets not being depreciated	92,998	12,500	--	105,498
<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	(76,890)	(4,633)	--	(81,523)
Total accumulated depreciation	(76,890)	(4,633)	--	(81,523)
Total capital assets being depreciated, net	127,417	(4,633)	--	122,784
Component Unit-EDC activities capital assets, net	\$ 220,415	\$ 7,867	\$ --	\$ 228,282
Governmental depreciation was charged to functions as follows:				
General Government	\$ 10,738			
Public Safety	5,100			
Highways and Streets	8,908			
Municipal Court	2,001			
Community Center	1,122			
	\$ 27,869			

### E. Interfund Balances and Activity

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

There were no balances due to and due from other funds at September 30, 2021.

#### 2. Transfers To and From Other Funds

There were no transfers to and from other funds at September 30, 2021.

**CITY OF TRINIDAD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**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, 2021, are as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<u>Governmental activities:</u>					
Capital leases from direct borrowings and direct placements	\$ 2,556	\$ --	\$ (1,022)	\$ 1,534	\$ 1,022
Notes from direct borrowings and direct placements	9,559	93,449	(16,994)	86,014	24,001
Total governmental activities	\$ 12,115	\$ 93,449	\$ (18,016)	\$ 87,548	\$ 25,023

Notes 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, 2021 of \$1,317 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.

Loans payable are comprised of bank loans for the purchase of two police vehicles during the year. These loans are repayable monthly in the amount of \$2,086 with an interest rate of 3.16% and the balance at September 30, 2021 is \$84,697. In the event of default, the remaining balance on the note plus any accrued interest will be due and the note is secured by the vehicles.

Leases from Direct Borrowings and Direct Placements

Lease to purchase a copier issued during the year repayable in 60 monthly payments of \$92. The balance of the lease at September 30, 2021 of \$1,534 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
<u>Business-type activities:</u>					
Revenue Bonds	\$ 887,000	\$ --	\$ (72,000)	\$ 815,000	\$ 73,000
Capital leases from direct borrowings and direct placements	3,319	--	(3,319)	--	--
Notes from direct borrowings and direct placements	3,194	--	(3,194)	--	--
Total business-type activities	\$ 893,513	\$ --	\$ (78,513)	\$ 815,000	\$ 73,000

**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, 2021 is \$59,000.

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, 2021 is \$69,000.



## CITY OF TRINIDAD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2021

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, 2021 is \$246,000.

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, 2021 is \$81,000.

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, 2021 is \$185,000.

This is an original \$400,000 Combination Tax and Revenue Certificates of Obligation, Series 2007 A, due in principal installments ranging from \$15,000 to \$45,000 through January 1, 2027; no interest. The balance at September 30, 2021 is \$175,000.

#### 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, 2021 is \$0.

#### Leases from Direct Borrowings and Direct Placements

A lease payable for the purchase of a mongoose trailer jetter is payable in monthly payments of \$1,282. The balance at September 30, 2021 is \$0. The note was secured with equipment.

## 2. Debt Service Requirements

Debt service requirements on long-term debt at September 30, 2021, are as follows:

Year Ending September 30,	Governmental Activities Notes		
	Principal	Interest	Total
2022	\$ 24,001	\$ 2,348	\$ 26,349
2023	23,409	1,618	25,027
2024	24,157	870	25,027
	14,447	152	14,599
Totals	\$ 86,014	\$ 4,988	\$ 91,002

Year Ending September 30,	Governmental Activities Leases		
	Principal	Interest	Total
2022	\$ 1,022	\$ 2	\$ 1,024
2023	512	--	512
Totals	\$ 1,534	\$ 2	\$ 1,536

Year Ending September 30,	Business-type Activities-Bonds		
	Principal	Interest	Total
2022	\$ 73,000	\$ 27,338	\$ 100,338
2023	75,000	24,560	99,560
2024	76,000	21,700	97,700
2025	76,000	19,134	95,134
2026	72,000	17,480	89,480
2027-2031	195,000	69,869	264,869
2032-2036	161,000	37,520	198,520
2037-2041	87,000	8,378	95,378
Totals	\$ 815,000	\$ 225,979	\$ 1,040,979

**CITY OF TRINIDAD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

**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 2021, 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, 2020 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	5
Inactive employees entitled to but not yet receiving benefits	8
Active employees	7
Total covered employees	<u>20</u>

**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, 2021**

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 3.53% and 2.74% in calendar years 2020 and 2021, respectively. The City's contributions to TMRS for the years ended September 30, 2021, 2020 and 2019 were \$8,551, \$10,108 and \$9,420.

4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2020, 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, 2020 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, 2020, valuation were developed primarily from the actuarial investigation of the experience of TMRS over the five-year period December 31, 2014 to December 31, 2018. They were adopted in 2019 and first used in the December 31, 2019 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, 2021**

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return (Arithmetic)
Global Equities	30%	5.30%
Core Fixed Income	10%	1.25%
Non-Core Fixed Income	20%	4.14%
Real Estate	10%	4.00%
Real Return	10%	3.85%
Absolute Return	10%	3.48%
Private Equity	10%	7.75%
Total	100.0%	

Discount Rate

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

Changes in Net Pension Liability	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a) - (b)
Balance at 12/31/2019	\$ 491,623	\$ 501,559	\$ (9,936)
Changes for the year			
Service cost	20,409	--	20,409
Interest	32,723	--	32,723
Change of benefit terms	--	--	--
Difference between expected and actual experience	(11,123)	--	(11,123)
Changes of assumptions	--	--	--
Contributions - employer	--	9,099	(9,099)
Contributions - employee	--	14,810	(14,810)
Net investment income	--	38,039	(38,039)
Benefit payments, including refunds of employee contributions	(34,083)	(34,083)	--
Administrative expense	--	(246)	246
Other changes	--	(10)	10
Net changes	7,926	27,609	(19,683)
Balance at 12/31/2020	\$ 499,549	\$ 529,168	\$ (29,619)

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	\$ 9,133	\$ (29,619)	\$ (63,151)
Pension Plan Fiduciary Net Position		\$ 529,168	

**CITY OF TRINIDAD**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2021**

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

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

For the year ended September 30, 2021, the City recognized pension expense of \$(36,174).

At September 30, 2021, 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	\$ --	\$ 5,360
Changes in actuarial assumptions	--	--
Difference between projected and actual investment earnings	--	3,346
Contributions subsequent to the measurement date	8,551	--
Total	\$ 8,551	\$ 8,706

\$8,551 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, 2022. 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:	
2022	\$ (10,848)
2023	441
2024	(8,560)
2025	(835)
2026	--
Thereafter	--

I. Health Care Coverage

During the year ended September 30, 2021, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$945 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, 2021, 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, 2021, 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, 2021**

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

No reportable litigation was pending against the City at September 30, 2021.

3. Commitments

The City has a \$261,250 grant for sewer construction and anticipates spending the remainder, \$156,291, in the coming year.

The City has applied for a \$500,000 loan to assist with the new City Hall construction, but the loan has not yet been approved.

K. COVID-19

The COVID-19 pandemic continues to negatively impact economic activity nationwide. The overall economic effects are still unknown but could potentially have a material effect on the City in the future.

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.

M. Budget Overage

The City exceeded its budget in Municipal Court by \$41,567 or 64%.

### *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, 2021**

**EXHIBIT B-1**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenue:				
General Property Taxes	\$ 244,300	\$ 244,300	\$ 241,210	\$ (3,090)
General Sales and Use Taxes	105,000	105,000	122,746	17,746
Franchise Taxes	65,000	65,000	56,099	(8,901)
Intergovernmental-Grants	--	156,792	156,792	--
Fines	75,250	75,250	241,806	166,556
Investment Earnings	1,300	1,300	--	(1,300)
Miscellaneous	29,030	29,030	26,734	(2,296)
Total revenues	519,880	676,672	845,387	168,715
Expenditures:				
Current:				
General Government	146,883	151,883	150,948	935
Public Safety	161,936	106,936	103,496	3,440
Highway & Streets	184,024	199,024	198,827	197
Municipal Court	64,745	64,745	106,312	(41,567)
Economic Development and Assistance	--	1,000	898	102
Community Center	5,150	26,150	25,229	921
Debt Service:				
Principal	--	18,500	18,016	484
Interest and Fiscal Charges	--	2,100	2,008	92
Capital Outlay:				
Buildings & Equipment	--	195,000	194,541	459
Total Expenditures	562,738	765,338	800,275	(34,937)
Excess (Deficiency) of Revenues Over (Under) Expenditures	(42,858)	(88,666)	45,112	133,778
Other Financing Sources (Uses):				
Loan Proceeds	--	93,449	93,449	--
Total Other Financing Sources (Uses)	--	93,449	93,449	--
Net Change in Fund Balances	(42,858)	4,783	138,561	133,778
Fund Balances - Beginning	178,296	178,296	178,296	--
Fund Balances - Ending	\$ 135,438	\$ 183,079	\$ 316,857	\$ 133,778



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

	Measurement Year Ended September 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
City's proportion of the net pension liability (asset)	-5.930%	-2.020%	7.250%	1.540%	9.370%	18.190%	11.940%	--	--	--
City's proportionate share of the net pension liability (asset)	\$ (29,619)	\$ (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	529,168	501,559	444,016	462,052	406,249	385,785	415,225	--	--	--
Total	\$ 499,549	\$ 491,623	\$ 481,341	\$ 469,269	\$ 448,058	\$ 471,558	\$ 471,532	\$ --	\$ --	\$ --
City's covered payroll	\$ 296,206	\$ 254,597	\$ 226,521	\$ 260,290	\$ 252,478	\$ 189,597	\$ 225,489	\$ --	\$ --	\$ --
City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-10.00%	-3.90%	16.48%	2.77%	16.56%	45.24%	24.97%	--	--	--
Plan fiduciary net position as a percentage of the total pension liability	105.93%	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 \***

	Fiscal Year Ended September 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 8,551	\$ 10,108	\$ 9,420	\$ 9,874	\$ 12,459	\$ 9,635	\$ 10,172	\$ --	\$ --	\$ --
Contributions in relation to the contractually required contribution	(8,551)	(10,108)	(9,420)	(9,874)	(12,459)	(9,635)	(10,172)	--	--	--
Contribution deficiency (excess)	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --	\$ --
City's covered payroll	\$ 312,097	\$ 296,206	\$ 254,597	\$ 226,521	\$ 260,290	\$ 252,478	\$ 189,597	\$ --	\$ --	\$ --
Contributions as a percentage of covered payroll	2.74%	3.41%	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**  
**NET PENSION LIABILITY AND RELATED RATIOS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM OF TEXAS**  
**LAST TEN FISCAL YEARS \***

	Measurement Year Ended September 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
<b>Total pension liability:</b>										
Service cost	\$ 20,409 \$	18,127 \$	15,947 \$	18,559 \$	17,270 \$	11,964 \$	16,307 \$	--	\$ --	--
Interest	32,723	32,035	31,422	30,027	31,492	31,790	31,604	--	--	--
Changes of benefit terms	--	--	--	--	--	--	--	--	--	--
Differences between expected and actual experience	(11,123)	(8,785)	(11,825)	(2,396)	(44,969)	(9,329)	(5,620)	--	--	--
Changes of assumptions	--	533	--	--	--	12,355	--	--	--	--
Benefit payments, including refunds of employee contributions	(34,083)	(31,628)	(23,472)	(24,979)	(27,293)	(46,754)	(28,182)	--	--	--
<b>Net change in total pension liability</b>	<b>7,926</b>	<b>10,282</b>	<b>12,072</b>	<b>21,211</b>	<b>(23,500)</b>	<b>26</b>	<b>14,109</b>	--	--	--
<b>Total pension liability - beginning</b>	<b>491,623</b>	<b>481,341</b>	<b>469,269</b>	<b>448,058</b>	<b>471,558</b>	<b>471,532</b>	<b>457,423</b>	--	--	--
<b>Total pension liability - ending (a)</b>	<b>\$ 499,549 \$</b>	<b>\$ 491,623 \$</b>	<b>\$ 481,341 \$</b>	<b>\$ 469,269 \$</b>	<b>\$ 448,058 \$</b>	<b>\$ 471,558 \$</b>	<b>\$ 471,532 \$</b>	--	\$ --	--
<b>Plan fiduciary net position:</b>										
Contributions - employer	\$ 9,099 \$	8,247 \$	8,223 \$	11,812 \$	9,394 \$	7,613 \$	12,260 \$	--	\$ --	--
Contributions - employee	14,810	12,730	11,326	13,014	12,624	9,480	11,274	--	--	--
Net investment income	38,039	68,594	(13,831)	56,261	26,049	613	22,722	--	--	--
Benefit payments, including refunds of employee contributions	(34,083)	(31,628)	(23,472)	(24,979)	(27,293)	(46,754)	(28,182)	--	--	--
Administrative expense	(246)	(388)	(267)	(292)	(294)	(373)	(237)	--	--	--
Other	(10)	(12)	(15)	(13)	(16)	(19)	(20)	--	--	--
<b>Net change in plan fiduciary net position</b>	<b>27,609</b>	<b>57,543</b>	<b>(18,036)</b>	<b>55,803</b>	<b>20,464</b>	<b>(29,440)</b>	<b>17,817</b>	--	--	--
<b>Plan fiduciary net position - beginning</b>	<b>501,559</b>	<b>444,016</b>	<b>462,052</b>	<b>406,249</b>	<b>385,785</b>	<b>415,225</b>	<b>397,408</b>	--	--	--
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 529,168 \$</b>	<b>\$ 501,559 \$</b>	<b>\$ 444,016 \$</b>	<b>\$ 462,052 \$</b>	<b>\$ 406,249 \$</b>	<b>\$ 385,785 \$</b>	<b>\$ 415,225 \$</b>	--	\$ --	--
<b>City's net pension liability - ending (a) - (b)</b>	<b>\$ (29,619) \$</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>Plan fiduciary net position as a percentage of the total pension liability</b>	<b>105.93%</b>	<b>102.02%</b>	<b>92.25%</b>	<b>98.46%</b>	<b>90.67%</b>	<b>81.81%</b>	<b>88.06%</b>	--	--	--
<b>Covered payroll</b>	<b>\$ 296,206 \$</b>	<b>\$ 254,597 \$</b>	<b>\$ 226,521 \$</b>	<b>\$ 260,290 \$</b>	<b>\$ 252,478 \$</b>	<b>\$ 189,597 \$</b>	<b>\$ 225,489 \$</b>	--	\$ --	--
<b>City's net pension liability as a percentage of covered payroll</b>	<b>-10.00%</b>	<b>-3.90%</b>	<b>16.48%</b>	<b>2.77%</b>	<b>16.56%</b>	<b>45.24%</b>	<b>24.97%</b>	--	--	--

**Notes to Schedule:**

\* 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**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2021**

#### **Budget**

The official budget was prepared for adoption for the General 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.

### *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, and each major fund of City of Trinidad, as of and for the year ended September 30, 2021, 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 February 28, 2022.

**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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2021-1 and 2021-2 to be material weaknesses.

## **Compliance and Other Matters**

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

## **City of Trinidad's Response to Findings**

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

## **Purpose of this Report**

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

Respectfully submitted,

*Anderson, Marx & Bohl, P.C.*

Anderson, Marx & Bohl, P.C.

Corsicana, Texas  
February 28, 2022

## CITY OF TRINIDAD

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED SEPTEMBER 30, 2021

#### A. Summary of Auditors' Results

##### 1. Financial Statements

Type of auditors' report issued:

Unmodified

Internal control over financial reporting:

One or more material weaknesses identified?   X   Yes        No

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

Noncompliance material to financial statements noted?        Yes   X   No

#### B. Financial Statement Findings

##### 2021-1 Material Adjustments

Condition: The City failed to post material adjustments.

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

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

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

Recommendation: The City should post all required adjustments to its financial statements.

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

##### 2021-2 Budget Overages

Condition: The City did not maintain proper budgeting controls over expenditures by exceeding its budget in Municipal Court by \$41,567 or 64%.

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

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

Cause: The City failed to properly amend its budget.

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

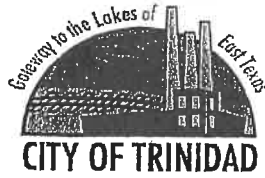
City's Response: The City will review existing procedures and adjust its budget accordingly.



**CITY OF TRINIDAD*****SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE YEAR ENDED SEPTEMBER 30, 2021***

<u>Finding/Recommendation</u>	<u>Current Status</u>	<u>Management's Explanation If Not Implemented</u>
-------------------------------	-----------------------	--

None noted



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

**CORRECTIVE ACTION PLAN  
FOR THE YEAR ENDED SEPTEMBER 30, 2021**

Terri Newhouse at phone number 903-778-2525 will be responsible for overseeing necessary adjustments for the City. This will be accomplished by September 30, 2022.

Terri Newhouse at phone number 903-778-2525 will be responsible for overseeing necessary budget amendments to prevent spending in excess of the budget. This will be accomplished by September 30, 2022.