

**CITY OF TRINIDAD**  
**ANNUAL FINANCIAL REPORT**  
*FOR THE YEAR ENDED SEPTEMBER 30, 2024*

## TABLE OF CONTENTS

	Page	Exhibit
<b>FINANCIAL SECTION</b>		
Independent Auditors' Report.....	1	
Management's Discussion and Analysis (Required Supplementary Information)...	4	
<b><u>Basic Financial Statements</u></b>		
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	
<b><u>Required Supplementary Information</u></b>		
Budgetary Comparison Schedules:		
General Fund.....	44	B-1
Schedule of City's Contributions in Pension - Texas Municipal Retirement		
System.....	45	B-2
Schedule of Changes in the City's Net Pension Liability and Related		
Ratios - Texas Municipal Retirement System.....	46	B-3
Schedule of Changes in the City's Net OPEB Liability and Related		
Ratios - Texas Municipal Retirement System.....	47	B-4
Notes to Required Supplementary Information.....	48	
<b>OVERALL COMPLIANCE AND INTERNAL CONTROL 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> .....	51	
Schedule of Findings and Responses .....	53	

## *Financial Section*

# **ANDERSON, MARX & BOHL, P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

**FRANK MARX, III, CPA  
DORI BOHL, CPA & CFE  
CALEB MARX, CPA**

## **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**

#### ***Opinions***

We have audited 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, 2024, and the related notes to the financial statements, which collectively comprise City of Trinidad's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements 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, 2024, 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.

#### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City of Trinidad and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Responsibilities of Management for the Financial Statements***

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Trinidad's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and the standards applicable to financial audits contained in *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of City of Trinidad's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about City of Trinidad's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the other required supplementary information, as listed 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 Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated April 25, 2025 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.

Corsicana, Texas

April 25, 2025



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, 2024. 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 \$2,575,164 on September 30, 2024.
- During the year, the City's primary government expenses on financial statement exhibit A-2 were \$58,156 more than the \$1,781,065 generated in taxes and other revenues for all activities.
- The total cost of the City's programs on financial statement exhibit A-5 decreased \$36,401 from last year. This was due primarily to decreased capital outlay expenditures during the year.
- The general fund reported a general fund balance this year on financial statement exhibit A-3 of \$123,646. The City began the current year with a fund balance in the amount of \$313,512.

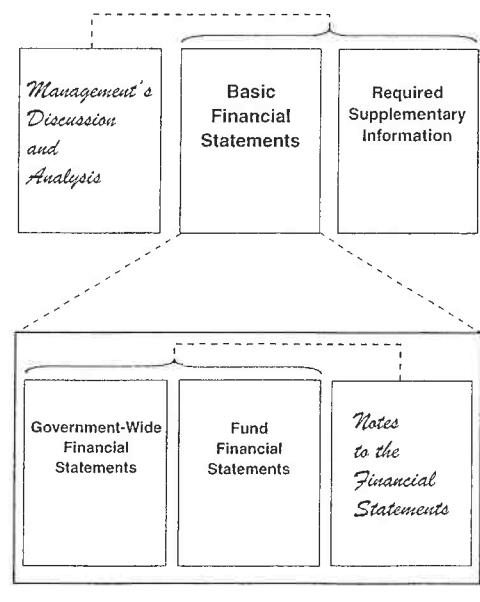
### OVERVIEW OF THE FINANCIAL STATEMENTS

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, deferred resource outflows, liabilities, and deferred resource inflows. 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, deferred resource outflows, liabilities, and deferred resource inflows—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 \$2.575 million on September 30, 2024. (See Table A-1).

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

	<u>2024</u>	<u>2023</u>	<u>Total Percentage Change 2024-2023</u>
Current assets:			
Cash and cash equivalents	.399	.575	-31
Receivables	.156	.124	26
Inventories	.000	.000	**
Total current assets	<u>.555</u>	<u>.699</u>	-21
Noncurrent assets:			
Land, furniture and equipment	7,807	7,559	3
Less accumulated depreciation	(4,420)	(4,242)	-4
Other assets	.212	.129	64
Total noncurrent assets	<u>3,599</u>	<u>3,446</u>	4
Total Assets	<u>4,154</u>	<u>4,145</u>	0
Deferred Outflows of Resources	<u>.066</u>	<u>.089</u>	-26
Current liabilities:			
Accounts payable and accrued liabilities	.052	.049	6
Consumer deposits	.092	.089	3
Due to other governments	.000	.000	**
Deferred revenue	.000	.000	**
Total current liabilities	<u>.144</u>	<u>.138</u>	4
Long-term liabilities:			
Noncurrent liabilities due in one year	.131	.122	7
Noncurrent liabilities due more than 1 yr	1,198	1,332	-10
Net pension liability	.000	.000	**
Total Liabilities	<u>1,473</u>	<u>1,592</u>	-7
Deferred Inflows of Resources	<u>.172</u>	<u>.009</u>	1811
Net Position:			
Net investment in capital assets	2,063	2,069	0
Restricted	.327	.450	-27
Unrestricted	.185	.114	62
Total Net Position	<u>2,575</u>	<u>2,633</u>	-2

The City has \$327,680 in restricted net position that represents \$193,899 for federal and state programs, \$127,263 funds available for debt service, and \$6,518 for a water and sewer reserve fund. The \$184,522 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 \$1,781,065. A portion, 36 percent, of the City's revenue comes from taxes, while 58 percent relates to charges for services.

The total cost of all programs and services was \$1,839,221; 49 percent of these costs are for governmental activities.

#### **Governmental Activities**

- Property tax revenue increased to \$349,296.
- The City's charges for services decreased to \$1,041,024.

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

	<u>2024</u>	<u>2023</u>	<u>% Ch</u>
Program Revenues:			
Charges for Services	1.041	1.043	0
Operating Grants and Contributions	.000	.000	**
General Revenues			
Taxes	.642	.575	12
Investment Earnings	.023	.022	5
Other	.075	.068	10
Total Revenues	<u>1.781</u>	<u>1.708</u>	4
General Government	.352	.331	6
Public Safety	.205	.230	-11
Highways and Streets	.282	.209	35
Culture and Recreation	.037	.048	-23
Sanitation	.000	.000	**
Water and Sewer	.941	.837	12
Grant Expenditures	.000	.000	**
Other	.022	.017	29
Total Expenses	<u>1.839</u>	<u>1.672</u>	17
Excess (Deficiency) Before Other Resources, Uses and Transfers:	(.058)	.036	-261
Transfers In (Out)	<u>.000</u>	<u>.000</u>	**
Increase (Decrease) in Net Position	<u>(.058)</u>	<u>.036</u>	-261

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 \$1.839 million.
- However, the amount that our taxpayers paid for these activities through property taxes was only \$.349 million.
- Some of the cost was paid by those who directly benefited from the programs \$1.041 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>2024</u>	<u>2023</u>		<u>2024</u>	<u>2023</u>	
General Government	.352	.331	6	.352	.331	6
Public Safety	.205	.230	-11	.099	.097	2
Highways and Streets	.282	.209	35	.282	.209	35

## FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Revenues from governmental fund types totaled \$.847 million, while the previous year it was \$.796 million. The increase was mainly a result of increased general sales and use tax. Revenues from proprietary funds totaled \$.935 million, while the previous year it was \$.909 million.

### General Fund Budgetary Highlights

Over the course of the year, the City revised its budget. Actual expenditures were still \$350,613 above final budget amounts. On the other hand, resources available were \$82,390 above the final budgeted amount due primarily to increased in general and sales and use tax revenue.

## CAPITAL ASSETS AND DEBT ADMINISTRATION

### Capital Assets

At the end of fiscal year 2024, the City had invested \$7,807,476 in a broad range of capital assets, including land, infrastructure, equipment, and buildings. (See Table A-4.) This amount represents a net change (including additions and deductions) of \$248,368 above last year.

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

	<u>2024</u>	<u>2023</u>	<u>Total Percentage Change 2024-2023</u>
Land	.122	.122	0
Construction in progress	.000	.537	**
Buildings and improvements	.737	.057	1193
Water and sewer system	5.683	5.658	0
Equipment	.825	.745	10
Leased Assets	.000	.000	**
Infrastructure	.440	.440	0
Totals at historical cost	<u>7.807</u>	<u>7.559</u>	<u>3</u>
Total accumulated depreciation	<u>(4.420)</u>	<u>(4.242)</u>	<u>-4</u>
Net capital assets	<u>3.387</u>	<u>3.317</u>	<u>2</u>

The City's fiscal year 2025 capital budget projects no significant activity 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 \$1.330 million in bonds, notes and net pension and OPEB liabilities 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>2024</u>	<u>2023</u>	<u>Total Percentage Change 2024-2023</u>
Bonds payable	.591	.667	-11
Notes payable	.727	.575	26
Net pension liability	.000	.197	**
Net OPEB liability	<u>.012</u>	<u>.015</u>	<u>-2</u>
Total long-term liabilities	<u>1.330</u>	<u>1.454</u>	<u>-9</u>

## 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 for the year ended December 31, 2023 may be obtained by contacting the EDC office.

### Capital Assets

At the end of calendar year 2023, the Trinidad EDC had invested \$375,564 in land and improvements. This amount represents an \$78,259 increase from last year.

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

	<u>2024</u>	<u>2023</u>	Total Percentage Change 2024-2023
Land	.171	.093	84
Improvements	.204	.204	0
Totals at historical cost	.375	.297	26
Total accumulated depreciation	(.095)	(.091)	-4
Net capital assets	<u>.280</u>	<u>.206</u>	36

## 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 2025.

## 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, 2024**

**EXHIBIT A-1**

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
<b>ASSETS</b>				
<i>Cash and Cash Equivalents</i>	\$ 292,268	\$ 106,935	\$ 399,203	\$ 308,560
<i>Receivables (net of allowances for uncollectibles)</i>	828	114,104	114,932	13,388
<i>Receivables (net) Taxes</i>	40,922	-	40,922	-
<i>Other Receivables</i>				
<i>    Current Portion</i>	-	-	-	8,758
<i>    Noncurrent Portion</i>	-	-	-	40,316
<i>Internal Balances</i>	(140,306)	140,306	-	-
<i>Net Pension Asset</i>	65,582	19,556	85,138	-
<i>Restricted Assets:</i>				
<i>Cash</i>	-	127,263	127,263	-
<i>Capital Assets (net of accumulated depreciation)</i>				
<i>Land</i>	96,136	26,100	122,236	171,257
<i>Buildings, Impr. &amp; Equipment, net</i>	826,027	2,438,776	3,264,803	108,885
<i>Construction in Progress</i>	-	-	-	-
<i>Total Assets</i>	<u>1,181,457</u>	<u>2,973,040</u>	<u>4,154,497</u>	<u>651,164</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
<i>Deferred Outflows Related to Pensions</i>	49,049	14,626	63,675	-
<i>Deferred Outflows Related to OPEB</i>	2,289	683	2,972	-
<i>Total Deferred Outflows of Resources</i>	<u>51,338</u>	<u>15,309</u>	<u>66,647</u>	<u>-</u>
<b>LIABILITIES</b>				
<i>Accounts Payable and Other Current Liabilities</i>	29,144	16,858	46,002	3,857
<i>Consumer Deposits</i>	-	92,319	92,319	-
<i>Accrued Interest Payable</i>	-	5,786	5,786	-
<i>Noncurrent Liabilities:</i>				
<i>    Due in one year</i>	40,902	90,580	131,482	3,192
<i>    Due in more than one year</i>	621,953	576,056	1,198,009	69,277
<i>Total Liabilities</i>	<u>691,999</u>	<u>781,599</u>	<u>1,473,598</u>	<u>76,326</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
<i>Deferred Inflows Related to Pensions</i>	124,003	36,977	160,980	-
<i>Deferred Inflows Related to OPEB</i>	8,783	2,619	11,402	-
<i>Deferred Inflows Related to Leases</i>	-	-	-	48,936
<i>Total Deferred Outflows of Resources</i>	<u>132,786</u>	<u>39,596</u>	<u>172,382</u>	<u>48,936</u>
<b>NET POSITION:</b>				
<i>Net Investment in Capital Assets</i>	267,936	1,795,026	2,062,962	207,673
<i>Restricted For:</i>				
<i>    Federal and State Programs</i>	193,899	-	193,899	-
<i>    Debt Service</i>	-	127,263	127,263	-
<i>    Reserve Fund</i>	-	6,518	6,518	-
<i>Unrestricted</i>	<u>(53,825)</u>	<u>238,347</u>	<u>184,522</u>	<u>318,229</u>
<i>Total Net Position</i>	<u>\$ 408,010</u>	<u>\$ 2,167,154</u>	<u>\$ 2,575,164</u>	<u>\$ 525,902</u>

The accompanying notes are an integral part of this statement.

**CITY OF TRINIDAD**  
**STATEMENT OF ACTIVITIES**  
**FOR THE YEAR ENDED SEPTEMBER 30, 2024**

Functions/Programs	Expenses	Program
		Revenues
<b>PRIMARY GOVERNMENT:</b>		
Governmental Activities:		
<i>General Government</i>	\$ 351,941	\$ -
<i>Public Safety</i>	205,352	106,241
<i>Highways &amp; Streets</i>	282,139	-
<i>Community Center</i>	37,100	-
<i>Interest and Fiscal Charges</i>	21,408	-
Total Governmental Activities	<u>897,940</u>	<u>106,241</u>
Business-type Activities:		
Water	941,281	934,783
Total Business-type Activities	<u>941,281</u>	<u>934,783</u>
Total Primary Government	<u>\$ 1,839,221</u>	<u>\$ 1,041,024</u>
<b>COMPONENT UNIT:</b>		
Economic Development Corporation	\$ <u>46,262</u>	\$ <u>-</u>

General Revenues:  
*Property Taxes*  
*Sales Taxes*  
*Franchise Taxes*  
*Investment Earnings*  
*Lease Income*  
*Miscellaneous*  
*Transfers*  
 Total General Revenues and Transfers  
 Change in Net Position  
 Net Position - Beginning  
 Net Position - Ending

The accompanying notes are an integral part of this statement.

**EXHIBIT A-2**

**Net (Expense) Revenue and Changes in Net Position**

Governmental Activities	Business-type Activities	Total	Component Unit
\$ (351,941)		\$ (351,941)	
(99,111)		(99,111)	
(282,139)		(282,139)	
(37,100)		(37,100)	
(21,408)		(21,408)	
<u>(791,699)</u>		<u>(791,699)</u>	
	\$ (6,498)	<u>(6,498)</u>	
	(6,498)	<u>(6,498)</u>	
<u>(791,699)</u>	<u>(6,498)</u>	<u>(798,197)</u>	
			\$ (46,262)
349,296	-	349,296	-
231,728	-	231,728	66,600
60,714	-	60,714	-
23,228	-	23,228	1,008
-	-	-	13,007
75,075	-	75,075	-
(42,943)	42,943	-	-
697,098	42,943	<u>740,041</u>	<u>80,615</u>
(94,601)	36,445	(58,156)	34,353
502,611	2,130,709	2,633,320	491,549
\$ 408,010	\$ 2,167,154	\$ 2,575,164	\$ 525,902

**CITY OF TRINIDAD**  
**BALANCE SHEET - GOVERNMENTAL FUNDS**  
**SEPTEMBER 30, 2024**

	<u>General Fund</u>
<b>ASSETS</b>	
Assets:	
<i>Cash and Cash Equivalents</i>	\$ 292,268
<i>Receivables (net of allowances for uncollectibles)</i>	828
<i>Property Taxes Receivable</i>	40,922
Total Assets	<u>\$ 334,018</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	
Liabilities:	
<i>Accounts Payable and Accrued Expenses</i>	\$ 29,144
<i>Due to Other Funds</i>	140,306
Total Liabilities	<u>169,450</u>
Deferred Inflow of Resources:	
<i>Unavailable Revenue-Property Taxes</i>	<u>40,922</u>
Total Deferred Inflow of Resources	<u>40,922</u>
Fund Balances:	
Restricted for:	
<i>Federal and State Programs</i>	193,899
Unassigned	(70,253)
Total Fund Balance	<u>123,646</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balance	<u>\$ 334,018</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, 2024**

Total fund balances - governmental funds balance sheet	\$ 123,646
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.	922,163
Property taxes receivable unavailable to pay for current period expenditures are deferred in the funds.	40,922
Payables for notes which are not due in the current period are not reported in the funds	(654,226)
Recognition of the City's net pension asset and OPEB liability is not reported in the funds.	56,953
Deferred Resource Inflows related to the pension plan and OPEB are not reported in the funds.	(132,786)
Deferred Resource Outflows related to the pension plan and OPEB are not reported in the funds.	51,338
Net position of governmental activities - Statement of Net Position	\$ <u>408,010</u>

The accompanying notes are an integral part of this statement.

**CITY OF TRINIDAD****EXHIBIT A-5**

*STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2024*

	General Fund
Revenue:	
<i>General Property Taxes</i>	\$ 349,950
<i>General Sales and Use Taxes</i>	231,728
<i>Franchise Taxes</i>	60,714
<i>Fines</i>	106,241
<i>Investment Earnings</i>	23,228
<i>Miscellaneous</i>	75,075
Total revenues	<u>846,936</u>
Expenditures:	
Current	
<i>General Government</i>	363,255
<i>Public Safety</i>	180,182
<i>Highway &amp; Streets</i>	271,176
<i>Municipal Court</i>	56,371
<i>Community Center</i>	36,235
Debt Service:	
<i>Principal</i>	49,795
<i>Interest and Fiscal Charges</i>	21,408
Capital Outlay:	
<i>Buildings &amp; Equipment</i>	144,464
Total Expenditures	<u>1,122,886</u>
Excess (Deficiency) of Revenues	
Over (Under) Expenditures	<u>(275,950)</u>
Other Financing Sources (Uses):	
<i>Loan Proceeds</i>	129,027
<i>Operating Transfers Out</i>	<u>(42,943)</u>
Total Other Financing Sources (Uses)	<u>86,084</u>
Net Change in Fund Balances	(189,866)
Fund Balances - Beginning	313,512
Fund Balances - Ending	<u>\$ 123,646</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, 2024*

Net change in fund balances - total governmental funds	\$ (189,866)
Amounts reported for governmental activities in the Statement of Activities ("SOA") are different because:	
Capital outlays are not reported as expenses in the SOA.	143,122
The depreciation of capital assets used in governmental activities is not reported in the funds.	(43,384)
Certain property tax revenues are deferred in the funds. This is the change in these amounts this year.	(653)
Repayment of loan principal is an expenditure in the funds but is not an expense in the SOA.	49,795
Proceeds of loans do not provide revenue in the SOA, but are reported as current resources in the funds.	(129,027)
Pension and OPEB contributions made after the measurement date but in current FY were de-expended and reduced NPL and NOPEBL.	<u>75,412</u>
Change in net position of governmental activities - Statement of Activities	\$ <u>(94,601)</u>

The accompanying notes are an integral part of this statement.

**CITY OF TRINIDAD**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**SEPTEMBER 30, 2024**

**EXHIBIT A-7**

	Enterprise Fund
	Water and Sewer Fund
<b>ASSETS:</b>	
Current Assets:	
<i>Cash and Cash Equivalents</i>	\$ 106,935
<i>Receivables ( net of allowances for uncollectibles)</i>	114,104
<i>Due from other funds</i>	140,306
Total Current Assets	<u>361,345</u>
Noncurrent Assets:	
<i>Restricted Cash, Cash Equivalents and Investments-</i>	
<i>Cash</i>	127,263
<i>Capital Assets:</i>	
<i>Land</i>	26,100
<i>Property, Plant and Equipment-Net</i>	2,438,776
<i>Net Pension Asset</i>	19,556
Total Noncurrent Assets	<u>2,611,695</u>
Total Assets	<u>2,973,040</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
<i>Deferred Outflows Related to Pensions</i>	14,626
<i>Deferred Outflows Related to OPEB</i>	683
Total Deferred Outflows of Resources	<u>15,309</u>
<b>LIABILITIES:</b>	
Current Liabilities:	
<i>Accounts payable</i>	16,858
<i>Consumer deposits</i>	92,319
<i>Accrued interest payable</i>	5,786
<i>Current Portion of Notes Payable</i>	14,580
Total Current Liabilities	<u>129,543</u>
Current Liabilities Payable from Restricted Assets-	
<i>Revenue Bonds Payable</i>	76,000
Total Current Liabilities Payable	<u>76,000</u>
From Restricted Assets	<u>76,000</u>
Noncurrent Liabilities Payable from Restricted Assets-	
<i>Revenue Bonds Payable</i>	515,000
<i>Notes Payable</i>	58,484
Noncurrent Liabilities	
<i>Net OPEB Liability</i>	2,572
Total Noncurrent Liabilities	<u>576,056</u>
Total Liabilities	<u>781,599</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
<i>Deferred Inflows Related to Pensions</i>	36,977
<i>Deferred Inflows Related to OPEB</i>	2,619
Total Deferred Outflows of Resources	<u>39,596</u>
<b>NET POSITION:</b>	
Net Investment in Capital Assets	1,795,026
Restricted For:	
<i>Debt Service</i>	127,263
<i>Reserve Fund</i>	6,518
<i>Unrestricted Net Position</i>	238,347
Total Net Position	<u>\$ 2,167,154</u>

The accompanying notes are an integral part of this statement.

**CITY OF TRINIDAD****STATEMENT OF REVENUES, EXPENSES, AND CHANGES  
IN FUND NET POSITION - PROPRIETARY FUNDS  
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

	Enterprise Fund
	Water and Sewer Fund
<b>OPERATING REVENUES:</b>	
<i>Water</i>	\$ 709,214
<i>Sewer</i>	134,842
<i>Sanitation</i>	72,730
<i>Miscellaneous</i>	17,997
Total Operating Revenues	<u>934,783</u>
<b>OPERATING EXPENSES:</b>	
<i>Personal Services</i>	83,983
<i>Contractual Services</i>	75,035
<i>Supplies &amp; Materials</i>	621,206
<i>Depreciation</i>	135,431
Total Operating Expenses	<u>915,655</u>
Operating Income (Loss)	<u>19,128</u>
<b>NON-OPERATING REVENUES (EXPENSES):</b>	
<i>Interest Expense &amp; Fees</i>	<u>(25,626)</u>
Total Non-operating Revenues (Expenses)	<u>(25,626)</u>
Income (Loss) before Transfers	<u>(6,498)</u>
Operating Transfers In	42,943
Change in Net Position	<u>36,445</u>
Total Net Position - Beginning	2,130,709
Total Net Position - Ending	<u>\$ 2,167,154</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, 2024**

	Enterprise Fund Water and Sewer Fund
<b>Cash Flows from Operating Activities:</b>	
Cash Received from Customers	\$ 904,778
Cash Payments to Employees for Services	(108,228)
Cash Payments to Other Suppliers for Goods and Services	(793,111)
Net Cash Provided (Used) by Operating Activities	<u>3,439</u>
<b>Cash Flows from Non-capital Financing Activities:</b>	
Transfers From (To) Other Funds	42,943
Net Cash Provided (Used) by Non-capital Financing Activities	<u>42,943</u>
<b>Cash Flows from Capital and Related Financing Activities:</b>	
Loan Proceeds	79,831
Principal Paid	(82,767)
Interest Paid	(25,626)
Net Cash Provided (Used) for Capital & Related Financing Activities	<u>(28,562)</u>
<b>Cash Flows from Investing Activities:</b>	
Acquisition or Construction of Capital Assets	(105,246)
(Increase) Decrease in Restricted Cash	1,733
Net Cash Provided (Used) for Investing Activities	<u>(103,513)</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<b>(85,693)</b>
<b>Cash and Cash Equivalents at Beginning of Year</b>	<b>192,628</b>
<b>Cash and Cash Equivalents at End of Year</b>	<b><u>106,935</u></b>
<b>Reconciliation of Operating Income to Net Cash</b>	
Provided by Operating Activities:	
Operating Income (Loss)	\$ 19,128
Adjustments to Reconcile Operating Income to Net Cash	
Provided by Operating Activities	
Depreciation	135,431
Change in Assets and Liabilities:	
Decrease (Increase) in Receivables	(33,433)
Decrease (Increase) in Due From Other Funds	(102,874)
Decrease (Increase) in Pension and OPEB Related Outflows	6,048
Increase (Decrease) in Accounts Payable	6,004
Increase (Decrease) in Consumer Deposits	3,428
Increase (Decrease) in Net Pension Liability	(66,767)
Increase (Decrease) in OPEB Liability	(1,090)
Increase (Decrease) in Pension and OPEB Related Inflows	37,564
Total Adjustments	<u>(15,689)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>3,439</u></u>

The accompanying notes are an integral part of this statement.

## **CITY OF TRINIDAD**

*NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2024*

### **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
- there is fiscal dependency by the organization on the City
- the exclusion of the organization would result in misleading or incomplete financial statements

The City also evaluated each legally separate, tax-exempt organization whose resources are used principally to provide support to the City to determine if its omission from the reporting entity would result in financial statements which are misleading or incomplete. GASB requires inclusion of such an organization as a component unit when: 1) The economic resources received or held by the organization are entirely or almost entirely for the direct benefit of the City, its component units or its constituents; and 2) The City or its component units is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the organization; and 3) Such economic resources are significant to the City.

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, 2023 are included in this report.

#### **2. Basis of Presentation, Basis of Accounting**

##### **a. Basis of Presentation**

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

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

## **CITY OF TRINIDAD**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2024**

grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

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

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

The City reports the following major governmental funds:

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

The City reports the following major enterprise funds:

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

#### **b. Measurement Focus, Basis of Accounting**

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

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

## **CITY OF TRINIDAD**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2024**

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 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.

##### **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:

**CITY OF TRINIDAD**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2024

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Infrastructure	10-20
Buildings	40
Building Improvements	4-50
Equipment and Vehicles	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 were no allowances reported at September 30, 2024.

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.

**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.

## CITY OF TRINIDAD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2024

Committed Fund Balance - represents amounts that can only be used for a specific purpose because of a formal action by the City's 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. Net Position

Net position in the government-wide financial statements is classified as Net Investment in Capital Assets, Restricted, and Unrestricted. Net Investment in Capital Assets consists of capital assets, net of accumulated depreciation, and reduced by outstanding debt attributed to the acquisition of these assets. Restricted Net Position consists of assets and deferred resource outflows, net of any related liabilities and deferred resource inflows, which have had restrictions imposed on them by external creditors, grantors, contributors, or laws or regulations of other governments or laws through constitutional provisions or enabling legislations. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first then unrestricted resources, as they are needed. Unrestricted Net Position consists of amounts that do not meet the definition of Net Investment in Capital Assets or Restricted Net Position.

#### j. 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 and deferred resource outflows, liabilities and deferred resource inflows, revenue and expenditures, expenses, and other disclosures. Accordingly, actual results could differ from those estimates.

## **CITY OF TRINIDAD**

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

### **k. Deferred Outflows and Inflows of Resources**

In addition to assets, the statement 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 outflow 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 statement of financial position will sometimes report a separate section for deferred inflows of resources. The 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.

### **I. 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. Compensated absences are not recorded in the financial statements until such payment is expended.

## **4. Implementation of New Standards**

In the current fiscal year, the City implemented the following standards. The applicable provisions of the new standards are summarized below. There is no current year impact to the City.

### **GASB Statement No. 99, *Omnibus 2022***

The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

- Classification and reporting of derivative instruments that do not meet the definition of either an investment or a hedge
- Guidance clarification for short-term leases when there is a modification of terms
- Considerations for public-private partnerships (PPP) terminology as well as recognizing installment payments and transferring underlying PPP assets
- Clarifications of subscription-based information technology arrangement (SBITA) terms, and liability measurement and recognition
- Disclosures related to nonmonetary transactions
- Certain provisions of GASB Statement No. 34
- Pledges of future revenues when resources are not received by the pledging government
- Terminology updates related to deferred inflows and outflows of resources and net position
- Resource flows statements terminology related to GASB Statement No. 53
- Accounting for SNAP distributions
- Requirements related to the extension of the use of LIBOR

## CITY OF TRINIDAD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2024

The requirements of GASB Statement No. 99 that relate to the extension of the use of LIBOR, accounting for SNAP distributions, disclosures for nonmonetary transactions, pledges of future revenues by pledging governments, clarifications of certain provisions in Statement 34, and terminology updates took effect upon issuance.

The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.

The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The City implemented this Statement during the current year, with no significant impact.

#### *GASB Statement No. 100, Accounting Changes and Error Corrections - An Amendment of GASB Statement No. 62*

The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability.

This Statement requires disclosure in notes to financial statements of descriptive information about accounting changes and error corrections, such as their nature. In addition, information about the quantitative effects on beginning balances of each accounting change and error correction should be disclosed by reporting unit in a tabular format to reconcile beginning balances as previously reported to beginning balances as restated. Furthermore, this Statement addresses how information that is affected by a change in accounting principle or error correction should be presented in required supplementary information (RSI) and supplementary information (SI). For periods that are earlier than those included in the basic financial statements, information presented in RSI or SI should be restated for error corrections, if practicable, but not for changes in accounting principles.

The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The City implemented Statement No. 100 for the current year, with no significant impact.

#### Future Pronouncements

The City is currently evaluating the potential impact related to the implementation of the following GASB Statements, scheduled to become effective in fiscal years 2025 and 2026:

#### *Statement No. 101, Compensated Absences*

This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability for certain types of compensated absences - including parental leave, military leave, and jury duty leave - should not be recognized until the leave commences. A liability for specific types of compensated absences should not be recognized until the leave is used.

This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. A liability

## CITY OF TRINIDAD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2024

for leave that has been used but not yet paid or settled should be measured at the amount of the cash payment or noncash settlement to be made. Certain salary-related payments that are directly and incrementally associated with payments for leave also should be included in the measurement of the liabilities. With respect to financial statements prepared using the current financial resources measurement focus, this Statement requires that expenditures be recognized for the amount that normally would be liquidated with expendable available financial resources.

This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and for all reporting periods thereafter.

#### GASB Statement No. 102, *Certain Risk Disclosures*

This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued.

If a government determines that those criteria for disclosure have been met for a concentration or constraint, it should disclose information in notes to the financial statements in sufficient detail to enable users of financial statements to understand the nature of the circumstances disclosed and the government's vulnerability to the risk of a substantial impact. The disclosure should include descriptions of the following:

- The concentration or constraint
- Each event associated with the concentration or constraint that could cause a substantial impact if the event had occurred or had begun to occur prior to the issuance of the financial statements
- Actions taken by the government prior to the issuance of the financial statements to mitigate the risk

The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and for all reporting periods thereafter.

## 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:

**CITY OF TRINIDAD**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2024

<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, 2024, the carrying amount of the City's deposits (cash, certificates of deposit, and interest-bearing savings accounts included in temporary investments) was \$526,466 and the bank balance was \$592,865. The City's cash deposits at September 30, 2024 were entirely covered by FDIC insurance or by pledged collateral held by the City's agent bank in the City's name.

**Investments:**

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

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

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

The City had no investments at September 30, 2024.

## **CITY OF TRINIDAD**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2024**

#### 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, 2024, the City's investments, other than those which are obligations of or guaranteed by the U.S. Government, have no credit risk.

b. Custodial Credit Risk

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

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

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

c. Concentration of Credit Risk

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

d. Interest Rate Risk

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

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

**CITY OF TRINIDAD**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2024

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, 2024, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 96,136	\$ -	\$ -	\$ 96,136
Construction in Progress	536,687	143,122	679,809	-
Total capital assets not being depreciated	<u>632,823</u>	<u>143,122</u>	<u>679,809</u>	<u>96,136</u>
<i>Capital assets being depreciated:</i>				
Infrastructure	440,236	-	-	440,236
Buildings and improvements	57,268	679,809	-	737,077
Equipment and Vehicles	479,952	-	-	479,952
Total capital assets being depreciated	<u>977,456</u>	<u>679,809</u>	<u>-</u>	<u>1,657,265</u>
Less accumulated depreciation for:				
Infrastructure	(440,236)	-	-	(440,236)
Buildings and improvements	(57,268)	(5,665)	-	(62,933)
Equipment and Vehicles	(290,350)	(37,719)	-	(328,069)
Total accumulated depreciation	<u>(787,854)</u>	<u>(43,384)</u>	<u>-</u>	<u>(831,238)</u>
Total capital assets being depreciated, net	<u>189,602</u>	<u>636,425</u>	<u>-</u>	<u>826,027</u>
Governmental activities capital assets, net	\$ <u>822,425</u>	\$ <u>779,547</u>	\$ <u>679,809</u>	\$ <u>922,163</u>

## CITY OF TRINIDAD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Beginning Balances	Increases	Transfers & Decreases	Ending Balances
<b>Business-type activities:</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 26,100	\$ -	\$ -	\$ 26,100
Total capital assets not being depreciated	<u>26,100</u>	<u>-</u>	<u>-</u>	<u>26,100</u>
<i>Capital assets being depreciated:</i>				
Water and Sewer System	5,657,654	25,415	-	5,683,069
Equipment	<u>265,075</u>	<u>79,831</u>	<u>-</u>	<u>344,906</u>
Total capital assets being depreciated	<u>5,922,729</u>	<u>105,246</u>	<u>-</u>	<u>6,027,975</u>
Less accumulated depreciation for:				
Water and Sewer System	(3,266,241)	(109,055)	-	(3,375,296)
Equipment	<u>(187,527)</u>	<u>(26,376)</u>	<u>-</u>	<u>(213,903)</u>
Total accumulated depreciation	<u>(3,453,768)</u>	<u>(135,431)</u>	<u>-</u>	<u>(3,589,199)</u>
Total capital assets being depreciated, net	<u>2,468,961</u>	<u>(30,185)</u>	<u>-</u>	<u>2,438,776</u>
Business-type activities capital assets, net	\$ <u>2,495,061</u>	\$ <u>(30,185)</u>	\$ <u>-</u>	\$ <u>2,464,876</u>
 <b>Component Unit-EDC</b>				
<i>Capital assets not being depreciated:</i>				
Land	\$ 92,998	\$ 78,259	\$ -	\$ 171,257
Total capital assets not being depreciated	<u>92,998</u>	<u>78,259</u>	<u>-</u>	<u>171,257</u>
<i>Capital assets being depreciated:</i>				
Improvements	204,307	-	-	204,307
Total capital assets being depreciated	<u>204,307</u>	<u>-</u>	<u>-</u>	<u>204,307</u>
Less accumulated depreciation for:				
Improvements	(90,789)	(4,633)	-	(95,422)
Total accumulated depreciation	<u>(90,789)</u>	<u>(4,633)</u>	<u>-</u>	<u>(95,422)</u>
Total capital assets being depreciated, net	<u>113,518</u>	<u>(4,633)</u>	<u>-</u>	<u>108,885</u>
Component Unit-EDC activities capital assets, net	\$ <u>206,516</u>	\$ <u>73,626</u>	\$ <u>-</u>	\$ <u>280,142</u>

Governmental depreciation was charged to functions as follows:

General Government	\$ 20,527
Public Safety	11,029
Highways and Streets	10,963
Community Center	865
	\$ <u>43,384</u>

## CITY OF TRINIDAD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2024

### E. Interfund Balances and Activity

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

At September 30, 2024, the General Fund reported an amount of \$140,306 due to the Water and Sewer Fund, to reimburse expenditures.

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

There were transfers of \$42,943 from the General Fund to the Water & Sewer Fund at September 30, 2024.

### 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, 2024, are as follows:

	Beginning Balance				Ending Balance	Amounts Due Within One Year
		Increases	Decreases			
<u>Governmental activities:</u>						
Notes from direct borrowings and direct placements	\$ 574,995	\$ 129,027	\$ (49,795)	\$ 654,227	\$ 40,902	
Net Pension Liability	149,501	-	(149,501)	-	-	
Net OPEB Liability	11,599	-	(2,971)	8,628	-	
Total governmental activities	\$ <u>736,095</u>	\$ <u>129,027</u>	\$ <u>(202,267)</u>	\$ <u>662,855</u>	\$ <u>40,902</u>	

#### Notes from Direct Borrowings and Direct Placements

Bank loans used to purchase police vehicles payable monthly in the amount of \$2,086 at the rate of 3.16% and the balance at September 30, 2024 is \$14,161. The vehicle serves as collateral and in the event of default the remaining balance plus any accrued interest will become immediately due and payable.

Loan used to purchase tractor payable monthly in the amount of \$63,530 at the rate of 3.99% and the balance at September 30, 2024 is \$33,298. The tractor serves as collateral and in the event of default the remaining balance plus any accrued interest will become immediately due and payable.

Bank loan in the amount of \$500,000 used to construct new city hall payable monthly in the amount of \$2,672 at the rate of 5.00% and the balance at September 30, 2024 is \$480,367. Real Estate serves as collateral and in the event of default the remaining balance plus any accrued interest will become immediately due and payable.

Bank loan in the amount of \$129,027 used to construct a parking lot payable monthly in the amount of \$1,149 at the rate of 6.75% and the balance at September 30, 2024 is \$126,401. Real Estate serves as collateral and in the event of default the remaining balance plus any accrued interest will become immediately due and payable.

## CITY OF TRINIDAD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Beginning Balance				Ending Balance		Amounts Due Within One Year
<b><u>Business-type activities:</u></b>							
Revenue Bonds	\$ 667,000	\$ -	\$ (76,000)	\$ 591,000	\$ 76,000		
Notes from direct borrowings and direct placements	-	79,831	(6,767)	73,064		14,580	
Net Pension Liability	47,211	-	(47,211)	-			
Net OPEB Liability	3,662	-	(1,090)	2,572			
Total business-type activities	\$ <u>717,873</u>	\$ <u>79,831</u>	\$ <u>(131,068)</u>	\$ <u>666,636</u>	\$ <u>90,580</u>		

#### Notes from Direct Borrowings and Direct Placements

Bank loan used to purchase a vehicle payable monthly in the amount of \$1,547 at the rate of 5.92% and the balance at September 30, 2024 is \$73,064. The vehicle serves as collateral and in the event of default the remaining balance plus any accrued interest will become immediately due and payable.

#### Bonds

\$285,000 Bonds issued in 1987 to improve the Trinidad waterworks system and have a balance of \$11,000 at September 30, 2024. The bonds carry an interest rate of 5.75% and due in yearly installments of \$6,000 to \$17,000. The maturity date is 2025.

\$322,000 Bonds issued in 1987 to improve the Trinidad waterworks system and have a balance of \$18,000 at September 30, 2024. The bonds carry an interest rate of 5.75% and due in yearly installments of \$7,000 to \$18,000. The maturity date is 2025.

\$486,000 Series Bonds issued in 2000 to improve the Trinidad waterworks system and have a balance of \$208,000 at September 30, 2024. The bonds carry an interest rate of 4.50% and due in yearly installments of \$12,000 to \$13,000. The maturity date is 2040.

\$140,000 Series Bonds issued in 2001 to improve the Trinidad waterworks system and have a balance of \$69,000 at September 30, 2024. The bonds carry an interest rate of 4.50% and due in yearly installments of \$3,000 to \$5,000. The maturity date is 2040.

\$250,000 Series Bonds issued in 2007 to improve the Trinidad waterworks system and have a balance of \$170,000 at September 30, 2024. The bonds carry an interest rate of 2.75% to 3.25% and due in yearly installments of \$5,000 to \$15,000. Bonds of \$30,000 of the total were issued in fiscal year 2010. The maturity date is 2037.

\$400,000 Series Bonds issued in 2007 to improve the Trinidad waterworks system and have a balance of \$115,000 at September 30, 2024. The bonds carry an interest rate of 0.00% and due in yearly installments of \$15,000 to \$45,000. The maturity date is 2027.

**CITY OF TRINIDAD**

*NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2024*

2. Debt Service Requirements

Year Ending September 30,	Governmental Activities-Notes		
	Principal	Interest	Total
2025	\$ 40,902	\$ 29,334	\$ 70,236
2026	28,812	27,890	56,702
2027	22,172	29,343	51,515
2028	14,460	33,476	47,936
2029	15,573	32,363	47,936
2030-2034	96,186	143,496	239,682
2035-2039	129,146	102,601	231,747
2040-2044	91,670	68,669	160,339
2045-2049	118,419	41,917	160,336
2050-2054	96,887	9,357	106,244
Totals	\$ <u>654,227</u>	\$ <u>518,446</u>	\$ <u>1,172,673</u>

Year Ending September 30,	Business-type Activities					
	Bonds		Notes			Total
	Principal	Interest	Principal	Interest		
2025	\$ 76,000	\$ 20,170	\$ 14,580	\$ 3,987	\$ 114,737	
2026	72,000	17,480	15,480	3,088	108,048	
2027	72,000	16,370	16,435	2,133	106,938	
2028	27,000	15,257	17,446	1,122	60,825	
2029	32,000	14,051	9,123	160	55,334	
2030-2034	160,000	50,640	-	-	210,640	
2035-2039	134,000	18,637	-	-	152,637	
2040-2044	18,000	810	-	-	18,810	
Totals	\$ <u>591,000</u>	\$ <u>153,415</u>	\$ <u>73,064</u>	\$ <u>10,490</u>	\$ <u>827,969</u>	

Component Unit

1. Long-Term Obligation Activity

Long-term obligations include debt and other long-term liabilities. Changes in long-term obligations for the year ended December 31, 2023, are as follows:

**CITY OF TRINIDAD**

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2024

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>Governmental activities:</b>					
Notes from direct borrowings					
and direct placements	\$ -	\$ 75,000	\$ (2,531)	\$ 72,469	\$ 3,192
Total governmental activities	\$ -	\$ 75,000	\$ (2,531)	\$ 72,469	\$ 3,192

Notes from Direct Borrowings and Direct Placements

Bank loans used to purchase land payable monthly in the amount of \$675 at the rate of 6.50% beginning March 28, 2023 and the balance at December 31, 2023 is \$72,469. The land serves as collateral and in the event of default the remaining balance plus any accrued interest will become immediately due and payable.

2. Debt Service Requirements

Year Ending December 31,	Governmental Activities-Direct Borrowings		
	Principal	Interest	Total
2024	\$ 3,192	\$ 4,694	\$ 7,886
2025	3,422	4,463	7,885
2026	3,655	4,231	7,886
2027	3,903	3,982	7,885
2028	3,769	4,807	8,576
2029-2033	24,272	19,297	43,569
2034-2038	30,256	6,050	36,306
Totals	\$ 72,469	\$ 47,524	\$ 119,993

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 2024, the City obtained general liability coverage at a cost that is considered to be economically justifiable by joining together with other governmental entities in the State as a member of the Texas Municipal League Intergovernmental Risk Pool ("TML"). TML is a self-funded pool operating as a common risk management and insurance program. The City pays an annual premium to TML for its above insurance coverage. The agreement for the formation of TML provides that TML will be self-sustaining through member premiums and will reinsurance through commercial companies for claims in excess of acceptable risk levels; however, each category of coverage has its own level of reinsurance. The City continues to carry commercial insurance for other risks of loss. There were no significant reductions in commercial insurance coverage in the past fiscal year and settled claims resulting from these risks have not exceeded coverage in any of the past three fiscal years.

## **CITY OF TRINIDAD**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2024**

#### **H. Pension Plan**

##### **1. Plan Description**

The City participates as one of 936 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's 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, 2023 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	6
Active employees	7
Total covered employees	<u>18</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.

Employees for the City were required to contribute 7.0% of their annual gross earnings during the fiscal year. The contribution rates for the City were 15.13% and 16.58% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the years ended September 30, 2024, 2023 and 2022 were \$59,162, \$41,868 and \$19,644, and were equal to the required contributions.

## CITY OF TRINIDAD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2024

#### 4. Net Pension Liability

The City's Net Pension Liability (NPL) was measured as of December 31, 2023, 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, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.60% to 11.85% per year, including inflation
Investment rate of return	6.75%

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 both male and female rates multiplied by 107.5%. 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, 2023, valuation were developed primarily from the actuarial investigation of the experience of TMRS over the four-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) until 2027 are based on the Mortality Experience Investigation Study performed in 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:

Asset Class	Target Allocation
Global Equities	35%
Core Fixed Income	6%
Non-Core Fixed Income	20%

## CITY OF TRINIDAD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2024

Real Estate	12%
Real Return	12%
Absolute Return	5%
Private Equity	10%
<b>Total</b>	<b>100%</b>

#### 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 12/31/2022	\$ 751,161	\$ 554,449	\$ 196,712
Changes for the year			
Service cost	49,866	-	49,866
Interest	50,790	-	50,790
Change of benefit terms	-	-	-
Difference between expected and actual experience	(239,628)	-	(239,628)
Changes of assumptions	(12,819)	-	(12,819)
Contributions - employer	-	44,799	(44,799)
Contributions - employee	-	21,627	(21,627)
Net investment income	-	64,044	(64,044)
Benefit payments, including refunds of employee contributions	(47,296)	(47,296)	-
Administrative expense	-	(408)	408
Other changes	-	(3)	3
Net changes	<u>(199,087)</u>	<u>82,763</u>	<u>(281,850)</u>
Balance at 12/31/2023	<u>\$ 552,074</u>	<u>\$ 637,212</u>	<u>\$ (85,138)</u>

#### 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	\$ (27,167)	\$ (85,138)	\$ (134,056)

## CITY OF TRINIDAD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2024

### Pension Plan Fiduciary Net Position

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

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

For the year ended September 30, 2024, the City recognized pension expense of \$(40,430).

At September 30, 2024, 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	\$ 3,580	\$ 152,806
Changes in actuarial assumptions	-	8,174
Difference between projected and actual investment earnings	14,279	-
Contributions subsequent to the measurement date	45,816	-
 Total	 \$ 63,675	 \$ 160,980

\$45,816 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, 2025. Other amounts reported as deferred outflows and inflows of resources related to pensions will be recognized in pension expense as follows:

#### Year ended Sept. 30:

2025	\$ (84,123)
2026	\$ (64,912)
2027	\$ 11,237
2028	\$ (5,323)
Thereafter	\$ -

#### I. Postemployment Benefits other than Pensions (OPEB)

Texas Municipal Retirement System (“TMRS”) administers a defined benefit group-term life insurance plan known as the Supplemental Death Benefits Fund (“SDBF”). This is a voluntary program in which

## CITY OF TRINIDAD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2024

participating member cities may elect, by ordinance, to provide group-term life insurance coverage for their active members, including or not including retirees.

The City contributes to the SDBF at a contractually required rate as determined by an annual actuarial valuation. The rate is equal to the cost of providing one-year term life insurance. The funding policy for the SDBF program is intended to assure that adequate resources are available to meet all death benefit payments for the upcoming year. The intent is not to pre-fund retiree term life insurance during employees' entire careers.

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

#### Benefits Provided

The death benefit for active employees provides a lump-sum payment approximately equal to the employee's annual salary (calculated based on the employee's actual earnings for the 12-month period preceding the month of death). The death benefit for retirees is considered an other postemployment benefit (OPEB) and a fixed amount of \$7,500. As the SDBF covers both active and retiree participants, with no segregation of assets, the SDBF is considered to be an unfunded OPEB plan (i.e. no assets are accumulated).

Employees for the City were required to contribute .69% of their annual gross earnings during the fiscal year. The contribution rates for the City were .26% and .29% in calendar years 2023 and 2024, respectively. The City's contributions to TMRS for the year ended September 30, 2024 and 2023 were \$2,462 and \$1,652 and were equal to the required contributions.

Employees covered by benefit terms:

At the December 31, 2023 valuation and measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	1
Inactive employees entitled to but not yet receiving benefits	0
Active employees	7
Total covered employees	8

#### 1. Net OPEB Liability

The City's Net OPEB Liability (NOPEBL) was measured as of December 31, 2023, and the Total OPEB Liability (TOPEBL) used to calculate the Net OPEB Liability was determined by an actuarial valuation as of that date.

Actuarial assumptions:

The Total OPEB Liability in the December 31, 2023 actuarial valuation was determined using the following actuarial assumptions:

Inflation	2.50% per year
Overall payroll growth	3.60% to 11.85% including inflation per year
Investment rate of return	3.77%, net of OPEB plan investment expense, including inflation

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the period December 31, 2015 to December 31, 2019.

## CITY OF TRINIDAD

NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED SEPTEMBER 30, 2024

Changes in Net OPEB Liability	<u>Increase (Decrease)</u>	
	Total OPEB	Liability
Balance at 12/31/2022	\$ 15,261	
Changes for the year		
Service cost	1,545	
Interest	633	
Change of benefit terms	-	
Difference between expected and actual experience	(5,854)	
Changes of assumptions	419	
Contributions - employer	-	
Contributions - employee	-	
Net investment income	-	
Benefit payments, including refunds of employee contributions	(803)	
Administrative expense	-	
Other changes	-	
Net changes	<u>(4,060)</u>	
Balance at 12/31/2023	<u>\$ 11,201</u>	

### Sensitivity of the Total OPEB liability to changes in the discount rate

The following presents the total OPEB liability of the City, calculated using the discount rate of 3.77%, as well as what the City's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.77%) or 1-percentage-point higher (4.77%) than the current rate.

	<u>1% Decrease in Discount Rate</u>	<u>Discount Rate</u>	<u>1% Increase in Discount Rate</u>
City's total OPEB liability	\$ 12,536	\$ 11,201	\$ 10,102

### OPEB Plan Fiduciary Net Position

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

2. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended September 30, 2024, the City recognized OPEB expense of \$163.

## CITY OF TRINIDAD

### NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2024

At September 30, 2024, the City reported deferred outflows of resources and deferred inflows of resources related to OPEBs from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual economic experience	\$ -	\$ 8,412
Changes in actuarial assumptions	1,065	2,990
Difference between projected and actual investment earnings	-	-
Contributions subsequent to the measurement date	<u>1,907</u>	-
 Total	 <u>\$ 2,972</u>	 <u>\$ 11,402</u>

\$1,907 reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability for the year ending September 30, 2025. Other amounts reported as deferred outflows and inflows of resources related to OPEBs will be recognized in OPEB expense as follows:

Fiscal Year ended Sept. 30:	
2025	\$ (2,233)
2026	\$ (2,414)
2027	\$ (2,448)
2028	\$ (2,099)
2029	\$ (952)
Thereafter	\$ (191)

#### J. Health Care Coverage

During the year ended September 30, 2024, employees of the City were covered by a health insurance plan (the Plan). The City paid premiums of \$827 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, 2024, 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, 2024, have been filed with the Texas State Board of Insurance, Austin, Texas, and are public records.

#### K. 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 collectability 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

## **CITY OF TRINIDAD**

### **NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED SEPTEMBER 30, 2024**

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, 2024.

#### **3. Commitments**

The City has approved to use a grant management firm for grant applications in the coming year.

#### **L. Land Lease Revenue**

The Corporation has 28.12 acres of land in Henderson County. A lease agreement allows a small portion of the land to be granted access and/or utility easements. The agreement was executed in August 2003 and renews every five years until 2038 absent sixty days' notice of intention to terminate. At the end of the last renewal term, the agreement continues for an additional five years and for five-year terms thereafter until terminated by either party. The five year term lease agreement under GASB 87 includes a total receivable of \$51,511 at inception and requires monthly installments of \$1,049 at an interest rate of 8.5%. The financial statements as of and for the year ended December 31, 2023 include \$49,074 in lease receivables, \$2,576 lease revenue and \$710 interest income related to the agreement. The current lease term ends September 30, 2028.

Future lease revenue maturity schedule reported as deferred resource inflows is as follows:

	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 10,302	\$ 3,835	\$ 14,137
2025	10,302	3,061	13,363
2026	10,302	2,219	12,521
2027	10,302	1,302	11,604
2028	7,728	325	8,053
	<b>\$ 48,936</b>	<b>\$ 10,742</b>	<b>\$ 59,678</b>

#### **M. Budget Overages**

The City exceeded its line item expenditures budget in several areas during the fiscal year. The total overage was \$350,613 or 45%.

## *Required Supplementary Information*

Required supplementary information includes financial information and disclosures required by 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, 2024**

**EXHIBIT B-1**

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
<b>Revenue:</b>				
<b>Taxes:</b>				
General Property Taxes	\$ 334,896	\$ 344,204	\$ 349,950	\$ 5,746
General Sales and Use Taxes	191,000	191,000	231,728	40,728
Franchise Taxes	72,000	72,000	60,714	(11,286)
Charges for Services	5,675	5,675	-	(5,675)
Fines	134,000	99,232	106,241	7,009
Investment Earnings	-	-	23,228	23,228
Miscellaneous	52,435	52,435	75,075	22,640
<b>Total revenues</b>	<b>790,006</b>	<b>764,546</b>	<b>846,936</b>	<b>82,390</b>
<b>Expenditures:</b>				
General Government	128,675	141,050	363,255	(222,205)
Public Safety	218,297	231,372	180,182	51,190
Highway & Streets	230,524	239,353	271,176	(31,823)
Municipal Court	102,981	102,981	56,371	46,610
Community Center	6,707	6,707	36,235	(29,528)
<b>Debt Service:</b>				
Principal	-	-	49,795	(49,795)
Interest and Fiscal Charges	-	-	21,408	(21,408)
<b>Capital Outlay</b>				
Buildings & Equipment	50,810	50,810	144,464	(93,654)
<b>Total Expenditures</b>	<b>737,994</b>	<b>772,273</b>	<b>1,122,886</b>	<b>(350,613)</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	52,012	(7,727)	(275,950)	(268,223)
<b>Other Financing Sources (Uses):</b>				
Loan Proceeds	-	-	129,027	129,027
Operating Transfers Out	(12,000)	-	(42,943)	(42,943)
<b>Total Other Financing Sources (Uses)</b>	<b>(12,000)</b>	<b>-</b>	<b>86,084</b>	<b>86,084</b>
Net Change in Fund Balances	40,012	(7,727)	(189,866)	(182,139)
<b>Fund Balances - Beginning</b>	<b>313,512</b>	<b>313,512</b>	<b>313,512</b>	<b>-</b>
<b>Fund Balances - Ending</b>	<b>\$ 353,524</b>	<b>\$ 305,785</b>	<b>\$ 123,646</b>	<b>\$ (182,139)</b>

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

EXHIBIT B-2

	Fiscal Year Ended September 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 59,162	\$ 41,868	\$ 19,644	\$ 8,551	\$ 10,108	\$ 9,420	\$ 9,874	\$ 12,459	\$ 9,635	\$ 10,172
Contributions in relation to the actuarially determined contribution	(59,162)	(41,868)	(19,644)	(8,551)	(10,108)	(9,420)	(9,874)	(12,459)	(9,635)	(10,172)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
City's covered payroll	\$ 364,539	\$ 291,032	\$ 303,629	\$ 312,097	\$ 296,206	\$ 254,597	\$ 226,521	\$ 260,290	\$ 252,478	\$ 189,597
Contributions as a percentage of covered payroll	16.23%	14.39%	6.47%	2.74%	3.41%	3.70%	4.36%	4.79%	3.82%	-

\* 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**  
**LAST TEN FISCAL YEARS \***

**EXHIBIT B-3**

	Plan Year Ended December 31.					
	2023	2022	2021	2020	2019	2018
Total pension liability:						
Service cost	\$ 49,866	\$ 48,249	\$ 49,615	\$ 20,409	\$ 18,127	\$ 15,947
Interest	50,790	46,780	41,481	32,723	32,035	31,422
Changes of benefit terms	-	-	105,502	-	-	30,027
Differences between expected and actual experience						
Changes of assumptions						
Benefit payments, including refunds of employee contributions						
(239,628)	11,626	27,825	(11,123)	(8,785)	(11,825)	(2,396)
(12,819)	-	-	-	533	-	(44,969)
(47,296)	(48,802)	(30,664)	(34,083)	(31,628)	(23,472)	-
(199,037)	57,853	193,759	7,926	10,282	12,072	(24,979)
751,161	693,308	499,549	491,623	481,341	469,289	(21,211)
<u>\$ 552,074</u>	<u>\$ 751,161</u>	<u>\$ 693,308</u>	<u>\$ 499,549</u>	<u>\$ 491,623</u>	<u>\$ 481,341</u>	<u>\$ 469,289</u>
Total pension liability - beginning						
Total pension liability - ending (a)						
Plan fiduciary net position:						
Contributions - employer	\$ 44,799	\$ 35,478	\$ 6,592	\$ 9,099	\$ 8,247	\$ 11,812
Contributions - employee	21,627	20,913	16,098	14,810	12,730	13,014
Net investment income	64,044	(42,987)	68,897	38,039	68,594	(13,831)
Benefit payments, including refunds of employee contributions						
(47,296)	(48,802)	(30,664)	(34,083)	(31,628)	(23,472)	(24,979)
(406)	(373)	(319)	(246)	(388)	(267)	(292)
(3)	446	2	(10)	(12)	(15)	(13)
Net change in plan fiduciary net position	82,763	(35,325)	60,806	27,809	57,543	(18,036)
Plan fiduciary net position - beginning	554,449	589,774	529,168	501,559	444,016	462,052
Plan fiduciary net position - ending (b)	<u>\$ 637,212</u>	<u>\$ 554,449</u>	<u>\$ 589,774</u>	<u>\$ 529,168</u>	<u>\$ 501,559</u>	<u>\$ 444,016</u>
City's net pension liability - ending (a) - (b)	<u>\$ (85,138)</u>	<u>\$ 196,712</u>	<u>\$ 103,534</u>	<u>\$ (29,619)</u>	<u>\$ (9,936)</u>	<u>\$ 37,325</u>
Plan fiduciary net position as a percentage of the total pension liability	115.42%	73.81%	85.07%	105.93%	102.02%	92.25%
Covered payroll	\$ 308,962	\$ 298,757	\$ 321,968	\$ 296,206	\$ 254,597	\$ 226,521
City's net pension liability as a percentage of covered payroll	-27.56%	65.84%	32.16%	-10.00%	-3.90%	16.48%
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.						

\* 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 CHANGES IN THE CITY'S**  
**NET OPEB LIABILITY AND RELATED RATIOS**  
**TEXAS MUNICIPAL RETIREMENT SYSTEM**  
**LAST TEN FISCAL YEARS \***

**EXHIBIT B-4**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total OPEB liability:</b>										
Service cost	\$ 1,545 633	\$ 2,659 344	\$ 1,610 439	\$ 1,126 545	\$ 713 630	\$ 726 738	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-	-	-	-	-	-	-
Changes of benefit terms										
Differences between expected and actual experience	(5,854) 419	(352) (4,448)	(5,472) 312	(1,106) 1,825	(759) 2,327	(5,694) (854)	-	-	-	-
Changes of assumptions										
Benefit payments, including refunds of employee contributions	(803)	(568)	(805)	(237)	(280)	(181)	-	-	-	-
Net change in total OPEB liability	(4,060)	(2,385)	(3,916)	2,153	2,631	(5,266)	-	-	-	-
Total OPEB liability - beginning	15,261	17,626	21,542	19,389	16,758	22,024	-	-	-	-
Total OPEB liability - ending (a)	<u>\$ 11,201</u>	<u>\$ 15,261</u>	<u>\$ 17,626</u>	<u>\$ 21,542</u>	<u>\$ 19,389</u>	<u>\$ 16,758</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 308,962	\$ 298,757	\$ 321,968	\$ 296,206	\$ 254,597	\$ 226,521	\$ -	\$ -	\$ -	\$ -
City's net OPEB liability as a percentage of covered payroll	3.63%	5.11%	5.47%	7.27%	7.62%	7.40%	-	-	-	-
<i>Notes to Schedule:</i>										
* 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.										

\* 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, 2024**

#### **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.

## CITY OF TRINIDAD

**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED SEPTEMBER 30, 2024**

### Schedule of Employer Contributions to Pension Plan

**Valuation Date:**

## Methods and Assumptions Used to Determine Pension Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	N/A
Asset Valuation Method	10 Year smoothed market; 12% soft corridor
Inflation	2.5%
Salary Increases	3.60% to 11.85% including inflation
Investment Rate of Return	6.75%
Retirement Age	Experience-based tables of rates that are specific to the City's plan of benefits. Last updated for the 2019 valuation pursuant to an experience study of the period 2014-2018
Mortality	Post-retirement: 2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.  Pre-retirement: PUB(1) mortality tables, with the Public Safety table used for males and the General Employee tables used for females. The rates are projected on a fully generational basis with scale UMP.

### **Other Information:**

Notes Removed statutory max.

## **CITY OF TRINIDAD**

### **NOTES TO REQUIRED SUPPLEMENTARY INFORMATION FOR THE YEAR ENDED SEPTEMBER 30, 2024**

#### **Methods and Assumptions Used to Determine OPEB Contribution Rates:**

##### **Valuation Date:**

Notes	The actuarial assumptions used in the December 31, 2023 valuation were based on the results of actuarial experience study for the period December 31, 2015 to December 31, 2019.
Inflation	2.50%
Salary Increases	3.60% to 11.85% including inflation
Discount Rate*	3.77%
Mortality rates – service retirees	2019 Municipal Retirees of Texas Mortality Tables. The rates are projected on a fully generational basis with scale UMP.
Mortality rates – disabled retirees	2019 Municipal Retirees of Texas Mortality Tables with a 4 year set-forward for males and a 3 year set-forward for females. In addition, a 3.5% and 3% minimum mortality rate will be applied to reflect the impairment for younger members who become disabled for males and females, respectively. The rates are projected on a fully generational basis by Scale UMP to account for future mortality improvements subject to the floor.

\*The discount rate was based on the Fidelity Index's "20-Year Municipal GO AA Index" rate as of December 31, 2023.

*Overall Compliance and Internal Control Section*

# **ANDERSON, MARX & BOHL, P.C.**

**CERTIFIED PUBLIC ACCOUNTANTS**

**FRANK MARX, III, CPA  
DORI BOHL, CPA & CFE  
CALEB MARX, CPA**

## **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**

### *Independent Auditors' Report*

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

We have audited, 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, the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund, as of and for the year ended September 30, 2024, and the related notes to the financial statements, which collectively comprise the City of Trinidad's basic financial statements, and have issued our report thereon dated April 25, 2025.

### ***Report on 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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Trinidad's internal control. Accordingly, we do not express an opinion on the effectiveness of the City of Trinidad's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and responses as items 2024-001 and 2024-002 that we consider to be material weaknesses.

### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether 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 financial statements. 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***

*Government Auditing Standards* requires the auditor to perform limited procedures on the City of Trinidad's response to the findings identified in our audit and described in the accompanying schedule of findings and responses. The 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 the response.

### ***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

April 25, 2025

## **CITY OF TRINIDAD**

### ***SCHEDULE OF FINDINGS AND RESPONSES FOR THE YEAR ENDED SEPTEMBER 30, 2024***

#### Financial Statement Findings

2024-001

Condition: The City failed to post material adjustments.

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

Effect: The City's Assets, Deferred Resource Outflows, Liabilities, Deferred Resource Inflows, and Equity did not reflect the proper amounts.

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

Recommendation: The City should post all required adjustments.

City's Response: The City will post all necessary adjustments. Terri Newhouse will be responsible.

2024-002

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

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. Terri Newhouse will be responsible.