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CITY OF TRINIDAD, COLORADO

FINANCIAL STATEMENTS

DECEMBER 31, 2017

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July 26, 2018

DIXON, WALLER & CO., INC.

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FINANCIAL STATEMENTS  
December 31, 2017

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Honorable Mayor and City Council  
City of Trinidad  
Trinidad, CO 81082

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Trinidad, as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

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

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

**Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Trinidad, as of December 31, 2017, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, and pension data on pages i through ix, 48 through 50 and 51 through 57 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise City of Trinidad's basic financial statements. The combining and individual fund financial statements and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is not a required part of the basic financial statements.

The combining and individual fund financial statements and other schedules and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements, other schedules, state required schedules and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the basic financial statements as a whole.

### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated July 10, 2018, 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 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 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.

  
July 10, 2018

## MANAGEMENT'S DISCUSSION AND ANALYSIS

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis of the City of Trinidad's (the City) financial performance provides an annual overview of the City's financial activities for the fiscal year ended December 31, 2017.

### Financial Highlights

- The assets and deferred outflows of the City exceeded its liabilities and deferred inflows at December 31, 2017 by \$70,823,675 (Net Position). Of this amount, \$15,722,856 is the Unrestricted Net Position that may be used to meet the government's ongoing obligations to citizens and creditors.
- At December 31, 2017, the City's Governmental Funds reported combined ending fund balances of \$14,139,859. Approximately 54% of this total amount or \$7,589,368 is unassigned.
- The General Fund, presented on a current financial resources basis, reports a Fund Balance of \$8,147,394 at the end of the current fiscal year, or 77% of total General Fund expenditures.
- The City's total bond and capital lease debt was \$525,557 at the close of 2017.
- The City implemented GASB 68 in 2015 which reports the employer/employee net pension asset and net pension liability in the City's financial statements. Under GASB 68, the City's net pension position of its policemen and firemen plan is held by both a Cost Sharing Multiple-Employer Defined Benefit Pension Plan and an Agent Multiple-Employer Defined Benefit Plan. For 2017 the City reported a net pension asset of \$151,899 and a net pension liability of \$762,163.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the financial statements. This report also contains certain other supplementary information.

**Government-wide financial statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances, in a manner similar to private-sector business.

The *statement of net position* presents information on all of the City's assets, liabilities and deferred flows, with the difference between them reported as *Net Position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *statement of activities* presents information showing how the City's Net Position changed during 2017. All changes in Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Both of the Government-wide financial statements distinguish *governmental activities* that are functions of the City principally supported by taxes and intergovernmental revenues and payments in-lieu of taxes, from *business-type activities which are* other functions that are intended to recover all or a significant portion of their costs through user fees and charges.

Expenditures for *governmental activities* of the City are categorized generally as general government, public safety, public works, culture and recreation, economic development, tourism and capital projects. Taxes, intergovernmental revenues, and payments-in-lieu of taxes finance most of these activities.

Expenditures for *business-type activities* of the City support the City's water, sewer, gas, and electricity system. User fees and charges finance most of these activities.

The City does not have any component units.

**Fund financial statements** - A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City, like other state and local governments, used fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

**Governmental funds** - *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on balances of *spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains several individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital projects fund which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City adopts an annual appropriated budget for its funds and a budgetary comparison has been provided to demonstrate compliance with the budget.

**Proprietary funds** – The City maintains one type of proprietary fund; *Enterprise funds* used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses three enterprise funds to account for its Electric, Gas, Water, and Wastewater Utility operations. The enterprise funds, all of which are considered to be major funds of the City, are reported separately as proprietary fund financial statements in the basic financial statements. Proprietary fund financial statements provide the same type of information as the government-wide financial statements, but with more detail.

**Notes to the financial statements** – The notes provide additional information that is essential to the full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found later in this report.

Other information – In addition to the basic financial statements and accompanying notes, this report also presents certain required supplementary information and other information concerning the City's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found later in this report. In addition, combining and individual fund statements and schedules as well as statistical and other information can be found later in this report.

## Government-wide Financial Analysis

As noted earlier, Net Position may serve over time as a useful indicator of the government's financial position. In the case of the City, assets and deferred outflows exceeded liabilities and deferred inflows by \$70,823,675 at the close of 2017 as compared to \$66,897,291 at the close of 2016.

The largest portion of the City's Net Position (68%) reflects its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The City uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since capital assets themselves cannot be used to liquidate these liabilities.

The following table reflects a condensed Statement of Net Position.

	Net Position					
	Governmental Activities		Business-type Activities		Total	
	2016	2017	2016	2017	2016	2017
Current & Other Assets	\$ 13,463,474	\$ 16,391,979	\$ 16,260,949	\$ 15,608,338	\$ 29,724,423	\$ 32,000,317
Capital Assets	26,158,904	27,399,227	21,924,631	21,587,594	48,083,535	48,986,821
Total Assets	39,622,378	43,791,206	38,185,580	37,195,932	77,807,958	80,987,138
Deferred Outflows	465,397	543,254	-	-	465,397	543,254
Long-term Liabilities	5,518,217	5,327,003	1,198,371	705,057	6,716,588	6,032,060
Other Liabilities	823,461	923,332	1,991,847	1,958,653	2,815,308	2,881,985
Total Liabilities	6,341,678	6,250,335	3,190,218	2,663,710	9,531,896	8,914,045
Deferred Inflows	1,203,634	1,228,036	640,534	564,636	1,844,168	1,792,672
Net Position:						
Invested in Capital Assets, net of related debt	25,596,034	27,256,019	21,005,979	21,112,245	46,602,013	48,368,264
Restricted	4,349,473	6,359,206	-	373,349	4,349,473	6,732,555
Unrestricted	2,596,956	3,240,864	13,348,849	12,481,992	15,945,805	15,722,856
Total Net Position	\$ 32,542,463	\$ 36,856,089	\$ 34,354,828	\$ 33,967,586	\$ 66,897,291	\$ 70,823,675

The City's combined Net Position was \$70,823,675 at December 31, 2017 of which \$15,722,856 was unrestricted. However, a certain amount of these unrestricted funds are designated for specific, future purposes. All such designations are disclosed in the notes to the financial statements.

The Net Position of our business-type activities was \$33,967,586 at December 31, 2017. The Net Position is used to finance the continuing operations of the utilities.

The following table shows revenues and expenses (Changes in Net Position) for both governmental and business-type activities.

	Changes in Net Position					
	Governmental Activities		Business-type Activities		Total	
	2016	2017	2016	2017	2016	2017
<b>Revenues:</b>						
<b>Program Revenues:</b>						
Charges for Services	\$ 1,012,678	\$ 1,001,677	\$ 15,698,610	\$ 15,233,881	\$ 16,711,288	\$ 16,235,558
Operating Capital Grants & Contributions	1,972,000	991,590	338,835	-	2,310,835	991,590
<b>General Revenues:</b>						
Property Taxes	1,137,238	3,000,688			1,137,238	3,000,688
Other Taxes	8,725,560	9,493,023			8,725,560	9,493,023
Intergovernmental Restricted	401,985	494,818			401,985	494,818
Intergovernmental not Restricted	158,593	120,486			158,593	120,486
Other Revenues	2,627,898	973,375			2,627,898	973,375
Lawsuit Settlement						
Investment Earnings	23,885	22,027	64,872	68,806	88,757	90,833
<b>Total Revenues</b>	<b>16,059,837</b>	<b>16,097,684</b>	<b>16,102,317</b>	<b>15,302,687</b>	<b>32,162,154</b>	<b>31,400,371</b>
<b>Expenses:</b>						
General Government	3,440,062	5,043,990	-	-	3,440,062	5,043,990
Public Safety	3,462,273	3,679,968	-	-	3,462,273	3,679,968
Public Works	2,665,777	2,545,995	-	-	2,665,777	2,545,995
Parks, Culture and Recreation	881,634	989,606	-	-	881,634	989,606
Community Projects	-	63,206	-	-	-	63,206
Interest on Long-term Debt	8,546	12,029	-	-	8,546	12,029
Pension Cost	(42,266)	(29,648)	-	-	(42,266)	(29,648)
Business-type	-	-	15,431,070	15,168,841	15,431,070	15,168,841
<b>Total Expenses</b>	<b>10,416,026</b>	<b>12,305,146</b>	<b>15,431,070</b>	<b>15,168,841</b>	<b>25,847,096</b>	<b>27,473,987</b>
Increase in Net Position before Transfers	5,643,811	3,792,538	671,247	133,846	6,315,058	3,926,384
Transfers	607,868	521,088	(607,868)	(521,088)	-	-
Increase in Net Position	6,251,679	4,313,626	63,379	(387,242)	6,315,058	3,926,384
Prior Period Adjustment (a)	-	-	-	-	-	-
Net Position - January 1 (a)	26,290,784	32,542,463	34,291,449	34,354,828	60,582,233	66,897,291
<b>Net Position - December 31</b>	<b>\$ 32,542,463</b>	<b>\$ 36,856,089</b>	<b>\$ 34,354,828</b>	<b>\$ 33,967,586</b>	<b>\$ 66,897,291</b>	<b>\$ 70,823,675</b>

Total City revenue was \$31.4 million and the total cost of all programs and services was \$27.47 million.

**Governmental Activities.** Revenues for governmental activities increased in 2017 to \$16.1 million, an increase of \$0.04 million from 2016 and expenses increased to \$12.3 million or \$1.89 million more than 2016.

**Business-type Activities.** Operating revenues for business-type activities decreased in 2017 to \$15.2 million, a decrease of \$0.46 million from 2016 and expenses decreased to \$15.17 million or \$0.26 million less than 2016.

The following table shows the total and net cost of services by function of the governmental activities of the City.

	Cost of Services			
	2016		2017	
	Total Cost of Service	Net Cost of Service	Total Cost of Service	Net Cost of Service
General Government	\$ 3,440,062	\$ 3,440,062	\$ 5,043,990	\$ 5,043,990
Public Safety	3,311,282	2,959,889	3,526,190	3,066,185
Public Works	2,665,777	2,060,921	2,545,995	2,065,144
Parks, Culture and Rec	881,634	825,205	989,606	928,785
Community Projects	-	(1,972,000)	63,206	(928,384)
Interest	8,546	8,546	12,029	12,029
Pension Cost	108,725	108,725	124,130	124,130
<b>Total</b>	<b>\$ 10,416,026</b>	<b>\$ 7,431,348</b>	<b>\$ 12,305,146</b>	<b>\$ 10,311,879</b>

### **Financial Analysis of the Government Funds**

As noted, earlier, the City used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds** - The focus of the *Governmental Funds* is to provide information on near term inflows, outflows, and balances of *spendable resources*. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of 2017, the City's Governmental Funds reported total combined fund balances of \$14,139,859, of which approximately 45% (\$6,359,206) is restricted for Tabor Emergency Reserve, Landfill Closure and Post Closure, Parks & Recreation, and Capital Projects. Of the reserve fund balance, 1.2% is assigned to Tourism Promotion and the Library.

The General Fund is the chief operating fund of the City. At the end of 2017, the unassigned fund balance of the General Fund was \$7,589,368 while total fund balance was \$8,147,394. As a measure of the General Fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents approximately 71% of total General Fund expenditures, while total fund balance represents 77% of that same amount.

The fund balance of the City's General Fund increased by \$747,529 in 2017. The increase was due primarily to increases in sales and marijuana tax.

**Proprietary Funds** - The City's Proprietary Funds provide the same type of information found in the Government-wide financial statements, but in more detail. Unrestricted Net Position as of December 31, 2017 for the Proprietary Funds was as follows:

Unrestricted Net Position			
	2016	2017	Variance
Gas Utilities	\$ 4,701,801	\$ 5,050,193	\$ 348,392
Electric Utilities	2,358,559	1,981,645	(376,914)
Water & Sewer Utilities	6,288,489	5,450,154	(838,335)
<b>Total</b>	<b>\$ 13,348,849</b>	<b>\$ 12,481,992</b>	<b>\$ (866,857)</b>

Other factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.

### **Budgetary Highlights**

The original 2017 appropriation ordinance totaled \$38,951,291, an increase of \$9,269,732 over 2016. During the year the budget was amended by \$4,840,450 increasing the appropriation to \$43,791,741. General Fund Revenue totals were \$935,548 more than the amended and approved 2017 budget. General Fund Expenditure totals were \$323,285 under the amended and approved 2017 budget.

### **Capital Assets and Debt Administration**

#### **Capital Assets**

At the end of 2017, the City had \$48,986,821 (net of accumulated depreciation) in a broad range of capital assets and infrastructure. This amount represents a net increase (including additions and deletions) of \$0.9 million from 2016. \$2.8 million or 5.7% of the total amount of the net capital assets represents the retroactive recording of infrastructure assets capitalized from 1980 to 2002.

	Capital Assets Net of Accumulated Depreciation					
	Governmental Activities		Business-type Activities		Total	
	2016	2017	2016	2017	2016	2017
Land, Equity, Water Rights	\$ 943,766	\$ 1,287,078	\$ 2,086,200	\$ 2,057,628	\$ 3,029,966	\$ 3,344,706
Infrastructure	16,808,307	16,557,438	-	-	16,808,307	16,557,438
Buildings & Systems	6,144,626	6,691,168	19,503,717	18,733,483	25,648,343	25,424,651
Construction in Progress	775,312	940,200	7,844	185,297	783,156	1,125,497
Equipment & Vehicles	1,486,893	1,923,343	326,869	611,186	1,813,762	2,534,529
<b>Total Net Capital Assets</b>	<b>\$ 26,158,904</b>	<b>\$ 27,399,227</b>	<b>\$ 21,924,630</b>	<b>\$ 21,587,594</b>	<b>\$ 48,083,534</b>	<b>\$ 48,986,821</b>

Additional information on the City’s capital assets can be found in the notes to the financial statements of this report.

The following schedule reflects the debt outstanding at the end of the 2017 year.

Outstanding Debt at Year End

	Governmental Activities		Business-type Activities		Total	
	2016	2017	2016	2017	2016	2017
Note Payable	\$ 100,000	\$ -	\$ -	\$ -	\$ 100,000	\$ -
Landfill Closure/Postclosure	3,462,982	3,530,490	-	-	3,462,982	3,530,490
Lease Purchases	462,870	50,208	-	-	462,870	50,208
Compensated Absences	935,543	995,768	723,022	705,057	1,658,565	1,700,825
Revenue Bonds	-	-	918,652	475,349	918,652	475,349
<b>Total Debt</b>	<b>\$ 4,961,395</b>	<b>\$ 4,576,466</b>	<b>\$ 1,641,674</b>	<b>\$ 1,180,406</b>	<b>\$ 6,603,069</b>	<b>\$ 5,756,872</b>

Net decrease in debt for 2017 was \$846,197. The City paid two of its lease purchases in full utilizing excess marijuana sales tax revenue. Debt due within the next year is \$486,975. Additional information on the City’s debt can be found in the notes to the financial statements of this report.

**Economic Factors and Next Year’s Budget and Rates**

**Local Economy** – The City of Trinidad is the major southern gateway into Colorado on Interstate 25. Trinidad is the primary city and shopping destination for Las Animas county residents for services such as health care, education, arts and entertainment and retail. Trinidad State Junior College has facilities located within the City providing excellent higher education opportunities.

Retail sales tax revenue, a key indicator of the consumer spending, is the primary source of income for the City. Trinidad’s sales tax is generated from a variety of business categories including auto sales, tourism, grocery stores, repair shops and other various retail outlets. The City recorded a 9% increase in sales tax revenue for 2017 as compared to 2016. Sales tax and lodging tax increases were due to a marked increase of economic activity centered on retail marijuana sales. We expect sales and lodging tax revenue to continue to increase in 2018.

The continuing decline of natural resource economic drivers such as coal mining and methane gas extraction will result in additional significant severance tax revenue drops in the ensuing years.

**Fiscal Year 2018 Budget**

In December of 2017, the City adopted the 2018 annual operating budget, which provided \$46,803,966 in appropriations. This budget anticipated an increase in sales and marijuana tax and decreases in sale of land, mineral leases and severance tax. 2018 General Fund operating expenditures were budgeted \$1.2 million more than amended and approved 2017 budgeted amounts with \$1.5 million of anticipated marijuana sales tax revenues budgeted in expenditures for

projects, debt service retirement, and one-time expenses to be approved as presented to Council in 2018. Major capital expenditures are planned for utilities and road infrastructure and Space to Create, a project to renovate a City block on Main Street and construct a separate building that together will provide forty-one live/work spaces for creatives and 20,000 square feet of public space. These projects will lead to an increase in one time spending due to the investment in infrastructure.

**Request for Information**

This financial report is designed to provide our citizens, taxpayers, customers, and other interested parties with a general overview of the City's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the City of Trinidad, Finance Director, PO Box 880, Trinidad, CO 81082.

## BASIC FINANCIAL STATEMENTS

CITY OF TRINIDAD, COLORADO  
STATEMENT OF NET POSITION  
December 31, 2017

<u>ASSETS</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash	12,008,042	10,232,849	22,240,891
Receivables (Net, where Applicable, of Allowance for Uncollectibles):			
Accounts, Grants & Notes	1,262,847	1,347,757	2,610,604
Assessments and Contracts	-	-	-
Sales & Use Taxes	1,763,881	-	1,763,881
Accrued Interest	-	-	-
Property Taxes	1,188,515	-	1,188,515
Due To/From Other Funds	-	-	-
Inventories	16,795	740,869	757,664
Prepaid Expenses	-	-	-
Restricted Assets:			
Cash	-	3,286,863	3,286,863
Fixed Assets (Net)	27,399,227	21,587,594	48,986,821
Net Pension Asset	151,899	-	151,899
<u>Total Assets</u>	<u>43,791,206</u>	<u>37,195,932</u>	<u>80,987,138</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>			
Pension – Plan Level	389,524	-	389,524
Pension – Payments Subsequent to Measurement Date	153,730	-	153,730
Purchased Natural Gas Adjustment	-	-	-
<u>Total Deferred Outflows</u>	<u>543,254</u>	<u>-</u>	<u>543,254</u>
<u>LIABILITIES</u>			
Accrued Interest Payable	-	8,339	8,339
Accounts Payable	618,471	1,012,258	1,630,729
Accrued Wages & Benefits Payable	193,715	126,243	319,958
Other Liabilities	99,520	13,508	113,028
Liabilities Payable from Restricted Assets:			
Meter Deposits Payable	-	322,956	322,956
Noncurrent Liabilities:			
Due Within One Year	11,626	475,349	486,975
Due in More than One Year	38,582	-	38,582
Landfill Closure and Post-Closure Cost	3,530,490	-	3,530,490
Accrued Vacation & Sick Leave Payable	995,768	705,057	1,700,825
Net Pension Liability	762,163	-	762,163
<u>Total Liabilities</u>	<u>6,250,335</u>	<u>2,663,710</u>	<u>8,914,045</u>
<u>DEFERRED INFLOW OF RESOURCES</u>			
Property Tax	1,188,515	-	1,188,515
Pension – Plan Level	2,804	-	2,804
Pension – Proportion Changes	36,717	-	36,717
Purchased Natural Gas Adjustment	-	564,636	564,636
<u>Total Deferred Inflows</u>	<u>1,228,036</u>	<u>564,636</u>	<u>1,792,672</u>
<u>NET POSITION</u>			
Net Investment in Capital Assets	27,256,019	21,112,245	48,368,264
Restricted for:			
Capital Projects	5,788,954	-	5,788,954
Debt Service	-	373,349	373,349
Parks and Recreation	71,270	-	71,270
Landfill	127,064	-	127,064
Tabor Emergencies	371,918	-	371,918
Unrestricted	3,240,864	12,481,992	15,722,856
<u>Total Net Position</u>	<u>36,856,089</u>	<u>33,967,586</u>	<u>70,823,675</u>

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

CITY OF TRINIDAD, COLORADO  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2017

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Governmental Activities	Business Type Activities	Total
<b>Governmental Activities</b>							
General Government	5,043,990	-	-	-	(5,043,990)	-	(5,043,990)
Public Safety	3,526,190	460,005	-	-	(3,066,185)	-	(3,066,185)
Public Works	2,545,995	480,851	-	-	(2,065,144)	-	(2,065,144)
Parks, Culture & Recreation	989,606	60,821	-	-	(928,785)	-	(928,785)
Community Projects	63,206	-	-	991,590	928,384	-	928,384
Interest on Long Term Debt	12,029	-	-	-	(12,029)	-	(12,029)
Pension Cost	124,130	-	-	-	(124,130)	-	(124,130)
<b>Total Governmental Activities</b>	<b>12,305,146</b>	<b>1,001,677</b>	<b>-</b>	<b>991,590</b>	<b>(10,311,879)</b>	<b>-</b>	<b>(10,311,879)</b>
<b>Business Type Activities</b>							
Gas	3,144,950	3,635,892	-	-	-	490,942	490,942
Power & Light	7,787,774	7,539,039	-	-	-	(248,735)	(248,735)
Water & Sewer	4,236,117	4,058,950	-	-	-	(177,167)	(177,167)
<b>Total Business Type Activities</b>	<b>15,168,841</b>	<b>15,233,881</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>65,040</b>	<b>65,040</b>
<b>Total Primary Government</b>	<b>27,473,987</b>	<b>16,235,558</b>	<b>-</b>	<b>991,590</b>	<b>(10,311,879)</b>	<b>65,040</b>	<b>(10,246,839)</b>
<b>General Revenues:</b>							
Property Taxes					3,000,688	-	3,000,688
Specific Ownership Taxes					227,642	-	227,642
Sales and Use Taxes					9,160,128	-	9,160,128
Franchise Taxes					105,253	-	105,253
Licenses and Permits					321,486	-	321,486
Intergovernmental - Restricted					494,818	-	494,818
Intergovernmental Not Specifically Restricted					120,486	-	120,486
Insurance Proceeds					62,951	-	62,951
Interest Revenue					22,027	68,806	90,833
Other Revenues					588,938	-	588,938
Transfers					521,088	(521,088)	-
<b>Total General Revenues and Transfers</b>					<b>14,625,505</b>	<b>(452,282)</b>	<b>14,173,223</b>
Change in Net Position					4,313,626	(387,242)	3,926,384
Net Position – Beginning					32,542,463	34,354,828	66,897,291
Net Position – Ending					36,856,089	33,967,586	70,823,675

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

CITY OF TRINIDAD, COLORADO  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
December 31, 2017

	<u>General</u>	<u>Capital Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>ASSETS:</u></b>				
Cash	7,029,726	4,848,528	129,788	12,008,042
Receivables (Net, of Allowance Where Applicable)				
Property Taxes	1,188,515	-	-	1,188,515
Accounts, Grants, Notes	319,444	929,873	13,530	1,262,847
Sales & Use Taxes	1,365,662	332,482	65,737	1,763,881
Due From Other Funds	-	-	-	-
Inventories at Cost	<u>16,795</u>	-	-	<u>16,795</u>
<b>Total Assets</b>	<b><u>9,920,142</u></b>	<b><u>6,110,883</u></b>	<b><u>209,055</u></b>	<b><u>16,240,080</u></b>
<b><u>LIABILITIES</u></b>				
Accounts Payable	344,190	177,159	4,122	525,471
Accrued Salaries & Benefits	192,293	-	1,422	193,715
Due To Other Funds	-	-	-	-
Other Payables	-	93,000	-	93,000
Unearned Revenue:				
Grants	47,750	-	-	47,750
Other	-	51,770	-	51,770
<b>Total Liabilities</b>	<b><u>584,233</u></b>	<b><u>321,929</u></b>	<b><u>5,544</u></b>	<b><u>911,706</u></b>
<b><u>DEFERRED INFLOW OF RESOURCES</u></b>				
Property Tax	<u>1,188,515</u>	-	-	<u>1,188,515</u>
<b><u>FUND BALANCES:</u></b>				
Nonspendable:				
Inventories	16,795	-	-	16,795
Prepaid Expense	-	-	-	-
Restricted:				
Emergencies	371,918	-	-	371,918
Capital Outlay	-	5,788,954	-	5,788,954
Parks and Recreation	-	-	71,270	71,270
Landfill	127,064	-	-	127,064
Committed:				
Library	42,249	-	-	42,249
Assigned:				
Tourism Promotion	-	-	132,241	132,241
Unassigned:	<u>7,589,368</u>	-	-	<u>7,589,368</u>
<b>Total Fund Balances</b>	<b><u>8,147,394</u></b>	<b><u>5,788,954</u></b>	<b><u>203,511</u></b>	<b><u>14,139,859</u></b>
<b><u>TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCES</u></b>	<b><u>9,920,142</u></b>	<b><u>6,110,883</u></b>	<b><u>209,055</u></b>	<b><u>16,240,080</u></b>

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

CITY OF TRINIDAD, COLORADO  
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
December 31, 2017

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Amounts reported for governmental activities in the statement of the net position are different because:

<u>Total Fund Balance – Governmental Funds</u>		14,139,859
Capital Assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$56,806,000 and the accumulated depreciation is \$29,406,773.		27,399,227
Long-term liabilities, including leases, landfill closure and post-closure costs and net pension obligation are not due and payable in the current period and therefore are not reported in funds.		
Leases Payable	50,208	
Landfill Closure and Post-Closure Costs	<u>3,530,490</u>	(3,580,698)
Compensated absences are not reported as a liability in the funds.		(995,768)
Pension assets, liabilities and deferred flows are not recorded at the fund level:		
Net Pension Asset	151,899	
Net Pension Liability	(762,163)	
Deferred Outflows	543,254	
Deferred Inflows	<u>(39,521)</u>	<u>(106,531)</u>
<u>Total Net Position – Governmental Activities</u>		<u>36,856,089</u>

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

CITY OF TRINIDAD, COLORADO  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended December 31, 2017

	<u>General</u>	<u>Capital Project</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b><u>REVENUES:</u></b>				
Taxes	10,345,207	1,843,247	305,257	12,493,711
Licenses and Permits	321,486	-	-	321,486
Intergovernmental Revenues	535,004	982,177	80,300	1,597,481
Charges for Services	1,001,677	-	-	1,001,677
Fines and Forfeits	22,471	-	-	22,471
Miscellaneous Revenues	361,651	145,055	97	506,803
<u>Total Revenues</u>	<u>12,587,496</u>	<u>2,970,479</u>	<u>385,654</u>	<u>15,943,629</u>
<b><u>EXPENDITURES:</u></b>				
General Government	4,335,485	-	747,797	5,083,282
Public Safety	3,490,795	-	-	3,490,795
Public Works	1,464,722	-	-	1,464,722
Culture and Recreation	505,350	-	97,941	603,291
Capital Lease Payments	483,445	-	-	483,445
Capital Outlay/Capital Projects	340,199	2,724,637	-	3,064,836
<u>Total Expenditures</u>	<u>10,619,996</u>	<u>2,724,637</u>	<u>845,738</u>	<u>14,190,371</u>
<b><u>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</u></b>				
	<u>1,967,500</u>	<u>245,842</u>	<u>(460,084)</u>	<u>1,753,258</u>
<b><u>OTHER FINANCING SOURCES (USES):</u></b>				
Transfers In	572,588	1,715,000	164,000	2,451,588
Transfers Out	(1,930,500)	-	-	(1,930,500)
Insurance Proceeds	-	62,951	-	62,951
Proceeds of Lease	60,367	-	161,412	221,779
Sale of Capital Assets	77,574	-	13,530	91,104
<u>Total Other Financing Sources (Uses)</u>	<u>(1,219,971)</u>	<u>1,777,951</u>	<u>338,942</u>	<u>896,922</u>
<b><u>NET CHANGE IN FUND BALANCES</u></b>				
	747,529	2,023,793	(121,142)	2,650,180
<b><u>FUND BALANCES – Beginning</u></b>				
	7,399,865	3,765,161	324,653	11,489,679
<b><u>FUND BALANCES - Ending</u></b>				
	<u>8,147,394</u>	<u>5,788,954</u>	<u>203,511</u>	<u>14,139,859</u>

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

CITY OF TRINIDAD, COLORADO  
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
 FUND BALANCES OF GOVERNMENT FUNDS TO THE STATEMENT OF ACTIVITIES  
 Year Ended December 31, 2017

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Amounts reported for governmental activities in the statement of activities are different because:

Net Change in Fund Balances – Total Governmental Funds 2,650,180

Governmental funds report capital outlays as expenditures. However, in the statement of activities, assets with an initial, individual cost of more than \$5,000 are capitalized and the cost is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation exceeded capital outlay in the current period.

Capital outlays more than \$5,000	3,190,542	
Gain or loss on disposition	(231,154)	
Depreciation expense	<u>(1,719,065)</u>	1,240,323

The governmental funds report debt proceeds as an other financing source, while repayment of debt principal is reported as an expenditure. The effect of issuance cost and premiums are recognized when the debt is issued in governmental funds, whereas these amounts are deferred and amortized in the statement of activities. Interest expense is recognized as it accrues in the statement of activities regardless of when it is due. The net effect of these differences follows:

Lease proceeds	(221,779)	
Repayment of debt principal	734,441	
Interest expense	<u>8,546</u>	521,208

In the statement of activities compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amount paid). During the year, compensated absences changed by this amount. (60,225)

In the statement of activities landfill closure costs are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amount paid). During the year, landfill closure cost increased by this amount. (67,508)

In the statement of activities net pension liabilities are measured by the amounts incurred during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amount paid). During the year, changes to net pension amounts and the related deferred flows created this difference from the fund financial statements: 29,648

Change in Net Position of Governmental Activities 4,313,626

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

CITY OF TRINIDAD, COLORADO  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
December 31, 2017

	Business Type Activities Enterprise Funds			Totals
	Gas Fund	Power Fund	Water & Sewer Fund	
<u>ASSETS</u>				
<u>Current Assets</u>				
Cash	5,642,341	1,598,995	2,991,513	10,232,849
Receivables:				
Accounts	326,605	658,049	322,783	1,307,437
Notes	-	-	40,320	40,320
Interest	-	-	-	-
Inventories	75,280	428,750	236,839	740,869
Due From Other Funds	-	-	-	-
Prepaid Expenses	-	-	-	-
<u>Total Current Assets</u>	<u>6,044,226</u>	<u>2,685,794</u>	<u>3,591,455</u>	<u>12,321,475</u>
<u>Non Current Assets</u>				
<u>Restricted</u>				
Cash	307,311	428,392	2,551,160	3,286,863
Due From Other Funds	-	-	-	-
<u>Total Restricted Assets</u>	<u>307,311</u>	<u>428,392</u>	<u>2,551,160</u>	<u>3,286,863</u>
<u>Property, Plant and Equipment</u>				
Equity ARPA	-	457,144	-	457,144
Land and Water Rights	9,412	21,047	1,570,025	1,600,484
Buildings & Improvements	916,203	4,692,926	14,031,926	19,641,055
Utility System	1,245,561	1,148,688	21,904,119	24,298,368
Equipment	621,154	1,184,758	1,862,648	3,668,560
Construction in Progress	8,357	-	195,729	204,086
Less Accumulated Depreciation	(2,165,955)	(6,580,262)	(19,535,886)	(28,282,103)
<u>Net Property, Plant &amp; Equipment</u>	<u>634,732</u>	<u>924,301</u>	<u>20,028,561</u>	<u>21,587,594</u>
<u>TOTAL ASSETS</u>	<u>6,986,269</u>	<u>4,038,487</u>	<u>26,171,176</u>	<u>37,195,932</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>				
Purchased Natural Gas Adjustment	-	-	-	-

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

CITY OF TRINIDAD, COLORADO  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
December 31, 2017

	Business Type Activities			Total
	Enterprise Funds			
	<u>Gas Fund</u>	<u>Power Fund</u>	<u>Water &amp; Sewer Fund</u>	
<b>LIABILITIES</b>				
<b><u>Current Liabilities</u></b>				
Accounts Payable	371,369	568,540	72,349	1,012,258
Accrued Interest Payable	-	-	-	-
Accrued Wages & Benefits Payable	31,457	52,469	42,317	126,243
Unearned Revenue	-	-	-	-
Due To Other Funds	-	13,508	-	13,508
Note Payable - Current	-	-	475,349	475,349
Lease Payable	-	-	-	-
<u>Total Current Liabilities</u>	<u>402,826</u>	<u>634,517</u>	<u>590,015</u>	<u>1,627,358</u>
<b><u>Current Liabilities Payable from Restricted Assets</u></b>				
Meter Deposits Payable	169,365	124,968	28,623	322,956
Interest Payable	-	-	8,339	8,339
Due To Other Funds	-	-	-	-
<u>Total Restricted Liabilities</u>	<u>169,365</u>	<u>124,968</u>	<u>36,962</u>	<u>331,295</u>
<b><u>Noncurrent Liabilities</u></b>				
Accrued Vacation & Sick Leave Payable	164,517	373,056	167,484	705,057
Note Payable	-	-	-	-
<u>Total Long-Term Liabilities</u>	<u>164,517</u>	<u>373,056</u>	<u>167,484</u>	<u>705,057</u>
<b><u>TOTAL LIABILITIES</u></b>	<u>736,708</u>	<u>1,132,541</u>	<u>794,461</u>	<u>2,663,710</u>
<b><u>DEFERRED INFLOW OF RESOURCES</u></b>				
Purchased Natural Gas Adjustment	564,636	-	-	564,636
<b><u>NET POSITION</u></b>				
Net Investment in Capital Assets	634,732	924,301	19,553,212	21,112,245
Restricted for Debt Service	-	-	373,349	373,349
Unrestricted	5,050,193	1,981,645	5,450,154	12,481,992
<b><u>TOTAL NET POSITION</u></b>	<u>5,684,925</u>	<u>2,905,946</u>	<u>25,376,715</u>	<u>33,967,586</u>

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

CITY OF TRINIDAD, COLORADO  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
Year Ended December 31, 2017

	Business Type Activities			Total
	Enterprise Funds			
	<u>Gas Fund</u>	<u>Power Fund</u>	<u>Water &amp; Sewer Fund</u>	
<u>Operating Revenues</u>				
Charges for Utility Sales	3,585,661	7,434,854	3,829,423	14,849,938
Other	<u>50,231</u>	<u>104,185</u>	<u>229,527</u>	<u>383,943</u>
<u>Total Operating Revenues</u>	<u>3,635,892</u>	<u>7,539,039</u>	<u>4,058,950</u>	<u>15,233,881</u>
<u>Operating Expenses</u>				
Personal Services	932,828	1,634,082	1,160,027	3,726,937
Purchased Services	86,238	111,171	1,481,377	1,678,786
Supplies and Materials	43,339	41,805	139,999	225,143
Power & Utilities	1,912,580	5,705,997	167,595	7,786,172
Maintenance and Repair	62,520	95,780	405,270	563,570
Depreciation/Amortization	43,665	84,124	761,197	888,986
Bad Debts	29,364	66,550	34,776	130,690
Other	<u>34,416</u>	<u>48,265</u>	<u>48,385</u>	<u>131,066</u>
<u>Total Operating Expenses</u>	<u>3,144,950</u>	<u>7,787,774</u>	<u>4,198,626</u>	<u>15,131,350</u>
<u>Operating Income (Loss)</u>	<u>490,942</u>	<u>(248,735)</u>	<u>(139,676)</u>	<u>102,531</u>
<u>Non-Operating Revenues (Expenses)</u>				
Grants	-	-	-	-
Interest Revenue	15,561	13,170	40,075	68,806
Interest Expense	-	-	(37,491)	(37,491)
<u>Total Non-Operating Revenues Expenses</u>	<u>15,561</u>	<u>3,170</u>	<u>2,584</u>	<u>31,315</u>
<u>INCOME (LOSS) BEFORE OPERATING TRANSFERS</u>	<u>506,503</u>	<u>(235,565)</u>	<u>(137,092)</u>	<u>133,846</u>
Operating Transfers In(Out)(Net)	<u>(182,515)</u>	<u>(209,199)</u>	<u>(129,374)</u>	<u>(521,088)</u>
<u>Change in Net Position</u>	<u>323,988</u>	<u>(444,764)</u>	<u>(266,466)</u>	<u>(387,242)</u>
<u>TOTAL NET POSITION, Beginning</u>	<u>5,360,937</u>	<u>3,350,710</u>	<u>25,643,181</u>	<u>34,354,828</u>
<u>TOTAL NET POSITION, Ending</u>	<u>5,684,925</u>	<u>2,905,946</u>	<u>25,376,715</u>	<u>33,967,586</u>

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

CITY OF TRINIDAD, COLORADO  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
Year Ended December 31, 2017

	Business Type Activities			
	Enterprise Funds			Total
	Gas Fund	Power Fund	Water & Sewer Fund	
<b><u>CASH FLOWS FROM OPERATING ACTIVITIES</u></b>				
Receipts from Customers & Users	3,659,454	7,456,245	4,037,945	15,153,644
Payments to Employees & Benefit Providers	(927,646)	(1,613,928)	(1,274,514)	(3,816,088)
Payments to Vendors – Supplies and Services	(2,191,758)	(5,955,501)	(2,234,139)	(10,381,398)
<b><u>NET CASH PROVIDED BY OPERATIONS</u></b>	<b><u>540,050</u></b>	<b><u>(113,184)</u></b>	<b><u>529,292</u></b>	<b><u>956,158</u></b>
<b><u>CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES</u></b>				
Transfers – Other Funds	(182,515)	(209,199)	(129,374)	(521,088)
Customer Deposits	520	475	458	1,453
Due To/From Other Funds	10,000	16,600	21,000	47,600
<b><u>NET CASH PROVIDED (USED) – NON CAPITAL FINANCING</u></b>	<b><u>(171,995)</u></b>	<b><u>(192,124)</u></b>	<b><u>(107,916)</u></b>	<b><u>(472,035)</u></b>
<b><u>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</u></b>				
Non-Financed Purchase of Property & Equipment	(19,261)	(16,274)	(516,414)	(551,949)
Disposition of Equipment	-	-	-	-
Grant Revenues	-	-	-	-
Interest Paid on Debt	-	-	(49,975)	(49,975)
Principal Paid on Debt	-	-	(443,303)	(443,303)
<b><u>NET CASH PROVIDED (USED) – CAPITAL FINANCING</u></b>	<b><u>(19,261)</u></b>	<b><u>(16,274)</u></b>	<b><u>(1,009,692)</u></b>	<b><u>(1,045,227)</u></b>
<b><u>CASH FLOWS FROM INVESTING ACTIVITIES</u></b>				
Interest Received	15,561	13,170	40,075	68,806
<b><u>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</u></b>	<b><u>364,355</u></b>	<b><u>(308,412)</u></b>	<b><u>(548,241)</u></b>	<b><u>(492,298)</u></b>
<b><u>CASH AND CASH EQUIVALENTS – Beginning</u></b>	<b><u>5,585,297</u></b>	<b><u>2,335,799</u></b>	<b><u>6,090,914</u></b>	<b><u>14,012,010</u></b>
<b><u>CASH AND CASH EQUIVALENTS – Ending</u></b>	<b><u>5,949,652</u></b>	<b><u>2,027,387</u></b>	<b><u>5,542,673</u></b>	<b><u>13,519,712</u></b>
<b><u>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATIONS</u></b>				
Operating Income (Loss)	490,942	(248,735)	(139,676)	102,531
Non Cash Items in Operations:				
Amortization/Depreciation Expense	43,665	84,124	761,197	888,986
Bad Debts	29,364	66,550	34,776	130,690
(Increase) Decrease in Inventory	(11,585)	50,854	25,189	64,458
(Increase) Decrease Receivables/Accruals	23,562	(82,794)	(21,005)	(80,237)
(Increase) Decrease Prepaid Expense	-	-	-	-
Increase (Decrease) in Payables/Accruals	40,000	16,817	(131,189)	(74,372)
Change in Purchased Natural Gas Adjustment	(75,898)	-	-	(75,898)
<b><u>NET CASH PROVIDED (USED) BY OPERATIONS</u></b>	<b><u>540,050</u></b>	<b><u>(113,184)</u></b>	<b><u>529,292</u></b>	<b><u>956,158</u></b>

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

CITY OF TRINIDAD, COLORADO  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

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NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A.    Reporting Entity

The City of Trinidad (the City) was incorporated in 1876, under the provision of the State of Colorado, Council Bill No. 98. The City operates under a Council-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning and general administrative services.

The reporting entity, for financial purposes, is defined as the primary government (the City of Trinidad) and its component units. The City has no component units; the financial statements are comprised of the funds and account groups more fully described in subsequent information contained in the footnotes.

The accounting policies of the City of Trinidad conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies:

B.    Government – Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. Likewise, the *primary government* is reported separately from the City's legally separate *component units* for which the city is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function or identifiable activity are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or identifiable activity. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

CITY OF TRINIDAD, COLORADO  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

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NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C.    Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

The City reports the following major governmental funds:

The *general fund* is the City's primary operating fund. It accounts for all financial resources of general government, except those required to be accounted for in another fund.

The *capital project fund* accounts for the use revenues from a 1% sales tax earmarked for capital improvement projects.

The City reports the following major proprietary funds:

The *water and sewer fund* accounts for the activities of the City's water distribution and treatment system and sewage disposal and treatment system.

The *gas fund* accounts for the activities of the City's gas distribution system.

The *power fund* accounts for the City's electrical generation and distribution system.

CITY OF TRINIDAD, COLORADO  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

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NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The City applies the provisions of standards originally issued as FASB No. 71, *Accounting for the Effects of Certain Types of Regulation* in the Gas Fund. In accordance with those standards, regulatory assets and liabilities are recorded in the balance sheets. Regulatory assets are the deferral of costs expected to be recovered in future customer rates and regulatory liabilities represent current recovery of expected future costs. If the City was required to terminate the application of this standard, it would have to record the amounts of all regulatory assets and liabilities in the statements of revenues, expenses, and changes in net position.

Ordinances require the City to adjust customers' gas bills for changes between estimated and actual costs of gas purchased. An over-recovery of \$564,636 for purchased natural gas adjustment was recorded at December 31, 2017.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's utility functions and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating revenues* and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utility enterprise funds are charges to customers for sales and services. The enterprise funds also recognize as operating revenues the portion of tap fees intended to recover the cost of connecting new customers to the system. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

CITY OF TRINIDAD, COLORADO  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

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NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Capital Assets (Continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities, if any, is included as part of the capitalized value of the assets constructed. No such interest expense was incurred during the current fiscal year.

Capital assets of the primary government are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-30
Parks, Recreational and Other	20-30
Streets and Improvements	25-40
Vehicles	5-20
Equipment	3-10

E. Budgets and Budgetary Accounting

The City has set procedures to be followed in establishing the budgetary data reflected in the financial statements:

1. Prior to October 1, the City Manager submits to the City Council a proposed operating budget for the fiscal year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to December 31, the budget is legally enacted through passage of an ordinance or resolution.
4. The City Manager is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Council. Revisions were made in 2017.
5. Budgets for the General, Special Revenue and Capital Projects Funds are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgets for Enterprise Funds are on a non GAAP basis.

F. Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds, and Enterprise Funds. All encumbrances lapse at the end of the year.

G. Inventory

Inventory is valued at the lower of cost (first-in, first-out) or market. Inventory in the General and Special Revenue Funds consists of expendable supplies held for consumption. The costs of inventories are recorded as expenditures when they are used.

CITY OF TRINIDAD, COLORADO  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

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NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H.    Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefits Amounts

Accumulated unpaid vacation, sick pay, and other employee benefits amounts should be accrued when incurred in proprietary funds (using the accrual basis of accounting). Such amounts would not be accrued in governmental funds (using the modified accrual basis of accounting). Accrued vacation and sick leave payable has been reflected in the financial statements of the Proprietary Funds and in the statement of net position for all governmental fund types.

I.    Property Taxes

Property taxes represent ad valorem taxes levied by the City, which are payable to the County Treasurer, and are recognized as revenue by the City in the year for which they are levied.

Property taxes are levied in December for collection in the subsequent year.

Property taxes attach as an enforceable lien on property as of January 1. Taxes may be paid without penalty in either of two ways: (a) Full payment by April 30, or (b) First half must be paid by last day of February, and second half must be paid by June 15.

J.    Contraband

There were no contraband proceeds for the year ended December 31, 2017.

K.    Use of Estimates

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

L.    Deposits and Investments

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

CITY OF TRINIDAD, COLORADO  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

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NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M.    Due To/From Funds

Outstanding balances between funds created by lending/borrowing or cash allocation in common purchasing activities are reported as due to/from funds.

N.    Long-Term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed when incurred.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

O.    Deferred Outflows / Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) 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. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

The City records regulatory assets / liabilities associated with the accounting for the deferral of costs or the current recovery of expected future costs for the Gas Fund (as fully described in Note 1C.) as a purchased natural gas adjustment is either a deferred inflow or a deferred outflow based on the position at year end.

P.    GASB Statement No. 54

The Government Accounting Standards Board (GASB) has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes.

NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

P.    GASB Statement No. 54 (Continued)

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories list below.

1. Nonspendable such as fund balances associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).
2. Restricted fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. Committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the City Council (the City's highest level of decision-making authority).
4. Assigned fund balance classifications are intended to be used by the government for specific purposes but do not meet the criteria to be classified as restricted or committed.
5. Unassigned fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications.

Fund Balance Classification Policies and Procedures

Committed Fund Balance Policy:

The City's Committed Fund Balance is fund balance reporting required by the Council, either because of a Council Policy in the City Policy Manual, or because of motions that passed at Council meetings.

Assigned Fund Balance Policy:

The City's Assigned Fund Balance is fund balance reporting occurring by Council authority, under the direction of the Chief Financial Officer.

Order of Fund Balance Spending Policy

The City's policy is to apply expenditures against non-spendable fund balance, restricted fund balance, committed fund balance, assigned fund balance, and unassigned fund balance at the end of the fiscal year by adjusting journal entries.

First, non-spendable fund balances are determined. Then restricted fund balances for specific purposes are determined (not including non-spendable amounts). Then unrestricted fund balances are determined following the order of committed, assigned, and unassigned.

CITY OF TRINIDAD, COLORADO  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2017

NOTE 1    SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

P.    GASB Statement No. 54 (continued)

Fund Balance Classification by Fund:

	<u>General Fund</u>	<u>Capital Projects Fund</u>	<u>Tourism Fund</u>	<u>Lottery Fund</u>	<u>Total Governmental Funds</u>
<u>Nonspendable:</u>					
Inventories	16,795	-	-	-	16,795
<u>Restricted:</u>					
Emergencies	371,918	-	-	-	371,918
Capital Outlay	-	5,788,954	-	-	5,788,954
Parks and Recreation	-	-	-	71,270	71,270
Landfill	127,064	-	-	-	127,064
<u>Committed:</u>					
Library	42,249	-	-	-	42,249
<u>Assigned:</u>					
Tourism Promotion	-	-	132,241	-	132,241
<u>Unassigned</u>	<u>7,589,368</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,589,368</u>
<u>Total Fund Balances</u>	<u>8,147,394</u>	<u>5,788,954</u>	<u>132,241</u>	<u>71,270</u>	<u>14,139,859</u>

Q.    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 Statewide Defined Benefit Plans and Old Hire Fire and Police Pension Plans, administered by the Fire and Police Pension Association of Colorado (FPPA), and additions to/deductions from the various pension plan's fiduciary net position have been determined on the same basis as they are reported by FPPA. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

CITY OF TRINIDAD, COLORADO  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

NOTE 2    CAPITAL ASSETS

Capital assets activity for the year ended December 31, 2017 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Adjustment</u>	<u>Ending Balance</u>
<u>Governmental Activities</u>					
Capital Assets Not Being Depreciated:					
Land	943,766	301,819	-	-	1,245,585
Art	-	15,000	-	26,493	41,493
Construction in Progress	<u>775,312</u>	<u>1,106,593</u>	<u>941,705</u>	<u>-</u>	<u>940,200</u>
Total Capital Assets Not Being Depreciated	<u>1,719,078</u>	<u>1,423,412</u>	<u>941,705</u>	<u>26,493</u>	<u>2,227,278</u>
Capital Assets Being Depreciated:					
Buildings	13,100,553	1,103,392	442,981	75,818	13,836,782
Vehicles	2,430,896	536,768	228,578	-	2,739,086
Equipment	4,231,868	217,255	109,471	(4,500)	4,335,152
Infrastructure	<u>32,842,775</u>	<u>851,420</u>	<u>-</u>	<u>(26,493)</u>	<u>33,667,702</u>
Total Capital Assets Being Depreciated	<u>52,606,092</u>	<u>2,708,835</u>	<u>781,030</u>	<u>44,825</u>	<u>54,578,722</u>
Less Accumulated Depreciation for:					
Buildings	6,955,927	331,658	217,789	75,818	7,145,614
Vehicles	1,849,028	143,170	226,528	-	1,765,670
Equipment	3,326,843	167,558	109,176	-	3,385,225
Infrastructure	<u>16,034,468</u>	<u>1,076,679</u>	<u>-</u>	<u>(883)</u>	<u>17,110,264</u>
Total Accumulated Depreciation	<u>28,166,266</u>	<u>1,719,065</u>	<u>553,493</u>	<u>74,935</u>	<u>29,406,773</u>
Total Capital Assets Being Depreciated, Net	<u>24,439,826</u>	<u>989,770</u>	<u>227,537</u>	<u>(30,110)</u>	<u>25,171,949</u>
<u>Governmental Activities</u>					
Capital Assets, Net	<u>26,158,904</u>	<u>2,413,182</u>	<u>1,169,242</u>	<u>(3,617)</u>	<u>27,399,227</u>
<u>Business-Type Activities</u>					
Capital Assets Not Being Depreciated:					
Land, Equity, Water Rights	<u>2,086,200</u>	<u>-</u>	<u>28,572</u>	<u>-</u>	<u>2,057,628</u>
Capital Assets Being Depreciated:					
Buildings & Systems	43,993,519	21,722	75,818	-	43,939,423
Equipment	3,406,144	352,775	71,570	-	3,687,349
Construction In Progress	<u>7,844</u>	<u>185,297</u>	<u>7,844</u>	<u>-</u>	<u>185,297</u>
Total Capital Assets Being Depreciated	<u>47,407,507</u>	<u>559,794</u>	<u>155,232</u>	<u>-</u>	<u>47,812,069</u>
Less Accumulated Depreciation for:					
Buildings & Systems	24,489,802	791,956	75,818	-	25,205,940
Equipment	<u>3,079,274</u>	<u>69,050</u>	<u>71,570</u>	<u>(591)</u>	<u>3,076,163</u>
Total Accumulated Depreciation	<u>27,569,076</u>	<u>861,006</u>	<u>147,388</u>	<u>(591)</u>	<u>28,282,103</u>
<u>Business-Type Activities</u>					
Capital Assets, Net	<u>21,924,631</u>	<u>(301,212)</u>	<u>36,416</u>	<u>591</u>	<u>21,587,594</u>

CITY OF TRINIDAD, COLORADO  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2017

NOTE 2    CAPITAL ASSETS (Continued)

Beginning in 2003, general infrastructure assets were recorded prospectively in the financial statements, at cost. Retroactive reporting of general infrastructure assets was required by standards for the City (Phase 2 entity) for fiscal years beginning after June 15, 2006. The value of infrastructure from 1980 to 2002 along with the associated accumulated depreciation was included in 2007.

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental Activities:

General Government	129,812
Public Safety	189,173
Public Works	1,013,765
Parks and Recreation	<u>386,315</u>
<u>Total Depreciation Expense – Governmental Activities</u>	<u>1,719,065</u>

Business-Type Activities:

Gas	43,665
Power	84,124
Water & Sewer	<u>732,626</u>
<u>Total Depreciation Expense – Business Type Activities</u>	<u>860,415</u>

NOTE 3    CHANGES IN LONG-TERM DEBT

Changes in Long-Term Debt, Long-Term Liability activity for the year ended December 31, 2017, were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<u>Governmental Activities</u>					
Note Payable	100,000	-	100,000	-	-
Landfill Closure/Postclosure	3,462,982	67,508	-	3,530,490	-
Lease Purchases	462,870	221,779	634,441	50,208	11,626
Compensated Absences	<u>935,543</u>	<u>60,225</u>	<u>          </u>	<u>995,768</u>	<u>          </u>
	<u>4,961,395</u>	<u>349,512</u>	<u>734,441</u>	<u>4,576,466</u>	<u>11,626</u>
<u>Business – Type Activities</u>					
Sewer Revenue Bonds	918,652	-	443,303	475,349	475,349
Compensated Absences	<u>723,022</u>	<u>          </u>	<u>17,965</u>	<u>705,057</u>	<u>          </u>
	<u>1,641,674</u>	<u>          </u>	<u>461,268</u>	<u>1,180,406</u>	<u>475,349</u>

CITY OF TRINIDAD, COLORADO  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2017

NOTE 3    CHANGES IN LONG-TERM DEBT (Continued)

Loan/Revenue Bond – Sewer Construction

In April of 1998, the City entered in to a loan agreement with the Colorado Water Resources and Power Development Authority. The Authority, a political subdivision of the State of Colorado, issued bonds the proceeds of which were made available to municipalities within the State for capital construction purposes. The City issued a governmental agency bond (revenue bond) to evidence the loan. The loan was made in the amount of \$6,670,909 and is to be used for the acquisition, construction and completion of a wastewater treatment facility.

The debt is payable in 40 semi-annual installments of varying amounts. Original interest was at an approximate rate of 3.9% (refinanced at approximately 2.42% in 2005) and an administrative fee of eight tenths of one percent applies to each payment. Principal payments, administrative fees and estimated interest costs are as follows:

	<u>Principal</u>	<u>Admin Fee</u>	<u>Interest</u>
2018	<u>475,349</u>	<u>20,013</u>	— -
<u>Total</u>	<u>475,349</u>	<u>20,013</u>	— -

The refinancing by the Colorado Water Resources and Power Development Authority in 2005 provided an expected savings to the City of \$221,295 at a net present value of \$173,628.

As a condition of this debt, the City must certify to the Authority the following information.

1. Maintenance of the three month operations and maintenance reserve:

The reserve requirement is estimated to be approximately \$360,492 based on Exhibit F of the loan agreement. The City had deposited excess revenues (monthly surplus) into the reserve account in the amount of \$373,349 by December 31, 2017.

2. Compliance with the rate covenant:

The City, for 2017, was not in compliance with the rate covenant required in Exhibit A (5) of the loan agreement.

A rate stabilization fund in the amount of \$100,000 was created in order to have reserves available to enable the City to meet the rate covenant requirements of exhibit A(5) of the loan agreement.

3. Compliance with additional bonds test:

No additional obligations were incurred by the City payable from the revenues of the sewer fund and no liens superior to this loan agreement have been added to the pledged property.

CITY OF TRINIDAD, COLORADO  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2017

NOTE 3    CHANGES IN LONG-TERM DEBT (Continued)

Compensated Absences

Governmental Funds

Governmental fund compensated absences at December 31, 2017 were \$995,768. As explained in Note 1(H), this amount is not recorded in the governmental fund financial statements, but is reflected in the statement of net position.

Enterprise Funds

Compensated absences accrued, payable and recorded in the Enterprise Funds are as follows:

Power and Light Fund	373,056
Water and Sewer Fund	167,484
Gas Fund	<u>164,517</u>
<u>Total</u>	<u>705,057</u>

Lease Purchases Payable

At December 31, 2017 the City had the following capital leases for the purchase of equipment:

The City began payments for a capital lease to acquire phone equipment in 2017. The purchase was for \$60,367. Payments for the lease are monthly at an amount of \$1,156 and include interest at an imputed rate of 5%.

The future minimum payments follow:

	<u>Phone Equipment</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	11,626	2,248	13,874
2019	12,222	1,652	13,874
2020	12,847	1,027	13,874
2021	<u>13,513</u>	<u>361</u>	<u>13,874</u>
Total Minimum Lease Payments	<u>50,208</u>	<u>5,288</u>	55,496
Less Amounts Representing Interest			<u>5,288</u>
Present Value of Future Minimum Lease Payments			<u>50,208</u>

CITY OF TRINIDAD, COLORADO  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2017

NOTE 4    DEFINED BENEFIT PENSION PLAN - FIREMEN AND POLICEMEN

The City has four plans covering members of the Fire and Police Department. The plans are:

- Fire and Police Pension Plan – Statewide Hybrid Defined Benefit Plan (FPPA SWHDB)
- Fire and Police Pension Plan – Statewide Defined Benefit Plan (FPPA SWDB)
- Trinidad Old Hire Fire Pension Fund (Old Hire Fire)
- Trinidad Old Hire Police Fund (Old Hire Police)

<u>Plan</u>	<u>Net Pension Liability</u>	<u>Net Pension Asset</u>	<u>Pension Expense</u>	<u>Deferred Outflows</u>	<u>Deferred Inflows</u>
Trinidad Old Hire Fire	631,916	-	58,990	105,004	-
Trinidad Old Hire Police	75,105	-	8,176	15,756	-
FPPA Statewide Hybrid Plan	-	151,899	(26,658)	135,886	24,289
FPPA Statewide Plan	<u>55,142</u>	<u>-</u>	<u>83,622</u>	<u>286,608</u>	<u>15,232</u>
Totals	<u>762,163</u>	<u>151,899</u>	<u>124,130</u>	<u>543,254</u>	<u>39,521</u>

NOTE 4 DEFINED BENEFIT PENSION PLAN - FIREMEN AND POLICEMEN (Continued)

Cost Sharing Multiple-Employer Defined Benefit Pension Plans

***Fire & Police Statewide Hybrid Plan***

*Plan description.* The Plan is a cost-sharing multiple-employer defined benefit pension plan covering full-time firefighters and police officers from departments that elect coverage. The Plan may also cover clerical staff or other fire district personnel whose services are auxiliary to fire protection. The Plan is comprised of two components: Defined Benefit and Money Purchase. With the latter component, employees have the option of choosing among various mutual funds offered by an outside investment manager. As of December 31, 2014, the Plan has 34 participating employer departments.

The Plan is not open to new members for the Department.

Employers may not withdraw from the Plan once affiliated.

Colorado Revised Statutes, Title 31, Article 31 grants the authority to establish and amend the benefit terms to the Fire & Police Pension Association of Colorado Board of Directors. The Fire & Police Pension Association of Colorado issues a publicly available financial report that can be obtained at [www.fppaco.org](http://www.fppaco.org).

*Benefits provided.* The Plan document states that any member may retire from further service and become eligible for a normal retirement pension at any time after age 55, if the member has at least 25 years of service.

The annual normal pension of the Defined Benefit Component is 1.5 percent of the average of the member's highest three years' base salary for each year of credited service. Benefits paid to retired members of the Defined Benefit Component are evaluated and may be re-determined annually on October 1. The amount of any increase is based on the Board's discretion and can range from 0 to 3 percent.

A member is eligible for early retirement at age 50 or after of 30 years of service. The early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis. Upon termination, a member may elect to have all contributions, along with 5 percent as interest, returned as a lump sum distribution from the Defined Benefit Component. Alternatively, a member with at least five years of accredited service may leave contributions with the Defined Benefit Component of the Plan and remain eligible for a retirement pension at age 55 equal to 1.5 percent of the average of the member's highest three years' base salary for each year of credited service. In addition, upon termination, the vested account balance within the Money Purchase Component becomes available to the member.

CITY OF TRINIDAD, COLORADO  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

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NOTE 4    DEFINED BENEFIT PENSION PLAN - FIREMEN AND POLICEMEN (Continued)

A member may elect to participate in the deferred retirement option plan (DROP) after reaching eligibility for normal retirement, early retirement, or vested retirement and age 55. A member can continue to work while participating in the DROP, but must terminate employment within 5 years of entry into DROP. The member's percentage of retirement benefit is determined at the time of entry into the DROP. The monthly payments that begin at entry into the DROP are accumulated in a DROP account until the member terminates service, at which time the DROP accumulated benefits can be paid as periodic installments, a lump sum, or if desired, a member may elect to convert the DROP to a lifetime monthly benefit with survivor benefits. While participating in the DROP, the member continues to make pension contributions that are credited to the DROP. Effective January 1, 2003, the member shall self-direct the investments of their DROP funds. The DROP balance invested with the asset custodian at December 31, 2015 was not included in the SWH Plan Net Position.

*Contributions.* The Plan sets contribution rates at a level that enables all benefits to be fully funded at the retirement date of all members. The members of this Plan and their employers are currently each contributing at the rate determined by the individual employer, however, the rate for both employer and members must be at least 8 percent of the member's base salary. The amount allocated to the Defined Benefit Component is set annually by the Fire & Police Pension Association Board of Directors. Excess contributions fund the Money Purchase Component of the Plan. The Defined Benefit Component contribution rate from July 1, 2016 through June 30, 2017 is 13.5 percent. The Defined Benefit Component contribution rate from July 1, 2015 through June 30, 2016 was 12.6 percent.

Within the Money Purchase Component, members are always fully vested in their own contributions, as well as the earnings on those contributions. Vesting in the employer's contributions within the Money Purchase Component, and earnings on those contributions occurs according to the vesting schedule set by the plan document at 20 percent per year after the first year of service to be 100 percent vested after 5 years of service. Unvested Department contributions and earnings thereon are forfeited upon termination of employment. Such forfeitures are used to cover a portion of the pension plan's administrative expenses. Any administrative expenses not covered by forfeitures are charged directly to member accounts.

A member may elect to make voluntary after-tax contributions to the Money Purchase Component of the Plan.

Employer and member contributions are invested in funds at the discretion of members.

Contributions to the Plan from the Department were \$17,263 for the year ended December 31, 2017.

CITY OF TRINIDAD, COLORADO  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2017

**NOTE 4** DEFINED BENEFIT PENSION PLAN - FIREMEN AND POLICEMEN (Continued)

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At December 31, 2017, the Department reported a liability/(asset) of \$(151,899) for its proportionate share of the net pension liability/(asset). The net pension liability/(asset) was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of that date. The Department's proportion of the net pension liability/(asset) was based on a projection of the Department's long-term share of contributions to the pension plan relative to the projected contributions of all participating Departments, actuarially determined. At December 31, 2016, the Department's proportion was 1.3955 percent, which was an increase of .0681 percent from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the Department recognized pension expense (reduction of expense) of \$(26,658). At December 31, 2017, the Department 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 actual and expected experience	\$ 78,189	\$ -
Changes in assumptions	6,739	-
Net difference between actual and projected earnings on pension plan investments	33,695	-
Changes in proportion and differences between Department contributions and proportionate share of contributions	-	24,289
Department contributions subsequent to the measurement date	17,263	-
<b>Total</b>	<b>\$ 135,886</b>	<b>\$ 24,289</b>

\$17,263 reported as deferred outflows of resources related to pensions resulting from Department contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	
2018	\$ 19,636
2019	19,636
2020	18,994
2021	11,802
2022	9,093
Thereafter	15,173

CITY OF TRINIDAD, COLORADO  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2017

**NOTE 4** DEFINED BENEFIT PENSION PLAN - FIREMEN AND POLICEMEN (Continued)

*Actuarial assumptions.* The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.5 percent, compounded annually net of operating expenses, and including inflation
Projected salary increases	4.0 – 14.0 percent
Cost of Living Adjustment	0.0 percent
Inflation	2.5 percent

Mortality rates were based on the RP-2014 Generational Mortality Table with Blue Collar Adjustment projected with Scale BB, 55 percent multiplier for off-duty mortality. On-duty related mortality is assumed to be 0.00020 per year for all members. The actuarial assumptions used in the January 1, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2007–December 31, 2011. As a result of the 2011 actuarial experience study, the main actuarial factor changes were:

- Reduced the inflation assumption from 3.5 percent to 3.0 percent.
- Reduced the normal investment return assumption from 8.0 percent to 7.5 percent.
- Revised the post-retirement mortality tables to reflect increased longevity.

<b>Asset Class</b>	<b>Target Allocation</b>	<b>Long Term Expected Rate of Return</b>
Global Equity	36%	9.25%
Equity Long/Short	10%	7.35%
Illiquid Alternatives	23%	10.75%
Fixed Income	15%	4.10%
Absolute Return	10%	6.55%
Managed Futures	4%	5.50%
Cash	2%	0.00%
<b>Total</b>	<b>100%</b>	

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. Best estimates of arithmetic real rates of return for each major asset class included in the Plans target asset allocation as of December 31, 2016, are summarized in the above table.

CITY OF TRINIDAD, COLORADO  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2017

**NOTE 4**     **DEFINED BENEFIT PENSION PLAN - FIREMEN AND POLICEMEN (Continued)**

*Discount rate.* The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Fire & Police Pension Association Board of Director's funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the Plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. 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.

*Sensitivity of the Department's proportionate share of the net pension liability to changes in the discount rate.* The following presents the Department's proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.50 percent, as well as what the Department's proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentagepoint lower (6.50 percent) or 1-percentagepoint higher (8.50 percent) than the current rate:

	<b>1.00% Decrease*</b>	<b>Current Discount Rate*</b>	<b>1.00% Increase*</b>
Department's proportionate share of the net pension liability/(asset)	(80,774)	(151,899)	(211,236)

\* The long-term rate of return used was 7.50 percent. The municipal bond rate used was 3.78 percent. The single discount rate for the plans was 7.50 percent.

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Fire & Police Pension Association of Colorado financial report.

***Fire & Police Statewide Defined Benefit Plan***

*Plan description.* The Plan is a cost-sharing multiple-employer defined benefit pension plan covering substantially all full-time employees of participating fire or police departments in Colorado hired on or after April 8, 1978 (New Hires), provided that they are not already covered by a statutorily exempt plan. As of August 1, 2003, the Plan may include clerical and other personnel from fire districts whose services are auxiliary to fire protection. The Plan became effective January 1, 1980.

Employers once had the option to elect to withdraw from the Plan, but a change in state statutes permitted no further withdrawals after January 1, 1988.

CITY OF TRINIDAD, COLORADO  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

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NOTE 4    DEFINED BENEFIT PENSION PLAN - FIREMEN AND POLICEMEN (Continued)

Colorado Revised Statutes Title 31, Article 31 grants the authority to establish and amend the benefit terms to the Fire & Police Pension Association of Colorado Board of Directors. The Fire & Police Pension Association of Colorado issues a publicly available financial report that can be obtained at [www.fppaco.org](http://www.fppaco.org).

*Benefits provided.* The annual normal retirement benefit is 2 percent of the average of the member's highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter. The benefit earned prior to January 1, 2007 for members of affiliated Social Security employers will be reduced by the amount of Social Security income payable to the member annually. Effective January 1, 2007, members currently covered under Social Security will receive half the benefit when compared to the Statewide Defined Benefit Plan. Benefits paid to retired members are evaluated and may be re-determined every October 1. The amount of any increase is based on the Board's discretion and can range from 0 to the higher of 3 percent or the Consumer Price Index.

In addition, upon retirement a member may receive additional benefits credited to the member's "Separate Retirement Account" each year after January 1, 1988. These are attributable to contributions in excess of the actuarially determined pension cost and the allocation of the net Fire & Police Members' Benefit Investment Fund earnings and losses thereon. Members do not vest in amounts credited to their Separate Retirement Account until retirement, and the Plan may use such stabilization reserve amounts to reduce pension cost in the event such cost exceeds contributions. It was previously mentioned that reentry members have a higher contribution rate. As a result their Separate Retirement Account (SRA) has two components; the standard SRA and the reentry SRA. The component of a member's SRA attributable to the higher contribution rate is considered the reentry SRA. The reentry SRA cannot be used to subsidize the costs for the non-reentry members. Effective July 1, 2014, the standard Separate Retirement Account contribution rate for members of the Fire & Police Statewide Defined Benefit Plan was set at 0 percent. The reentry Separate Retirement Account contribution rate was set at 3.60 percent.

A member is eligible for an early retirement at age 50 or after 30 years of service. The early retirement benefit equals the normal retirement benefit reduced on an actuarially equivalent basis. Upon termination, an employee may elect to have member contributions, along with 5 percent as interest, returned as a lump sum distribution. Alternatively, a member with at least five years of accredited service may leave contributions with the Plan and remain eligible for a retirement pension at age 55 equal to 2 percent of the member's average highest three years' base salary for each year of credited service up to ten years, plus 2.5 percent for each year of service thereafter.

CITY OF TRINIDAD, COLORADO  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

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NOTE 4    DEFINED BENEFIT PENSION PLAN - FIREMEN AND POLICEMEN (Continued)

A member may elect to participate in the deferred retirement option plan (DROP) after reaching eligibility for normal retirement, early retirement, or vested retirement and age 55. A member can continue to work while participating in the DROP, but must terminate employment within 5 years of entry into DROP. The member's percentage of retirement benefit is determined at the time of entry into the DROP. The monthly payments that begin at entry into the DROP are accumulated in a DROP account until the member terminates service, at which time the DROP accumulated benefits can be paid as periodic installments, a lump sum, or if desired, a member may elect to convert the DROP to a lifetime monthly benefit with survivor benefits. While participating in the DROP, the member continues to make pension contributions that are credited to the DROP. Effective January 1, 2003, the member shall self-direct the investments of their DROP funds. The DROP balance invested with the asset custodian at December 31, 2015 was not included in the SWDB Plan Net Position.

*Contributions.* The Plan sets contribution rates at a level that enables all benefits to be fully funded at the retirement date of all members. Contribution rates for this Plan are set by state statute. Employer contribution rates can only be amended by state statute. Member contribution rates can be amended by state statute or by election of the membership.

Members of this Plan and their employers are contributing at the rate of 9 percent and 8 percent of base salary for a total contribution rate of 17 percent in 2016. In 2014, the members elected to increase the member contribution rate to the Plan beginning in 2016. Member contribution rates will increase 0.5 percent annually through 2022 to a total of 12 percent of base salary. Employer contributions will remain at 8 percent resulting in a combined contribution rate of 20 percent in 2022.

Contributions from members and employers of plans re-entering the system are established by resolution and approved by the FPPA Board of Directors. The reentry group has a combined contribution rate of 20.5 percent of base salary in 2015. It is a local decision on who pays the additional 4 percent contribution. Per the 2014 member election, the reentry group will also have their required member contribution rate increase 0.5 percent annually beginning in 2015 through 2022 for a total combined member and employer contribution rate of 24 percent.

The contribution rate for members and employers of affiliated social security employers is 4.5 percent of base salary for a total contribution rate of 8.5 percent.. Per the 2014 member election, the affiliated social security group will also have their required member contribution rate increase 0.25 percent annually beginning in 2015 through 2022 to a total of 6 percent of base salary. Employer contributions will remain at 4 percent resulting in a combined contribution rate of 10 percent in 2022.

Contributions to the Plan from the Department were \$50,868 for the year ended December 31, 2017.

CITY OF TRINIDAD, COLORADO  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2017

**NOTE 4** DEFINED BENEFIT PENSION PLAN - FIREMEN AND POLICEMEN (Continued)

***Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions***

At December 31, 2017, the Department reported a liability of \$55,142 for its proportionate share of the net pension liability/(asset). The net pension liability/(asset) was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability/(asset) was determined by an actuarial valuation as of that date. The Department's proportion of the net pension liability/(asset) was based on a projection of the Department's long-term share of contributions to the pension plan relative to the projected contributions of all participating Departments, actuarially determined. At December 31, 2016, the Department's proportion was .15260 percent, which was an increase/(decrease) of .00575 percent from its proportion measured as of December 31, 2015.

For the year ended December 31, 2017, the Department recognized pension expense of \$83,622. At December 31, 2017, the Department 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 actual and expected experience	\$ 49,235	\$ 2,804
Changes in assumptions	37,666	-
Net difference between actual and projected earnings on pension plan investments	148,839	-
Changes in proportion and differences between Department contributions and proportionate share of contributions	-	12,428
Department contributions subsequent to the measurement date	50,868	-
Total	\$ 286,608	\$ 15,232

\$50,868 reported as deferred outflows of resources related to pensions resulting from Department contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,	
2018	\$ 55,325
2019	55,325
2020	51,931
2021	20,247
2022	8,497
Thereafter	29,183

CITY OF TRINIDAD, COLORADO  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2017

**NOTE 4**    **DEFINED BENEFIT PENSION PLAN - FIREMEN AND POLICEMEN (Continued)**

*Actuarial assumptions.* The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Investment rate of return	7.5 percent, compounded annually net of operating expenses, and including inflation
Projected salary increases	4.0 – 14.0 percent
Cost of Living Adjustment	0.0 percent
Inflation	2.5 percent

Mortality rates were based on the RP-2000 Combined Mortality Table with Blue Collar Adjustment projected with Scale AA, 40 percent multiplier for off-duty mortality. On-duty related mortality is assumed to be 0.00020 per year for all members.

The actuarial assumptions used in the January 1, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2007–December 31, 2011. As a result of the 2011 actuarial experience study, the main actuarial factor changes were:

- Reduced the inflation assumption from 3.5 percent to 3.0 percent.
- Reduced the normal investment return assumption from 8.0 percent to 7.5 percent.
- Revised the post-retirement mortality tables to reflect increased longevity.

Asset Class	Target Allocation	Long Term Expected Rate of Return
Global Equity	36%	9.25%
Equity Long/Short	10%	7.35%
Illiquid Alternatives	23%	10.75%
Fixed Income	15%	4.10%
Absolute Return	10%	6.55%
Managed Futures	4%	5.50%
Cash	2%	0.00%
<b>Total</b>	<b>100%</b>	

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. Best estimates of arithmetic real rates of return for each major asset class included in the Plans target asset allocation as of December 31, 2016, are summarized in the above table.

CITY OF TRINIDAD, COLORADO  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2017

**NOTE 4**    DEFINED BENEFIT PENSION PLAN - FIREMEN AND POLICEMEN (Continued)

*Discount rate.* The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Fire & Police Pension Association Board of Director’s funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the Plan fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. 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.

*Sensitivity of the Department’s proportionate share of the net pension liability to changes in the discount rate.* The following presents the Department’s proportionate share of the net pension liability/(asset) calculated using the discount rate of 7.50 percent, as well as what the Department’s proportionate share of the net pension liability/(asset) would be if it were calculated using a discount rate that is 1-percentagepoint lower (6.50 percent) or 1-percentagepoint higher (8.50 percent) than the current rate:

	1.00% Decrease*	Current Discount Rate*	1.00% Increase*
Department’s proportionate share of the net pension liability/(asset)	469,167	55,142	(288,726)

\* The long-term rate of return used was 7.5 percent. The municipal bond rate used was 3.78 percent. The single discount rate for the plans was 7.50 percent.

*Pension plan fiduciary net position.* Detailed information about the pension plan’s fiduciary net position is available in the separately issued Fire & Police Pension Association of Colorado financial report.

**Agent Multiple-Employer Defined Benefit Plans**

**Trinidad Old Hire Fire and Police Pension Funds (FPPA Old Hire Fire and Police)**

**Plan Description.** The Old Hire plans are agent multiple-employer defined benefit pension plans that are administered by the Fire and Police Pension Association (FPPA). Authority for the plans, including benefit and contribution provisions, is derived from Title 31, Articles 30, 30.5, and 31 of the Colorado Revised Statutes. The Plans are amended by statute. The plans provide normal, early, vested, or deferred retirement benefits to plan participants. The Old Hire pension plans are for fire fighter and police employees hired before April 8, 1978. The plans are accounted for using the economic resources measurement focus and the accrual basis of accounting and are closed to new entrants. FPPA issues a publicly available comprehensive annual financial report that includes the old hire plans and can be obtained at [fppaco.org/toc\\_frames.html](http://fppaco.org/toc_frames.html).

CITY OF TRINIDAD, COLORADO  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2017

**NOTE 4** DEFINED BENEFIT PENSION PLAN - FIREMEN AND POLICEMEN (Continued)

**Funding Policy.** The City is required to contribute to the Old Hire plans at an actuarially determined rate. Modification of the Old Hire plans is regulated by state law and by FPPA Rules and Regulations as authorized by state law. Changes to contribution requirements require an affirmative vote of 65.00% of active members and City Council ordinance. The City's contributions to the FPPA Old Hire Fire and Police plans for the year ended December 31, 2017 were \$72,529 and \$13,070, respectively.

**Plan Membership.** The plan membership of the Old Hire plans as of December 31, 2016 is presented as follows:

<u>Members</u>	<u>Old Hire Fire</u>	<u>Old Hire Police</u>	<u>Total</u>
Retirees and beneficiaries	6	5	11
Inactive, non-retired beneficiaries	-	-	-
Active members	-	-	-
Total	<u>6</u>	<u>5</u>	<u>11</u>

**Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions.** At December 31, 2017, the City reported a liability of \$631,916 and \$75,105 for the Old Hire fire and Old Hire Police plans, respectively, for the net pension liability related to the FPPA old hire plans. The net pension liabilities were measured as of December 31, 2016, and the total pension liabilities used to calculate the net pension liabilities was determined by an actuarial valuation as of January 1, 2016. Standard update procedures were used to roll forward the total pension liabilities to December 31, 2015.

The components of the net pension liability of the City as of December 31, 2017, is presented below:

<u>Members</u>	<u>Old Hire Fire</u>	<u>Old Hire Police</u>
Total pension liability	1,229,801	112,421
Fiduciary net position	<u>597,885</u>	<u>37,316</u>
Total	<u>631,916</u>	<u>75,105</u>

CITY OF TRINIDAD, COLORADO  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

NOTE 4    DEFINED BENEFIT PENSION PLAN - FIREMEN AND POLICEMEN (Continued)

For the year ended December 31, 2017, the City recognized \$58,990 and \$8,176 of pension expense for the Old Hire Fire and Old Hire Police plans, respectively. A summary of the City's deferred outflows of resources and deferred inflows of resources related to pensions for the Old Hire Fire and Old Hire Police plans as of December 31, 2017, is presented below:

	Old Hire Fire		Old Hire Police	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	-	-	-	-
Changes of assumptions or other inputs	-	-	-	-
Net difference between projected and actual earnings on pension plan investments	32,475	-	2,686	-
Contributions subsequent to the measurement date	<u>72,529</u>	<u>-</u>	<u>13,070</u>	<u>-</u>
Total	<u>105,004</u>	<u>-</u>	<u>15,756</u>	<u>-</u>

The \$72,529 and \$13,070 reported by the Old Hire Fire and Old Hire Police plans, respectively, 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 in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as presented in the following:

<u>Year</u>	<u>Old Hire Fire</u>	<u>Old Hire Police</u>
2018	10,254	852
2019	10,252	850
2020	9,453	777
2021	2,516	207
2022	-	-
Thereafter	<u>-</u>	<u>-</u>
Total	<u>32,475</u>	<u>2,686</u>

CITY OF TRINIDAD, COLORADO  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

**NOTE 4** DEFINED BENEFIT PENSION PLAN - FIREMEN AND POLICEMEN (Continued)

The changes in net pension liability for Old Hire Fire and Old Hire Police plans were:

	<u>Old Hire Fire</u>			<u>Old Hire Police</u>		
	<u>Total</u> <u>Pension</u> <u>Liability</u>	<u>Fiduciary</u> <u>Net</u> <u>Position</u>	<u>Net</u> <u>Pension</u> <u>Liability</u>	<u>Total</u> <u>Pension</u> <u>Liability</u>	<u>Fiduciary</u> <u>Net</u> <u>Position</u>	<u>Net</u> <u>Pension</u> <u>Liability</u>
<u>Balances as of</u> <u>January 1, 2017</u>	1,249,122	606,086	643,036	122,445	47,672	74,773
<b>Changes for the year:</b>						
Service Cost	89,671	-	89,671	8,501	-	8,501
Interest	-	-	-	-	-	-
Differences between expected and actual experience	-	-	-	-	-	-
Change of Assumptions	-	72,428	(72,428)	-	8,031	(8,031)
Contributions – Employer	-	-	-	-	-	-
Contributions – Employee	-	31,425	(31,425)	-	2,079	(2,079)
Net investment income	(108,992)	(108,992)	-	(18,525)	(18,525)	-
Benefit payments	-	(3,062)	3,062	-	(1,941)	1,941
Administrative expense	-	-	-	-	-	-
Other changes	-	-	-	-	-	-
<b>Total Net Changes</b>	<u>(19,321)</u>	<u>(8,201)</u>	<u>(11,120)</u>	<u>(10,024)</u>	<u>(10,356)</u>	<u>332</u>
<b>Balances as of</b> <b>December 31, 2017</b>	<u>1,229,801</u>	<u>597,885</u>	<u>631,916</u>	<u>112,421</u>	<u>37,316</u>	<u>75,105</u>

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. Best estimates of arithmetic real rates of return for each major asset class included in the Plans target asset allocation as of December 31, 2016 these best estimates are summarized as follows:

<u>Asset Class</u>	<u>Target</u> <u>Allocation</u>	<u>Long-Term</u> <u>Expected Rate</u> <u>of Return</u>
Global equity	36.00%	6.75%
Equity long/short	10.00%	4.85%
Illiquid alternatives	23.00%	8.25%
Fixed Income	15.00%	0.50%
Absolute return	10.00%	4.05%
Managed futures	4.00%	3.00%
Cash	2.00%	0.00%
<b>Total</b>	<u>100.00%</u>	

CITY OF TRINIDAD, COLORADO  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2017

**NOTE 4** DEFINED BENEFIT PENSION PLAN - FIREMEN AND POLICEMEN (Continued)

The total pension liability in the January 1, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs:

	Old Hire Fire	Old Hire Police
Investment rate of return	7.50%	7.50%
Salary increases	n/a	n/a
Inflation	2.50%	2.50%

Mortality rates were based on the RP-2014 Mortality Tables for Blue Collar Employees, projected with Scale BB .

The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers will be made based on the actuarially determined rates based on the Board's funding policy, which establishes the contractually required rates under Colorado statutes. Based on those assumptions, the plan fiduciary net position was projected to be available to make all the projected future benefit payment of current plan members. Therefore, the long-term expected rate of return of pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the City's Net Pension Liability to Changes in the Discount Rate.** Following is the city's net pension liability/(asset), calculated using a discount rate of 7.50%, as well as what the City's net pension liability/(asset) would be if it were calculated using a discount rate that is 1.00% lower or 1.00% higher (dollars in thousands):

	1% Decrease 6.50%	Discount 7.50%	1% Increase 8.50%
Old Hire Fire net pension liability	727,213	631,916	548,332
Old Police Fire net pension liability	82,354	75,105	68,740

**Pension Plan Fiduciary Net Position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued FPPA financial reports found at [http://fppaco.org/toc\\_frames.html](http://fppaco.org/toc_frames.html).

Each retirement system issues a publicly available financial report that includes financial statements and required supplementary information of that plan. Those reports are available by contacting:

Fire and Police Pension Association  
 5290 DTC Parkway, Suite 100  
 Greenwood Village, Colorado 80111

CITY OF TRINIDAD, COLORADO  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

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NOTE 5    DEFINED CONTRIBUTION PLANS

The City provides pension benefits for all non fire or police full time employees through a defined contribution plan of the Colorado County Officials and Employees Retirement Association and for full time city manager department employees through the city money purchase pension plan for that department. Police employees (full-time) that are not eligible for the defined benefit plan described in the preceding note are provided pension benefits through the City's departmental money purchase pension plan (a defined contribution plan). In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment in the police plan and the city manager department plan. One year of service is required previous to participation in the Colorado County Officials and Employees Retirement Association Plan.

- Colorado County Officials and Employees Retirement Association

Employees contribute 3% of their salary to the plan with an equal amount contributed by the City. Vesting occurs at the rate of 25% per year. City contributions for, and earnings forfeited by, employees who leave employment before fully vesting are returned to the City. Forfeitures were \$6,445 during 2017 and pension expense was \$147,434. The City had no outstanding liability for this plan at year end.

- Police Department Money Purchase Pension Plan (Administered by Pensions Management Assoc., Inc.)

The City contributes 8% for Police (to the employees 8%), of the employee's compensation to the plan. Policemen vest fully after 5 years of service. Contributions and earnings forfeited by participants are accumulated in a reserve fund available for plan expenses not to exceed \$10,000. The pension expense recognized by the City during 2017 was \$112,211. No liability existed at year end.

- City Manager Department Money Purchase Pension Plan ( Managed by ICMA Retirement Corporation)

Employees contribute 3% of their salary to this plan which is matched equally by the City. Vesting occurs at the rate of 25% per year. City contributions for employees who leave employment before vesting are returned to the City. There were forfeitures of \$3,553 for the year ending December 31, 2017. Pension expense for that same period was \$3,610 and the City had no liability to the plan at December 31, 2017.

The benefit terms for all plans are established by the City Council of the City of Trinidad and may only be amended by them.

CITY OF TRINIDAD, COLORADO  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2017

**NOTE 6**    FIRE AND POLICE PENSION ASSOCIATION (FPPA) DEATH AND DISABILITY PLAN

All full-time police officers and firefighters are covered by the Fire and Police Pension Association (FPPA), a multiple-employer cost-sharing plan for pre-retirement death and disability. To date, contributions to the plan have been determined and budgeted by the State legislature. State law provided that these contributions would continue in diminishing amounts until 1994. The State requires employees hired on or after January 1, 1997, to contribute 2.6% of salary. The City pays the 2.6% for all affected police officers and firefighters. In 2017, the City paid \$44,146, equal to their required contribution.

FPPA issues a publicly available annual financial report that includes financial statements and required supplementary information. That report may be obtained online at [www.fppaco.org](http://www.fppaco.org) or by writing to Fire and Police Pension Association of Colorado, 5290 DTC Parkway, Suite 100, Greenwood Village, Colorado, 80111-2721 or by calling FPPA at (303) 770-3772 or 1-800-332-3772.

**NOTE 7**    INTERGOVERNMENTAL AGREEMENT

The City of Trinidad is a member of (CIRSA). The Colorado Intergovernmental Risk Sharing Agency (CIRSA), a separate and independent governmental and legal entity, was formed by intergovernmental agreement by member municipalities pursuant to the provisions of 29-1-201 et. seq., C.R.S. as amended, 8-44-101(1)(c) and (3), and 8-44-110, C.R.S. as amended, and Colorado Constitution, Article XIV, Section 18(2).

The purposes of CIRSA are to provide members a self-insurance pool to provide defined coverages, and claims and risk management services related thereto.

It is the intent of the members of CIRSA to create an entity to defend and indemnify, in accordance with the Bylaws, any member of CIRSA against liability or loss, to the limit of the financial resources of CIRSA available to pay such liability or loss. It is also the intent of the members to have CIRSA provide continuing stability and availability of needed coverages at reasonable costs. All income and assets of CIRSA shall be at all times dedicated to the exclusive benefit of its members. The Bylaws shall constitute the substance of the intergovernmental contract among the members.

Summary audited financial information as of December 31, 2016 follows:

Assets	<u>87,254,665</u>
Liabilities	36,055,129
Net Position	<u>51,199,536</u>
	<u>87,254,665</u>
Revenues	26,382,872
Expenditures	21,353,618
Distributions to Members (Credits to Members)	<u>574,075</u>
Increase (Decrease) in Net Position	<u>4,455,179</u>

CITY OF TRINIDAD, COLORADO  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

**NOTE 8**    **SEGMENT INFORMATION FOR ENTERPRISE FUNDS**

The City maintains three Enterprise Funds which provide water, sewer, gas and electrical operational services. All enterprise funds are reported separately as major funds in the fund financial statements.

The City accounts for the operations of the Water and Sewer Department within one enterprise fund. A note payable to the Colorado Water Resources and Power Development Authority requires that the City pledge the Net Revenues of the Sewer Department for payment of the debt. Summary financial information for each is presented below. The Water Department operates the City's water filtration and supply system. The Sewer Department operates the sewage treatment plant, sewage pumping stations and collection systems.

	<b><u>Water Department</u></b>	<b><u>Sewer Department</u></b>
<b><u>Condensed Statement of Net Position</u></b>		
Assets		
Current	5,848,278	294,337
Capital	<u>14,090,968</u>	<u>5,937,593</u>
Total Assets	<u>19,939,246</u>	<u>6,231,930</u>
Liabilities		
Current	113,807	9,199
NonCurrent	<u>196,106</u>	<u>475,349</u>
Total Liabilities	<u>309,913</u>	<u>484,548</u>
Net Position		
Net Investment in Capital Assets	14,090,968	5,462,244
Unrestricted	<u>5,538,365</u>	<u>285,138</u>
Total Net Position	<u>19,629,333</u>	<u>5,747,382</u>
<b><u>Condensed Statement of Revenues, Expenses and Changes in Net Position</u></b>		
Operating Revenues	2,259,269	1,799,681
Depreciation	(503,342)	(257,856)
Other Operating Expense	<u>(2,067,199)</u>	<u>(1,370,229)</u>
Operating Income	<u>(311,272)</u>	<u>171,596</u>
NonOperating Revenues (Expenses):		
Grants	-	-
Transfers	(129,374)	-
Interest Income	35,991	4,084
Interest Expense	<u>-</u>	<u>(37,491)</u>
Change in Net Position	<u>(404,655)</u>	<u>138,189</u>
Beginning Net Position	<u>20,033,988</u>	<u>5,609,193</u>
Ending Net Position	<u>19,629,333</u>	<u>5,747,382</u>
<b><u>Condensed Statement of Cash Flows</u></b>		
Net Cash Provided (Used) by:		
Operating Activities	255,263	274,030
Noncapital Financing Activities	(107,916)	-
Capital and Related Financing Activities	(395,902)	(613,790)
Investing Activities	<u>35,991</u>	<u>4,084</u>
Net Increase (Decrease)	<u>(212,564)</u>	<u>(335,676)</u>
Beginning Cash and Cash Equivalents	<u>5,638,782</u>	<u>452,131</u>
Ending Cash and Cash Equivalents	<u>5,426,218</u>	<u>116,455</u>

CITY OF TRINIDAD, COLORADO  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

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NOTE 9    CONTINGENCIES

The City is a defendant in various actions that have been brought in the courts or with regulatory agencies such as the Office of Civil Rights and the Equal Employment Opportunity Commission. It has also been made aware of certain claims for damages. It is the belief of those representing the City that none of these claims or actions will result in costs or losses to the City that are uninsured or of a material nature.

NOTE 10    COMMITMENTS

The City has various operating leases for equipment. These agreements are all subject to annual appropriation of funds by the City.

NOTE 11    CLOSURE AND POSTCLOSURE CARE COST

State and Federal laws and regulations require the City to place a final cover on its landfill site when it stops accepting waste and to perform certain maintenance functions at the site for thirty years after closure. Although closure and postclosure care costs will be paid only near or after the date that the landfill stops accepting waste, The City reports a portion of these closure and postclosure costs as an operating expense in each period based on landfill capacity used as of each balance sheet date. The \$3,530,490 reported in Long-Term Debt as landfill closure and postclosure care liability at December 31, 2017, represents the cumulative expense incurred to date based on the use of the existing facility and the requirements to close and monitor as the facility currently exists. The City will recognize a reduction in this liability to close due to the fact that usage at the site will be through vertical expansion and cover will be applied throughout the next 79 years of use. The estimate of cost for final closure is \$2,409,302 (of which \$187,016 will be the final phase) and cost for postclosure care is \$1,121,188. These amounts are based upon what it would cost to perform all closure and postclosure care in 2017. The City expects to close the landfill in the year 2096. Actual cost may be higher due to inflation, changes in technology or changes in regulations. No closure or post closure costs remain unrecognized. Increases in the liability are due solely to inflation, and are recognized currently as increases to Long-Term Debt. Current closure costs were recognized in the amount of \$46,036. Current postclosure costs were \$21,472. Approximately 1% of total landfill capacity has been used.

The City is required by law to provide assurance that it can meet the cost of closure and postclosure care. The City has provided that assurance by meeting the test requirements of the Colorado Department of Public Health and Environment. The City expects that future inflation costs may need to be covered by charges to future landfill users or other future revenues.

NOTE 12    CASH

The City's cash at year-end consisted of deposits in financial institutions and was entirely covered by federal depository insurance or by collateral held by the financial institutions as their agent in the City's name. Collateral is held under provisions of the Public Deposit Protection Act of 1975. This act requires pledged collateral to be clearly identified as security for public deposits and it requires that the pledging financial institution certify to the secured governmental unit that it is secured and indicate the location of the collateral. In the event of default or insolvency on the part of the pledging financial institution, the custodian will surrender the collateral to the state bank commissioner. A breakdown of deposits follows:

CITY OF TRINIDAD, COLORADO  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2017

NOTE 12 CASH (Continued)

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured	250,000	250,000
Insured	250,000	250,000
Insured	250,000	250,000
Insured	250,000	250,000
Uninsured, Collateral held by Bank or its agent in City's name	<u>24,472,002</u>	<u>25,499,457</u>
<u>Sub-Total</u>	<u>25,472,002</u>	<u>26,499,457</u>
Plus Cash with County Treasurer	54,926	-
Plus Cash on Hand	826	-
<u>Net Cash</u>	<u>25,527,754</u>	<u>26,499,457</u>

Cash is comprised of \$22,240,891 of unrestricted cash and \$3,286,863 of restricted cash for a total of \$25,527,754.

As presented above, deposits with a bank balance of \$25,499,457 and a carrying balance of \$24,472,002 as of December 31, 2017 are uninsured, are exposed to custodial risk, and are collateralized with securities held by the pledging financial institution.

Reserves

Article X, Section 20 of the Constitution of the State of Colorado requires the City to establish Emergency Reserves (see Note 14). \$371,918 of fund balance has been reserved in compliance with this requirement.

NOTE 13 INTERFUND RECEIVABLES AND PAYABLES

Interfund amounts are created as a result of pooling cash. They are expected to be repaid within a year. There are no interfund receivables or payables at year end.

CITY OF TRINIDAD, COLORADO  
NOTES TO FINANCIAL STATEMENTS  
December 31, 2017

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NOTE 14    CONTINGENCIES - TAX, SPENDING AND DEBT LIMITATIONS

In November 1992, the voters of Colorado approved Amendment 1, commonly known as the Taxpayer's Bill of Rights (TABOR), which adds a new Section 20 to Article X of the Colorado Constitution. TABOR contains tax, spending, revenue and debt limitations which apply to the State of Colorado and all local governments.

Enterprises, defined as government-owned businesses authorized to issue revenue bonds and receiving less than 10% of annual revenue in grants from all state and local governments combined, are excluded from the provisions of TABOR.

The initial base for local government spending and revenue limits is 1992 Fiscal Year Spending. Future spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 1% of Fiscal Year Spending (excluding bonded debt service) in 1993, 2% in 1994 and 3% thereafter. Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

TABOR requires, with certain exceptions, voters approval prior to imposing new taxes, increasing a tax rate, increasing a mill levy above that for the prior year, extending an expiring tax, or implementing a tax policy change directly causing a net tax revenue gain to any local government.

Except for bond refinancing at lower interest rates or adding employees to existing pension plans, TABOR specifically prohibits the creation of multiple-fiscal year debt or other financial obligations without voter approval or without irrevocably pledging present cash reserves for all future payments.

During 1994, the authorized voters of the City of Trinidad, Colorado voted to authorize the City to collect, retain and expend all revenues and other funds collected beginning in 1995, from any source, notwithstanding the limitations of Article X, Section 20 of the Colorado constitution, effective January 1, 1995, provided that no local tax rate or mill levy shall be increased without further voter approval.

The City's management believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits and qualifications as an Enterprise will require judicial interpretation.

CITY OF TRINIDAD, COLORADO  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2017

NOTE 15     RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, thefts of, damage to, or destruction of assets; errors or omissions; injuries to employees, or acts of God.

The City maintains commercial insurance and participates in a public entity risk pool for all risks of loss. Settled claims have not exceeded these coverages in any of the past three fiscal years.

NOTE 16     ALLOWANCE FOR ESTIMATED UNCOLLECTIBLE ACCOUNTS

At December 31, 2017, the City has provided an allowance for estimated uncollectible utility billings of \$134,400. The receivables shown in the financial statements of the utility funds are net of this allowance.

NOTE 17     CAPITALIZED INTEREST

Net interest costs associated with the sewer revenue bond were capitalized during the construction period of the new sewer treatment facility as required by generally accepted accounting principles. There was no interest capitalized in 2017.

NOTE 18     RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

The governmental funds balance sheet includes a reconciliation between *fund balances – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. Additionally, the governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net change in fund balances – total government funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities.

These reconciliations detail items that require adjustment to convert from the current resources measurement and modified accrual basis for governmental fund statements to the economic resources measurement and full accrual basis used for government-wide statements.

The following have been eliminated in the entity-wide financial statements:

<u>Fund</u>	<u>Due From Other Funds</u>	<u>Due To Other Funds</u>
None		
<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	-	1,879,000
Capital Projects Fund	1,715,000	-
Tourism Fund	164,000	-
	<u>1,879,000</u>	<u>1,879,000</u>

CITY OF TRINIDAD, COLORADO  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 2017

NOTE 19     INTERFUND TRANSFERS

<u>Fund</u>	<u>Transfer From Other Funds</u>	<u>Transfer To Other Funds</u>
General	572,588	1,930,500
Gas	-	182,515
Power	-	209,199
Water and Sewer	51,500	180,874
Capital Project	1,715,000	-
Tourism	164,000	-
	<u>2,503,088</u>	<u>2,503,088</u>

All except \$164,000 of transfers were made from and to major funds. Transfers to the General Fund were for service reimbursement and payments in lieu of tax and occur on a routine basis.

NOTE 20     INTERGOVERNMENTAL AGREEMENT

The City of Trinidad is one of five member cities of the Arkansas River Power Authority (ARPA). ARPA exists to provide wholesale power to its members who provide electrical utilities in their communities. ARPA is an independent governmental entity with a governing board appointed by the member cities. The governing board is responsible for hiring management.

NOTE 21     ACCOUNTING AND REPORTING FOR ENTERPRISE FUND

Prior to 2017, the operations of the water department and the sewer department were recorded in the accounting records of the City (along with their associated assets, liabilities and net position) as separate funds. The financial reporting for each was separate to reflect that accounting. Beginning in 2016, the two activities were recorded and reported in a single enterprise fund. The beginning net position of the 2016 water and sewer fund was the sum of the ending net position amounts at December 31, 2015 of the water fund and the sewer fund. These funds will be separate for financial reporting again beginning in 2018.

NOTE 22     BUDGET DISCLOSURE

Expenditures of the power fund for 2017 exceeded amounts budgeted for expenditure by \$19,603.

REQUIRED SUPPLEMENTARY INFORMATION

General Fund – Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual

Capital Projects Fund – Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual

Pension Data

CITY OF TRINIDAD, COLORADO  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance- Favorable
	<u>Original</u>	<u>Final</u>		<u>(Unfavorable)</u>
<u>REVENUES</u>				
Taxes				
General Property	1,007,634	1,007,634	1,157,441	149,807
Specific Ownership	184,000	184,000	227,642	43,642
General Sales and Use	4,605,044	5,205,044	5,529,741	324,697
Selective Sales and Use	736,261	2,931,261	3,325,130	393,869
Franchise	90,912	90,912	105,253	14,341
Licenses and Permits				
Business	52,238	52,238	93,951	41,713
Building, Zoning and Paving Permits	126,460	126,460	227,535	101,075
Other	-	-	-	-
Intergovernmental Revenues				
State Shared Revenues	443,360	513,360	504,502	(8,858)
Other	193,199	193,199	30,502	(162,697)
Charges for Services				
Disposal Fees	453,631	453,631	383,143	(70,488)
Delinquent Assessment	95,230	95,230	97,708	2,478
Culture and Recreation	55,379	55,379	60,821	5,442
Security	420,468	420,468	460,005	39,537
Fines and Forfeits				
Court	29,101	29,101	22,471	(6,630)
Miscellaneous				
Earnings on Investments	16,304	16,304	21,930	5,626
Other	<u>225,727</u>	<u>277,727</u>	<u>339,721</u>	<u>61,994</u>
<u>TOTAL REVENUES</u>	<u>8,734,948</u>	<u>11,651,948</u>	<u>12,587,496</u>	<u>935,548</u>
<u>EXPENDITURES</u>				
<u>General Government</u>				
City Council	22,450	22,450	15,033	7,417
City Attorney	75,590	75,590	80,099	(4,509)
Municipal Court	44,024	44,024	44,373	(349)
City Manager	187,549	556,549	321,921	234,628
Information Technology	122,821	212,821	134,196	78,625
Finance	69,728	69,728	76,715	(6,987)
Elections	4,600	4,600	6,227	(1,627)
Development Services	244,870	244,870	339,837	(94,967)
Welcome Center	84,008	84,008	122,171	(38,163)
Other Activities	643,551	758,551	872,982	(114,431)
Non-Discretionary Costs	1,785,277	1,885,276	1,818,130	67,146
Economic Development	<u>789,000</u>	<u>789,000</u>	<u>503,801</u>	<u>285,199</u>
<u>Total General Government</u>	<u>4,073,468</u>	<u>4,747,467</u>	<u>4,335,485</u>	<u>411,982</u>

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

CITY OF TRINIDAD, COLORADO  
GENERAL FUND  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET AND ACTUAL  
For the Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>Public Safety</u>				
Police	1,925,871	1,925,871	1,993,677	(67,806)
Dispatch	333,925	333,925	318,313	15,612
Fire	<u>1,239,268</u>	<u>1,239,268</u>	<u>1,178,805</u>	<u>60,463</u>
<u>Total Public Safety</u>	<u>3,499,064</u>	<u>3,499,064</u>	<u>3,490,795</u>	<u>8,269</u>
<u>Public Works</u>				
Engineering	47,622	47,622	60,049	(12,427)
Fleet Maintenance	217,630	217,630	192,972	24,658
Public Works	903,154	903,154	1,005,303	(102,149)
Landfill	<u>180,000</u>	<u>180,000</u>	<u>206,398</u>	<u>(26,398)</u>
<u>Total Public Works</u>	<u>1,348,406</u>	<u>1,348,406</u>	<u>1,464,722</u>	<u>(116,316)</u>
<u>Culture and Recreation</u>				
Sports and Recreation	327,321	327,321	327,899	(578)
Public Library	<u>181,604</u>	<u>181,604</u>	<u>177,451</u>	<u>4,153</u>
<u>Total Culture and Recreation</u>	<u>508,925</u>	<u>508,925</u>	<u>505,350</u>	<u>3,575</u>
<u>Capital Outlay, Debt Service</u>				
Capital Lease Payments	-	-	483,445	(483,445)
Fleet Replacement - General	-	-	-	-
Machinery and Equipment	<u>240,419</u>	<u>839,419</u>	<u>340,199</u>	<u>499,220</u>
<u>Total Capital Outlay</u>	<u>240,419</u>	<u>839,419</u>	<u>823,644</u>	<u>15,775</u>
<u>APPROPRIATED RESERVES</u>	-	-	-	-
<u>TOTAL EXPENDITURES</u>	<u>9,670,282</u>	<u>10,943,281</u>	<u>10,619,996</u>	<u>323,285</u>
<u>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</u>	<u>(935,334)</u>	<u>708,667</u>	<u>1,967,500</u>	
<u>OTHER FINANCING SOURCES (USES)</u>				
Operating Transfers In	572,588	572,588	572,588	-
Operating Transfers Out	-	(1,930,500)	(1,930,500)	-
Insurance Proceeds	-	-	-	-
Lease Purchase Proceeds	-	-	60,367	60,367
Sale of Capital Assets/Land	<u>554,250</u>	<u>554,250</u>	<u>77,574</u>	<u>(476,676)</u>
<u>Total Other Financing Sources (Uses)</u>	<u>1,126,838</u>	<u>(803,662)</u>	<u>(1,219,971)</u>	<u>(416,309)</u>
<u>EXCESS OF REVENUES OVER EXPENDITURES AND OTHER SOURCES (USES)</u>	191,504	(94,995)	747,529	
<u>FUND BALANCE, January 1</u>	<u>5,276,141</u>	<u>5,276,141</u>	<u>7,399,865</u>	
<u>FUND BALANCE, December 31</u>	<u>5,467,645</u>	<u>5,181,146</u>	<u>8,147,394</u>	

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

CITY OF TRINIDAD, COLORADO  
 CAPITAL PROJECTS FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL  
 For the Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance-
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
<u>REVENUES</u>				
Sales Taxes	1,342,691	1,542,691	1,843,247	300,556
Grants	5,455,583	5,455,583	991,590	(4,463,993)
Interest	6,886	6,886	7,370	484
Other	<u>5,572</u>	<u>5,572</u>	<u>128,272</u>	<u>122,700</u>
<u>Total Revenues</u>	<u>6,810,732</u>	<u>7,010,732</u>	<u>2,970,479</u>	<u>(4,040,253)</u>
<u>EXPENDITURES</u>				
Capital Projects	<u>9,028,118</u>	<u>10,413,118</u>	<u>2,724,637</u>	<u>7,688,481</u>
<u>REVENUES OVER (UNDER) EXPENDITURES</u>				
	<u>(2,217,386)</u>	<u>(3,402,386)</u>	<u>245,842</u>	
<u>Other Financing Sources (Uses)</u>				
Operating Transfers In (Out)	-	1,715,000	1,715,000	-
Note Proceeds	<u>-</u>	<u>-</u>	<u>62,951</u>	<u>62,951</u>
<u>Total Other Financing Sources (Uses)</u>	<u>-</u>	<u>1,715,000</u>	<u>1,777,951</u>	<u>62,951</u>
<u>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES</u>				
	<u>(2,217,386)</u>	<u>(1,687,386)</u>	<u>2,023,793</u>	
<u>FUND BALANCE – Beginning</u>				
	<u>3,226,662</u>	<u>3,226,662</u>	<u>3,765,161</u>	
<u>FUND BALANCE – Ending</u>				
	<u>1,009,276</u>	<u>1,539,276</u>	<u>5,788,954</u>	

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

PENSION DATA

CITY OF TRINIDAD, COLORADO  
 REQUIRED SUPPLEMENTARY INFORMATION  
 FPPA STATEWIDE HYBRID PLAN  
 Year Ended December 31, 2017

**Schedule of the Department's Proportionate Share of the Net Pension Liability/(Asset)  
 Fire & Police Statewide Hybrid Plan  
 As of December 31  
 [Build to 10 years prospectively]**

	2017	2016	2015	2014
Department's proportion of the net pension liability/(asset)	1.3955%	1.3724%	1.3705%	1.1041%
Department's proportionate share of the net pension liability/(asset)	\$(151,899)	\$(139,809)	\$(162,540)	\$(115,618)
Department's covered-employee payroll	\$164,407	\$166,476	\$161,572	\$136,034
Department's proportionate share of the net pension liability/(asset) as a percentage of is covered-employee payroll	92.4%	83.9%	100.6%	82.8%
Plan fiduciary net position as a percentage of the total pension liability	125.79%	129.44%	140.6%	139%

**Schedule of Department Contributions  
 Fire & Police Statewide Hybrid Plan  
 As of December 31  
 [Build to 10 years prospectively]**

	2017	2016	2015	2014
Contractually required contribution	\$17,263	\$17,480	\$16,965	\$14,248
Contributions in relation to the contractually required contribution	\$17,263	\$17,480	\$16,965	14,248
Contribution deficiency (excess)	\$-0-	\$-0-	\$-0-	\$-0-
Department's covered-employee payroll	\$164,407	\$166,476	\$161,573	\$136,034
Contributions as a percentage of covered-employee payroll	10.5%	10.5%	10.5%	10.5%

**Notes to Required Supplementary Information  
 For the Year Ended December 31, 2017**

*Changes in plan provisions.* The plan provisions have not changed since the prior valuation. The member contribution rate will increase in 2017 as a result of the member election.

*Benefit Adjustments.* Benefits to members and beneficiaries may be increased annually on October 1. The amount is based on the Fire & Police Pension Association Board of Directors discretion and can range from 0 percent to 3 percent. Benefit adjustment may begin once the retired member has been receiving retirement benefits for at least 12 calendar months prior to October 1.

*Changes of assumptions.* Beginning in the January 1, 2014 actuarial valuation, the married assumption for active members was increased from 80 percent to 85 percent to reflect the passage of the Colorado Civil Union Act.

CITY OF TRINIDAD, COLORADO  
 REQUIRED SUPPLEMENTARY INFORMATION  
 FPPA STATEWIDE PLAN  
 Year Ended December 31, 2017

**Schedule of the Department's Proportionate Share of the Net Pension Liability/(Asset)**  
**Fire & Police Statewide Defined Benefit Plan**  
**As of December 31,**  
*[Build to 10 years prospectively]*

	2017	2016	2015	2014
Department's proportion of the net pension liability/(asset)	.1526%	.1468%	.1438%	.1395%
Department's proportionate share of the net pension liability/(asset)	\$55,142	\$(2,589)	\$(162,242)	\$(124,772)
Department's covered-employee payroll	\$568,978	\$621,778	\$568,414	\$514,585
Department's proportionate share of the net pension liability/(asset) as a percentage of is covered-employee payroll	7.69%	.004%	28.5%	24.2%
Plan fiduciary net position as a percentage of the total pension liability	98.21%	100.1%	106.8%	105.8%

**Schedule of Department Contributions**  
**Fire & Police Statewide Defined Benefit Plan**  
**As of December 31,**  
*[Build to 10 years prospectively]*

	2017	2016	2015	2014
Contractually required contribution	\$50,868	\$56,950	\$51,718	\$48,485
Contributions in relation to the contractually required contribution	\$50,868	\$56,950	\$51,718	\$48,485
Contribution deficiency (excess)	\$-0-	\$-0-	\$-0-	\$-0-
Department's covered-employee payroll	\$568,978	\$621,778	\$568,414	\$514,585
Contributions as a percentage of covered-employee payroll	8.9%	9.2%	9.1%	9.4%

**Notes to Required Supplementary Information**  
**for the Year Ended December 31, 2017**

*Changes in plan provisions.* The plan provisions have not changed since the prior valuation. The member contribution rate will increase in 2017 as a result of the member election.

*Benefit Adjustments.* Benefits to members and beneficiaries may be increased annually on October 1. The amount is based on the Fire & Police Pension Association Board of Directors discretion and can range from 0 percent to 3 percent. Benefit adjustment may begin once the retired member has been receiving retirement benefits for at least 12 calendar months prior to October 1.

*Changes of assumptions.* Beginning in the January 1, 2014 actuarial valuation, the married assumption for active members was increased from 80 percent to 85 percent to reflect the passage of the Colorado Civil Union Act.

CITY OF TRINIDAD, COLORADO  
 OLD HIRE FIRE PENSION FUND  
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET)  
 AND RELATED RATIOS MULTIYEAR  
 LAST 10 FISCAL YEARS (TO BE BUILT PROSPECTIVELY)

Measurement period ending December 31,	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability			
Service Cost	-	-	-
Interest on the Total Pension Liability	89,671	89,327	91,715
Benefit Changes		-	-
Difference between Expected and Actual Experience	-	(57,783)	-
Assumption Changes	-	89,102	-
Benefit Payments	<u>(108,992)</u>	<u>(122,872)</u>	<u>(124,229)</u>
Net Change in Total Pension Liability	<u>(19,321)</u>	<u>(2,226)</u>	<u>(32,514)</u>
Total Pension Liability – Beginning	<u>1,249,122</u>	<u>1,251,348</u>	<u>1,283,862</u>
Total Pension Liability – Ending	<u>1,229,801</u>	<u>1,249,122</u>	<u>1,251,348</u>
Plan Fiduciary Net Position			
Employer Contributions	72,428	78,695	75,199
Employee Contributions	-	-	-
Pension Plan Net Investment Income	31,425	11,624	42,816
Benefit Payments	<u>(108,992)</u>	<u>(122,872)</u>	<u>(124,229)</u>
Pension Plan Administrative Expense	<u>(3,062)</u>	<u>(1,255)</u>	<u>(4,362)</u>
Net Change in Plan Fiduciary Net Position	<u>(8,201)</u>	<u>(33,808)</u>	<u>(10,576)</u>
Plan Fiduciary Net Position – Beginning	<u>606,086</u>	<u>639,894</u>	<u>650,470</u>
Plan Fiduciary Net Position – Ending	<u>597,885</u>	<u>606,086</u>	<u>639,894</u>
Net Pension Liability/(Asset) – Ending	631,916	643,036	611,454
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	48.62%	48.52%	51.14%
Covered Employee Payroll	N/A	N/A	N/A
Net Pension Liability as a Percentage of Covered Employee Payroll	N/A	N/A	N/A

CITY OF TRINIDAD, COLORADO  
 OLD HIRE POLICE PENSION FUND  
 SCHEDULE OF CHANGES IN NET PENSION LIABILITY/(ASSET)  
 AND RELATED RATIOS MULTIYEAR  
 LAST 10 FISCAL YEARS (TO BE BUILT PROSPECTIVELY)

Measurement period ending December 31,	<u>2016</u>	<u>2015</u>	<u>2014</u>
Total Pension Liability			
Service Cost	-	-	-
Interest on the Total Pension Liability	8,501	7,877	8,620
Benefit Changes	-	-	-
Difference between Expected and Actual Experience	-	13,012	-
Assumption Changes	-	5,956	-
Benefit Payments	<u>(18,525)</u>	<u>(18,525)</u>	<u>(18,525)</u>
Net Change in Total Pension Liability	<u>(10,024)</u>	<u>8,320</u>	<u>(9,905)</u>
Total Pension Liability – Beginning	<u>122,445</u>	<u>114,125</u>	<u>124,030</u>
Total Pension Liability – Ending	<u>112,421</u>	<u>122,445</u>	<u>114,125</u>
Plan Fiduciary Net Position			
Employer Contributions	8,031	8,566	6,424
Employee Contributions	-	-	-
Pension Plan Net Investment Income	2,079	1,049	4,176
Benefit Payments	<u>(18,525)</u>	<u>(18,525)</u>	<u>(18,525)</u>
Pension Plan Administrative Expense	<u>(1,941)</u>	<u>(443)</u>	<u>(3,232)</u>
Net Change in Plan Fiduciary Net Position	<u>(10,356)</u>	<u>(9,353)</u>	<u>(11,157)</u>
Plan Fiduciary Net Position – Beginning	<u>47,672</u>	<u>57,025</u>	<u>68,182</u>
Plan Fiduciary Net Position – Ending	<u>37,316</u>	<u>47,672</u>	<u>57,025</u>
Net Pension Liability/(Asset) – Ending	75,105	74,773	57,100
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	33.19%	38.93%	49.97%
Covered Employee Payroll	N/A	N/A	N/A
Net Pension Liability as a Percentage of Covered Employee Payroll	N/A	N/A	N/A

CITY OF TRINIDAD, COLORADO  
 OLD HIRE FIRE PENSION FUND  
 SCHEDULE OF CONTRIBUTIONS MULTI-YEAR  
 LAST 10 FISCAL YEARS (TO BE BUILT PROSPECTIVELY)

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<u>FY Ending December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution*</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2016	72,529	72,529	-	N/A	N/A
2015	72,428	78,695	(6,267)	N/A	N/A
2014	75,199	75,199	-	N/A	N/A

*\* Actuarially Determined Contribution is net of employee contributions. Actual contribution is from the employer only and does not include employee amounts.*

CITY OF TRINIDAD, COLORADO  
 OLD HIRE POLICE PENSION FUND  
 SCHEDULE OF CONTRIBUTIONS MULTI-YEAR  
 LAST 10 FISCAL YEARS (TO BE BUILT PROSPECTIVELY)

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<u>FY Ending December 31,</u>	<u>Actuarially Determined Contribution</u>	<u>Actual Contribution*</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Actual Contribution as a % of Covered Payroll</u>
2016	13,070	13,070	-	N/A	N/A
2015	8,031	8,566	(535)	N/A	N/A
2014	6,424	6,424	-	N/A	N/A

*\* Actuarially Determined Contribution is net of employee contributions. Actual contribution is from the employer only and does not include employee amounts.*

CITY OF TRINIDAD, COLORADO  
OLD HIRE FIRE AND OLD HIRE POLICE  
NOTES TO SCHEDULE OF CONTRIBUTIONS

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Valuation Date: Actuarially determined contribution rates are calculated as of January 1 of even numbered years. The contribution rates have a one-year lag, so the actuarial valuation as of January 1, 2014, determines the contribution amounts for 2015 and 2016.

Methods and Assumptions Used to Determine Contribution Rates:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Dollar, Open*
Remaining Amortization Period	9 years*
Asset Valuation Method	5-Year smoothed market
Inflation	3.00%
Salary Increases	N/A
Investment Rate of Return	7.50%
Retirement Age	Any remaining actives are assumed to retire immediately.
Mortality	Post-retirement: RP-2000 combined Mortality Table, with Blue Collar Adjustment Disabled: RP-2000 Disabled Mortality Table All tables projected with Scale AA.

\* Plans that are heavily weighted with retiree liabilities use an amortization period based on the expected remaining lifetime of the participants.

FPPA SYSTEM DESCRIPTION

The Fire & Police Pension Association (FPPA) administers an agent multiple-employer Public Employee Retirement System (PERS). The PERS represents the assets of numerous separate plans that have been pooled for investment purposes. The pension plans have elected to affiliate with FPPA for plan administration and investment only. FPPA issues a publicly available comprehensive annual financial report that can be obtained at:

[http://www.fppaco.org/pdfs/annual\\_audit\\_actuarial\\_reports/annual%20reports/2014%20cafr.pdf](http://www.fppaco.org/pdfs/annual_audit_actuarial_reports/annual%20reports/2014%20cafr.pdf)

COMBINING AND INDIVIDUAL FUND STATEMENTS AND OTHER SCHEDULES

## NON MAJOR GOVERNMENTAL FUNDS

Special Revenue Funds are used to account for specific revenues that are legally restricted to expenditure for particular purposes.

Tourism Fund – to account for a lodger tax and interest which are to be used for the purpose of promoting tourism in Trinidad and Las Animas County. The expenditure of funds is overseen by an appointed board.

Lottery Fund – to account for the share of state lottery sent to the City of Trinidad. Expenditures are limited to those types allowed by statute, generally outdoor recreation.

CITY OF TRINIDAD, COLORADO  
 COMBINING BALANCE SHEET  
 NONMAJOR GOVERNMENTAL FUNDS  
 December 31, 2017

	<u>Special Revenue Funds</u>		<u>Nonmajor Governmental Funds</u>
	<u>Tourism Fund</u>	<u>Lottery Fund</u>	
<u>ASSETS</u>			
Cash	58,120	71,668	129,788
Accrued Interest	-	-	-
Tax Receivable	65,737	-	65,737
Other Receivable	<u>13,530</u>	<u>-</u>	<u>13,530</u>
<u>Total Assets</u>	<u>137,387</u>	<u>71,668</u>	<u>209,055</u>
 <u>LIABILITIES</u>			
Due To Other Funds	-	-	-
Accounts Payable	3,724	398	4,122
Accrued Salary & Benefits	<u>1,422</u>	<u>-</u>	<u>1,422</u>
<u>Total Liabilities</u>	<u>5,146</u>	<u>398</u>	<u>5,544</u>
 <u>FUND BALANCES</u>			
Restricted:			
Parks and Recreation	-	71,270	71,270
Assigned:			
Tourism Promotion	<u>132,241</u>	<u>-</u>	<u>132,241</u>
<u>Total Fund Balances</u>	<u>132,241</u>	<u>71,270</u>	<u>203,511</u>
 <u>TOTAL LIABILITIES AND FUND BALANCES</u>	 <u>137,387</u>	 <u>71,668</u>	 <u>209,055</u>

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

CITY OF TRINIDAD, COLORADO  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE  
 NONMAJOR GOVERNMENTAL FUNDS  
 Year Ended December 31, 2017

	<u>Special Revenue</u>		<u>Nonmajor Governmental Funds</u>
	<u>Tourism Fund</u>	<u>Lottery Fund</u>	<u>Funds</u>
<u>REVENUES</u>			
Lodger Tax	305,257	-	305,257
State Shared – Lottery	-	80,300	80,300
Grants	-	-	-
Interest	12	85	97
Other Revenue	<u>13,530</u>	-	<u>13,530</u>
<u>Total Revenues</u>	<u>318,799</u>	<u>80,385</u>	<u>399,184</u>
 <u>EXPENDITURES</u>			
Tourism Promotion	747,797	-	747,797
Parks and Recreation	-	97,941	97,941
Capital Projects	-	-	-
<u>Total Expenditures</u>	<u>747,797</u>	<u>97,941</u>	<u>845,738</u>
 <u>REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(428,998)</u>	<u>(17,556)</u>	<u>(446,554)</u>
 <u>Other Financing Sources (Uses)</u>			
Transfers	164,000	-	164,000
Capital Lease Proceeds	<u>161,412</u>	-	<u>161,412</u>
<u>Total Other Financing Sources (Uses)</u>	<u>325,412</u>	<u>-</u>	<u>325,412</u>
 <u>REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND USES</u>	<u>(103,586)</u>	<u>(17,556)</u>	<u>(121,142)</u>
 <u>FUND BALANCE, January 1</u>	<u>235,827</u>	<u>88,826</u>	<u>324,653</u>
 <u>FUND BALANCE, December 31</u>	<u>132,241</u>	<u>71,270</u>	<u>203,511</u>

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

CITY OF TRINIDAD, COLORADO  
 TOURISM – SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET (GAAP BASIS) AND ACTUAL  
 Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance- Favorable <u>(Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>REVENUES</u>				
Lodger Tax	226,983	256,983	305,257	48,274
Interest	12	12	12	-
Other	<u>-</u>	<u>-</u>	<u>13,530</u>	<u>13,530</u>
<u>Total Revenues</u>	<u>226,995</u>	<u>256,995</u>	<u>318,799</u>	<u>61,804</u>
 <u>EXPENDITURES</u>				
Tourism Promotion	<u>396,983</u>	<u>752,433</u>	<u>747,797</u>	<u>4,636</u>
 <u>REVENUES OVER (UNDER) EXPENDITURES</u>	<u>(169,988)</u>	<u>(495,438)</u>	<u>(428,998)</u>	
 <u>OTHER FINANCING SOURCES (USES)</u>				
Transfers	-	164,000	164,000	-
Capital Lease Proceeds	<u>-</u>	<u>161,450</u>	<u>161,412</u>	<u>(38)</u>
<u>Total Other Financing Sources (Uses)</u>	<u>-</u>	<u>325,450</u>	<u>325,412</u>	<u>(38)</u>
 <u>REVENUES AND OTHER SOURCES OVER EXPENDITURES</u>	<u>(169,988)</u>	<u>(169,988)</u>	<u>(103,586)</u>	
 <u>FUND BALANCE, January 1</u>	<u>213,480</u>	<u>213,480</u>	<u>235,827</u>	
<u>FUND BALANCE, December 31</u>	<u>43,492</u>	<u>43,492</u>	<u>132,241</u>	

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

CITY OF TRINIDAD, COLORADO  
 LOTTERY – SPECIAL REVENUE FUND  
 SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET (GAAP BASIS) AND ACTUAL  
 Year Ended December 31, 2017

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	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance-
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
<u>REVENUES</u>				
Lottery – State Shared	85,344	85,344	80,300	(5,044)
Interest	70	70	85	15
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Total Revenues</u>	<u>85,414</u>	<u>85,414</u>	<u>80,385</u>	<u>(5,029)</u>
 <u>EXPENDITURES</u>				
Parks and Recreation	<u>94,517</u>	<u>109,517</u>	<u>97,941</u>	<u>11,576</u>
 <u>REVENUES OVER (UNDER) EXPENDITURES</u>	(9,103)	(24,103)	(17,556)	
 <u>FUND BALANCE, January 1</u>	<u>61,269</u>	<u>61,269</u>	<u>88,826</u>	
 <u>FUND BALANCE, December 31,</u>	<u>52,166</u>	<u>37,166</u>	<u>71,270</u>	

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

ENTERPRISE FUNDS – BUDGET SCHEDULES

CITY OF TRINIDAD, COLORADO  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET (NON-GAAP) AND ACTUAL  
GAS ENTERPRISE FUND  
For the Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance-
	<u>Original</u>	<u>Final</u>		(Unfavorable)
<u>OPERATING REVENUES</u>				
Charges for Services	4,209,000	4,209,000	3,585,661	(623,339)
Other	<u>46,340</u>	<u>46,340</u>	<u>50,231</u>	<u>3,891</u>
<u>Total Operating Revenue</u>	<u>4,255,340</u>	<u>4,255,340</u>	<u>3,635,892</u>	<u>(619,448)</u>
<u>OPERATING EXPENSES</u>				
General Operations	1,225,371	1,225,371	1,159,153	66,218
Regulating Stations	7,000	7,000	5,890	1,110
Distribution Mains	73,115	73,115	77,824	(4,709)
Gas Purchases	<u>2,900,930</u>	<u>2,900,930</u>	<u>1,902,083</u>	<u>998,847</u>
<u>Total Operating Expenses</u>	<u>4,206,416</u>	<u>4,206,416</u>	<u>3,144,950</u>	<u>1,061,466</u>
<u>OPERATING INCOME</u>	<u>48,924</u>	<u>48,924</u>	<u>490,942</u>	
<u>OTHER REVENUES (EXPENSES)</u>				
Interest Expense	-	-	-	-
Capital Outlay	(608,500)	(608,500)	(19,261)	589,239
Debt Principal	-	-	-	-
Interest Income	<u>12,430</u>	<u>12,430</u>	<u>15,561</u>	<u>3,131</u>
<u>Total Other Revenues (Expenses)</u>	<u>(596,070)</u>	<u>(596,070)</u>	<u>(3,700)</u>	<u>592,370</u>
<u>INCOME (LOSS) BEFORE OPERATING TRANSFERS</u>	<u>(547,146)</u>	<u>(547,146)</u>	<u>487,242</u>	
<u>OPERATING TRANSFERS</u>				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	<u>(182,515)</u>	<u>(182,515)</u>	<u>(182,515)</u>	<u>-</u>
<u>Total Operating Transfers</u>	<u>(182,515)</u>	<u>(182,515)</u>	<u>(182,515)</u>	<u>-</u>
<u>NET INCOME (LOSS) – (NON GAAP)</u>	<u>(729,661)</u>	<u>(729,661)</u>	<u>304,727</u>	
<u>RECONCILING ITEMS/GAAP NET INCOME</u>				
Debt Principal	-	-	-	
Capital Outlay	<u>608,500</u>	<u>608,500</u>	<u>19,261</u>	
<u>Total Reconciling Items</u>	<u>608,500</u>	<u>608,500</u>	<u>19,261</u>	
<u>NET INCOME (LOSS)(GAAP)</u>	<u>(121,161)</u>	<u>(121,161)</u>	<u>323,988</u>	
<u>NET POSITION, Beginning</u>	<u>5,360,255</u>	<u>5,360,255</u>	<u>5,360,937</u>	
<u>NET POSITION, Ending</u>	<u>5,239,094</u>	<u>5,239,094</u>	<u>5,684,925</u>	

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

CITY OF TRINIDAD, COLORADO  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET (NON-GAAP) AND ACTUAL  
POWER ENTERPRISE FUND  
For the Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	Variance-
	<u>Original</u>	<u>Final</u>		Favorable (Unfavorable)
<u>OPERATING REVENUES</u>				
Charges for Services	7,280,008	7,280,008	7,434,854	154,846
Other	<u>78,809</u>	<u>78,809</u>	<u>104,185</u>	<u>25,376</u>
<u>Total Operating Revenue</u>	<u>7,358,817</u>	<u>7,358,817</u>	<u>7,539,039</u>	<u>180,222</u>
<u>OPERATING EXPENSES</u>				
General Operations	2,067,575	2,067,575	1,976,902	90,673
Purchased Power and Generation	5,455,974	5,555,974	5,694,721	(138,747)
Power Plant	31,756	31,756	20,104	11,652
Distribution Operations	54,750	52,750	86,783	(34,033)
Distribution System Maintenance	<u>13,690</u>	<u>13,690</u>	<u>9,264</u>	<u>4,426</u>
<u>Total Operating Expenses</u>	<u>7,623,745</u>	<u>7,721,745</u>	<u>7,787,774</u>	<u>(66,029)</u>
<u>OPERATING INCOME</u>	<u>(264,928)</u>	<u>(362,928)</u>	<u>(248,735)</u>	
<u>OTHER REVENUES (EXPENSES)</u>				
Interest Expense	-	-	-	-
Capital Outlay	(60,700)	(62,700)	(16,274)	46,426
Debt Principal	-	-	-	-
Interest Income	<u>13,793</u>	<u>13,793</u>	<u>13,170</u>	<u>(623)</u>
<u>Total Other Revenues (Expenses)</u>	<u>(46,907)</u>	<u>(48,907)</u>	<u>(3,104)</u>	<u>45,803</u>
<u>INCOME (LOSS) BEFORE OPERATING TRANSFERS</u>	<u>(311,835)</u>	<u>(411,835)</u>	<u>(251,839)</u>	
<u>OPERATING TRANSFERS</u>				
Operating Transfers In	-	-	-	-
Operating Transfers (Out)	<u>(209,199)</u>	<u>(209,199)</u>	<u>(209,199)</u>	-
<u>Total Operating Transfers</u>	<u>(209,199)</u>	<u>(209,199)</u>	<u>(209,199)</u>	-
<u>NET INCOME (LOSS)-(NON-GAAP)</u>	<u>(521,034)</u>	<u>(621,034)</u>	<u>(461,038)</u>	
<u>RECONCILING ITEMS GAAP NET INCOME</u>				
Debt Principal	-	-	-	
Capital Outlay	<u>60,700</u>	<u>60,700</u>	<u>16,274</u>	
<u>Total Reconciling Items</u>	<u>60,700</u>	<u>60,700</u>	<u>16,274</u>	
<u>NET INCOME (LOSS)(GAAP)</u>	<u>(460,334)</u>	<u>(560,334)</u>	<u>(444,764)</u>	
<u>NET POSITION, Beginning</u>	<u>3,164,867</u>	<u>3,164,867</u>	<u>3,350,710</u>	
<u>NET POSITION, Ending</u>	<u>2,704,533</u>	<u>2,604,533</u>	<u>2,905,946</u>	

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

CITY OF TRINIDAD, COLORADO  
SCHEDULE OF REVENUES AND EXPENDITURES  
BUDGET (NON-GAAP) AND ACTUAL  
WATER AND SEWER ENTERPRISE FUND  
For the Year Ended December 31, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance- Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<u>OPERATING REVENUES</u>				
Charges for Services	4,233,564	4,233,564	3,829,423	(404,141)
Other	<u>248,966</u>	<u>248,966</u>	<u>229,527</u>	<u>(19,439)</u>
<u>Total Operating Revenue</u>	<u>4,482,530</u>	<u>4,482,530</u>	<u>4,058,950</u>	<u>(423,580)</u>
<u>OPERATING EXPENSES</u>				
General Operations	3,019,681	3,019,681	2,314,859	704,822
Water Transmission System	157,884	157,884	39,216	118,668
Water Distribution	327,557	327,557	326,284	1,273
Madrid Chlorination	600	600	5,519	(4,919)
Water Filtration Plant	113,442	113,442	155,725	(42,283)
North Lake	7,500	7,500	15,281	(7,781)
Monument Lake	16,000	16,000	12,259	3,741
Sewage Treatment Plant	307,900	307,900	1,264,438	(956,538)
Sewage Collection	<u>44,500</u>	<u>44,500</u>	<u>51,716</u>	<u>(7,216)</u>
<u>Total Operating Expenses</u>	<u>3,995,064</u>	<u>3,995,064</u>	<u>4,185,297</u>	<u>(190,233)</u>
<u>OPERATING INCOME</u>	<u>487,466</u>	<u>487,466</u>	<u>(126,347)</u>	
<u>OTHER REVENUES (EXPENSES)</u>				
Interest Expense	(49,976)	(49,976)	(37,491)	12,485
Capital Outlay	(2,201,100)	(2,252,600)	(417,076)	1,835,524
Debt Principal	(443,303)	(443,303)	(443,303)	-
Interest Income	44,514	44,514	40,075	(4,439)
Grants	-	-	-	-
<u>Total Other Revenues (Expenses)</u>	<u>(2,649,865)</u>	<u>(2,701,365)</u>	<u>(857,795)</u>	<u>1,843,570</u>
<u>INCOME (LOSS) BEFORE OPERATING TRANSFERS</u>	<u>(2,162,399)</u>	<u>(2,213,899)</u>	<u>(984,142)</u>	
<u>OPERATING TRANSFERS</u>				
Operating Transfers In	-	51,500	51,500	-
Operating Transfers (Out)	<u>(180,874)</u>	<u>(180,874)</u>	<u>(180,874)</u>	<u>-</u>
<u>Total Operating Transfers</u>	<u>(180,874)</u>	<u>(129,374)</u>	<u>(129,374)</u>	<u>-</u>
<u>NET INCOME (LOSS)-(NON-GAAP)</u>	<u>(2,343,273)</u>	<u>(2,343,273)</u>	<u>(1,113,516)</u>	
<u>RECONCILING ITEMS GAAP NET INCOME</u>				
Debt Principal	443,303	443,303	443,303	
Capital Outlay	<u>2,201,100</u>	<u>2,252,600</u>	<u>403,747</u>	
<u>Total Reconciling Items</u>	<u>2,644,403</u>	<u>2,695,903</u>	<u>847,050</u>	
<u>NET INCOME (LOSS)(GAAP)</u>	<u>301,130</u>	<u>352,630</u>	<u>(266,466)</u>	
<u>CHANGE IN NET ASSETS</u>	<u>301,130</u>	<u>352,630</u>	<u>(266,466)</u>	
<u>NET POSITION, Beginning</u>	<u>25,678,223</u>	<u>25,678,223</u>	<u>25,643,181</u>	
<u>NET POSITION, Ending</u>	<u>25,979,353</u>	<u>26,030,853</u>	<u>25,376,715</u>	

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

STATE REQUIRED SCHEDULE

The public report burden for this information collection is estimated to average 380 hours annually

<b>LOCAL HIGHWAY FINANCE REPORT</b>	City or County: <b>CITY OF TRINIDAD</b> YEAR ENDING : December 31, 2017
This Information From The Records Of (example - City of _ or County of City Of Trinidad)	Prepared By: Cheryl Navarette Phone: 719-846-9843 x112

**I. DISPOSITION OF HIGHWAY-USER REVENUES AVAILABLE FOR LOCAL GOVERNMENT EXPENDITURE**

ITEM	A. Local Motor-Fuel Taxes	B. Local Motor-Vehicle Taxes	C. Receipts from State Highway-User Taxes	D. Receipts from Federal Highway Administration
1. Total receipts available				
2. Minus amount used for collection expenses				
3. Minus amount used for nonhighway purposes				
4. Minus amount used for mass transit				
5. Remainder used for highway purposes				

**II. RECEIPTS FOR ROAD AND STREET PURPOSES**

**III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES**

ITEM	AMOUNT	ITEM	AMOUNT
<b>A. Receipts from local sources:</b>		<b>A. Local highway disbursements:</b>	
1. Local highway-user taxes		1. Capital outlay (from page 2)	82,895
a. Motor Fuel (from Item I.A.5.)		2. Maintenance:	605,273
b. Motor Vehicle (from Item I.B.5.)		3. Road and street services:	
c. Total (a.+b.)		a. Traffic control operations	121,055
2. General fund appropriations	695,300	b. Snow and ice removal	242,109
3. Other local imposts (from page 2)	474,142	c. Other	
4. Miscellaneous local receipts (from page 2)	34,539	d. Total (a. through c.)	363,164
5. Transfers from toll facilities		4. General administration & miscellaneous	17,598
6. Proceeds of sale of bonds and notes:		5. Highway law enforcement and safety	485,919
a. Bonds - Original Issues		6. Total (1 through 5)	1,554,849
b. Bonds - Refunding Issues		<b>B. Debt service on local obligations:</b>	
c. Notes		1. Bonds:	
d. Total (a. + b. + c.)	0	a. Interest	
7. Total (1 through 6)	1,203,981	b. Redemption	
<b>B. Private Contributions</b>		c. Total (a. + b.)	0
<b>C. Receipts from State government (from page 2)</b>	350,868	2. Notes:	
<b>D. Receipts from Federal Government (from page 2)</b>	0	a. Interest	
<b>E. Total receipts (A.7 + B + C + D)</b>	1,554,849	b. Redemption	
		c. Total (a. + b.)	0
		3. Total (1.c + 2.c)	0
		<b>C. Payments to State for highways</b>	
		<b>D. Payments to toll facilities</b>	
		<b>E. Total disbursements (A.6 + B.3 + C + D)</b>	1,554,849

**IV. LOCAL HIGHWAY DEBT STATUS**  
(Show all entries at par)

	Opening Debt	Amount Issued	Redemptions	Closing Debt
<b>A. Bonds (Total)</b>				0
1. Bonds (Refunding Portion)				0
<b>B. Notes (Total)</b>				

**V. LOCAL ROAD AND STREET FUND BALANCE**

	A. Beginning Balance	B. Total Receipts	C. Total Disbursements	D. Ending Balance	E. Reconciliation
		1,554,849	1,554,849		0

Notes and Comments:

**LOCAL HIGHWAY FINANCE REPORT**

STATE:  
Colorado  
YEAR ENDING (mm/yy):  
December 31, 2017

**II. RECEIPTS FOR ROAD AND STREET PURPOSES - DETAIL**

ITEM	AMOUNT	ITEM	AMOUNT
<b>A.3. Other local imposts:</b>		<b>A.4. Miscellaneous local receipts:</b>	
a. Property Taxes and Assessments		a. Interest on investments	
b. Other local imposts:		b. Traffic Fines & Penalties	22,471
1. Sales Taxes	52,946	c. Parking Garage Fees	
2. Infrastructure & Impact Fees		d. Parking Meter Fees	
3. Liens		e. Sale of Surplus Property	
4. Licenses		f. Charges for Services	12,067
5. Specific Ownership &/or Other	421,196	g. Other Misc. Receipts	
6. Total (1. through 5.)	474,142	h. Other	
c. Total (a. + b.)	474,142	i. Total (a. through h.)	34,539
	(Carry forward to page 1)		(Carry forward to page 1)

ITEM	AMOUNT	ITEM	AMOUNT
<b>C. Receipts from State Government</b>		<b>D. Receipts from Federal Government</b>	
1. Highway-user taxes	316,648	1. FHWA (from Item I.D.5.)	
2. State general funds		2. Other Federal agencies:	
3. Other State funds:		a. Forest Service	
a. State bond proceeds		b. FEMA	
b. Project Match		c. HUD	
c. Motor Vehicle Registrations	34,220	d. Federal Transit Admin	
d. Other (Specify)		e. U.S. Corps of Engineers	
e. Other (Specify)		f. Other Federal	
f. Total (a. through e.)	34,220	g. Total (a. through f.)	0
4. Total (1. + 2. + 3.f)	350,868	3. Total (1. + 2.g)	
			(Carry forward to page 1)

**III. DISBURSEMENTS FOR ROAD AND STREET PURPOSES - DETAIL**

	ON NATIONAL HIGHWAY SYSTEM (a)	OFF NATIONAL HIGHWAY SYSTEM (b)	TOTAL (c)
<b>A.1. Capital outlay:</b>			
a. Right-Of-Way Costs			0
b. Engineering Costs		10,681	10,681
c. Construction:			
(1). New Facilities		-	0
(2). Capacity Improvements		-	0
(3). System Preservation		72,214	72,214
(4). System Enhancement & Operation			0
(5). Total Construction (1) + (2) + (3) + (4)	0	72,214	72,214
d. Total Capital Outlay (Lines 1.a. + 1.b. + 1.c.5)	0	82,895	82,895
			(Carry forward to page 1)

Notes and Comments:

SINGLE AUDIT SECTION

164 E. MAIN  
TRINIDAD, COLORADO 81082  
(719) 846-9241 FAX (719) 846-3352

**INDEPENDENT AUDITOR'S 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***

Honorable Mayor and City Council  
City of Trinidad  
Trinidad, Colorado 81082

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Trinidad as of and for the year ended December 31, 2017, and the related notes to the financial statements, which collectively comprise City of Trinidad's basic financial statements, and have issued our report thereon dated July 10, 2018.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Simon, Waller & Co., Inc.*

July 10, 2018

164 E. MAIN  
TRINIDAD, COLORADO 81082  
(719) 846-9241 FAX (719) 846-3352

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE  
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY UNIFORM GUIDANCE**

Honorable Mayor and City Council  
City of Trinidad  
Trinidad, Colorado 81082

**Report on Compliance for Each Major Federal Program**

We have audited City of Trinidad's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of City of Trinidad's major federal programs for the year ended December 31, 2017. City of Trinidad's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of City of Trinidad's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Trinidad's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Trinidad's compliance.

**Opinion on Each Major Federal Program**

In our opinion, City of Trinidad complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2017.

## Report on Internal Control Over Compliance

Management of City of Trinidad is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Trinidad's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Trinidad's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Aixon, Waller & Co, Inc.*

July 10, 2018

CITY OF TRINIDAD, COLORADO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2017

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SECTION 1 - SUMMARY OF AUDITOR'S RESULTS:

FINANCIAL STATEMENTS

Auditor's Report

An unmodified opinion has been issued on the financial statements of City of Trinidad.

Internal Control Over Financial Reporting

There were no significant deficiencies or material weaknesses identified.

Noncompliance Material to Financial Statements

No instances of noncompliance in amounts material to the financial statements of City of Trinidad were disclosed by the audit.

FEDERAL AWARDS

Internal Control Over Major Programs

No significant deficiencies or material weaknesses were identified.

Auditor's Report on Compliance for Major Programs

An unmodified opinion has been issued on City of Trinidad compliance for major programs.

Audit Findings

No findings requiring disclosure in accordance with 2 CFR Section 200.516(a) were disclosed by the audit.

Major Programs

Highway Planning and Construction Cluster      CFDA# 20.205 and CFDA# 20.219

Dollar Threshold to Distinguish Type A and Type B Programs

\$750,000.

Qualification as Low-Risk Auditee

City of Trinidad did not qualify as a low-risk auditee for the fiscal year ended December 31, 2017.

CITY OF TRINIDAD, COLORADO  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended December 31, 2017

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SECTION II – FINANCIAL STATEMENT FINDINGS

**None**

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

**None**

CITY OF TRINIDAD, COLORADO  
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
For the Year Ended December 31, 2017

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**NONE**

CITY OF TRINIDAD, COLORADO  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year ended December 31, 2017

<u>Federal Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass Through Grantor</u>	<u>Passed Through to Subrecipient</u>	<u>Federal Expenditures</u>
<b>Highway Planning and Construction Cluster-Cluster</b>				
Department of Transportation				
Highway Planning and Construction:				
Highway Planning and Construction	20.205	Colorado Dept. of Transportation (Grant: Downtown Historic Loop)		360,137
Highway Planning and Construction	20.205	Colorado Dept. of Transportation (Grant: Regional Wayfinding)		35,440
Highway Planning and Construction	20.205	Colorado Dept. of Transportation (Grant: Old Sopris Trail)		<u>50,880</u>
Total Highway Planning and Construction				<u>446,457</u>
Recreational Trails Program:				
Recreational Trails Program	20.219	Colorado Department of Natural Resources		<u>102,633</u>
Total Recreational Trails Program				<u>102,633</u>
Total Department of Transportation				<u>549,090</u>
<b>Total Highway Planning and Construction Cluster-Cluster</b>				<b><u>549,090</u></b>
<b>Other Programs</b>				
Department of the Interior				
Sport Fish Restoration:				
Sport Fish Restoration	15.605	Colorado Department of Natural Resources		<u>43,440</u>
Total Department of the Interior				<u>43,440</u>
Department of Transportation				
National Priority Safety Programs:				
National Priority Safety Programs	20.616	Colorado Department of Transportation		<u>30,502</u>
Total Department of Transportation				<u>30,502</u>
United States Environmental Protection Agency				
Brownfields Assessment and Cleanup				
Cooperative Agreements				
ARRA-Brownfields Assessment and Cleanup	66.818			<u>49,286</u>
Total United States Environmental Protection Agency				<u>49,286</u>
Department of Housing and Urban Development				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii				
Community Development Block Grants/State's Program and Non-Entitlement Grants in Hawaii	14.228	Colorado Department of Local Affairs	207,231	<u>207,231</u>
Total Department of Housing and Urban Development				<u>207,231</u>
<b>Total Other Programs</b>				<b><u>330,459</u></b>
<b><u>Total Expenditures of Federal Awards</u></b>			<b><u>207,231</u></b>	<b><u>\$ 879,549</u></b>

The accompanying notes are an integral part of this financial statement.

CITY OF TRINIDAD, COLORADO  
NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended December 31, 2017

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NOTE 1 BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Trinidad and is presented on the modified accrual basis of accounting. The information is presented in accordance with the requirements of Title 2 U.S. Code of Federal Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the general purpose financial statements.

NOTE 2 PAYMENTS TO SUBRECIPIENTS

The City of Trinidad made awards of federal financial assistance to sub-recipients in the year ended December 31, 2017. The CDBG grant of \$207,231 was passed-through to the Trinidad Housing Authority.

NOTE 3 INDIRECT COSTS

The City of Trinidad elected not to use the 10 percent de minimus indirect cost rate allowed by Uniform Guidance.