

***CITY OF TRINITY, NORTH CAROLINA***

***FINANCIAL STATEMENTS***

***June 30, 2015***

CITY OF TRINITY, NORTH CAROLINA

FINANCIAL STATEMENTS

June 30, 2015

**CITY OF TRINITY, NORTH CAROLINA**  
**JUNE 30, 2015**

**MEMBERS OF CITY COUNCIL**

Jesse Hill, Mayor  
Debbie Frazier, Mayor Pro-Tem  
Gene Byerly  
Ed Lohr  
Jerry Daniels  
Chester Ayers  
Don Payne  
Linda Gantt  
Jack Carico

**ADMINISTRATIVE AND FINANCIAL STAFF**

Debbie Hinson, City Manager/Finance Director

**City of Trinity, North Carolina**  
**Table of Contents**  
**June 30, 2015**

<u>Exhibit</u>		<u>Page</u>
	<b>Financial Section:</b>	
	<b>Independent Auditor's Report</b>	1-3
	<b>Management's Discussion and Analysis</b>	4-13
	<b>Basic Financial Statements:</b>	
	Government-wide Financial Statements:	
1	Statement of Net Position	14
2	Statement of Activities	15
	Fund Financial Statements:	
3	Balance Sheet – Governmental Funds	16
3	Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	16
4	Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	17
4	Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
5	Statement of Revenues, Expenditures, and Changes in Fund Balance – Annual Budget and Actual – General Fund	19
6	Statement of Fund Net Position – Proprietary Fund	20
7	Statement of Revenues, Expenses, and Changes in Fund Net Position – Proprietary Fund	21
8	Statement of Cash Flows – Proprietary Fund	22-23
	Notes to the Financial Statements	24-46



**Required Supplemental Financial Data:**

Schedule of the Proportionate Share of the Net Pension Asset – Local Government Employees’ Retirement System	47
Schedule of Contributions – Local Government Employees’ Retirement System	48

**Individual Fund Statements and Schedules:**

Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General Fund	49-51
Balance Sheet for Non-Major Governmental Fund	52
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual - Non-Major Governmental Fund	53
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual (Non-GAAP):	
Sewer Fund	54
Sewer Capital Projects Fund	55
CDBG Hook Up Sewer Grant Project Fund	56

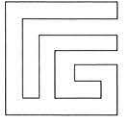
**Other Schedules:**

Schedule of Ad Valorem Taxes Receivable	57
Analysis of Current Tax Levy – City-Wide Levy	58

**Compliance Section:**

Report On Internal Control Over Financial Reporting And On Compliance and Other Matters Based On An Audit Of Financial Statements Performed In Accordance With <i>Government Auditing Standards</i>	59-60
Report On Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; In Accordance With OMB Circular A-133; and the State Single Audit Implementation Act	61-62
Schedule of Expenditures of Federal and State Awards	63
Schedule of Findings and Questioned Costs	64-66
Corrective Action Plan	67
Summary Schedule of Prior Audit Findings	68

## **FINANCIAL SECTION**



## GIBSON & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

### Independent Auditor's Report

To the Honorable Mayor  
and Members of the City Council  
City of Trinity, North Carolina

#### **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 Trinity, North Carolina, as of and for the year ended June 30, 2015, 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 of 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 financial statement 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 opinion.

## Opinion

In our opinion, based on our audit 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 Trinity, North Carolina as of June 30, 2015, and the respective changes in financial position and cash flows, where appropriate, thereof and the respective budgetary comparison for the General Fund 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 on pages 4 through 13 and the Local Government Employees' Retirement System's Schedules of the Proportionate Share of the Net Pension Asset and Contributions, on pages 47 and 48, respectively, be presented to supplement the basic financial statements. Such information, although not a required 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.

### Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements of the City of Trinity, North Carolina. The combining and individual fund statements, budgetary schedules, other schedules, and Schedule of Expenditures of Federal and State Awards, as required by U.S. Office of Management and Budget Circular A-133, *Audits of State and Local Governments and Non-Profit Organizations* and the State Single Audit Implementation Act, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements, budgetary schedules, other schedules, and the Schedule of Expenditures of Federal and State Awards are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic

financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit, the procedures performed as described above, the combining and individual fund statements, budgetary schedules, Schedule of Expenditures of Federal and State Awards, and other schedules 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 November 16, 2015 on our consideration of City of Trinity's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grants agreements, and other matters. The purpose of the 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 Trinity's internal control over financial reporting and compliance.

*Gibson + Company, P.A.*

Winston-Salem, North Carolina  
November 16, 2015

## **Basic Financial Statements**

## **Management Discussion and Analysis**

## **Management's Discussion and Analysis**

As management of the City of Trinity, we offer readers of the City of Trinity's financial statements this narrative overview and analysis of the financial activities of the City of Trinity for the fiscal year ended June 30, 2015. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the City's financial statements, which follow this narrative.

### **Financial Highlights**

- The assets and deferred outflows of resources of the City of Trinity exceeded its liabilities and deferred inflows of resources at the close of the fiscal year by \$24,062,187 (*net position*).
- The government's total net position decreased by \$197,341, primarily due to a decrease in the business-type activities net position.
- As of the close of the current fiscal year, the City of Trinity's governmental funds reported combined ending fund balances of \$7,207,173 with a net change of \$30,132 in fund balance. Approximately 49.38 percent of this total amount or \$3,558,639 is non-spendable or restricted and committed.
- At the end of the current fiscal year, unassigned fund balance for the General Fund was \$3,648,534, or 130.32 percent of total general fund expenditures for the fiscal year.
- The City of Trinity's total debt decreased by \$491,381 during the current fiscal year. The key factor in this decrease was the payments on the debt.

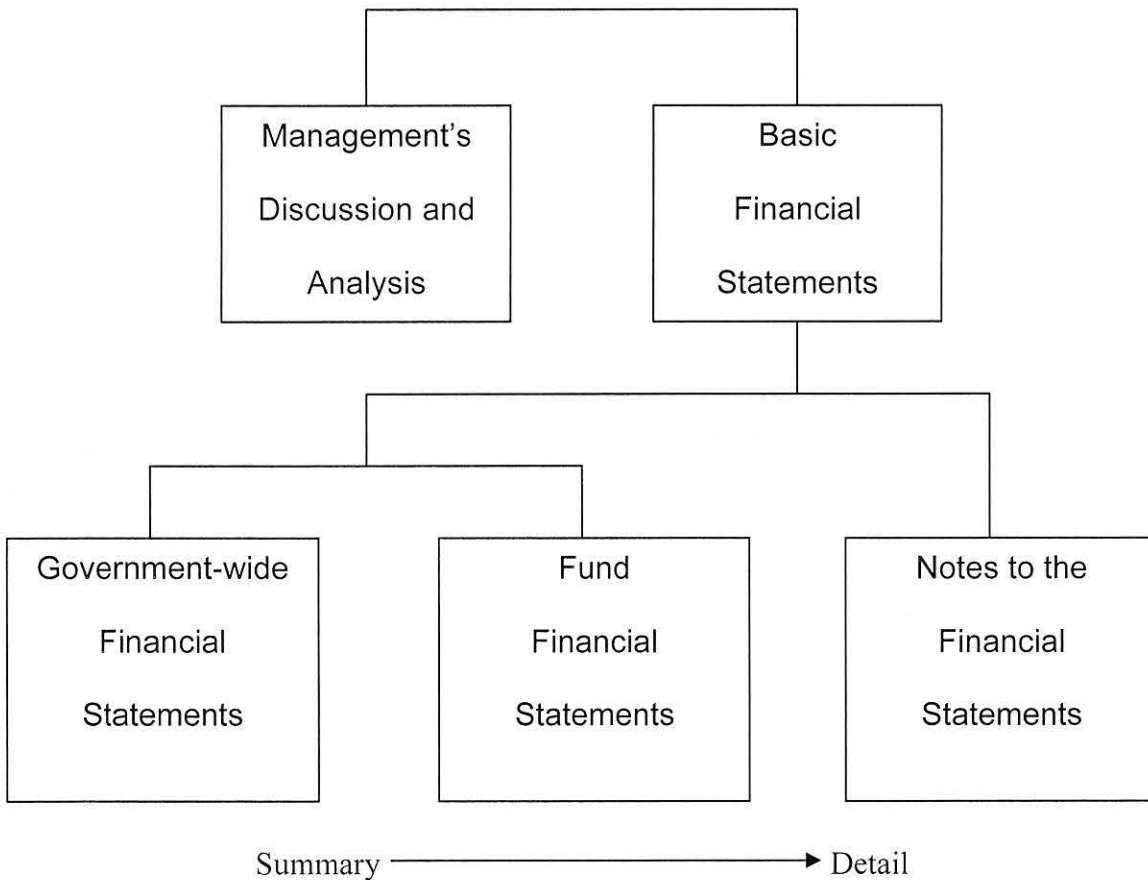
### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the City of Trinity's basic financial statements. The City's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of the City through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader's understanding of the financial condition of the City of Trinity.



## Required Components of Annual Financial Report

Figure 1



### Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the City's financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of the City's government. These statements provide more detail than the government-wide statements. There are three parts to the Fund Financial Statements: 1) the governmental funds statements; 2) the budgetary comparison statements; and 3) the proprietary fund statements.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the City's individual funds. Budgetary information required by the North Carolina General Statutes also can be found in this part of the statements.

## **Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the City's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the City's financial status as a whole.

The two government-wide statements report the City's net position and how it has changed. Net position is the difference between the City's total assets and deferred outflows of resources and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the City's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the City's basic services such as public safety, public works (streets, sanitation and stormwater), code enforcement, parks and recreation, and general administration. Sales and property taxes and State and federal grant funds finance most of these activities. The business-type activities are generally those that the City charges customers to provide. These include the sewer services offered by the City of Trinity.

The government-wide financial statements are on Exhibits 1 and 2 of this report.

## **Fund Financial Statements**

The fund financial statements (see Figure 1) provide a more detailed look at the City's most significant activities. 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 of Trinity, like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the General Statutes or the City's budget ordinance. All of the funds of City of Trinity can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the City's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the City's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

## Management Discussion and Analysis

### City of Trinity

The City of Trinity adopts an annual budget for its General Fund, as required by the General Statutes. The budget is a legally adopted document that incorporates input from the citizens of the City, the management of the City, and the decisions of the Council about which services to provide and how to pay for them. It also authorizes the City to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for the General Fund demonstrates how well the City complied with the budget ordinance and whether or not the City succeeded in providing the services as planned when the budget was adopted. The budgetary comparison statement uses the budgetary basis of accounting and is presented using the same format, language, and classifications as the legal budget document. The statement shows four columns: 1) the original budget as adopted by the council; 2) the final budget as amended by the council; 3) the actual resources, charges to appropriations, and ending balances in the General Fund; and 4) the difference or variance between the final budget and the actual resources and charges.

**Proprietary Fund** – The City of Trinity has a proprietary fund. *Enterprise Funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Trinity uses the enterprise fund to account for its sewer activity. This fund is the same as those functions shown in the business-type activities in the Statement of Net Position and the Statement of Activities.

**Notes to the Financial Statements** – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 24 of this report.

**Other Information** – In addition to the basic financial statements and accompanying notes, this report includes certain required supplementary information concerning the City of Trinity's progress in funding its obligation to provide pension benefits to its employees. Required supplementary information can be found beginning on page 47 of this report.

**Interdependence with Other Entities:** The City depends on financial resources flowing from, or associated with, both the federal government and the State of North Carolina. Because of this dependency, the City is subject to changes in specific flows of intergovernmental revenues based on modifications to federal and State laws and federal and State appropriations.

Management Discussion and Analysis  
City of Trinity

Government-Wide Financial Analysis

The City of Trinity's Net Position

Figure 2

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Current and other assets	\$ 7,365,508	\$ 7,254,780	\$ 2,144,181	\$ 4,336,099	\$ 9,509,689	\$ 11,590,879
Capital assets	2,329,651	1,941,165	26,694,252	25,959,446	29,023,903	27,900,611
Deferred outflows of resources	13,611	-	2,378	-	15,989	-
Total assets and deferred outflows of resources	9,708,770	9,195,945	28,840,811	30,295,545	38,549,581	39,491,490
Long-term liabilities outstanding	-	-	14,045,594	11,438,210	14,045,594	11,438,210
Other liabilities	145,166	88,591	248,268	3,685,141	393,434	3,773,732
Deferred inflows of resources	39,989	-	8,377	-	48,366	-
Total liabilities and deferred inflows of resources	185,155	88,591	14,302,239	15,123,351	14,487,394	15,211,942
Net position:						
Net investment in capital assets	2,329,651	1,941,165	12,429,087	12,131,210	14,758,738	14,072,375
Restricted	3,496,065	3,155,687	-	-	3,496,065	3,155,687
Unrestricted	3,697,899	4,010,502	2,109,485	3,040,984	5,807,384	7,051,486
Total net position	\$ 9,523,615	\$ 9,107,354	\$ 14,538,572	\$ 15,172,194	\$ 24,062,187	\$ 24,279,548

As noted earlier, net position may serve over time as one useful indicator of a government's financial condition. The assets and deferred outflows of the City of Trinity exceeded liabilities and deferred inflows by \$24,062,187 as of June 30, 2015. The City's net position decreased by \$197,341 for the fiscal year ended June 30, 2015. However, the largest portion (61.34%) reflects the City's net investment in capital assets (e.g. land, buildings, machinery, and equipment). The City of Trinity uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Trinity's net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the City of Trinity's net position, \$3,496,065 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$5,807,384 is unrestricted. Also, the City of Trinity implemented GASB Statement 68 this year. With the new reporting change, the City is allocated its proportionate share of the Local Government Employees' Retirement System's net pension asset, deferred outflows of resources, deferred inflows of resources, and pension expense. A restatement to record the effects of the new reporting guidance decreased beginning net position by \$20,020. Decisions regarding the allocations are made by the administrators of the pension plan, not by the City of Trinity's management.

Management Discussion and Analysis  
**City of Trinity**

Several particular aspects of the City of Trinity's financial operations positively influenced the total unrestricted governmental net position:

- Continued diligence in the collection of property taxes by Randolph County in maintaining a tax collection rate of 98.73% in 14-15, which was better than the statewide average of 98.34%.
- Continued diligence in monitoring and evaluating options for reducing expenditures without adversely affecting services.

City of Trinity's Changes in Net Position  
**Figure 3**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Revenues:						
Program revenues:						
Charges for services	\$ 469,595	\$ 462,082	\$ 577,495	\$ 561,956	\$ 1,047,090	\$ 1,024,038
Operating grants and contributions	257,841	218,075	-	-	257,841	218,075
Capital grants and contributions	-	-	50,227	28,300	50,227	28,300
General revenues:						
Property taxes	539,455	552,390	-	-	539,455	552,390
Other taxes	8,309	12,161	-	-	8,309	12,161
Grants and contributions not restricted to specific programs	1,542,611	1,422,234	-	-	1,542,611	1,422,234
Other	14,519	18,447	2,852	5,433	17,371	23,880
Total revenues	2,832,330	2,685,389	630,574	595,689	3,462,904	3,281,078
Expenses:						
General government	519,323	531,678	-	-	519,323	531,678
Public safety	69,693	70,749	-	-	69,693	70,749
Public works	779,298	957,343	-	-	779,298	957,343
Economic development	77,875	5,000	-	-	77,875	5,000
Special appropriations	37,356	47,832	-	-	37,356	47,832
Interest on long-term debt	-	-	-	-	-	-
Water and sewer	-	-	2,176,700	2,064,983	2,176,700	2,064,983
Total expenses	1,483,545	1,612,602	2,176,700	2,064,983	3,660,245	3,677,585
Increase (decrease) in net position before transfers	1,348,785	1,072,787	(1,546,126)	(1,469,294)	(197,341)	(396,507)
Transfers	(915,972)	(1,551,666)	915,972	1,551,666	-	-
Increase (decrease) in net position	432,813	(478,879)	(630,154)	82,372	(197,341)	(396,507)
Net position, beginning as previously reported	9,107,354	9,586,233	15,172,194	15,089,822	24,279,548	24,676,055
Restatement	(16,552)	-	(3,468)	-	(20,020)	-
Net position, beginning, restated	9,090,802	9,586,233	15,168,726	15,089,822	24,259,528	24,676,055
Net position, June 30	\$ 9,523,615	\$ 9,107,354	\$ 14,538,572	\$ 15,172,194	\$ 24,062,187	\$ 24,279,548

**Governmental activities.** Governmental activities increased the City's net position by \$432,813. Key elements of this increase are as follows:

Management Discussion and Analysis  
**City of Trinity**

- Governmental activities reflect a net increase of \$1,348,765 prior to transfers to the Sewer Fund. The net increase of \$432,813 is a result General Fund savings of revenues collected over expenditures.

**Business-type activities:** Business-type activities decreased the City of Trinity's net position by \$630,154. Key elements of this decrease are as follows:

- Transfers from the general fund totaled \$915,972.
- City's sewer system Phase 5, sewer debt payments, and additional principal payments of sewer debt.

**Financial Analysis of the City's Funds**

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

**Governmental Funds.** The focus of the City of Trinity's governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing the City of Trinity's financing requirements.

The general fund is the chief operating fund of the City of Trinity. At the end of the current fiscal year, the City of Trinity's fund balance available in the General Fund was \$3,648,534, while total fund balance reached \$7,144,599. The City currently has an available fund balance of 130.32% of general fund expenditures, while total fund balance represents 255.19% of the same amount.

At June 30, 2015, the governmental funds of the City of Trinity reported a combined fund balance of \$7,207,173 with a net increase in fund balance of \$30,132. Included in this change in fund balance is an increase in fund balance in the General Fund of \$221,278 and a decrease in the Parks and Recreation Fund of \$191,146.

**General Fund Budgetary Highlights:** During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget ordinance once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

**Proprietary Funds.** The City of Trinity's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Unrestricted net position of the Sewer Fund at the end of the fiscal year amounted to \$2,109,485. The total change in net position for the fund was \$630,154. The change in net position in the Sewer Fund is primarily a result of interest paid on sewer debt.



Management Discussion and Analysis  
**City of Trinity**

**Capital Asset and Debt Administration**

**Capital assets.** The City of Trinity's investment in capital assets for its governmental and business-type activities as of June 30, 2015, totals \$29,023,903 (net of accumulated depreciation). These assets include land, construction in progress, buildings, sewer lines, equipment, and vehicles.

Major capital asset transactions during the year include the following:

- Construction in progress for sewer capital assets.
- New Public works Maintenance building.
- New equipment in the Street Department.

**City of Trinity's Capital Assets**

(net of depreciation)

**Figure 4**

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land	\$ 610,000	\$ 610,000	\$ 14,186	\$ 14,186	\$ 624,186	\$ 624,186
Building and improvements	643,073	391,292	-	-	643,073	391,292
Land improvements	2,914	3,034	-	-	2,914	3,034
Furniture and equipment	139,636	12,450	1,445	7,222	141,081	19,672
Sewer system	-	-	23,074,348	23,725,414	23,074,348	23,725,414
Construction in progress	13,665	13,665	3,596,745	2,203,824	3,610,410	2,217,489
Vehicles	44,503	8,800	7,528	8,800	52,031	17,600
Infrastructure	875,860	901,924	-	-	875,860	901,924
Total	\$2,329,651	\$1,941,165	\$ 26,694,252	\$ 25,959,446	\$ 29,023,903	\$ 27,900,611

Additional information on the City's capital assets can be found in Note II.A.3 of the Basic Financial Statements.

**Long-term Debt.** As of June 30, 2015, the City of Trinity had total debt outstanding of \$22,540 for compensated absences, \$13,424,038 for general obligation bond, and \$841,127 for a Sewer AARA note payable. These are backed by the full faith and credit of the City.

### City of Trinity's Outstanding Debt

Figure 5

	Governmental Activities		Business-type Activities		Total	
	2015	2014	2015	2014	2015	2014
Compensated absences	\$ 22,540	\$ 25,305	\$ -	\$ -	\$ 22,540	\$ 25,305
Sewer AARA note payable	-	-	841,127	893,698	841,127	893,698
General obligation bond	-	-	1,683,000	1,709,000	1,683,000	1,709,000
General obligation bond	-	-	4,032,083	4,098,083	4,032,083	4,098,083
General obligation bond	-	-	4,608,955	4,953,000	4,608,955	4,953,000
Bond anticipation note	-	-	-	3,100,000	-	3,100,000
General obligation bond	-	-	3,100,000	-	3,100,000	-
	<u>\$ 22,540</u>	<u>\$ 25,305</u>	<u>\$ 14,265,165</u>	<u>\$ 14,753,781</u>	<u>\$ 14,287,705</u>	<u>\$ 14,779,086</u>

### City of Trinity's Outstanding Debt

The City of Trinity's total debt decreased by \$491,381 (3.32%) during the past fiscal year, primarily due to the issuance of a bond anticipation note.

North Carolina general statutes limit the amount of general obligation debt that a unit of government can issue to 8 percent of the total assessed value of taxable property located within that government's boundaries. The legal debt margin for City of Trinity is \$41,611,273.

Additional information regarding the City of Trinity's long-term debt can be found in Note II.B.5 of this report.

### Economic Factors and Next Year's Budgets and Rates

The following key economic indicators reflect the growth and prosperity of the City:

- By 2016, the City will have completed Phase 5 sewer construction and new customers should be added providing a small increase to sewer revenues. The completion of this final phase will serve about one half of the City's existing residents. Other public utilities already available include water, electric, natural gas, telephone and cable.
- Changes to the Ordinances by Council to promote development and growth.
- The City of Trinity's participation with businesses to obtain grants that will enable industry growth and bring additional jobs to the City.
- Trinity's tax rate is only \$0.10/\$100 valuation, the lowest tax rate in Randolph County.



Management Discussion and Analysis  
**City of Trinity**

**Budget Highlights for the Fiscal Year Ending June 30, 2016**

**Governmental Activities:** For the ninth consecutive year, the property tax rate will remain at \$.10/\$100 property valuation. The greatest source of revenue comes from sales tax which is expected to total \$1,105,500.

For the eleventh consecutive year, 75% of sales tax revenue, or about \$829,125, will be restricted to pay costs and debt service on sewer projects funded in part by GO bonds.

**Requests for Information**

This report is designed to provide an overview of the City's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to Debbie Hinson, City Manager/Finance Director, City of Trinity, PO Box 50, 6701 NC Highway 62, Trinity, NC 27370; (336) 431-2841; cityhall-trinity@triad.rr.com; [www.trinity-nc.gov](http://www.trinity-nc.gov).

**City of Trinity, North Carolina**  
**Statement of Net Position**  
**June 30, 2015**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 4,349,491	\$ 3,686,161	\$ 8,035,652
Taxes receivables (net)	15,717	-	15,717
Accounts receivable (net)	-	72,127	72,127
Due from other governments	390,602	38,992	429,594
Internal balances	1,657,287	(1,657,287)	-
Restricted cash and cash equivalents	932,419	-	932,419
Total current assets	<u>7,345,516</u>	<u>2,139,993</u>	<u>9,485,509</u>
Non-current assets:			
Net pension asset	19,992	4,188	24,180
Capital assets:			
Land, non-depreciable improvements, and construction in progress	623,665	3,610,931	4,234,596
Other capital assets, net of depreciation	1,705,986	23,083,321	24,789,307
Total capital assets	<u>2,329,651</u>	<u>26,694,252</u>	<u>29,023,903</u>
Total assets	<u>9,695,159</u>	<u>28,838,433</u>	<u>38,533,592</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Contribution to pension plan in current fiscal year	13,611	2,378	15,989
Total deferred outflows of resources	<u>13,611</u>	<u>2,378</u>	<u>15,989</u>
<b>LIABILITIES</b>			
Current liabilities:			
Accounts payable	122,626	28,697	151,323
Current portion of long-term liabilities	22,540	219,571	242,111
Total current liabilities	<u>145,166</u>	<u>248,268</u>	<u>393,434</u>
Long-term liabilities:			
Due in more than one year	-	14,045,594	14,045,594
Total liabilities	<u>145,166</u>	<u>14,293,862</u>	<u>14,439,028</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pension deferrals	39,989	8,377	48,366
Total deferred outflows of resources	<u>39,989</u>	<u>8,377</u>	<u>48,366</u>
<b>NET POSITION</b>			
Net investment in capital assets	2,329,651	12,429,087	14,758,738
Restricted for:			
Stabilization by State Statute	2,563,646	-	2,563,646
Streets	932,419	-	932,419
Unrestricted	3,697,899	2,109,485	5,807,384
Total net position	<u>\$ 9,523,615</u>	<u>\$ 14,538,572</u>	<u>\$ 24,062,187</u>

The notes to the financial statements are an integral part of this statement.

City of Trinity, North Carolina  
Statement of Activities  
For the Year Ended June 30, 2015

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental Activities:							
General government	\$ 519,323	\$ -	\$ -	\$ -	\$ (519,323)	\$ -	\$ (519,323)
Public safety	69,693	-	-	-	(69,693)	-	(69,693)
Public works	779,298	465,995	184,341	-	(128,962)	-	(128,962)
Economic development	77,875	3,600	73,500	-	(775)	-	(775)
Special appropriations	37,356	-	-	-	(37,356)	-	(37,356)
Total governmental activities	1,483,545	469,595	257,841	-	(756,109)	-	(756,109)
Business-type activities:							
Sewer	2,176,700	577,495	-	50,227	-	(1,548,978)	(1,548,978)
Total business-type activities	2,176,700	577,495	-	50,227	-	(1,548,978)	(1,548,978)
Total government	\$ 3,660,245	\$ 1,047,090	\$ 257,841	\$ 50,227	(756,109)	(1,548,978)	(2,305,087)

## General revenues:

Taxes:			
Property taxes, levied for general purpose	539,455	-	539,455
Other taxes	8,309	-	8,309
Unrestricted intergovernmental revenues	1,542,611	-	1,542,611
Unrestricted investment earnings	11,176	2,852	14,028
Miscellaneous	3,343	-	3,343
Total general revenues not including transfers	2,104,894	2,852	2,107,746
Transfers	(915,972)	915,972	-
Total general revenues and transfers	1,188,922	918,824	2,107,746
Change in net position	432,813	(630,154)	(197,341)
Net position, beginning, previously reported	9,107,354	15,172,194	24,279,548
Restatement	(16,552)	(3,468)	(20,020)
Net position, beginning, restated	9,090,802	15,168,726	24,259,528
Net position, ending	\$ 9,523,615	\$ 14,538,572	\$ 24,062,187

The notes to the financial statements are an integral part of this statement.

City of Trinity, North Carolina  
Balance Sheet  
Governmental Funds  
June 30, 2015

	Major Fund		
	General	Total Non-Major Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 4,239,928	\$ 109,563	\$ 4,349,491
Restricted cash	932,419	-	932,419
Receivables, net:			
Taxes	15,717	-	15,717
Due from other governments	390,602	-	390,602
Due from other funds	2,173,044	-	2,173,044
Total assets	<u>7,751,710</u>	<u>109,563</u>	<u>7,861,273</u>
<b>LIABILITIES</b>			
Accounts payable and accrued liabilities	122,626	-	122,626
Due to other funds	468,768	46,989	515,757
Total liabilities	<u>591,394</u>	<u>46,989</u>	<u>638,383</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Property taxes receivable	15,717	-	15,717
Total deferred inflows of resources	<u>15,717</u>	<u>-</u>	<u>15,717</u>
<b>FUND BALANCES</b>			
Restricted			
Stabilization by State statute	2,563,646	-	2,563,646
Streets	932,419	-	932,419
Committed			
Parks and Recreation	-	62,574	62,574
Unassigned	3,648,534	-	3,648,534
Total fund balances	<u>7,144,599</u>	<u>62,574</u>	<u>7,207,173</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 7,751,710</u>	<u>\$ 109,563</u>	

Amounts reported for governmental activities in the Statement of Net Position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Gross capital assets at historical cost	\$ 2,794,479	
Accumulated depreciation	<u>(464,828)</u>	2,329,651
Net pension asset		19,992
Contributions to the pension plan in the current fiscal year are deferred outflows of resources on the Statement of Net Position		13,611
Earned revenues considered deferred inflows of resources in fund statements.		15,717

Long-term liabilities used in governmental activities are not financial uses and therefore are not reported in the funds.

Compensated absences	(22,540)
Pension related deferrals	<u>(39,989)</u>

Net position of governmental activities \$ 9,523,615

The notes to the financial statements are an integral part of this statement.

City of Trinity, North Carolina  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2015**

	Major Fund		
	General Fund	Total Non-Major Funds	Total Governmental Funds
<b>REVENUES</b>			
Ad valorem taxes	\$ 538,191	\$ -	\$ 538,191
Other taxes and licenses	8,309	-	8,309
Unrestricted intergovernmental	1,542,611	-	1,542,611
Restricted intergovernmental	257,841	-	257,841
Sales and services	465,995	-	465,995
Investment earnings	10,857	319	11,176
Miscellaneous	3,343	3,600	6,943
Total revenues	<u>2,827,147</u>	<u>3,919</u>	<u>2,831,066</u>
<b>EXPENDITURES</b>			
Current:			
General government	767,675	1,269	768,944
Public safety	69,693	-	69,693
Public works	931,094	-	931,094
Economic development	77,875	-	77,875
Special appropriations	37,356	-	37,356
Total expenditures	<u>1,883,693</u>	<u>1,269</u>	<u>1,884,962</u>
Excess (deficiency) of revenues over expenditures	<u>943,454</u>	<u>2,650</u>	<u>946,104</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers from other funds	193,796	(193,796)	-
Transfers to other funds	(915,972)	-	(915,972)
Total other financing sources (uses)	<u>(722,176)</u>	<u>(193,796)</u>	<u>(915,972)</u>
Net change in fund balance	221,278	(191,146)	30,132
Fund balances, beginning	6,923,321	253,720	7,177,041
Fund balances, ending	<u>\$ 7,144,599</u>	<u>\$ 62,574</u>	<u>\$ 7,207,173</u>

The notes to the financial statements are an integral part of this statement.

City of Trinity, North Carolina  
Statement of Revenues, Expenditures, and Changes in Fund Balance  
Governmental Funds  
For the Year Ended June 30, 2015

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

Net changes in fund balances - total governmental funds		\$ 30,132
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		
Capital outlay expenditures which were capitalized	\$ 442,646	
Depreciation expense for governmental assets	<u>(54,160)</u>	388,486
Contributions to the pension plan in the current fiscal year are not included on the Statement of Activities		13,611
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Change in unavailable revenue for tax revenues		1,264
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Compensated absences		2,763
Pension expense		<u>(3,443)</u>
Total changes in net position of governmental activities		<u><u>\$ 432,813</u></u>

The notes to the financial statements are an integral part of this statement.

City of Trinity, North Carolina  
General Fund  
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual  
For the Year Ended June 30, 2015

	General Fund			Variance with Final Budget - Positive (Negative)
	Original	Final	Actual Amounts	
Revenues:				
Ad valorem taxes	\$ 498,850	\$ 505,845	\$ 538,191	\$ 32,346
Other taxes and licenses	7,400	7,400	8,309	909
Unrestricted intergovernmental	1,294,350	1,509,350	1,542,611	33,261
Restricted intergovernmental	97,370	257,440	257,841	401
Sales and services	425,000	450,000	465,995	15,995
Investment earnings	11,500	12,315	10,857	(1,458)
Miscellaneous	900	900	3,343	2,443
Total revenues	2,335,370	2,743,250	2,827,147	83,897
Expenditures:				
Current:				
General government	669,571	807,052	767,675	39,377
Public safety	74,676	74,676	69,693	4,983
Public works	704,170	991,870	931,094	60,776
Economic development	5,000	121,750	77,875	43,875
Special appropriations	78,753	103,768	37,356	66,412
Total expenditures	1,532,170	2,099,116	1,883,693	215,423
Revenues over expenditures	803,200	644,134	943,454	299,320
Other financing sources (uses):				
Transfers from other funds	-	193,796	193,796	-
Transfers to other funds	(803,200)	(1,200,000)	(915,972)	284,028
Total other financing sources (uses)	(803,200)	(1,006,204)	(722,176)	284,028
Fund balance appropriated	-	362,070	-	(362,070)
Net change in fund balance	\$ -	\$ -	221,278	\$ 221,278
Fund balances, beginning			6,923,321	
Fund balances, ending			<u>\$ 7,144,599</u>	

The notes to the financial statements are an integral part of this statement.

City of Trinity, North Carolina  
Statement of Fund Net Position  
Proprietary Fund  
June 30, 2015

	Major Enterprise Fund	
	Sewer Fund	Total
<b>ASSETS</b>		
Current assets:		
Cash and cash equivalents	\$ 3,686,161	\$ 3,686,161
Accounts receivable, net	72,127	72,127
Due from other governments	38,992	38,992
Due from other funds	487,675	487,675
Restricted cash and cash equivalents	-	-
Total current assets	4,284,955	4,284,955
Noncurrent assets:		
Net pension asset	4,188	4,188
Capital assets:		
Land and other non-depreciable assets	3,610,931	3,610,931
Other capital assets, net of depreciation	23,083,321	23,083,321
Total capital assets	26,694,252	26,694,252
Total noncurrent assets	26,698,440	26,698,440
Total assets	30,983,395	30,983,395
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Contribution to pension plan	2,378	2,378
Total deferred outflows of resources	2,378	2,378
<b>LIABILITIES</b>		
Current liabilities:		
Accounts payable and accrued liabilities	28,697	28,697
Due to other funds	2,144,962	2,144,962
Sewer AARA note payable - current	52,571	52,571
General obligation bonds payable - current	167,000	167,000
Total current liabilities	2,393,230	2,393,230
Noncurrent liabilities:		
Sewer AARA note payable - noncurrent	788,556	788,556
General obligation bonds payable - noncurrent	13,257,038	13,257,038
Total noncurrent liabilities	14,045,594	14,045,594
Total liabilities	16,438,824	16,438,824
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension deferrals	8,377	8,377
Total deferred outflows of resources	8,377	8,377
<b>NET POSITION</b>		
Net investment in capital assets	12,429,087	12,429,087
Unrestricted	2,109,485	2,109,485
Total net position	\$ 14,538,572	\$ 14,538,572

The notes to the financial statements are an integral part of this statement.



City of Trinity, North Carolina  
Statement of Revenues, Expenses, and Changes in Fund Net Position  
Proprietary Fund  
For the Year Ended June 30, 2015

	Major Enterprise Fund	
	Sewer Fund	Total
<b>OPERATING REVENUES</b>		
Charges for services	\$ 521,063	\$ 521,063
Tap fees	56,207	56,207
Miscellaneous	225	225
<b>Total operating revenues</b>	<u>577,495</u>	<u>577,495</u>
<b>OPERATING EXPENSES</b>		
Other operating expenses	1,034,275	1,034,275
Depreciation	658,115	658,115
<b>Total operating expenses</b>	<u>1,692,390</u>	<u>1,692,390</u>
<b>Operating income (loss)</b>	<u>(1,114,895)</u>	<u>(1,114,895)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>		
Investment earnings	2,852	2,852
Interest and other charges	(484,310)	(484,310)
<b>Total nonoperating revenue (expenses)</b>	<u>(481,458)</u>	<u>(481,458)</u>
<b>Income (loss) before contributions and transfers</b>	<u>(1,596,353)</u>	<u>(1,596,353)</u>
Capital contributions	50,227	50,227
Transfers from other funds	915,972	915,972
<b>Change in net position</b>	<u>(630,154)</u>	<u>(630,154)</u>
<b>Total net position, beginning as previously reported</b>	15,172,194	15,172,194
<b>Restatement</b>	(3,468)	(3,468)
<b>Total net position, beginning, restated</b>	15,168,726	15,168,726
<b>Total net position, ending</b>	<u>\$ 14,538,572</u>	<u>\$ 14,538,572</u>

The notes to the financial statements are an integral part of this statement.

City of Trinity, North Carolina  
Statement of Cash Flows  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2015

	<u>Major Enterprise Fund</u>	
	<u>Sewer</u>	
	<u>Fund</u>	<u>Total</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Cash received from customers	\$ 524,512	\$ 524,512
Cash paid to suppliers	<u>(1,037,131)</u>	<u>(1,037,131)</u>
Net cash provided (used) by operating activities	<u>(512,619)</u>	<u>(512,619)</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Due to (from) other funds	479,129	479,129
Transfers from other funds	<u>915,972</u>	<u>915,972</u>
Total cash flows from (used) noncapital financing activities	<u>1,395,101</u>	<u>1,395,101</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Acquisition and construction of capital assets	(1,732,596)	(1,732,596)
Principal paid on bond maturities	(436,045)	(436,045)
Principal paid on Sewer AARA note payable	(52,570)	(52,570)
Capital contributions	50,227	50,227
Interest paid on bonds	<u>(484,310)</u>	<u>(484,310)</u>
Net cash provided (used) by capital and related financing activities	<u>(2,655,294)</u>	<u>(2,655,294)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest	<u>2,852</u>	<u>2,852</u>
Net increase (decrease) in cash and cash equivalents	(1,769,960)	(1,769,960)
Balance, beginning	5,456,121	5,456,121
Balance, ending	<u>\$ 3,686,161</u>	<u>\$ 3,686,161</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Conversion of bond anticipation note to USDA sewer bond	<u>\$ 3,100,000</u>	<u>\$ 3,100,000</u>

cont.

City of Trinity, North Carolina  
Statement of Cash Flows  
Proprietary Fund  
For the Fiscal Year Ended June 30, 2015

	<u>Major Enterprise Fund</u>	
	<u>Sewer</u>	
	<u>Fund</u>	<u>Total</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities		
Operating income (loss)	<u>\$ (1,114,895)</u>	<u>\$ (1,114,895)</u>
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	658,115	658,115
Pension expense	721	721
Changes in assets and liabilities:		
(Increase) decrease in accounts receivable	(52,983)	(52,983)
Increase (decrease) in accounts payable and accrued liabilities	(1,199)	(1,199)
(Increase) decrease in deferred outflows of resources for pensions	<u>(2,378)</u>	<u>(2,378)</u>
Total adjustments	<u>602,276</u>	<u>602,276</u>
Net cash provided (used) by operating activities	<u>\$ (512,619)</u>	<u>\$ (512,619)</u>

The notes to the financial statements are an integral part of this statement.

## City of Trinity, North Carolina

### Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2015

#### **I. Summary of Significant Accounting Policies**

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

##### **A. Reporting Entity**

The City of Trinity is a municipal corporation that is governed by an elected mayor and an eight-member council.

##### **B. Basis of Presentation**

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

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

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

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

## City of Trinity, North Carolina

### Notes to the Financial Statements

#### For the Fiscal Year Ended June 30, 2015

The City reports the following major governmental funds:

**General Fund.** The General Fund is the general operating fund of the City. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund. The primary revenue sources are ad valorem taxes, State grants, and various other taxes and licenses. The primary expenditures are for public safety, planning and engineering services.

The City reports the following non-major governmental fund:

**Parks and Recreation Capital Projects Fund.** This fund is used to account for funds to be used for the construction of a city park.

The City reports the following major enterprise fund:

**Sewer Fund.** This fund is used to account for the City's sewer operations. For financial reporting purposes, a Sewer Capital Projects Fund has been consolidated with the Sewer Fund.

#### C. Measurement Focus and Basis of Accounting

In accordance with North Carolina General Statutes, all funds of the City are maintained during the year using the modified accrual basis of accounting.

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

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.

## **City of Trinity, North Carolina**

### **Notes to the Financial Statements**

#### **For the Fiscal Year Ended June 30, 2015**

Proprietary funds distinguish operating revenues and expenses from non-operating 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 City enterprise funds are charges to customers for sales and services. The City also recognizes as operating revenue the portion of tap fees intended to recover the cost of connecting new customers to the sewer system. Operating expenses for 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 non-operating revenues and expenses.

*Governmental Fund Financial Statements.* Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

The City considers all revenues available if they are collected within 90 days after year-end, except for property taxes. Ad valorem taxes receivable are not accrued as a revenue because the amount is not susceptible to accrual. At June 30, taxes receivable for property other than motor vehicles are materially past due and are not considered to be an available resource to finance the operations of the current year. Also, as of September 1, 2013, State law altered the procedures for the assessment and collection of property taxes on registered motor vehicles in North Carolina. Effective with this change in the law, the State of North Carolina is responsible for billing and collecting the property taxes on registered motor vehicles on behalf of all municipalities and special tax districts. Property taxes are due when vehicles are registered. The billed taxes are applicable to the fiscal year in which they are received. Uncollected taxes that were billed in periods prior to September 1, 2013 and for limited registration plates are shown as a receivable in these financial statements and are offset by deferred inflows of resources.

Sales taxes and certain intergovernmental revenues, such as the utilities sales tax, collected and held by the State at year-end on behalf of the City are recognized as revenue. Sales taxes are considered a shared revenue for the City of Trinity because the tax is levied by Randolph County and then remitted to and distributed by the State. Most intergovernmental revenues and sales and services are not susceptible to accrual because generally they are not measurable until received in cash. All taxes, including those dedicated for specific purposes are reported as general revenues rather than program revenues. Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there is both restricted and unrestricted net position available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

## **City of Trinity, North Carolina**

### **Notes to the Financial Statements**

#### **For the Fiscal Year Ended June 30, 2015**

##### D. Budgetary Data

The City's budgets are adopted as required by the North Carolina General Statutes. An annual budget is adopted for the General Fund and the Sewer Fund. All annual appropriations lapse at the fiscal year-end. Project ordinances are adopted for the sewer capital projects fund. The enterprise fund project is consolidated with its respective operating fund for reporting purposes. All budgets are prepared using the modified accrual basis of accounting. Expenditures may not legally exceed appropriations at the functional level for all annually budgeted funds and at the project level for the multi-year funds. All amendments must be approved by the governing board and the Board must adopt an interim budget that covers that time until the annual ordinance can be adopted.

##### E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Fund Equity

###### 1. Deposits and Investments

All deposits of the City are made in board-designated official depositories and are secured as required by State law [G.S. 159-31]. The City may designate, as an official depository, any bank or savings association whose principal office is located in North Carolina. Also, the City may establish time deposit accounts such as NOW and SuperNOW accounts, money market accounts, and certificates of deposit.

State law [G.S. 159-30(c)] authorizes the City to invest in obligations of the United States or obligations fully guaranteed both as to principal and interest by the United States, obligations of the State of North Carolina, bonds and notes of any North Carolina local government or public authority, obligations of certain non-guaranteed federal agencies, certain high quality issues of commercial paper and bankers' acceptances and the North Carolina Capital Management Trust (NCCMT). The City's investments are reported at fair value as determined by quoted market prices. The securities of the NCCMT-Cash Portfolio, a SEC-registered (2a-7) money market mutual fund, are valued at fair value, which is the NCCMT's share price.

###### 2. Cash and Cash Equivalents

The City pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents.

###### 3. Restricted Assets

Powell Bill funds are classified as restricted cash because it can be expended only for the purposes of maintaining, repairing, constructing, reconstructing or widening of local streets per G.S. 136-41.1 through 136.41.4.



**City of Trinity, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2015**

City of Trinity Restricted Cash

Governmental Activities		
General Fund		
	Streets	\$ 932,419
Total governmental activities		<u>\$ 932,419</u>
Business-type Activities		
Water and Sewer Fund		-
Total Business-type Activities		<u>\$ -</u>
Total Restricted Cash		<u>\$ 932,419</u>

4. Ad Valorem Taxes Receivable

In accordance with State law [G.S. 105-347 and G.S. 159-13(a)], the City levies ad valorem taxes on property other than motor vehicles on July 1<sup>st</sup>, the beginning of the fiscal year. The taxes are due on September 1<sup>st</sup> (lien date); however, interest does not accrue until the following January 6<sup>th</sup>. These taxes are based on the assessed values as of January 1, 2014. As allowed by State law, the City has established a schedule of discounts that apply to taxes that are paid prior to the due date. In the City's General Fund, ad valorem tax revenues are reported net of such discounts.

5. Allowances for Doubtful Accounts

All receivables that historically experience uncollectible accounts are shown net of an allowance for doubtful accounts. This amount is estimated by analyzing the percentage of receivables that were written off in prior years.



## City of Trinity, North Carolina

### Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2015

#### 6. Capital Assets

Capital assets are defined by the government as assets with an initial, individual cost of more than a certain cost and an estimated useful life in excess of two years.

Minimum capitalization costs are as follows:

Asset Class	Cost
Land	\$ 1
Sewer easements, lines and improvements	1
General buildings and improvements	2,500
Computers and equipment	1,500
Furnishings and vehicles	2,000
Sewer buildings and equipment	5,000
Streets and infrastructure	20,000

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

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

Asset Class	Estimated Useful Lives
Sewer lines and improvements	40
General buildings and improvements	30
Computers and equipment	4
Furnishings and vehicles	10
Sewer buildings and equipment	40
Streets and infrastructure	40

#### 7. 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 straight-line method that approximates the effective interest method. Bonds payable are reported net of the applicable bond premiums or discount. Bond issuance costs, except for prepaid insurance costs, are expensed in the reporting period in which they are incurred. Prepaid insurance costs are expensed over the life of the debt.

## City of Trinity, North Carolina

### Notes to the Financial Statements

#### For the Fiscal Year Ended June 30, 2015

##### 8. 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 and so will not be recognized as an expense or expenditure until then. The City has one item that meets this criterion, contributions made to the pension plan in the 2015 fiscal year. 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 and so will not be recognized as revenue until then. The City has only two items that meet the criterion for this category - property taxes receivable and deferrals of pension expense that result from the implementation of GASB Statement 68.

##### 9. Compensated Absences

The vacation policy of the City provides for the accumulation of up to 240 hours earned vacation leave with such leave being fully vested when earned. For the City's government-wide fund, an expense and a liability for compensated absences and the salary-related payments are recorded as the leave is earned. The City has assumed a first-in, first-out method of using accumulated compensated time. The portion of that time that is estimated to be used in the next fiscal year has been designated as a current liability in the government-wide financial statements.

The City's sick leave policy provides for an unlimited accumulation of earned sick leave. Sick leave does not vest, but any unused sick leave accumulated at the time of retirement may be used in the determination of length of service for retirement benefit purposes. Since the City does not have any obligation for the accumulated sick leave until it is actually taken, no accrual for sick leave has been made.

##### 10. Net Position/Fund Balances

###### Net Position

Net position in government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted; and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through state statute.

**City of Trinity, North Carolina**  
**Notes to the Financial Statements**  
**For the Fiscal Year Ended June 30, 2015**

Fund Balances

In the governmental fund financial statements, fund balance is composed of three classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Restricted for Stabilization by State statute - portion of fund balance that is restricted by State Statute [G.S. 159-8(a)].

Restricted for Streets - Powell Bill portion of fund balance that is restricted by revenue source for street construction and maintenance expenditures. This amount represents the balance of the total unexpended Powell Bill funds.

Committed Fund Balance – portion of fund balance that can only be used for specific purposes imposed by majority vote by quorum of the City of Trinity's governing body (highest level of decision-making authority). The governing body can, by adoption of an ordinance prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the ordinance remains in place until a similar action is taken (the adoption of another ordinance) to remove or revise the limitation.

Committed for Parks and Recreation – portion of fund balance committed by the Board for parks and recreation.

Unassigned fund balance – the portion of fund balance that has not been restricted, committed, or assigned to specific purposes or other funds.

The City of Trinity has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-city fund, city funds. For purposes of fund balance classification expenditures are to be spent from restricted fund balance first, followed in order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the City.

11. Pensions

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Local Governmental Employees' Retirement System (LGERS) and additions to/deductions from LGERS' fiduciary net position have been determined on the same basis as they are reported by LGERS. For this purpose, plan member contributions are recognized in the

## **City of Trinity, North Carolina**

### **Notes to the Financial Statements**

#### **For the Fiscal Year Ended June 30, 2015**

period in which the contributions are due. The City of Trinity's employer contributions are recognized when due and the City of Trinity has a legal requirement to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of LGERS. Investments are reported at fair value.

## **II. Detail Notes on All Funds**

### **A. Assets**

#### **1. Deposits**

All the deposits of the City are either insured or collateralized by using one of two methods. Under the Dedicated Method, all deposits that exceed the federal depository insurance coverage level are collateralized with securities held by the City's agents in the unit's name. Under the Pooling Method, which is a collateral pool, all uninsured deposits are collateralized with securities held by the State Treasurer's agent in the name of the State Treasurer. Since the State Treasurer is acting in a fiduciary capacity for the City, these deposits are considered to be held by the City's agents in its name. The amount of the pledged collateral is based on an approved averaging method for non-interest bearing deposits and the actual current balance for interest-bearing deposits. Depositories using the Pooling Method report to the State Treasurer the adequacy of their pooled collateral covering uninsured deposits. The State Treasurer does not confirm this information with the City, or the escrow agent. Because of the inability to measure the exact amounts of collateral pledged for the City under the Pooling Method, the potential exists for under-collateralization. This risk may increase in periods of high cash flows. However, the State Treasurer of North Carolina enforces strict standards of financial stability for each depository that collateralizes public deposits under the Pooling Method. The City has no formal policy regarding custodial credit risk for deposits, but relies on the State treasurer to enforce standards of minimum capitalization for all pooling method financial institutions and to monitor them for compliance. The City complies with provisions of G.S. 159-31 when designating official depositories and verifying that deposits are properly secured.

At June 30, 2015, the City's deposits had a carrying amount of \$6,308,433 and a bank balance of \$6,410,819. Of the bank balance, \$1,814,425 was covered by federal depository insurance and the remainder was covered by collateral held under the pooling method. At June 30, 2015, the City's petty cash fund totaled \$125.

#### **2. Investments**

At June 30, 2015 the City of Trinity had \$2,659,513 invested with the North Carolina Capital Management Trust's Cash Portfolio which carried a credit rating of AAAM by Standard and Poor's. The City has no policy regarding credit risk.

**City of Trinity, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2015**

**3. Capital Assets**

**Primary Government**

Capital asset activity for the Primary Government for the year ended June 30, 2015, was as follows:

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Governmental activities:</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 610,000	\$ -	\$ -	\$ 610,000
Construction in progress	13,665	-	-	13,665
Total capital assets not being depreciated	623,665	-	-	623,665
<b>Capital assets being depreciated:</b>				
Buildings and improvements	497,904	268,306	-	766,210
Land improvements	4,781	-	-	4,781
Furniture and equipment	153,831	136,090	-	289,921
Vehicles	29,088	38,250	-	67,338
Infrastructure	1,042,564	-	-	1,042,564
Total capital assets being depreciated	1,728,168	442,646	-	2,170,814
<b>Less accumulated depreciation for:</b>				
Buildings and improvements	106,612	16,525	-	123,137
Land improvements	1,747	120	-	1,867
Furniture and equipment	141,381	8,904	-	150,285
Vehicles	20,288	2,547	-	22,835
Infrastructure	140,640	26,064	-	166,704
Total accumulated depreciation	410,668	54,160	-	464,828
Total capital assets being depreciated, net	1,317,500			1,705,986
<b>Governmental activity capital assets, net</b>	<u>\$ 1,941,165</u>			<u>\$ 2,329,651</u>

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

General government	\$ 28,096
Public Works	26,064
Total depreciation expense	<u>\$ 54,160</u>

**City of Trinity, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2015**

	Beginning Balances	Increases	Decreases	Ending Balances
<b>Business-type activities:</b>				
<b>Sewer Fund</b>				
<b>Capital assets not being depreciated:</b>				
Land	\$ 14,186	\$ -	\$ -	\$ 14,186
Construction in progress	2,203,824	1,392,921	-	3,596,745
Total capital assets not being depreciated	2,218,010	1,392,921	-	3,610,931
<b>Capital assets being depreciated:</b>				
Sewer system	26,042,655	-	-	26,042,655
Equipment	23,109	-	-	23,109
Vehicles	12,722	-	-	12,722
Total capital assets being depreciated	26,078,486	-	-	26,078,486
<b>Less accumulated depreciation for:</b>				
Sewer system	2,317,241	651,066	-	2,968,307
Equipment	15,887	5,777	-	21,664
Vehicles	3,922	1,272	-	5,194
Total accumulated depreciation	2,337,050	658,115	-	2,995,165
Total capital assets being depreciated, net	23,741,436			23,083,321
<b>Sewer Fund capital assets, net</b>	<u>\$ 25,959,446</u>			<u>\$ 26,694,252</u>

**Construction commitments**

The government has active construction projects as of June 30, 2015. At year-end, the government's commitments with contractors are as follows:

Project	Spent-to-date	Remaining Commitment
Sewer Capital Projects Fund	\$ -	\$ -
	<u>\$ -</u>	<u>\$ -</u>



## City of Trinity, North Carolina

### Notes to the Financial Statements

For the Fiscal Year Ended June 30, 2015

#### B. Liabilities

##### 1. Pension Plan Obligations

###### a. Local Governmental Employees' Retirement System

*Plan Description.* The City of Trinity is a participating employer in the statewide Local Governmental Employees' Retirement System (LGERS), a cost-sharing multiple-employer defined benefit pension plan administered by the State of North Carolina. LGERS membership is comprised of general employees and local law enforcement officers (LEOs) of participating local governmental entities. Article 3 of G.S. Chapter 128 assigns the authority to establish and amend benefit provisions to the North Carolina General Assembly. Management of the plan is vested in the LGERS Board of Trustees, which consists of 13 members – nine appointed by the Governor, one appointed by the State Senate, one appointed by the State House of Representatives, and the State Treasurer and State Superintendent, who serve as ex-officio members. The Local Governmental Employees' Retirement System is included in the Comprehensive Annual Financial Report (CAFR) for the State of North Carolina. The State's CAFR includes financial statements and required supplementary information for LGERS. That report may be obtained by writing to the Office of the State Controller, 1410 Mail Service Center, Raleigh, North Carolina 27699-1410, by calling (919) 981-5454, or at [www.osc.nc.gov](http://www.osc.nc.gov).

*Benefits Provided.* LGERS provides retirement and survivor benefits. Retirement benefits are determined as 1.85% of the member's average final compensation times the member's years of creditable service. A member's average final compensation is calculated as the average of a member's four highest consecutive years of compensation. Plan members are eligible to retire with full retirement benefits at age 65 with five years of creditable service, at age 60 with 25 years of creditable service, or at any age with 30 years of creditable service. Plan members are eligible to retire with partial retirement benefits at age 50 with 20 years of creditable service or at age 60 with five years of creditable service (age 55 for firefighters). Survivor benefits are available to eligible beneficiaries of members who die while in active service or within 180 days of their last day of service and who have either completed 20 years of creditable service regardless of age (15 years of creditable service for firefighters and rescue squad members who are killed in the line of duty) or have completed five years of service and have reached age 60. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions. The plan does not provide for automatic post-retirement benefit increases. Increases are contingent upon actuarial gains of the plan.

LGERS plan members who are LEOs are eligible to retire with full retirement benefits at age 55 with five years of creditable service as an officer, or at any age with 30 years of creditable service. LEO plan members are eligible to retire with partial retirement benefits at age 50 with 15 years of creditable service as an officer. Survivor benefits are available to eligible beneficiaries of LEO members who die while in active service or within 180 days of their last day of service and who also have either completed 20 years of creditable service regardless of age, or have completed 15 years of service as a LEO and have reached age 50, or have completed

## City of Trinity, North Carolina

### Notes to the Financial Statements

#### For the Fiscal Year Ended June 30, 2015

five years of creditable service as a LEO and have reached age 55, or have completed 15 years of creditable service as a LEO if killed in the line of duty. Eligible beneficiaries may elect to receive a monthly Survivor's Alternate Benefit for life or a return of the member's contributions.

*Contributions.* Contribution provisions are established by General Statute 128-30 and may be amended only by the North Carolina General Assembly. City of Trinity employees are required to contribute 6% of their compensation. Employer contributions are actuarially determined and set annually by the LGERS Board of Trustees. The City of Trinity's contractually required contribution rate for the year ended June 30, 2015, was 7.07% for general employees, actuarially determined as an amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year. Contributions to the pension plan from the City of Trinity were \$15,989 for the year ended June 30, 2015.

*Refunds of Contributions* – City employees who have terminated service as a contributing member of LGERS, may file an application for a refund of their contributions. By state law, refunds to members with at least five years of service include 4% interest. State law requires a 60 day waiting period after service termination before the refund may be paid. The acceptance of a refund payment cancels the individual's right to employer contributions or any other benefit provided by LGERS.

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

At June 30, 2015, the City reported an asset of \$24,180 for its proportionate share of the net pension asset. The net pension asset was measured as of June 30, 2014. The total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013. The total pension liability was then rolled forward to the measurement date of June 30, 2014 utilizing update procedures incorporating the actuarial assumptions. The City's proportion of the net pension asset was based on a projection of the City's long-term share of future payroll covered by the pension plan, relative to the projected future payroll covered by the pension plan of all participating LGERS employers, actuarially determined. At June 30, 2014, the City's proportion was 0.00410%, which was an increase of 0.0008% from its proportion measured as of June 30, 2013.

For the year ended June 30, 2015, the City recognized pension expense of \$4,164. At June 30, 2015, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:



# City of Trinity, North Carolina

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2015

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,642
Changes of assumptions	-	-
Net difference between projected and actual earnings on pension plan investments	-	56,290
Changes in proportion and differences between City contributions and proportionate share of contributions	-	(10,566)
City contributions subsequent to the measurement date	15,989	-
Total	<u>\$ 15,989</u>	<u>\$ 48,366</u>

\$15,989 reported as deferred outflows of resources related to pensions resulting from City contributions subsequent to the measurement date will be recognized as an increase of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

#### Year ended June 30:

2016	\$ (12,086)
2017	(12,086)
2018	(12,086)
2019	(12,108)
2020	-
Thereafter	-

*Actuarial Assumptions.* The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.0 percent
Salary increases	4.25 to 8.55 percent, including inflation and productivity factor
Investment rate of return	7.25 percent, net of pension plan investment expense, including inflation

The plan currently uses mortality tables that vary by age, gender, employee group (i.e. general, law enforcement officer) and health status (i.e. disabled and healthy). The current mortality rates are based on published tables and based on studies that cover significant portions of the U.S. population. The healthy mortality rates also contain a provision to reflect future mortality improvements.

The actuarial assumptions used in the December 31, 2013 valuation were based on the results of an actuarial experience study for the period January 1, 2005 through December 31, 2009.

## City of Trinity, North Carolina

### Notes to the Financial Statements

#### For the Fiscal Year Ended June 30, 2015

Future ad hoc COLA amounts are not considered to be substantively automatic and are therefore not included in the measurement.

The projected long-term investment returns and inflation assumptions are developed through review of current and historical capital markets data, sell-side investment research, consultant whitepapers, and historical performance of investment strategies. Fixed income return projections reflect current yields across the U.S. Treasury yield curve and market expectations of forward yields projected and interpolated for multiple tenors and over multiple year horizons. Global public equity return projections are established through analysis of the equity risk premium and the fixed income return projections. Other asset categories and strategies' return projections reflect the foregoing and historical data analysis. These projections are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class as of June 30, 2014 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	36.0%	2.5%
Global Equity	40.5%	6.1%
Real Estate	8.0%	5.7%
Alternatives	6.5%	10.5%
Credit	4.5%	6.8%
Inflation Protection	4.5%	3.7%
Total	100%	

The information above is based on 30 year expectations developed with the consulting actuary for the 2013 asset liability and investment policy study for the North Carolina Retirement Systems, including LGERS. The long-term nominal rates of return underlying the real rates of return are arithmetic annualized figures. The real rates of return are calculated from nominal rates by multiplicatively subtracting a long-term inflation assumption of 3.19%. All rates of return and inflation are annualized.

A new asset allocation policy was finalized during the fiscal year ended June 30, 2014 to be effective July 1, 2014. The new asset allocation policy utilizes different asset classes, changes in the structure of certain asset classes, and adopts new benchmarks. Using the asset class categories in the preceding table, the new long-term expected arithmetic real rates of return are: Fixed Income 2.2%, Global Equity 5.8%, Real Estate 5.2%, Alternatives 9.8%, Credit 6.8% and Inflation Protection 3.4%.

*Discount rate.* The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current contribution rate and that contributions from employers will

# City of Trinity, North Carolina

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2015

be made at statutorily required rates, actuarially determined. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of the 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 City's proportionate share of the net pension asset to changes in the discount rate.* The following presents the City's proportionate share of the net pension asset calculated using the discount rate of 7.25 percent, as well as what the City's proportionate share of the net pension asset or net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Discount Rate (7.25%)	1% Increase (8.25%)
City's proportionate share of the net pension liability (asset)	\$ 82,076	\$ (24,180)	\$ (113,643)

*Pension plan fiduciary net position.* Detailed information about the pension plan's fiduciary net position is available in the separately issued Comprehensive Annual Financial Report (CAFR) for the State of North Carolina.

## 2. Deferred Outflows and Inflows of Resources

The City has one deferred outflow of resources. Deferred outflows of resources is comprised of the following:

Source	Amount
Contributions to pension plan in current fiscal year	\$ 15,989
Total	\$ 15,989

Deferred inflows of resources at year-end is comprised of the following:

Taxes receivable, less penalties (General Fund)	\$ 15,717
Pension deferrals	48,366

## **City of Trinity, North Carolina**

### **Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2015**

#### **3. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City participates in three self-funded risk-financing pools administered by the North Carolina League of Municipalities. Through these pools, the City obtains general liability and auto liability coverage of \$1 million per occurrence, property coverage up to the total insured values of the property policy, workers' compensation coverage up to statutory limits, and employee health coverage. The liability and property exposures are reinsured through commercial carriers for claims in excess of retentions as selected by the Board of Trustees each year. Stop loss insurance is purchased by the Board of Trustees to protect against large medical claims that exceed certain dollar cost levels. Specific information on the limits of the reinsurance, excess and stop loss policies purchased by the Board of Trustees can be obtained by contacting the Risk Management Services Department of the NC League of Municipalities. The pools are audited annually by certified public accountants, and the audited financial statements are available to the City upon request.

The City carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and settled claims have not exceeded coverage in any of the past three fiscal years.

The City is eligible to and has purchased limited commercial flood insurance for \$5,000,000 of maximum coverage.

In accordance with G.S. 159-29, the City's employees that have access to \$100 or more at any given time of the City's funds are performance bonded through a commercial surety bond. The finance officer is bonded for \$50,000. The remaining employees that have access to funds are bonded under a blanket bond for \$125,000.

#### **4. Commitments**

The City has entered into an agreement with the City of Thomasville which operates their wastewater system to pay for the cost of a wastewater treatment plant upgrade. The City of Trinity's payment (which is approximately 29.3% of the total debt service cost) began in May 2009 and will be approximately \$500,000 annually for 20 years. Total payments to the City of Thomasville for the year were \$498,168.

The City has entered into an agreement for solid waste collection expiring in December 2015 for approximately \$315,000 per year.

**City of Trinity, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2015**

**5. Long-Term Obligations**

**a. Sewer AARA Note Payable**

In November 2009, the City issued a \$2,403,400 promissory note to the Clean Water Revolving Fund as part of the American Recovery and Reinvestment Act of 2009 (AARA) to help with construction of its sanitary sewer project. As part of the AARA, the unpaid principal (total of \$2,102,823) was immediately reduced at the completion of the project by one-half of the loan amount. The amount of principal forgiveness was \$1,051,412 bringing the unpaid amount of the note to \$1,051,411. Interest accrues at the rate of 0% on the unpaid principal. The principal is being repaid in 20 annual installments of \$52,571 beginning May 1, 2012. \$841,127

Year Ending June 30	Principal	Interest
2016	\$ 52,571	\$ -
2017	52,571	-
2018	52,571	-
2019	52,571	-
2020	52,571	-
2021-2025	262,851	-
2026-2030	262,851	-
2031	52,570	-
Total	<u>\$ 841,127</u>	<u>\$ -</u>

**b. General Obligation Indebtedness**

\$14,877,000 of the City's general obligation bonds have been issued to finance the construction of the sewer system and will be retired by its resources and will be reported as long-term debt in the Sewer Fund. All general obligation bonds are collateralized by the full faith, credit, and taxing power of the City. Principal and interest payments will be appropriated when due.

# City of Trinity, North Carolina

## Notes to the Financial Statements

### For the Fiscal Year Ended June 30, 2015

#### General Obligation Bonds outstanding at June 30, 2015

\$1,824,000 2008 USDA Sanitary Sewer Bond issued April 21, 2008, and due in annual installments plus interest at 4.375%.

\$1,683,000

Year Ending June 30	Principal	Interest
2016	\$ 27,000	\$ 73,631
2017	28,000	72,450
2018	29,000	71,225
2019	31,000	69,956
2020	32,000	68,600
2021-2025	182,000	320,819
2026-2030	225,000	277,375
2031-2035	279,000	223,650
2036-2040	345,000	157,063
2041-2045	412,000	75,031
2046-2047	93,000	4,462
Total	<u>\$ 1,683,000</u>	<u>\$ 1,414,262</u>

\$5,000,000 2010 USDA Sanitary Sewer Bond issued February 22, 2010, and due in annual installments plus interest at 4.00%.

\$4,032,083

Year Ending June 30	Principal	Interest
2016	\$ 68,000	\$ 190,040
2017	71,000	187,320
2018	74,000	184,480
2019	77,000	181,520
2020	80,000	178,440
2021-2025	451,000	841,520
2026-2030	549,000	743,880
2031-2035	667,000	624,960
2036-2040	812,000	480,360
2041-2045	987,000	304,520
2046	196,083	36,600
Total	<u>\$ 4,032,083</u>	<u>\$ 3,953,640</u>

**City of Trinity, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2015**

\$4,953,000 Sanitary Sewer Bond, Series 2013 issued March 25, 2013, and due in annual installments plus interest at 3.125%.

\$4,608,955

Year Ending June 30	Principal	Interest
2016	\$ 72,000	\$ 144,030
2017	74,000	141,780
2018	77,000	139,467
2019	79,000	137,061
2020	82,000	134,592
2021-2025	448,000	632,993
2026-2030	522,000	558,555
2031-2035	611,000	471,587
2036-2040	712,000	369,962
2041-2045	830,000	251,555
2046-2050	967,000	113,618
2051-2052	134,955	4,217
Total	<u>\$ 4,608,955</u>	<u>\$ 3,099,417</u>

\$3,100,000 2014 USDA Sanitary Sewer Bond issued October 20, 2014, and due in annual installments plus interest at 3.50%.

\$3,100,000

Year Ending June 30	Principal	Interest
2016	\$ -	\$ 108,500
2017	41,000	108,500
2018	42,000	107,065
2019	43,000	105,595
2020	45,000	104,090
2021-2025	249,000	495,775
2026-2030	295,000	449,050
2031-2035	352,000	393,540
2036-2040	417,000	327,530
2041-2045	495,000	249,340
2046-2050	590,000	156,275
2051-2054	531,000	46,340
Total	<u>\$ 3,100,000</u>	<u>\$ 2,651,600</u>

At June 30, 2015 the City of Trinity had a legal debt margin of \$41,611,273.

**City of Trinity, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2015**

**c. Changes in Long-Term Liabilities**

	Beginning Balance	Increases	Decreases	Ending Balance	Current Portion of Balance
Governmental activities:					
Compensated absences	\$ 25,305	\$ -	2,765	\$ 22,540	\$ 22,540
Net pension liability (LGERS)	32,888	-	32,888	-	-
Governmental activity long-term liabilities	<u>\$ 58,193</u>	<u>\$ -</u>	<u>\$ 35,653</u>	<u>\$ 22,540</u>	<u>\$ 22,540</u>
Business-type activities:					
General obligation bond - USDA 2008	\$ 1,709,000	\$ -	\$ 26,000	\$ 1,683,000	\$ 27,000
General obligation bond - USDA 2010	4,098,083	-	66,000	4,032,083	68,000
General obligation bond - Series 2013	4,953,000	-	344,045	4,608,955	72,000
General obligation bond - USDA 2014	-	3,100,000	-	3,100,000	-
Sewer AARA note payable	893,698	-	52,571	841,127	52,571
Bond anticipation note	3,100,000	-	3,100,000	-	-
Net pension liability (LGERS)	6,890	-	6,890	-	-
Business-type activity long-term liabilities	<u>\$ 14,760,671</u>	<u>\$ 3,100,000</u>	<u>\$ 3,595,506</u>	<u>\$ 14,265,165</u>	<u>\$ 219,571</u>

The LGERS plan had a net pension asset as of June 30, 2015; however, the plan had a net pension liability at the beginning of the fiscal year.

**C. Interfund Balances and Activity**

Balances due to/from other funds at June 30, 2015, consist of the following:

Due to the General Fund for expenditures paid on behalf of the Sewer Fund	\$ 1,657,287
Due to the General Fund for expenditures paid on behalf of the Parks and Recreation Fund	(46,989)
Due from the Parks and Recreation Fund for expenditures paid by the General Fund	46,989
Total	<u>\$ 1,657,287</u>



**City of Trinity, North Carolina**

**Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2015**

Transfers to/from other funds at June 30, 2015, consist of the following:

From the General Fund to the Sewer Fund for operating expenditures	\$ 905,472
From the General Fund to the Sewer Capital Projects Fund	10,500
From the Parks and Recreation Fund to the General Fund	193,796
From the Water and Sewer Fund to the Sewer Capital Projects Fund	<u>445,000</u>
Total	<u><u>\$ 1,554,768</u></u>

Transfers are used to move unrestricted revenues to finance various programs that the government must account for in other funds in accordance with budgetary authorizations, including amounts provided matching funds for various grant programs.

**D. Net Investment in Capital Assets**

	Governmental	Business-type
Capital assets	\$ 2,329,651	\$ 26,694,252
less: long-term debt	-	14,265,165
add: unexpended debt proceeds	-	-
Net investment in capital asset	<u>\$ 2,329,651</u>	<u>\$ 12,429,087</u>

**E. Fund Balance**

The following schedule provides management and citizens with information on the portion of General fund balance that is available for appropriation:

Total fund balance - General Fund	\$ 7,144,599
Less:	
Stabilization by State Statute	2,563,646
Streets - Powell Bill	932,419
Working Capital/Fund Balance Policy	-
Remaining Fund Balance	<u>3,648,534</u>

## **City of Trinity, North Carolina**

### **Notes to the Financial Statements**

**For the Fiscal Year Ended June 30, 2015**

#### **III. Jointly Governed Organization**

The City, in conjunction with twelve counties and sixty other municipalities, participates in the Piedmont Triad Regional Council. The participating governments established the Council to coordinate various funding received from federal and State agencies. The City paid membership fees of \$5,379 to the Council during the fiscal year ended June 30, 2015.

#### **IV. Summary Disclosure of Significant Contingencies**

##### **Federal and State Assisted Programs**

The City has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

#### **V. Subsequent Events**

Subsequent events have been evaluated through November 16, 2015, which is the date the financial statements were available to be issued.

#### **VI. Change in Accounting Principles/Restatement**

The City implemented Governmental Accounting Standards Board (GASB) Statement 68, *Accounting and Financial Reporting for Pensions (an amendment of GASB Statement No. 27)*, in the fiscal year ending June 30, 2015. The implementation of the statement required the City to record beginning net pension liability and the effects on net position of contributions made by the City during the measurement period (fiscal year ending June 30, 2014). As a result, net position at July 1, 2014 for the governmental and business-type activities decreased by \$16,552 and \$3,468, respectively.

**REQUIRED SUPPLEMENTAL FINANCIAL DATA**

**City of Trinity, North Carolina**  
**City of Trinity's Proportionate Share of Net Pension Liability (Asset)**  
**Required Supplementary Information**  
**Last Two Fiscal Years \***

**Local Government Employees' Retirement System**

	<u>2015</u>	<u>2014</u>
Trinity's proportion of the net pension liability (asset) (%)	0.00410%	0.00330%
Trinity's proportion of the net pension liability (asset) (\$)	\$ (24,180)	\$ 39,778
Trinity's covered-employee payroll	\$ 281,949	\$ 275,839
Trinity's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	( 8.58%)	14.42%
Plan fiduciary net position as a percentage of the total pension liability**	102.64%	94.35%

\* The amounts presented for each fiscal year were determined as of the prior fiscal year ending June 30.

\*\* This will be the same percentage for all participant employers in the LGERS plan.

**City of Trinity, North Carolina  
City of Trinity's Contributions  
Required Supplementary Information  
Last Two Fiscal Years**

**Local Government Employees' Retirement System**

	2015	2014
Contractually required contribution	\$ 15,989	\$ 19,758
Contributions in relation to the contractually required contribution	15,989	19,758
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Trinity's covered-employee payroll	\$ 226,148	\$ 281,949
Contributions as a percentage of covered-employee payroll	7.07%	7.01%

## **Individual Fund Statements and Schedules**

City of Trinity, North Carolina  
General Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
<b>Revenues:</b>			
Ad valorem taxes:			
Taxes	\$	\$ 540,138	\$
Discount on taxes		(5,494)	
Penalties and interest		3,547	
Total	505,845	538,191	32,346
Other taxes and licenses:			
Permits and fees		8,309	
Total	7,400	8,309	909
Unrestricted intergovernmental:			
Local option sales taxes		1,207,296	
Telecommunications sales tax		31,568	
Utility sales tax		255,534	
Video franchise fee		48,213	
Total	1,509,350	1,542,611	33,261
Restricted intergovernmental:			
State grant		70,000	
Powell Bill allocation		152,711	
Powell Bill assessment revenue		27,349	
Solid waste disposal tax		4,281	
Building reuse		3,500	
Total	257,440	257,841	401
Sales and services:			
Solid waste fees		462,397	
Recycling fees		3,598	
Total	450,000	465,995	15,995
Investment earnings	12,315	10,857	(1,458)
Miscellaneous:			
Other		3,343	
Total	900	3,343	2,443
Total revenues	2,743,250	2,827,147	83,897
<b>Expenditures:</b>			
General government:			
Governing body:			
Salaries and employee benefits		18,031	
Professional services		24,595	
Travel and training		40	
Dues and subscription		9,058	
Insurance		5,498	
Contributions and donations		1,144	
Elections		-	
Materials and supplies		1,291	
Total	64,660	59,657	5,003

cont.

City of Trinity, North Carolina  
General Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Administration:			
Salaries and employee benefits		187,725	
Professional services		5,172	
Supplies and materials		17,584	
Telephone and postage		13,190	
Information technology		12,254	
Utilities		12,068	
Travel and training		934	
Leases		8,964	
Newsletter		3,993	
Dues and subscription		1,548	
Insurance		11,645	
Miscellaneous expenses		-	
Capital outlay		-	
Total	304,481	275,077	29,404
Governmental buildings:			
Supplies		5,001	
Facilities rental		11,000	
Professional services		5,518	
Capital outlay		268,306	
Total	291,906	289,825	2,081
Finance:			
Professional services		23,615	
Tax collection fees		7,881	
Supplies		-	
Total	32,425	31,496	929
Planning and zoning:			
Salaries and employee benefits		22,748	
Supplies		224	
Professional services		79,290	
Travel and training		755	
Leases		5,796	
Advertising		2,807	
Total	113,580	111,620	1,960
Total general government	807,052	767,675	39,377
Public safety:			
Police and animal control:			
Contract services		59,517	
Total	64,496	59,517	4,979
Fire inspection:			
Contract services		10,176	
Total	10,180	10,176	4
Total public safety	74,676	69,693	4,983

cont.



City of Trinity, North Carolina  
General Fund  
Schedule of Revenues, Expenditures, and  
Changes in Fund Balances - Budget and Actual  
For the Fiscal Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Public works:			
Streets			
Salaries and employee benefits		-	
Professional services		12,245	
Supplies and materials		272,670	
Capital outlay		174,340	
Total	495,300	459,255	36,045
Stormwater			
Salaries and employee benefits		66,283	
Supplies and materials		-	
Professional services		2,294	
Travel and training		1,667	
Capital outlay		-	
Total	78,070	70,244	7,826
Sanitation			
Billing fees		24,424	
Tipping fees		66,746	
Contract services		309,213	
Supplies and materials		1,212	
Capital outlay		-	
Total	418,500	401,595	16,905
Total public works	991,870	931,094	60,776
Economic development	121,750	77,875	43,875
Special appropriations			
Library contributions		-	
Archdale/Trinity YMCA		20,000	
Archdale/Trinity Chamber		-	
RC Seniors		17,356	
Miscellaneous		-	
Total special appropriations	103,768	37,356	66,412
Total expenditures	2,099,116	1,883,693	215,423
Revenues over (under) expenditures	644,134	943,454	299,320
Other financing sources (uses):			
Transfers from other funds:			
Parks and Recreation fund	193,796	193,796	-
Transfers to other funds:			
Parks and Recreation fund	-	-	-
Sewer Capital Projects fund	(10,500)	(10,500)	-
Sewer fund	(1,189,500)	(905,472)	284,028
Total other financing uses	(1,006,204)	(722,176)	284,028
Fund balance appropriated	362,070	-	(362,070)
Net change in fund balance	\$ -	221,278	\$ 221,278
Fund balances, beginning		6,923,321	
Fund balances, ending		\$ 7,144,599	

City of Trinity, North Carolina  
Balance Sheet  
Non-Major Governmental Fund  
June 30, 2015

	Parks and Recreation Fund	Total Non-Major Governmental Fund
<b>Assets</b>		
Cash and cash equivalents	\$ 109,563	\$ 109,563
Due from other funds	-	-
Total assets	<u>\$ 109,563</u>	<u>\$ 109,563</u>
<b>Liabilities and Fund Balances</b>		
Liabilities:		
Due to other funds	\$ 46,989	\$ 46,989
Total liabilities	<u>46,989</u>	<u>46,989</u>
Fund balances:		
Committed for Parks and Recreation	62,574	62,574
Total liabilities and fund balances	<u>\$ 109,563</u>	<u>\$ 109,563</u>

**City of Trinity, North Carolina**  
**Parks and Recreation Fund**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance -**  
**Budget and Actual - Non-Major Governmental Fund**  
**For the Fiscal Year Ended June 30, 2015**

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Open space fees	\$ -	\$ -	\$ -
Rental income	3,600	3,600	-
Investment earnings	15	319	304
Total revenues	<u>3,615</u>	<u>3,919</u>	<u>304</u>
Expenditures:			
Capital outlay	-	-	-
Other operating expenditures	3,615	1,269	2,346
Total expenditures	<u>3,615</u>	<u>1,269</u>	<u>2,346</u>
Revenues over (under) expenditures	<u>-</u>	<u>2,650</u>	<u>2,650</u>
Other financing sources (uses):			
Transfer to other funds:			
General Fund	(193,796)	(193,796)	-
Total	<u>(193,796)</u>	<u>(193,796)</u>	<u>-</u>
Fund balance appropriated	193,796	-	(193,796)
Net change in fund balance	<u>\$ -</u>	<u>(191,146)</u>	<u>\$ (191,146)</u>
Fund balance, beginning		253,720	
Fund balance, ending		<u>\$ 62,574</u>	

City of Trinity, North Carolina  
Sewer Fund  
Schedule of Revenues and Expenditures  
Budget and Actual (Non - GAAP)  
For the Fiscal Year Ended June 30, 2015

	Budget	Actual	Variance Positive (Negative)
Revenues:			
Operating revenues:			
Charges for services		\$ 521,063	
Tap fees		56,207	
Miscellaneous		225	
Total	\$ 493,600	577,495	\$ 83,895
Nonoperating revenues:			
Investment earnings	1,350	2,852	1,502
Total revenues	494,950	580,347	85,397
Expenditures:			
Other operating expenditures	1,125,293	1,035,932	89,361
Capital Outlay	-	-	-
	1,125,293	1,035,932	89,361
Debt service:			
Interest and other charges	484,314	484,310	4
Principal retirement	488,616	488,616	-
Total Debt service	972,930	972,926	4
Total Expenditures	2,098,223	2,008,858	89,365
Revenues over (under) expenditures	(1,603,273)	(1,428,511)	174,762
Other financing sources (uses):			
Transfers to other funds:			
Water & Sewer capital projects fund	(445,000)	(445,000)	-
Transfers from other funds:			
General Fund	1,200,000	905,472	(294,528)
Total other financing sources (uses)	755,000	460,472	(294,528)
Fund balance appropriated	848,273	-	(848,273)
Revenues and other sources over expenditures and other uses	\$ -	(968,039)	\$ (968,039)
Reconciliation from budgetary basis (modified accrual) to full accrual:			
Reconciling items:			
Capital outlay		-	
Deferred outflows of resources for contributions made to pension plan in current fiscal year		2,378	
Pension expense		(721)	
Principal retirement		488,616	
Depreciation		(658,115)	
Federal grant from CDBG Hook-Up Sewer Grant			
Project Fund-capital contribution		15,793	
Contributions		34,434	
Transfer in from General Fund to Sewer Capital Projects Fund		10,500	
Transfer to Phase V capital project		445,000	
Capitalized interest on borrowings during construction:			
Interest costs		-	
Investment earnings on borrowed funds		-	
Total reconciling items		337,885	
Change in net position		\$ (630,154)	

City of Trinity, North Carolina  
Sewer Capital Projects Fund  
Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)  
From Inception and for the Fiscal Year Ended June 30, 2015

	Project Author - ization	Prior Years	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues - Sewer Project:					
Restricted intergovernmental:					
Federal Grant - CDBG-ED Grant	\$ 168,000	\$ -	\$ -	\$ -	\$ (168,000)
Golden Leaf Grant	140,000	-	-	-	(140,000)
Total restricted intergovernmental revenues	308,000	-	-	-	(308,000)
Expenditures:					
Phase V					
Construction	2,850,000	1,524,469	1,240,368	2,764,837	85,163
Technical services	445,800	464,509	74,162	538,671	(92,871)
Legal and right-of-way	160,000	110,540	12,930	123,470	36,530
Property and easements	90,000	74,611	-	74,611	15,389
Professional services	5,000	-	-	-	5,000
Construction loan interest	120,000	-	20,408	20,408	99,592
Construction contingency	65,200	326	120	446	64,754
Total	3,736,000	2,174,455	1,347,988	3,522,443	213,557
Ennis Flint					
Construction	265,000	-	-	-	265,000
Technical services	46,500	-	26,500	26,500	20,000
Legal and right-of-way	8,000	-	4,654	4,654	3,346
Permits and fees	2,000	-	130	130	1,870
Property and easements	9,800	-	9,800	9,800	-
Professional services	22,800	-	3,850	3,850	18,950
Construction contingency	5,900	-	-	-	5,900
Total	360,000	-	44,934	44,934	315,066
Total expenditures	4,096,000	2,174,455	1,392,922	3,567,377	528,623
Excess of revenues over (under) expenditures	(3,788,000)	(2,174,455)	(1,392,922)	(3,567,377)	220,623
Other financing sources :					
Proceeds from sale of bonds/notes	3,291,000	3,100,000	-	3,100,000	(191,000)
Contributions	41,500	-	34,434	34,434	(7,066)
Transfers from other funds:					
From Sewer Fund	445,000	-	445,000	445,000	-
From General Fund	10,500	-	10,500	10,500	-
Total other sources	3,788,000	3,100,000	489,934	3,589,934	(198,066)
Revenues and other sources over (under) expenditures	\$ -	\$ 925,545	\$ (902,988)	\$ 22,557	\$ 22,557

City of Trinity, North Carolina  
CDBG Hook Up Sewer Grant Project Fund  
Schedule of Revenues and Expenditures - Budget and Actual (Non - GAAP)  
From Inception and for the Fiscal Year Ended June 30, 2015

	Project Author - ization	Prior Year	Actual Current Year	Total to Date	Variance Positive (Negative)
Revenues:					
Restricted intergovernmental					
Federal grants					
Community development	\$ 75,000	\$ 28,300	\$ 15,793	\$ 44,093	\$ (30,907)
Total restricted revenues	75,000	28,300	15,793	44,093	(30,907)
Expenditures:					
Project expenditures					
Administration and planning	11,250	5,000	5,000	10,000	1,250
Rehabilitation - Private dwellings	63,750	23,300	10,793	34,093	29,657
Total expenditures	75,000	28,300	15,793	44,093	30,907
Revenues over (under) expenditures	-	-	-	-	-
Other financing sources:					
Transfers in					
From other funds	-	-	-	-	-
Revenues and other sources over (under) expenditures	\$ -	\$ -	\$ -	\$ -	\$ -

## **Other Schedules**

City of Trinity, North Carolina  
Schedule of Ad Valorem Taxes Receivable  
June 30, 2015

Fiscal Year	Uncollected Balance June 30, 2014	Additions	Collections And Credits	Uncollected Balance June 30, 2015
2014-2015	\$ -	\$ 475,255	\$ 468,517	\$ 6,738
2013-2014	4,749	-	2,266	2,483
2012-2013	1,927	-	256	1,671
2011-2012	1,193	-	31	1,162
2010-2011	191	-	14	177
2009-2010	111	-	8	103
2008-2009	318	-	19	299
2007-2008	79	-	-	79
2006-2007	90	-	-	90
2005-2006	45	-	-	45
2004-2005	12	-	12	-
	<u>8,715</u>	<u>475,255</u>	<u>471,123</u>	<u>12,847</u>

Plus: uncollected ad valorem taxes receivable  
annually registered vehicles:

2014-2015	-	55,400	55,387	13
Prior years	<u>5,738</u>	<u>-</u>	<u>2,881</u>	<u>2,857</u>
	<u>5,738</u>	<u>55,400</u>	<u>58,268</u>	<u>2,870</u>

Ad valorem taxes receivable, net	\$ <u>14,453</u>	\$ <u>530,655</u>	\$ <u>529,391</u>	\$ <u>15,717</u>
-------------------------------------	------------------	-------------------	-------------------	------------------

Reconciliation with revenues:

Ad valorem taxes - General Fund	\$ 538,191
Reconciling items:	
Penalties and interest collected	(3,547)
Discounts allowed	5,494
Adjustments	<u>(10,747)</u>
Subtotal	<u>(8,800)</u>
Total collections and credits	\$ <u>529,391</u>



City of Trinity, North Carolina  
 Analysis of Current Tax Levy  
 City - Wide Levy  
 For the Fiscal Year Ended June 30, 2015

	City - Wide			Total Levy	
	Property Valuation	Rate	Total Levy	Property excluding Registered Motor Vehicles	Registered Motor Vehicles
Original levy:					
Property taxed at current rate	\$ 532,527,000	.10	\$ 532,527	\$ 477,127	\$ 55,400
Penalties	-		-	-	-
Total	<u>532,527,000</u>		<u>532,527</u>	<u>477,127</u>	<u>55,400</u>
Discoveries:					
Current year taxes	9,261,000	.10	9,261	9,261	-
Prior year taxes	-		-	-	-
Penalties	-		-	-	-
Total	<u>9,261,000</u>		<u>9,261</u>	<u>9,261</u>	<u>-</u>
Abatements	<u>(11,133,000)</u>		<u>(11,133)</u>	<u>(11,133)</u>	<u>-</u>
Total property valuation	<u>\$ 530,655,000</u>				
Net levy			530,655	475,255	55,400
Uncollected taxes at June 30, 2015			<u>(6,751)</u>	<u>(6,738)</u>	<u>(13)</u>
Current year's taxes collected			<u>\$ 523,904</u>	<u>\$ 468,517</u>	<u>\$ 55,387</u>
Current levy collection percentage			<u>98.73%</u>	<u>98.58%</u>	<u>99.98%</u>

## COMPLIANCE SECTION



GIBSON & COMPANY, P.A.

CERTIFIED PUBLIC ACCOUNTANTS

**Report On Internal Control Over Financial Reporting And On Compliance and Other  
Matters Based On An Audit Of Financial Statements Performed In Accordance With  
*Government Auditing Standards***

**Independent Auditor's Report**

To the Honorable Mayor  
and Members of the City Council  
City of Trinity, North Carolina

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Trinity, North Carolina, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprises the City of Trinity's basic financial statements, and have issued our report thereon dated November 16, 2015.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City of Trinity'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 Trinity's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a material weakness.

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 misstatements on a timely basis. A material weakness is a deficiency, or 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. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2015-1 to be a material weakness.

#### Compliance and Other Matters

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

#### City of Trinity's Response to Findings

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

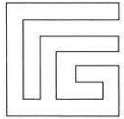
#### Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result 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

*Jehson + Company, P.A.*

Winston-Salem, North Carolina

November 16, 2015



**Report On Compliance For Each Major Federal Program; Report on Internal Control Over Compliance; In accordance with OMB Circular A-133; and the State Single Audit Implementation Act**

**Independent Auditor's Report**

To the Honorable Mayor and  
Members of the City Council  
City of Trinity, North Carolina

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

We have audited the City of Trinity, North Carolina, compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on each of the City of Trinity's major federal programs for the year ended June 30, 2015. The City of Trinity'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 the City of Trinity'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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Implementation Act. Those standards, OMB Circular A-133, and the State Single Audit Implementation Act 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 the City of Trinity'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 the City of Trinity's compliance.

## **Opinion on Each Major Federal Program**

In our opinion, the City of Trinity 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 June 30, 2015.

## **Report on Internal Control Over Compliance**

Management of the City of Trinity 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 the City of Trinity's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 the City'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 a 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 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 significant deficiencies or material weaknesses. 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 OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.



Winston-Salem, North Carolina  
November 16, 2015

**CITY OF TRINITY, NORTH CAROLINA**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For the Year Ended June 30, 2015**

<u>Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>State/ Pass-through Grantor's Number</u>	<u>Fed. (Direct &amp; Pass-through) Expenditures</u>	<u>State Expenditures</u>
<b>Federal Grants:</b>				
<u>U.S. Dept. of Agriculture</u>				
Direct Program:				
Water and Waste Disposal Systems for Rural Communities (Note 2)	10.760		\$ 3,100,000	-
Total U.S. Department of Agriculture			<u>3,100,000</u>	<u>-</u>
<u>U.S. Dept. of Housing and Urban Development</u>				
Passed-through N.C. Department of Commerce:				
Community Development Block Grant, State's Program and Non-Entitlement Grants in Hawaii	14.228	11-C-2301	15,793	-
Total assistance - federal programs			<u>3,115,793</u>	<u>-</u>
<b>State Grants:</b>				
<b>Cash Assistance:</b>				
<u>N.C. Department of Commerce:</u>				
Building Reuse & Restoration fund		2014-013-3201-2538	-	70,000
<u>N.C. Department of Transportation:</u>				
Powell Bill		32570	-	372,123
Total assistance - State programs			<u>-</u>	<u>442,123</u>
Total assistance			<u>\$ 3,115,793</u>	<u>\$ 442,123</u>

Notes to the Schedule of Expenditures of Federal and State Financial Awards:

- The accompanying schedule of expenditures of federal and State awards includes the federal and State grant activity of the City of Trinity and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the State Single Audit Implementation Act. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.
- Loans Outstanding  
The City of Trinity had the following loan balances outstanding at June 30, 2015. These loan balances outstanding are also included in the federal expenditures presented in the schedule.

<u>Program Title</u>	<u>CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Amount Outstanding</u>
Water and Waste Disposal Systems for Rural Communities	10.760		\$ 3,100,000

City of Trinity, North Carolina  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2015

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**Section I. Summary of Auditor's Results**

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Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?        X   yes             no
- Significant Deficiency(s) identified  
that are not considered to be  
material weaknesses?             yes        X   none reported

Noncompliance material to financial  
statements noted

       yes        X   no

Federal Awards

Internal control over major federal programs:

- Material weakness(es) identified?             yes        X   no
- Significant Deficiency(s) identified  
that are not considered to be  
material weaknesses?             yes        X   none reported

Type of auditor's report issued on compliance for major federal programs: Unmodified

Any audit findings disclosed that are  
required to be reported in accordance  
with Section 510(a) of Circular A-133

       yes        X   no

Identification of major federal programs:

<u>CFDA Number</u>	<u>Names of Federal Program or Cluster</u>
10.760	Water and Waste Disposal Systems for Rural Communities

Dollar threshold used to distinguish  
between Type A and Type B Programs

\$ 300,000

Auditee qualified as low-risk auditee?

       yes        X   no



City of Trinity, North Carolina  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2015

State Awards

Internal control over major State programs:

- Material weakness(es) identified?                      \_\_\_\_yes                      \_\_\_\_no
- Significant Deficiency(s) identified  
that are not considered to be  
material weaknesses                      \_\_\_\_yes                      \_\_\_\_none reported

Type of auditor's report issued on compliance for major State programs:

Any audit findings disclosed that are required  
to be reported in accordance with the State  
Single Audit Implementation Act                      \_\_\_\_yes                      \_\_\_\_no

Identification of major State programs:

Program Name  
None

City of Trinity, North Carolina  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2015

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**Section II – Financial Statement Findings**

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MATERIAL WEAKNESS

2015 – 1 Segregation of Duties

Criteria: Duties should be segregated to provide reasonable assurance that transactions are handled appropriately.

Condition: There is a lack of segregation of duties among City personnel.

Effect: Transactions could be mishandled.

Cause: There are a limited number of personnel for certain functions.

Recommendation: The duties should be separated as much as possible, and alternative controls should be used to compensate for lack of separation. The governing board should provide some of these controls.

Views of responsible officials and planned corrective actions: The city agrees with this finding and will adhere to the correction action plan on page 67 in this audit report.

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**Section III - Federal Award Findings & Questioned Costs**

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None reported.

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**Section IV – State Award Findings & Questioned Costs**

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None reported.

City of Trinity, North Carolina  
Corrective Action Plan  
For the Fiscal Year Ended June 30, 2015

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**Section II – Financial Statement Findings**

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MATERIAL WEAKNESS

2015 – 1 Segregation of Duties

Name of contact person: Debbie Hinson, City Manager/Finance Officer

Corrective Action: The duties will be separated as much as possible and alternative controls will be used to compensate for lack of separation.

Proposed Completion Date: The City Manager/Finance Officer will implement the above procedure immediately.

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**Section III - Federal Award Findings & Questioned Costs**

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None reported.

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**Section IV – State Award Findings & Questioned Costs**

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None reported.

City of Trinity, North Carolina  
Summary Schedule of Prior Audit Findings  
For the Fiscal Year Ended June 30, 2015

**Finding: 2014-1**

Status: Duties are being separated as much as possible and alternative controls are being implemented to compensate for lack of separation. The governing board is becoming more involved in providing some of these controls.